SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This SETTLEMENT AGREEMENT AND MUTUAL RELEASE ("Settlement Agreement") entered into by and between CS Stonehouse , LLC ("CS Stonehouse"), CS One Carter LLC ("CS One Carter") and the City of Sierra Madre (the "City") is effective as of March 23, 2010. The parties hereto are sometimes referred to herein individually as a "Party" and jointly as the "Parties."

RECITALS

A. CS Stonehouse is the owner of certain property of approximately 103 acres located in the City of Sierra Madre and more fully described on **Exhibit "A"** (the "Stonehouse Property");

B. CS One Carter is the owner of certain property of approximately 63 acres located in the City of Sierra Madre and more fully described on **Exhibit "B"** (the "One Carter Property");

C. CS Stonehouse and CS One Carter assumed ownership of the Stonehouse Property and the One Carter Property as a result of a non-judicial foreclosure or trustee's sale that was held on December 19, 2008. The trustee's sales were "unified sales" under which the foreclosing trustee sold both the real property as well as certain personal property collateral.

D. The prior owner of the One Carter Property was One Carter, LLC, and the prior owner of the Stonehouse Property was Stonehouse, LLC (hereinafter collectively referred to as "Prior Owner").

E. Prior Owner's predecessor in interest filed an application for a vesting tentative map, conditional use permit and variance for the development of the One Carter Property (the "One Carter Applications"). On August 8, 2005, the City adopted Resolution No. 05-058 approving a vesting tentative map, conditional use permit and variance for the development of 29 lots for the One Carter Property (the "One Carter Approvals").

F. On October 6, 2006, the City approved a negative declaration and adopted an amendment to Chapter 17.52 of the Municipal Code known as the New HMZ Ordinance and rezoned of the entirety of the Stonehouse Property and the One Carter Property to HMZ (the "HMZ Zone Change").

G. The Prior Owner entered into a Deferred Improvement Agreement (the "DIA") with the City, and recorded a Final Tract Map for the One Carter Property (Tract No. 054016, recorded August 22, 2007) (the "One Carter Final Map"), and commenced grading on the One Carter Property to create infrastructure and building pads. The grading of the One Carter Property continues under the direction of CS One Carter. No applications have yet been submitted or approvals granted for the construction of homes on the One Carter Property.

H. On April 28, 2009, the City certified an environmental impact report ("EIR") and on June 23, 2009, adopted an ordinance readopting the New HMZ Ordinance and the HMZ Zone Change (the "Readoption Ordinance").

I. On July 28, 2009, the City approved a five (5) month extension of the vesting period for the One Carter Final Map subject to certain conditions of approval, pursuant to Resolution 09-55.

J. A dispute has arisen as to which zoning and development ordinances will apply to applications for development of the One Carter Property once submitted and, in particular, whether such applications will be governed by the law at the time the new applications are submitted and complete or the law at the time the One Carter Applications, specifically the approved vesting tentative map application, was deemed complete.

K. In February, 2006, the Prior Owner submitted applications (the "Stonehouse Applications") to the City for Vesting Tentative Tract Map 06-01 and Conditional Use Permit 06-02 for the subdivision and development of the southerly approximately 25 acres of the Stonehouse Property into 35 single-family residential lots (the "Original Stonehouse Proposal"). The Prior Owner contends that the Stonehouse Applications were complete as of April 17, 2006, and that the Stonehouse Applications complied with the ordinances, standards, regulations and rules in effect as of April 17, 2006, including, without limitation, Sierra Madre Municipal Code ("SMMC") Chapter 17.52 (the "Original HMZ Ordinance"), a copy of which is attached as **Exhibit "C"**.

L. The City determined that the Stonehouse Applications were incomplete as of April 17, 2006. The Prior Owner submitted additional information and the City later deemed the Stonehouse Applications complete as of October 26, 2006, and denied the Stonehouse Applications on January 9, 2007. Stonehouse, LLC, filed lawsuits in Los Angeles Superior Court challenging the City's decisions. Stonehouse, LLC and One Carter LLC also filed other lawsuits challenging other actions by the City in ongoing disputes concerning the Stonehouse Property and the One Carter Property, resulting in the filing of seven lawsuits against the City. One Carter, LLC, is a petitioner in two of the lawsuits. The lawsuits filed by the Prior Owner against the City in the Los Angeles Superior Court are collectively referred to herein as the "Stonehouse Lawsuits."

M. The Stonehouse Lawsuits consist of the following lawsuits:

(1) Complaint for Declaratory Relief, Case No. BC 355516, filed July 17, 2006;

(2) Petition for Writ of Mandate, Case No. BS 105493, filed October 10, 2006, as amended by the First Amended Petition for Writ of Mandate, filed April 8, 2009, currently on appeal in the California Court of Appeal, 2nd Appellate District, Appeal No. B217786 (consolidated on appeal with Appeal No. B217785);

(3) Petition for Writ of Mandate, Case No. BS 105770, filed October 23, 2006;

(4) Complaint and Petition for Writ of Mandate, Case No. BC 361569, filed November 8, 2006, currently on appeal in the California Court of Appeal, 2nd Appellate District, Appeal No. B217785 (consolidated on appeal with Appeal No. B217786);

(5) Petition for Writ of Mandate, Case No. BS 106081, filed November 9, 2006, in which the entity, One Carter, LLC, is also a petitioner;

(6) Petition for Writ of Mandate and Complaint for Injunctive Relief, Case No. BC 362808, filed December 4, 2006, in which the entity, One Carter, LLC, is also a plaintiff petitioner; and

(7) Petition for Writ of Mandate, Case No. BS 108294, filed April 9, 2007, currently on appeal in the California Court of Appeal, 2nd Appellate District, Appeal No. B217786 (consolidated on appeal with Appeal No. B217785).

N. The Stonehouse Lawsuits challenged not only the City's decision to deem the Stonehouse Applications incomplete as of April 17, 2006, but also the City's processing of the Stonehouse Applications and the City's ultimate denial of the Stonehouse Applications and included challenges to the City's enactment of the New HMZ Ordinance and the rezoning of the entirety of the Stonehouse Property and the One Carter Property to HMZ by the HMZ Zone Change and the application of New HMZ Ordinance to the Stonehouse Property and the One Carter Property.

O. On February 10, 2009, and March 12, 2009, CS One Carter and CS Stonehouse filed motions to intervene in the Stonehouse Lawsuits.

P. On April 24, 2009, and May 13, 2009, counsel for Stonehouse LLC and One Carter LLC filed requests for dismissal of four of the cases identified in Recital M., above, and the court entered orders to dismiss Case Number BS105493, Case Number BC361569, Case Number 362808, and Case Number BS108294, the dismissals of two of the cases, as noted above, are on appeal before the California Court of Appeal.

Q. On May 22, 2009, the Los Angeles Superior Court granted the motion of CS Stonehouse to intervene in Case Number BS105770 and the motion of CS Stonehouse and CS One Carter to intervene in Case Number BS106081.

R. On July 23, 2009, CS One Carter and CS Stonehouse filed a Petition for a Writ of Mandate (Case Number BS 121764) challenging the certification of the EIR and adoption of the Readoption Ordinance (the "CEQA Litigation").

S. If the court were to rule in favor of the plaintiffs, petitioners and intervenors in the Stonehouse Lawsuits, it is conceivable that the Stonehouse Property could be developed with a maximum of 50 dwelling units under the land use and zoning designations for the Stonehouse Property before enactment of the New HMZ Ordinance and the HMZ Zone Change.

T. If the City were to prevail in defeating all of the Stonehouse Lawsuits and the CEQA Litigation, it is conceivable that development of the Stonehouse Property could be governed by the New HMZ Ordinance, the Readoption Ordinance and the HMZ Zone Change requiring, among other things, two-acre minimum lot sizes on the Stonehouse Property.

U. If the court were to rule in favor of the plaintiffs and petitioners in the Stonehouse Lawsuits and the CEQA Litigation, seven (7) of the lots on the One Carter Property could be developed under the Original HMZ Ordinance and the balance of the lots would be developed pursuant to the R-1 15,000 and R-1 11,000 regulations of the City.

V. In an effort to settle the Stonehouse Lawsuits, the Prior Owner had submitted a reduced-density version of the Stonehouse Applications for twenty-two (22) single-family residences, residential improvements and associated infrastructure (including debris basins, flood control improvements, private streets, driveways and retaining walls), the layout configuration and pad area for each lot and the building envelopes, setbacks, height limits and maximum allowable floor areas for the single-family improvements (the "Prior Settlement Plan").

W. In furtherance of the efforts to settle the Stonehouse Lawsuits and the CEQA Litigation, CS Stonehouse has submitted a revised settlement plan, as shown on the plan (the "CS Settlement Proposal Plan"), attached hereto as **Exhibit "D"** which proposes the creation of twenty (20) single-family residential lots and

(1) further reduces the grading in the area of Lots 4 and 9 from that shown on the Prior Settlement Plan;

(2) reduces substantially the size and grading needed for the debris basin consistent with County of Los Angeles requirements;

(3) further reduces to the extent feasible removal of or intrusion into an existing tree screen between the Stonehouse lots and existing residences on Liliano Drive; and

(4) further limits the proposed maximum allowable floor area of livable space in residences that could be constructed on the site.

In furtherance of settlement efforts, CS Stonehouse will submit to the City such technical studies and information as may be agreed upon by the City and CS Stonehouse are needed to commence preparation of an environmental impact report (EIR) in compliance with the California Environmental Quality Act which the City has determined will be needed for its consideration of the Stonehouse Applications. The submittal of such additional technical studies and information, if any, shall not affect the deemed-complete status of the Stonehouse Applications.

X. The Parties desire to seek a stay of the Stonehouse Lawsuits and the CEQA Litigation and to resolve the claims asserted by CS Stonehouse and CS One Carter in the Stonehouse Lawsuits and CEQA Litigation upon the terms and conditions set forth in this Settlement Agreement.

Y. The Parties acknowledge that CS Stonehouse and CS One Carter may not have the unilateral ability to dismiss the Stonehouse Lawsuits; however, as the owners of the real property and certain personal property collateral, CS Stonehouse and CS One Carter are the only entities who (1) may process the CS Settlement Proposal Plan; (2) can agree to be bound by the development rights and limitations reflected in the CS Settlement Proposal Plan, if approved; and (3) have the ability to bind subsequent owners of the properties to the terms of this Settlement Agreement, and as such are the only parties that can seek the remedies sought in the Stonehouse Lawsuits and CEQA Litigation as originally filed with the court. In furtherance of their efforts to gain unilateral control over the Stonehouse Lawsuits, CS Stonehouse and CS One Carter filed on July 31, 2009, a Motion to Substitute in the Stonehouse Lawsuits and on September 22, 2009, the Los Angeles Superior Court granted the Motion to Substitute in the Stonehouse Lawsuits.

NOW, THEREFORE, in consideration of all of the covenants and promises set forth in this Settlement Agreement, which, in the aggregate, constitute good and valuable consideration, the adequacy of which is acknowledged, the Parties agree as follows:

AGREEMENT

1. Development Approval Process.

1.1 This Settlement Agreement does not constitute an approval of the Stonehouse Applications, of the CS Settlement Proposal Plan or of any development application relating to the Stonehouse Property or the One Carter Property. By this Settlement Agreement, the Parties agree that:

(i) the City will apply the standards, timing and applicable law identified in this Settlement Agreement to its consideration of individual Hillside Development Permit applications for development of residences on the existing lots on the One Carter Property;

(ii) the City will consider in good faith the modifications to the Stonehouse Applications as reflected in the CS Settlement Proposal Plan, providing all necessary and appropriate due process to affected property owners and-neighbors;

(iii) CS Stonehouse shall meet with the neighbors immediately adjacent to the Stonehouse Property prior to formal submission of the CS Settlement Proposal Plan for processing by the City pursuant to this Settlement Agreement;

(iv) the City will apply the standards, timing and applicable law identified in this Settlement Agreement to its consideration of the CS Settlement Proposal Plan;

(v) As to CS One Carter, only if this Settlement Agreement is approved and executed and the time periods described in Section 6.2 below expire, will CS One Carter be obligated to file the stipulations, amended petitions and requests for dismissal set forth in Section 6.2 below and the waivers of claims and other ongoing rights and obligations identified in this Settlement Agreement as to CS One Carter shall become effective;

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(vi) As to CS One Carter, its obligations as set forth in Sections 1.1(v) and 6.2 hereto and its releases and waivers in Sections 8 and 10 hereto are independent of, and not contingent upon, the approval of the CS Settlement Proposal Plan (or if such other plan with the same number of residential lots as the CS Settlement Proposal Plan is accepted by CS Stonehouse pursuant to Section 7 hereof);

(vii) As to CS Stonehouse, only if the CS Settlement Proposal Plan (or if such other plan with the same number of residential lots as the CS Settlement Proposal Plan is accepted by Stonehouse pursuant to Section 7 hereof) is approved according to the time frames and other provisions set forth in this Agreement, then CS Stonehouse will request that the Stonehouse Lawsuits and CEQA Litigation be dismissed as set forth in Section 6.3 hereof and the waivers of claims and other ongoing rights and obligations identified in this Settlement Agreement shall become effective; and

(viii) As to CS Stonehouse, if the Settlement Proposal Plan (or if such other plan with the same number of residential lots as the CS Settlement Proposal Plan is accepted by Stonehouse pursuant to Section 7 hereof) is not processed or approved according to the timeframes and other provisions set forth in this Settlement Agreement, then the Stonehouse Lawsuits and CEQA Litigation will not be dismissed as set forth in Section 6.3 hereof, the waivers and releases by CS Stonehouse shall not be effective, the compromise positions between CS Stonehouse and the City described in this Settlement Agreement (including, without limitation, the submittal of the Settlement Proposal Plan, the submittal and all acts by CS Stonehouse in furtherance of the Settlement Proposal Plan, the City's revocation of its finding that the Stonehouse Applications were incomplete as of April 17, 2006 and its withdrawal of the May 16, 2006 letter as described in Section 3.2) shall not be binding or of any further effect and CS Stonehouse and the City's respective positions with respect to the Stonehouse Applications, the Original Stonehouse Project and the claims by CS Stonehouse that were the subject of the Stonehouse Lawsuits and CEQA Litigation shall not be compromised or affected by this Settlement Agreement, the stay of the Stonehouse Lawsuits and CEQA Litigation shall be lifted and, with the exception of Case Nos. 355516 and 362808, the Stonehouse Lawsuits and CEQA Litigation as they pertain to the Stonehouse Property only, subject to the provisions of Section 6.2, below, shall proceed.

1.2 The City makes no representation and provides no assurance that the CS Settlement Proposal Plan will be approved.

2. The CS Settlement Proposal Plan for Stonehouse.

2.1 The Parties agree that CS Stonehouse is proceeding with the CS Settlement Proposal Plan solely in furtherance of this Settlement Agreement and that the CS Settlement Proposal Plan limits the density of the Stonehouse Applications to twenty (20) single-family residences and buildable residential lots solely for purposes of this Settlement Agreement (exclusive of the existing "Heflin House" which exclusion is based upon City approval of a lot line application which placed the "Heflin House" on a separate legal lot), and without prejudice to the Stonehouse Applications and the Original Project in the event that the CS Settlement Proposal Plan is not processed or approved according to the timeframes and other provisions set forth in this Agreement. The Parties further agree that if the application for

Lot Line Adjustment No. 09-02 is approved which would result in the creation of an approximately 4-acre lot currently designated as Lot 20 on the CS Settlement Proposal Plan, the CS Settlement Proposal Plan shall be revised to remove Lot 20 and propose nineteen (19) buildable residential lots.

2.2 Solely in furtherance of this Settlement Agreement and subject to the provisions and contingencies set forth in Section 2.1, above, CS Stonehouse will prepare and submit conceptual landscaping, grading and infrastructure plans for the single-family residential lots including the subdivision infrastructure (including debris basins, flood control improvements, private streets, driveways and retaining walls), the layout, configuration and pad area for each of the residential lots, and the building envelopes, setbacks, height limits and maximum allowable floor areas for the single-family residential improvements (the "Stonehouse Single-Family Improvements") in accordance with the CS Settlement Proposal Plan. The conceptual landscaping, grading and infrastructure plans will not describe the precise layouts, engineering, architectural style and design of the single-family improvements to be constructed on the individual lots.

2.3 The CS Settlement Proposal Plan includes areas not designated for residential development and which are not included within a proposed residential lot within the Stonehouse Property, but which are designated on the CS Settlement Proposal Plan as "Open Space Lots" and are proposed to be deed-restricted open space, including an area that may be designated by the City as passive pedestrian open space, on such conditions as the City may impose as to hours, access, ingress and egress, maintenance, fire hazard mitigation and other health and safety matters.

3. Processing of the CS Settlement Proposal Plan.

3.1 The Parties agree that the City shall process and consider the Original Stonehouse Proposal as modified by the CS Settlement Proposal Plan in good faith and after duly noticed public hearings, pursuant to the standards described herein and in the time provided in the Processing Schedule attached hereto as **Exhibit "F"** (the "Processing Schedule"), except to the extent that the Processing Schedule is altered in writing by mutual agreement of the Parties. The processing and consideration of the CS Settlement Proposal Plan outside the time frames provided in the Processing Schedule without the written consent of CS Stonehouse shall not constitute a breach of this Agreement, but may be treated by CS Stonehouse as a disapproval of the CS Settlement Proposal Plan by giving written notice to the City, entitling CS Stonehouse to proceed with the Stonehouse Lawsuits, with the exception of Case Nos. 355516 and 362808, and CEQA Litigation as set forth in Section 1.1(viii) above. A waiver by CS Stonehouse of one time frame in the Processing Schedule does not constitute a waiver of all time frames in the Processing Schedule. The processing and consideration of the Original Stonehouse Proposal as modified by the CS Settlement Proposal Plan by the City shall be solely in furtherance of the Settlement Agreement and, in the event that the waivers and releases more fully described in Sections 1.l(viii) and 6.3 do not take effect, shall be without prejudice to the City's earlier determinations regarding the incompleteness of the Stonehouse Applications as of April 17, 2006 and the previous denial of the Stonehouse Applications, and CS Stonehouse and the City may pursue the Stonehouse Lawsuits, with the exception of Case Nos. 355516 and 362808, including the completeness of the Stonehouse Applications, and the

CEQA Litigation as they pertain to the Stonehouse Property only, subject to provisions of Section 6.2, below.

3.2 Solely for purposes of processing the Original Stonehouse Proposal as modified by the CS Settlement Proposal Plan, the City agrees to (1) revoke its determination that the Stonehouse Applications were incomplete as of April 17, 2006, (2) withdraw its letter dated May 16, 2006 setting forth such determination, (3) revoke its denial of the Stonehouse Applications, and (4) apply to the Stonehouse Applications for the Original Proposal as modified by the conditions embodied in the CS Settlement Proposal Plan the regulations and development standards under the Original HMZ. Provided, however, and solely, for purposes of the processing the Original Proposal as modified by the conditions embodied in the CS Settlement Proposal Plan and conditioned upon the continued processing and ultimate approval of the CS Settlement Proposal Plan or other plan with the same number of residential lots as the CS Settlement Proposal Plan accepted by CS Stonehouse pursuant to Section 7 hereof), CS Stonehouse voluntarily agrees that, except as provided below, the Original Proposal as modified by the conditions embodied in the CS Settlement Proposal Plan shall be subject to and reviewed pursuant to the provisions of the New HMZ Ordinance, together with any amendments thereto adopted by the City and accepted by CS Stonehouse). The following provisions of Original HMZ Ordinance, however, shall continue to apply to the CS Settlement Proposal Plan notwithstanding New HMZ Ordinance and the Readopted Ordinance:

(i) Lot density, which shall be as depicted on the CS Settlement Proposal Plan;

(ii) Lot sizes, which shall be as depicted on the CS Settlement Proposal Plan, subject to minor adjustments agreed upon by the Parties;

(iii) The compliance exceptions identified on **Exhibit "G"** attached hereto; The maximum floor areas as set forth in **Exhibit "H"** attached hereto; and

(iv) Any other matter expressly provided for in this Agreement.

(b) The Parties acknowledge that certain disagreements concerning property boundary locations have arisen between neighboring landowners of the Stonehouse Property and Prior Owner. Solely for purposes of the processing of the CS Settlement Proposal Plan, CS Stonehouse agrees to resolve such disagreements in a manner that results in the existing improvements of the neighboring landowners being allowed to lawfully remain and at no cost to the neighboring landowners. The resolution of the disagreements shall be reflected on the final subdivision map recorded for the Stonehouse Property.

(c) The Parties acknowledge that the existing tree screen on the eastern boundary of the Stonehouse Property, designated on the CS Settlement Proposal Plan by a Tree Protection Easement, provides privacy and visual mitigation and is valued by the neighbors. Solely for purposes of the processing of the CS Settlement Proposal Plan, CS Stonehouse agrees that all reasonable efforts shall be made to preserve the tree screen consistent with the requirements of brush management, fuel clearance and compliance with appropriate fire authorities and wildfire management regulations. Further, the Parties agree that any removal or

replacement of trees within the Tree Protection Easement, whether designated as a protected species or not, shall be subject to review and recommendation by the Tree Advisory Commission in order to provide privacy and visual mitigation, and that CS Stonehouse will make good faith efforts to replant and replace any removed trees as soon as possible after completion of grading and site work, and prior to the sale of the individual lots. Any subsequent removal of trees within the Tree Protection Easement by a future lot owner for construction of a residence on that lot shall require application to and approval of a tree removal permit by the Tree Advisory Commission, and all future lot purchasers and homeowners shall be informed of said requirements through incorporation of this requirement into the Covenants Conditions and Restrictions ("CC&Rs") for the Stonehouse Project which shall be recorded against the property.

(d) The Parties acknowledge the presence of a landscaped area in the general location of Lot 19 noted as a Tree Protection Area on the CS Settlement Proposal Plan, and that it would provide an aesthetic benefit to retain as many of the existing trees as possible. Solely for purposes of processing the CS Settlement Proposal Plan, CS Stonehouse agrees that all reasonable efforts shall be made to preserve the existing trees and shall use its best efforts to prepare a grading plan for Lot 19 that retains as many of the existing trees as possible, subject, however, to the grading and construction requirements of the City and Los Angeles County to construct the debris basin, and the requirements of brush management, fuel clearance and compliance with appropriate fire authorities and wildfire management regulations. The obligation to preserve and protect the trees thereafter shall be recorded as an easement, run with the land and be the responsibility of the owner of Lot 19. All future lot purchasers and owners of Lot 19 shall be informed of said requirements through incorporation of this requirement into the Covenants Conditions and Restrictions ("CC&Rs") for the Stonehouse Project which shall be recorded against the property.

3.3 The City and CS Stonehouse agree that, if the CS Settlement Proposal Plan (or if such other plan with the same number of residential lots as the CS Settlement Proposal Plan is accepted by CS Stonehouse pursuant to Section 7 hereof) is approved, the parties shall concurrently enter into a statutory development agreement pursuant to Government Code Section 65864 that vests the development rights reflected in the CS Settlement Proposal. The development agreement shall provide that those single-family improvements for which a complete application for a Hillside Development Permit (or Administrative Hillside Development Permit, as applicable) is submitted within seven (7) years after the date of the recordation of the final subdivision map for the approved plan (the " Stonehouse Final Map") shall be conform to the provisions of the New HMZ Ordinance and the Readopted Ordinance, except for any amendments thereto adopted by the City and accepted by Stonehouse, except as to the following provisions of the Original HMZ Ordinance which shall continue to apply to the Stonehouse Property:

(i) The building square footages and the maximum permissible gross floor areas, as described in **Exhibit "H"** attached hereto;

(ii) The compliance exceptions identified on **Exhibit "G"** attached hereto; and

(iii) Any other matter expressly provided for in this Agreement.

The development agreement shall further provide that the lot sizes and lot configuration approved by the City for the Stonehouse Property and shown on the Stonehouse Final Map shall continue to be considered legal lots for purposes of processing Hillside Development Permits or Administrative Hillside Development Permits and the provisions of Section 17.52.140 of the Sierra Madre Municipal Code shall not apply to prohibit development of a residence on a legal lot approved in accordance with this Settlement Agreement. The Parties further agree that the lots proposed on the CS Stonehouse Settlement Proposal Plan are located south of the view line referenced in Municipal Code Section 17.52.120(12).

3.4 The City and CS Stonehouse agree that, if the CS Settlement Proposal Plan (or if such other plan with the same number of residential lots as the CS Settlement Proposal Plan is accepted by CS Stonehouse pursuant to Section 7 hereof) is approved, the Stonehouse VTTM (as defined in Section 3.5) and statutory development agreement which shall be entered into pursuant to Section 3.3, above, shall provide that those Stonehouse Single-Family Improvements for which a complete application for a Hillside Development Permit (or Administrative Hillside Development Permit, as applicable) is submitted after the date 7 years after Final Map Recordation shall be governed by, and processed by the City pursuant to, the zoning code and ordinances in effect at the time the complete application is received and that **Exhibits "G" and "H"** shall have no effect as to such application.

3.5 The CS Settlement Proposal Plan shall be processed as a Vesting Tentative Tract Map (the "Stonehouse VTTM") with a term set forth in the statutory development agreement which shall not be less than 4 years and a Hillside Development Permit (the "Settlement Plan Approvals"). The pending Stonehouse Lawsuits and CEQA Litigation shall not extend the term of the Stonehouse VTTM, notwithstanding the provisions of Government Code section 66452.6(c), but the City Council shall extend the term of the Stonehouse VTTM as a result of any lawsuits filed by third parties as provided under state law and as may be provided pursuant to the terms of the statutory development agreement. The Settlement Plan Approvals to be considered by the City shall encompass any and all actions required in order to authorize the subdivision of the Stonehouse Property, the siting and building envelopes for the Stonehouse Single-Family Improvements on the residential lots and the design, construction, installation and placement of the CS Settlement Proposal Plan infrastructure, including the Stonehouse VTTM, the Hillside Development Permit, tree removal permits, haul route permits and any other necessary permits. The Parties acknowledge and agree that the CS Settlement Proposal Plan does not include approvals of the design, construction, architecture and engineering of the improvements to be constructed on the residential lots, which approval shall require subsequent applications for Hillside Development Permits (or Administrative Hillside Development Permits, as applicable).

3.6 The conditions of approval of the Stonehouse Plan Approvals shall authorize the temporary stockpiling of dirt on-site in such locations and during such periods as may be necessary under CS Stonehouse's grading plan, subject to reasonable regulations and conditions as determined by the City to protect the health and safety of the public and to comply with any recommended mitigation measures identified during environmental review.

3.7 Additionally, the City represents that it currently is aware of no information inconsistent with the following assertions made by CS Stonehouse with respect to the Stonehouse Property:

(i) that the slope and topography of the Stonehouse Property are as described in the Slope Density Analysis submitted with the Stonehouse Applications, which provides sufficient information to determine the slope categories of the land within the Stonehouse Property;

(ii) that the existing slope and condition of land is the best available approximation of the "natural" slope and condition;

(iii) that the man-made water feature on the Stonehouse Property is not a wetland, stream or natural water element under state or federal law; and

(iv) that the preservation and setting aside of the open space area as shown on the CS Settlement Proposal satisfies all applicable dedications and in-lieu fee payment requirements under Sierra Madre Municipal Code Chapter 16.44 and all recreation fee portions of the public facilities fees under Sierra Madre Municipal Code Chapter 15.52.

3.8 The CS Settlement Proposal Plan includes and requires the construction, installation and maintenance of a debris basin ("Debris Basin") of significant size. CS Stonehouse shall work with Los Angeles County to ensure that the design, dimensions, placement and all other aspects of the Debris Basin complies with the requirements of Los Angeles County so that Los Angeles County accepts the Debris Basin for maintenance. In connection with its CEQA analysis, the City may evaluate alternative designs for the Debris Basin that might mitigate potential impacts on the community. The CS Settlement Proposal Plan shall comply with those mitigation measures identified and adopted by the City in accordance with CEQA and shall incorporate measures to accommodate those requirements and specifications for the Debris Basin and related landscaping identified by the County of Los Angeles. The CS Settlement Plan Approvals shall include the approval of a haul route and haul route procedures for the import of fill for the Debris Basin and otherwise under CS Stonehouse's grading plan.

3.9 The City as the lead agency under the California Environmental Quality Act ("CEQA") shall prepare the environmental review document evaluating the CS Settlement Proposal Plan, including any alternative plan with the same number of residential lots accepted by CS Stonehouse pursuant to Section 7 hereof, in accordance with CEQA. The City had engaged previously, RBF Consulting, an environmental consulting firm, to prepare the environmental review document for the Stonehouse Property. The City shall obtain from RBF and from three other environmental consulting firms, a proposal to prepare the environmental review document for the Original Stonehouse Proposal as modified by the conditions embodied in the CS Settlement Proposal Plan. The City shall provide CS Stonehouse with a copy of all proposals and shall review the proposals with CS Stonehouse prior to selecting and accepting the proposal. The final decision to select and accept a proposal, however, rests exclusively within the City's control. CS Stonehouse shall pay for all costs associated with the

environmental review and shall provide and maintain a deposit in a reasonable amount determined by the City to be sufficient to cover the costs of the environmental review and shall enter into a third party reimbursement agreement in a form reasonably acceptable to the City Attorney. Within fifteen (15) days after execution of this Settlement Agreement by both parties, CS Stonehouse shall deposit in escrow with an escrow or title company located in Los Angeles County, California the sum of $66,000.00 which reflects the money incurred by the City to date for preparation of an EIR for the development of the Stonehouse Property to the extent such costs have not already been reimbursed. Escrow instructions shall provide that the $66,000.00 shall be released to the City after approval of the HMZ Guidelines by the Planning Commission, after all administrative appeals have been exhausted and after ninety (90) days have elapsed after final adoption by the City of the HMZ Guidelines and no third party litigation has been filed. In the event third party litigation is filed challenging the City's approval of the HMZ Guidelines, the obligations set forth in this section, including but not limited to payment of the sum of $66,000.00, shall be deferred until the litigation is resolved to the satisfaction of the City and CS Stonehouse. The payment of the $66,000.00 shall be made within thirty (30) days after resolution of any third party litigation brought against the HMZ Guidelines. "Third party" as used in this section means and refers to entities or persons other than the Parties, the Prior Owners, and their predecessors in interest. All work product received by the City from RBF, and any other environmental consulting firm, including but not limited to all work product produced to date, technical studies, and detailed invoices for such work, shall be provided to CS Stonehouse upon release from escrow of the $66,000.00.

3.10 The City's approval of the Original Stonehouse Proposal as modified by the conditions embodied in the CS Settlement Proposal Plan shall be subject to reasonable conditions, and CS Stonehouse acknowledges that conditions of approval on a project of this magnitude might easily exceed one hundred in number (the "Stonehouse Conditions of Approval"). Those conditions may include, but need not be limited to, (i) all of the mitigation measures identified in the CEQA document for the Settlement Plan Proposal or Alternative Settlement Proposal Plan unless alternative mitigation is substituted for one or more of those measures as permitted by CEQA; (ii) conditions to assure compliance with applicable City, state, County and federal laws and permitting requirements; (iii) provisions for bonds, insurance, indemnity and other conditions to assure the City and its residents are reasonably financially protected and the project will be completed in a safe and timely fashion; (iv) conditions to assure maintenance in perpetuity of all infrastructure and limitations on the use and maintenance of the rear portions of lots that abut existing homes; and (v) alterations or modifications to the design, dimensions, placement or other aspects of the Debris Basin; and (vi) such other conditions as City reasonably deems necessary to protect the public health, safety, and welfare. The City shall not exceed its authority under its police power as limited by applicable law or the Constitutional requirements of nexus and reasonable proportionality (i.e., *Nollan/Dolan*), or impose conditions that would prevent development of the Stonehouse Property consistent with the CS Settlement Proposal Plan. The City shall provide to CS Stonehouse a reasonable opportunity to review, comment upon and suggest revisions to City staff's proposed Conditions of Approval prior to action by the Planning Commission and the City Council. If CS Stonehouse does not agree with any of the Conditions of Approval adopted by the Planning Commission or the City Council, CS Stonehouse shall have the rights described in Section 7 hereof.

3.11 CS Stonehouse shall pay for all actual and reasonable costs of the City associated with the processing of the Original Stonehouse Proposal as modified by the conditions embodied in the CS Settlement Proposal Plan, including staff time, and shall provide and maintain a deposit in a reasonable amount determined by the City. The failure to maintain a sufficient deposit shall entitle the City to cease processing the Original Stonehouse Proposal as modified by the conditions embodied in the CS Settlement Proposal Plan until the deposit is restored and to adjust the Processing Schedule (**Exhibit "F"**) to account for the impacts of the delays.

4. CS Stonehouse Subsequent Approvals.

4.1 Provided that the CS Settlement Proposal Plan (or such other plan with the same number of residential lots as the CS Settlement Proposal Plan if accepted by CS Stonehouse pursuant to Section 7 hereof) is approved by the City, the City shall issue grading permit(s) and approve the Stonehouse Final Map in accordance with the standards set forth in Section 3.2 hereof and in accordance with a processing plan and schedule to be mutually agreed upon by CS Stonehouse and the City within thirty (30) days after approval of the Stonehouse VTTM or within 60 days after submittal of a complete grading permit application and proof of satisfaction of all of the Conditions of Approval of the Stonehouse VTTM relating to the approval of the Stonehouse Final Map, whichever is later. Such processing plan shall include a form of a checklist for verification of fulfillment of the Conditions of Approval and a provision for periodic progress meetings between CS Stonehouse representatives and City staff.

4.2 The Hillside Development Permit applications for the Stonehouse Single-Family Improvements shall include discretionary review of the precise layout, design, size, architectural treatment, engineering and similar details of the Stonehouse Single-Family Improvements on the residential lots under the New HMZ Ordinance and Readopted Ordinance, except for any amendments thereto adopted by the City and accepted by CS Stonehouse, subject to the provisions of this Agreement, including Section 3.3 or, as applicable, Section 3.4. Stonehouse acknowledges that the maximum permissible gross floor areas set forth in **Exhibit "H"** are the legally maximum allowable floor areas and do not constitute guarantees of the floor areas that will be authorized in the discretionary review process. The City acknowledges that, in determining the authorized floor areas for the Stonehouse Single-Family Improvements: the maximum permissible gross floor areas set forth in **Exhibit "H"** are to be treated as the legally allowable maximum gross floor areas under the Sierra Madre Municipal Code; that the discretionary review shall be conducted so as to apply the permissible gross floor areas as an authorized maximum standard for the Stonehouse Single-Family Improvements; that the maximum permissible gross floor areas shall be considered in good faith, together with the lot size and configuration and the design, layout and architectural treatment of the Stonehouse Single-Family Improvements in a manner consistent with the terms of this Agreement, including Section 3.3, or, as applicable, Section 3.4; that the maximum permissible gross floor areas shall not be reduced arbitrarily; and that any reduction from the maximum permissible gross floor areas must be based on guidelines, findings and criteria articulated in the Code that is identified in Paragraph 3.3 and 3.4 above or in this Agreement.

4.3 The Stonehouse subsequent approvals shall be subject to application processing fees and deposit requirements under the Code applicable at the time of application.

5. Processing of One Carter Residences Applications.

5.1 The City and CS One Carter acknowledge and agree that a vesting tentative map application was submitted, deemed complete and processed for the One Carter Property prior to October 6, 2006, and that the provisions of the Original HMZ Ordinance therefore apply to the One Carter Approvals with respect to lot sizes and lot configuration. At the time the One Carter Approvals were processed and approved, seven (7) lots were zoned HMZ, and the remaining lots were zoned R-1 15,000 and R-1 11,000. Those seven lots were Lots 3, 4, 5, 6, 7, 15, and 16 ("Original HMZ Lots"). The Parties further agree that the conditions of approval for the One Carter Vesting Tentative Map, Conditional Use Permit 03-09, and Variance 04-11 adopted August 8, 2005 (the "One Carter Conditions of Approval") that refer to and pertain to Original HMZ lots or lots within the HMZ zone refer only to Lots 3, 4, 5, 6, 7, 15 and 16 as defined in the One Carter Conditions of Approval. Solely in furtherance of settlement of the Stonehouse Lawsuits and the CEQA Litigation, CS One Carter and the City voluntarily agree that individual homes and related improvements on all of the lots created by the One Carter Final Map for which a complete application for a Hillside Development Permit (or Administrative Hillside Development Permit, as applicable) is submitted within five (5) years after the Effective Date of this Agreement shall comply with the New HMZ Ordinance, except for any amendments thereto adopted by the City and accepted by CS One Carter, except as to the following (which shall be considered vested based on the One Carter Vesting Tentative Tract Map):

(i) The building square footages and the maximum permissible gross floor areas, as described in **Exhibit "I"** attached hereto;

(ii) The compliance exceptions identified on **Exhibit "J"** attached hereto; and

(iii) Any other matter expressly provided for in this Agreement.

5.2 The City and CS One Carter agree that individual homes and related improvements (the "One Carter Residences") for which a complete application for approval of a Hillside Development Permit (or Administrative Hillside Development Permit, as applicable), is submitted after the expiration of the 5 year period after the Effective Date of this Agreement shall be governed by, and processed by the City pursuant to, the zoning code and ordinances in effect at the time the complete application is submitted and that **Exhibits "I" and "J"** shall have no effect as to such applications. Sierra Madre Municipal Code Section 17.52.130 provides that "[i]t is not the intent of this provision to prevent custom-home development of land after it has been divided." The Parties agree that the lots established by the One Carter Final Map shall be deemed to be existing legal lots as that term is used in Section 17.52.130 and as no further land division is proposed by CS One Carter, the provisions of Section 17.52.140 requiring minimum 2 acre lots shall not apply to the existing One Carter lots nor prevent development of homes on the existing One Carter lots.

5.3 The Hillside Development Permit applications for the individual homes and related improvements on the One Carter lots shall include discretionary review of the precise layout, design, size, architectural treatment, engineering and similar details of the One

Carter Residences under the New HMZ Ordinance and the Readopted Ordinance, except for any amendments thereto adopted by the City and accepted by CS One Carter, subject to the provisions of this Agreement, including Section 5.1. CS One Carter acknowledges that the maximum permissible gross floor areas set forth in **Exhibit "I"** as amended by Section 5.1(i) and Section 5.2 above, are the legally maximum allowable floor areas and do not constitute guarantees of the floor areas that will be authorized in the discretionary review process. The City acknowledges that, in determining the authorized floor areas for the One Carter Residences: the maximum permissible gross floor areas are to be treated as the legally allowable maximum gross floor areas under the Sierra Madre Municipal Code; that the discretionary review shall be conducted so as to apply the permissible gross floor areas as a maximum authorized standard for the One Carter Residences; that the maximum permissible gross floor areas shall be considered in good faith, together with the lot size and configuration and the design, layout and architectural treatment of the One Carter Residences in a manner consistent with the terms of this Agreement, including Section 5.1; that the maximum permissible gross floor areas shall not be reduced arbitrarily; and that any reduction from the maximum permissible gross floor areas must be based on guidelines, findings and criteria articulated in this Settlement Agreement or in the Municipal Code that is identified in Paragraphs 5.1 and 5.2, above.

5.4 The One Carter Residence applications shall be subject to application processing fees and deposit requirements under the Code applicable at the time of application.

5.5 Restrictions on Lot 3. In furtherance of the goals of this Settlement Agreement, CS One Carter shall agree to record a deed restriction on Lot 3 that limits the uses of Lot 3 to those set forth in this provision. The deed restriction shall only allow landscaping and erection of a fence/gate/wall, that can be developed in compliance with the HMZ Ordinance and other applicable ordinances, in connection with the approval of a Hillside Development Permit for development of a residential structure on Lot 4. No other structures or improvements, other than those improvements that are proposed to be included in a landscaping plan, and approved by the City, shall be constructed on Lot 3. CS One Carter shall record the deed restriction on Lot 3 within fifteen (15) days of approval of the HMZ Guidelines by the Planning Commission and after all administrative appeals have been exhausted and ninety (90) days have elapsed after final adoption by the City of the HMZ Guidelines and no third party litigation has been filed. In the event third party litigation is filed challenging the City's approval of the HMZ Guidelines, the obligations set forth in this section, including but not limited to the recording of the deed restriction on Lot 3, shall be deferred until the litigation is resolved to the satisfaction of the City and CS Stonehouse. The obligation to record the deed restriction on Lot 3 shall be satisfied within thirty (30) days after resolution of any third party litigation brought against the HMZ Guidelines. The term "third party" as used in herein has the same definition as set forth in Section 3.9, above. CS One Carter further agrees not to transfer ownership of Lots 3 and 4, or seek to develop Lot 3 or Lot 4, until the deed restriction has been recorded. In consideration for CS One Carter's agreement to record the deed restriction that limits development on Lot 3, the City agrees that CS One Carter can enter into a lot tie agreement to tie Lot 3 and Lot 4 together for the purpose of development, and that CS One Carter can offer for sale to a third party purchaser Lots 3 and 4 subject to the terms of this Settlement Agreement. The City further agrees that because development is restricted on Lot 3, setback requirements shall not apply to the lot line between Lots 3 and 4.

5.6 **Effective Date of Exhibits "I" and "J".** The Parties agree that upon execution of this Settlement Agreement by all parties and subject to Sections 5.1 to 5.4, above, the development standards set forth in **Exhibit "I" and Exhibit "J"** shall become effective immediately. Applications for Hillside Development Permits to construct residences on the lots established by Tract No. 054016 may be submitted to the City anytime after execution of the Settlement Agreement, and shall be processed upon the following terms and conditions: An applicant for a Hillside Development Permit may submit an application that complies with the provisions of the New HMZ Ordinance as adopted pursuant to the Readoption Ordinance, except as to those items addressed in **Exhibits "I" and "J"**, and any other matter expressly provided for in this Agreement as set forth in Section 5.1, even if CS Stonehouse has not exercised the obligation set forth in Section 8.1(i), below. Applications may be submitted and reviewed by the City in advance of completion and final approval of the HMZ Guidelines. Any such application that utilizes the provisions of **Exhibits "I" and "J"** shall be accepted and reviewed by the City, and if deemed complete, shall be processed pursuant to Section 17.52 of the Municipal Code, except as to those items addressed in **Exhibit "I"** and **Exhibit "J"**.

5.7 The Parties agree that the graded lots on Tract No. 54016 are located south of the view line referenced in Municipal Code Section 17.52.120(12).

6. Stonehouse Lawsuits and CEQA Litigation.

6.1 Upon the execution of this Settlement Agreement, the Parties shall request that the Court stay the Stonehouse Lawsuits and the CEQA Litigation to permit the Settlement Proposal Plan or any alternative plan of not less than 20 residential lots that is accepted by CS Stonehouse pursuant to Section 7 hereof to be processed in accordance with the Settlement Agreement. If the Court refuses to stay any of the Stonehouse Lawsuits or the CEQA Litigation, and the Parties still desire to comply with the terms of the Settlement Agreement and process the CS Settlement Proposal Plan, the Parties shall cooperate in identifying other feasible means of allowing the Parties to process the Settlement Proposal Plan during the pendency of litigation, specifically, the Parties shall enter into an agreement under which the City shall agree to toll any applicable statute of limitations as to CS Stonehouse and CS One Carter only from the respective dates of the filings of the Stonehouse Lawsuits and the CEQA Litigation until 30 days from the date of termination of the Settlement Agreement, and CS One Carter and CS Stonehouse shall request the court to dismiss without prejudice the Stonehouse Lawsuits and the CEQA Litigation. If the Court refuses to stay any of the Stonehouse Lawsuits or the CEQA Litigation, and the Parties cannot mutually agree on an alternative, feasible means of allowing the Parties to process the Settlement Proposal Plan, then this Settlement Agreement will be void and of no further effect as more fully described in Section 1.1(v) above and the litigation, with the exception of Case Nos. 355516 and 362808, will proceed.

6.2 As to CS One Carter only, after expiration of 180 days after execution of the Settlement Agreement during which no third party legal challenges have been filed to the City's approval of the Settlement Agreement, CS One Carter shall either enter into a stipulation or amend the petitions for writs of mandate filed in the Stonehouse Litigation to (1) limit the Stonehouse Lawsuits and the CEQA Litigation to the Stonehouse Property only, and (2) dismiss CS One Carter as a party to the Stonehouse Lawsuits and CEQA Litigation, such stipulations,

amendments and dismissals to be filed within 30 days after expiration of the 180-day period described above. CS One Carter agrees not to refile any of the Stonehouse Lawsuits or the CEQA Litigation after such stipulation and/or dismissals. CS One Carter further agrees that in the event CS Stonehouse is successful in any of its claims in the Stonehouse Lawsuits or CEQA Litigation, any such judgment or orders in favor of CS Stonehouse in the Stonehouse Lawsuits or CEQA Litigation will have no effect on CS One Carter's release of claims in Sections 8 and 10 and, further, shall have no effect on the ordinances, processes and restrictions applicable to the lots and the applications for Administrative Hillside Development Permits and Hillside Development Permits as described more fully in Section 5 above, including, but not limited to, the specifications listed in Exhibits I and J hereto. CS One Carter's agreement not to refile and its agreement that its waivers and releases apply regardless of any potential successful claim by CS Stonehouse in the Stonehouse Lawsuit or CEQA Litigation shall be binding on all successors-in-interest to CS One Carter, including the purchasers of any of the residential lots, and shall run with the land, and CS One Carter agrees to comply with Section 12.8 to obtain the written acknowledgement from all successors-in-interest of such effect.

6.3 As to CS Stonehouse only, in the event that the CS Settlement Proposal Plan (or if such other plan with the same number of residential lots as the CS Settlement Proposal Plan is accepted by CS Stonehouse pursuant to Section 7 hereof) is approved in accordance with the Settlement Agreement and the Processing Schedule, then within thirty (30) days after the issuance of all necessary final approvals and the passage of all applicable limitations periods without the filing of a court challenge or referendum petition by someone other than a Party to this Settlement Agreement or a Party's legal representative, employee, assign, successor-in-interest, officer, partner, director or member, CS Stonehouse shall request that the Stonehouse Lawsuits be dismissed and shall dismiss the CEQA Litigation. CS Stonehouse agrees not to refile any of the Stonehouse Lawsuits or the CEQA Litigation after such dismissal. Such agreement not to refile shall be binding on all successors-in-interest to CS Stonehouse, including the purchasers of any of the residential lots, and shall run with the land, and CS Stonehouse agrees to comply with Section 12.8 to obtain the written acknowledgment from all successors-in-interest of such effect. CS Stonehouse agrees that if the CS Settlement Proposal Plan is not approved according to the timeframes and other provisions set forth in this Agreement, or a City approval is rejected by Stonehouse pursuant to Section 7 hereof, the lack of approval shall not be considered a breach of this Agreement, but the stay of the Stonehouse Lawsuits and CEQA Litigation shall be lifted as more fully set forth in Section 1.1(viii) hereof.

6.4 This Settlement Agreement is entered into by the Parties with the understanding that by such time the decision must be made by CS Stonehouse pursuant to Section 7 below, CS Stonehouse (and CS One Carter, if it is still a party) shall obtain the right to unilaterally dismiss the Stonehouse Lawsuits and shall provide evidence to the City of such unilateral authority. In the event CS Stonehouse or CS One Carter, if it still remains a party, is required under this agreement to dismiss the Stonehouse Lawsuits, but is unable to do so (e.g., because the Prior Owners remain parties and refuse to cooperate), CS Stonehouse and CS One Carter, if it still remains a party, may either: 1) agree to defend and indemnify the City with respect to all remaining lawsuits; or 2) declare this Settlement Agreement and any approvals issued pursuant thereto as void and of no further effect as more fully described in Section 1.1(iv) above and the litigation will proceed.

6.5 In entering into this Settlement Agreement, the Parties agree to divest the United States District Court of jurisdiction to mediate disputes arising out of the Settlement Agreement between the City and Maranantha High School (and related individuals) in Central District Cal. Case No. CV03-0082 DSF and also to void the requirement that any such disputes be submitted to binding arbitration.

7. Acceptance Rights. If the City (1) approves the Original Proposal as modified by the conditions embodied in the CS Settlement Proposal Plan but imposes conditions of approval which are not acceptable to CS Stonehouse or (2) approves a plan for not less than the number of lots in the CS Settlement Proposal Plan which would otherwise prevent the development of the Stonehouse Property in accordance with the CS Settlement Proposal Plan due to the imposition of conditions of approval or mitigation measures rendering development of the Stonehouse Property infeasible, CS Stonehouse may, at its sole option, determine whether (a) to reject the City approval and proceed in accordance with Section 1.1(viii) hereof or (b) to accept the City approval and proceed under this Settlement Agreement as though the CS Settlement Proposal Plan had been approved, ignoring any inconsistent terms. The City approval shall be deemed to have been accepted if CS Stonehouse does not reject the City approval in writing within thirty (30) days after all of the following have occurred: (a) final action by the City on the City approval, including exhaustion of all administrative appeals; (b) ninety (90) days have elapsed after final approval by the City of the CS Settlement Proposal Plan; and (c) no third party litigation has been filed. If third party litigation is filed challenging the City's approval of the CS Settlement Proposal Plan, CS Stonehouse must notify the City of its acceptance or rejection of the City's final action on the CS Settlement Proposal Plan within thirty (30) days after the litigation is filed. If CS Stonehouse accepts the City approval, it must then comply with the requirements of Section 8.1, below. The term "third party" as used herein has the same definition as set forth in Section 3.9, above. If CS Stonehouse accepts the approval, such acceptance shall constitute a waiver of any claim that the approval was not issued in accordance with Federal, State, or local law or the terms of this Agreement, including, but not limited to, the timeframes set forth in the attached Processing Schedule. If CS Stonehouse rejects the City approval, the City may choose to defend the litigation at its own cost, or rescind the approvals.

8. CS Stonehouse and CS One Carter Obligations.

8.1 As to CS Stonehouse, if the CS Settlement Proposal Plan (or if such other plan with the same number of residential lots as the CS Settlement Proposal Plan is accepted by Stonehouse pursuant to Section 7 hereof) is approved, according to the timeframes and other provisions set forth in this Agreement, CS Stonehouse shall:

(i) Except as expressly provided herein, for themselves, their heirs, legal representatives, employees, assigns, corporations or partnerships, expressly release the City and its legal representatives, employees, assigns, elected or appointed officials, from any and all liability for all present, past and future claims and demands, known or unknown, arising out of the matters which are or which could reasonably have been the subject of the Stonehouse Lawsuits, the CEQA Litigation or any matter relating to the submission and processing of the CS Settlement Proposal Plan, the Alternative Settlement Proposal Plan, or the

Original Project or to the conduct of the City or its representatives with respect thereto.

(ii) To the extent permitted by law, defend and indemnify the City, the City's employees, agents, and officials ("the City Indemnified Parties"), from and against any liability, claims, suits, actions, arbitration proceedings, regulatory proceedings, losses, expenses or costs arising out of the approval of this Settlement Agreement, the CS Settlement Proposal Plan, Alternative Settlement Proposal Plan, the Original Project, or compliance with respect to those approvals. The City shall cooperate with CS Stonehouse in the defense of any such claim or lawsuit in an effort to reduce the cost of defense. The City shall not agree to any injunction or settlement of such claim or lawsuit which would interfere with development of the Stonehouse Property over the objections of CS Stonehouse, provided that CS Stonehouse is not in breach of its duty to defend, indemnify and hold harmless the City Indemnified Parties with respect to such claim or lawsuit. CS Stonehouse shall be responsible for the defense of any such claim or lawsuit and the retention of legal counsel for such defense.

8.2 As to One Carter, CS One Carter shall:

(i) Except as expressly provided herein, for itself, its heirs, legal representatives, employees, assigns, corporations or partnerships, expressly release the City and its legal representatives, employees, assigns, elected or appointed officials, from any and all liability for all present, past and future claims and demands, known or unknown, arising out of the matters which are or which could reasonably have been the subject of the Stonehouse Lawsuits, the CEQA Litigation or any matter relating to the One Carter Approvals, the submission and processing of the CS Settlement Proposal Plan, the Alternative Settlement Proposal Plan, or the Original Project based on conduct, acts, or omissions of the City or its representatives that occurred prior to the date of execution of this Agreement with respect thereto.

(ii) To the extent permitted by law, defend and indemnify the City Indemnified Parties , from and against any liability, claims, suits, actions, arbitration proceedings, regulatory proceedings, losses, expenses or costs arising out of the approval of this Settlement Agreement, the One Carter Approvals, or compliance with respect to those approvals. The City shall cooperate with CS One Carter in the defense of any such claim or lawsuit in an effort to reduce the cost of defense. The City shall not agree to any injunction or settlement of such claim or lawsuit which would interfere with development of the One Carter Property over the objections of CS One Carter, provided that CS One Carter is not in breach of its duty to defend, indemnify and hold harmless the City Indemnified Parties with respect to such claim or lawsuit. CS One Carter shall be responsible for the defense of any such claim or lawsuit and the retention of legal counsel for such defense.

8.3. Within fifteen (15) days after execution of this Settlement Agreement by all Parties, CS One Carter shall deposit into escrow with an escrow or title company in Los Angeles County, California, the sum of One Hundred and Ten Thousand Dollars ($110,000.00) which represents the amount imposed by the City pursuant to the condition of approval adopted by the City in connection with approval of Resolution No. 09-55. Escrow instructions shall provide that the $110,000.00 shall be released to the City upon approval of the HMZ Guidelines by the Planning Commission, and after all administrative appeals have been exhausted and ninety (90) days have elapsed after final adoption by the City of the HMZ Guidelines and no third party litigation has been filed. In the event third party litigation is filed challenging the City's approval of the HMZ Guidelines, the obligations set forth in this section, including but not limited to payment of the sum of $110,000.00, shall be deferred until the litigation is resolved to the satisfaction of the City and CS Stonehouse. The payment of the $110,000.00 shall be made within thirty (30) days after resolution of any third party litigation brought against the HMZ Guidelines. The term "third party" as used herein has the same definition as set forth in Section 3.9, above." Payment of this sum and the sums provided for elsewhere in this Settlement Agreement shall constitute full satisfaction of any and all outstanding monetary obligations owed to the City by CS One Carter LLC and CS Stonehouse LLC that arose prior to December 19, 2008, including but not limited to any monetary obligations arising out of the Settlement Agreement entered into by and between the City and Maranantha High School and individuals ("Maranantha Settlement Agreement") or services provided in connection with the processing of development approvals prior to December 19, 2008.

9. City Obligations.

9.1 If the CS Settlement Proposal Plan (or if such other plan with the same number of residential lots as the CS Settlement Proposal Plan is accepted by CS Stonehouse pursuant to Section 7 hereof) is approved, the City shall:

(i) Except as expressly provided herein, for themselves, their heirs, legal representatives, employees, assigns, corporations or partnerships, expressly release CS Stonehouse and its representatives, employees, assigns, officers, partners, directors and members from any and all liability for all present, past and future claims and demands, known or unknown, arising out of the matters which are or which could reasonably have been the subject of the Stonehouse Lawsuits, the CEQA Litigation or any matter relating to the submission and processing of the CS Settlement Proposal Plan or the Original Project or to the conduct of CS Stonehouse or its representatives with respect thereto.

(ii) Refrain from rescinding any approval of the CS Settlement Proposal Plan other than for material breach of this Settlement Agreement or for violating a material term or condition of such City approval.

10. Release of Unknown Claims. As to each of the releases provided in Sections 8 and 9, if the Parties agree that with respect to the release of claims and demands provided for in this Settlement Agreement, all rights under Section 1542 of the California Civil Code are hereby expressly waived. Such section reads as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

11. Remedies and Alternative Dispute Resolution. In the event of a dispute, including mediation or litigation, arising out of the terms of this Settlement Agreement:

11.1 Such dispute shall be subject to mediation by a mediator mutually acceptable to both Parties. No action may be filed by any Party to this Settlement Agreement without first submitting the dispute to such mediation. If such mediation does not resolve the dispute, the Parties agree any lawsuit must be filed in Los Angeles County Superior Court, Central District. Notwithstanding anything herein to the contrary, nothing in this Section 11 shall preclude any Party from seeking interim or provisional relief, including without limitation, a temporary restraining order or preliminary injunction, concerning the dispute or controversy, if necessary to protect its interests. Bringing or defending an action for such relief shall not constitute waiver of the right or avoidance of the obligation to mediate contained in this Section 11.

11.2 The Parties agree that in the event of a breach of any provision of this Settlement Agreement for which mediation is sought pursuant to the provisions of Section 11.1, in the event mediation does not resolve the dispute, the Party alleging the breach may bring an action in Los Angeles County Superior Court, including breach of contract. The remedies set forth in this section shall inure to and be binding upon the representatives, agents, partners, joint venturers, heirs, successors and assigns of the Parties hereto, including successor developers, transferees and/or purchasers of the Stonehouse Property or any portion thereof, including any of the residential lots, and successor developers, transferees and/or purchasers of the One Carter Property or any portion thereof, including any of the residential lots therein as set forth in Section 12.7 below.

11.3 In any legal action or proceeding filed by any Party asserting the occurrence of a breach of the Settlement Agreement by any other Party, the prevailing party shall be entitled to reasonable costs and litigation expenses actually incurred, including attorneys' fees and expert witness fees.

11.4 Nothing in this Section 11 shall alter the Parties' agreement that the releases provided in Sections 8 and 10 by CS Stonehouse are conditioned upon approval of the CS Settlement Proposal Plan (or if such other plan of not less than 20 Individual Lots accepted by CS Stonehouse as set forth in Section 7 hereof). By contrast, the releases provided in Sections 8 and 10 as to CS One Carter are not conditioned upon approval of the CS Settlement Proposal Plan (or if such other plan of not less than 20 Individual Lots accepted by CS Stonehouse as set forth in Section 7 hereof), but are conditioned solely on the approval and execution of this Settlement Agreement.

11.5 As to CS Stonehouse, the essential consideration of this Settlement Agreement is City's approval of the CS Settlement Proposal Plan on the terms set forth in this Settlement Agreement, and the releases, waivers and indemnities set forth in Section 8 hereof.

Neither promise is severable from the other, and no remedy may be granted hereunder which has the effect of severing one from the other. As to CS One Carter, the essential consideration of this Settlement Agreement is the City's agreement to process One Carter residence applications in accordance with Section 5 above, and the releases, waivers, and indemnities set forth in Section 8 hereof. . Neither promise is severable from the other, and no remedy may be granted hereunder which has the effect of severing one from the other.

12. Miscellaneous Provisions.

12.1 Each Party shall bear its own fees and costs in connection with the Stonehouse Lawsuits and related proceedings, including the negotiation and drafting of this Settlement Agreement.

12.2 CS Stonehouse and CS One Carter each covenants and represents that, other than the lawsuits described in the recitals above, subsequent to April 17, 2006, neither CS Stonehouse nor CS One Carter has filed any complaints or charges or lawsuits with respect to the specific issues alleged in the Stonehouse Lawsuits or the CEQA Litigation against the City or any of its officers, employees, elected officials or agents, or against its affiliated and related entities or their officers, employees or agents, with any federal, state or local governmental agency or any court, and has not assigned to any other person or entity its rights to file any complaints or charges or lawsuits against the City or any of its officers, employees, elected officials or agents, or against its affiliated and related entities or their officers, employees or agents, with any federal, state or local governmental agency or any court . The City covenants and represents that, subsequent to April 17, 2006, the City has not filed any complaints or charges or lawsuits against CS Stonehouse or CS One Carter or any of their officers, employees or agents, or against their affiliated and related entities or their officers, employees or agents, with any federal, state or local governmental agency or any court.

12.3 All Parties to this Settlement Agreement agree to cooperate with each other and to execute such additional documents, papers and pleadings as may be necessary to give effect to this Settlement Agreement.

12.4 All Parties to this Settlement Agreement agree that time is of the essence of this Agreement and of the performance by the Parties of the respective obligations herein.

12.5 This Settlement Agreement is entered into by the Parties solely for the purpose of compromising and settling the matters in dispute. This Settlement Agreement does not constitute, nor shall it be construed to be, an admission by any Party of the truth or validity or scope of any claims or assertions made by any Party.

12.6 All Parties hereto declare that, prior to the execution of this Settlement Agreement, they have informed themselves of sufficient relevant data, either through experts or other sources of their own selection, and have sought and obtained legal counsel, in order that they might intelligently exercise their own judgment in evaluating the contents of this Settlement Agreement and making the decision to execute it. The Parties each represent and acknowledge that in executing this Settlement Agreement, they do not rely and have not relied

upon any representation or statement not set forth herein made by any other Party with regard to the subject matter, basis or effect of this Settlement Agreement.

12.7 The terms of this Settlement Agreement supersede all prior negotiations, promises, commitments or agreements of any of the Parties with any of the other Parties relating to the settlement or resolution of the Stonehouse Lawsuits and CEQA Litigation or the disputes expressly identified in the recitals above and sets forth the entire agreement between the Parties hereto. Any amendment or modification of this Settlement Agreement is void and without effect unless such modification is in a writing signed by the Party against whom the modification is to be charged.

12.8 The benefits and obligation of this Settlement Agreement shall inure to and be binding upon the representatives, agents, partners, joint venturers, heirs, successors and assigns of the Parties hereto, including successor developers, transferees and/or purchasers of the Stonehouse Property or any portion thereof, including any of the individual Lots, and successor developers, transferees and/or purchasers of the One Carter Property or any portion thereof, including any of the individual lots therein. Before selling or assigning an interest in the Stonehouse Property or the One Carter Property, including sales of individual lots, CS Stonehouse and/or CS One Carter, as applicable, shall require the assignee or purchaser to execute an acknowledgement that he has received a copy of this Settlement Agreement and that the herein benefits and obligations apply to such assignee or purchaser. CS Stonehouse and CS One Carter agree to indemnify and defend the City in accordance with the terms of Section 8.1(ii) above in the event the City is subject to any liability, claims, suits, actions, arbitration-proceedings, regulatory proceedings, losses, expenses or costs arising out of CS Stonehouse's or CS One Carter's failure to obtain such an acknowledgment. This Settlement Agreement shall be construed pursuant to the laws of the State of California.

12.9 The Parties acknowledge and agree that the terms and provisions of this Settlement Agreement have been negotiated and discussed among the Parties and their attorneys, and that this Settlement Agreement reflects their mutual agreement. Because of the nature of the negotiations and discussions, it would be inappropriate to deem any Party to be the drafter of this Settlement Agreement, and therefore no presumption for or against validity or as to any interpretation hereof, based on the identity of the drafter, shall be applicable in interpreting or enforcing the Settlement Agreement.

12.10 No provision of this Settlement Agreement may be waived unless in writing and signed on behalf of the City, CS One Carter and CS Stonehouse by persons with legal authority to do so.

12.11 This Settlement Agreement maybe executed in counterparts, and when each Party has signed and delivered at least one such counterpart, each counterpart shall be deemed an original; and when taken together with other signed counterparts shall constitute one Settlement Agreement which shall be binding upon and effective as to all Parties. Facsimile signatures are to be deemed equivalent to original signatures.

12.12 This Settlement Agreement is conditioned upon and will take effect only upon approval by, and execution on behalf of, CS Stonehouse and CS One Carter and approval

by, and execution on behalf of, the City Council of City. The date the last of these events occurs constitutes the "Effective Date" hereunder.

12.13 The signatories hereto represent that they are authorized to sign on behalf of the respective Parties they represent and are competent to do so, and each of the Parties hereto hereby irrevocably waives any and all rights to challenge signatures on these bases.

CS STONEHOUSE , LLC

DATED: _____

By: _____
Its: _____

CS ONE CARTER, LLC

DATED: _____

By: _____
Its: _____

THE CITY OF SIERRA MADRE

DATED: 4/13/2010

By: _____
Mayor

THE CITY OF SIERRA MADRE

DATED: 4/13/2010

By: _____
City Manager

APPROVED AS TO FORM:

By: _____
City Attorney

Dated: 4/21/10

by, and execution on behalf of, the City Council of City. The date the last of these events occurs constitutes the "Effective Date" hereunder.

12.13 The signatories hereto represent that they are authorized to sign on behalf of the respective Parties they represent and are competent to do so, and each of the Parties hereto hereby irrevocably waives any and all rights to challenge signatures on these bases.

CS STONEHOUSE , LLC

DATED: March 23, 2010

By: _____
Its: Portfolio Manager

CS ONE CARTER, LLC

DATED: March 23, 2010

By: _____
Its: Portfolio Manager

THE CITY OF SIERRA MADRE

DATED: _____

By: _____
Mayor

THE CITY OF SIERRA MADRE

DATED: _____

By: _____
City Manager

APPROVED AS TO FORM:

By: _____
City Attorney

Dated: _____

State of California

County of Los Angeles

On April 13, 2010 before me, Laura Aguilar, notary public personally appeared Elaine I. Aguilar, who proved to me on the basis of satisfactory evidence 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.

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.

LAURA AGUILAR
Commission # 1861995
Notary Public - California
Los Angeles County
My Comm. Expires Aug 21, 2013

Signature Laura Aguilar. (Seal)

Page 24 of 45 CS Stonehouse, LLC agreement

State of California

County of Los Angeles

On April 13, 2010 before me, ~~Los Angeles~~ Laura Aguilar, notary public, personally appeared Mary Ann MacGillivray, who proved to me on the basis of satisfactory evidence 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.

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.

LAURA AGUILAR
Commission # 1861995
Notary Public - California
Los Angeles County
My Comm. Expires Aug 21, 2013

Signature Laura Aguilar. (Seal)

STATE OF MARYLAND
COUNTY OF MONTGOMERY, ss.

On this 9th day of April, 2010, before me, Dawn A. Thomas, the undersigned officer, personally appeared Brian Sosner, who acknowledged himself to be the Portfolio Manager of CS Stonehouse LLC, a Delaware limited liability company and that he, as such authorized officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the company by himself as Portfolio Manager.

In witness whereof I hereunto set my hand and official seal.

DAWN A THOMAS
Notary Public
State of Maryland
Montgomery County
My Commission Expires March 2, 2014

Dawn A. Thomas
Notary Public

My commission expires: 3/2/2014

STATE OF MARYLAND
COUNTY OF MONTGOMERY, ss.

On this 9th day of April, 2010, before me, Dawn A. Thomas, the undersigned officer, personally appeared Brian Sosner, who acknowledged himself to be the Portfolio Manager of CS One Carter LLC, a Delaware limited liability company and that he, as such authorized officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the company by himself as Portfolio Manager.

In witness whereof I hereunto set my hand and official seal.

DAWN A THOMAS
Notary Public
State of Maryland
Montgomery County
My Commission Expires March 2, 2014

Dawn A. Thomas
Notary Public

My commission expires: 3/2/2014

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LIST OF EXHIBITS

EXHIBIT A	DEPICTION/DESCRIPTION OF THE STONEHOUSE PROPERTY
EXHIBIT B	DEPICTION/DESCRIPTION OF THE ONE CARTER PROPERTY
EXHIBIT C	ORIGINAL CHAPTER 17.52 (in effect as of April 2006)
EXHIBIT D	CS SETTLEMENT PROPOSAL PLAN
EXHIBIT E	OPEN SPACE AREA CONSTRAINTS
EXHIBIT F	PROCESSING SCHEDULE
EXHIBIT G	STONEHOUSE COMPLIANCE EXCEPTIONS
EXHIBIT H	STONEHOUSE BUILDING SQUARE FOOTAGES AND MAXIMUM PERMISSIBLE GROSS FLOOR AREA
EXHIBIT I	ONE CARTER BUILDING SQUARE FOOTAGES AND MAXIMUM PERMISSIBLE GROSS FLOOR AREAS
EXHIBIT J	ONE CARTER COMPLIANCE EXCEPTIONS

EXHIBIT A

DEPICTION/DESCRIPTION OF THE STONEHOUSE PROPERTY

EXHIBIT A

PARCEL 1 LEGAL DESCRIPTION – APN 5764-001-009

That portion of the east one-half of Section 16, Township 1 North, Range 11 West, San Bernardino Base and Meridian, in the City of Sierra Madre, County of Los Angeles, State of California, described as follows:

Beginning at the intersection of the easterly line of Lot 34 of the Camillo Guercio Tract as shown on a map recorded in Book 11, Page 120 of maps, in the office of the County Recorder of Los Angeles County, with the centerline of Camillo Street (52 feet wide) as shown on a Record of Survey filed in Book 208, Page 52 of Record of Survey of said county;

Thence, N 0°31'00" W 1382.188 Feet, along the easterly line of said Lot 34, said line also being the westerly line of the P.H. Lannan property as shown on a map recorded in Book 7, Page 23 of maps, in the office of the County Recorder of Los Angeles County, to the northeast corner of said Lot 34, said northeast corner also being an angle point in said P.H. Lannan property;

Thence, S 89°49'35" W 821.170 Feet, along the northerly line of said Camillo Guercio Tract to the northwest corner of said Tract, said northwest corner being on the center of section line of Section 16 as shown on a map of Tract 3101, recorded in Book 33, Page 69 of maps, in the office of the County Recorder of Los Angeles County, and also being an angle point in said P.H. Lannan property;

Thence, N 0°31'58" W 146.520 Feet, along said center of section line of Section 16 and westerly line of said P.H. Lannan property to an angle point therein;
Thence, N 89°35'30" E 1412.376 Feet, along the northerly line of said P.H. Lannan property to an angle point therein;
Thence, N 0°24'30" W 1393.864 Feet, along the westerly line of said P.H. Lannan property to the northerly line of said Section 16;
Thence, N 89°35'30" E 1375.200 Feet, along the northerly line of said Section 16 and said P.H. Lannan property to the northeast corner of said Section 16;

Thence, S 0°01'20" W 1147.891 Feet, along the easterly line of said Section 16 as shown on County Surveyor's Map No. B-369, Page 2 of 5, to a point on the northwesterly line of Santa Anita Canyon Road (60 feet wide), as shown thereon, said point is on a curve, concave southeasterly, having a radius of 130.000 Feet, a radial line through which bears N 51°01'20" W;

Thence, along the westerly and northerly lines of said Santa Anita Canyon Road, the following courses;

Southwesterly, 119.686 Feet along said curve, through a central angle of 52°45'00";
Thence, S 13°46'20" E 65.760 Feet, to the beginning of a curve, concave westerly, having a radius of 70.000 Feet, a radial line through which bears N 76°13'40" E;
Thence, southwesterly 89.152 Feet along said curve, through a central angle of 72°58'20";
Thence, S 59°12'00" W 188.410 Feet, to the beginning of a curve, concave northerly, having a radius of 170.000 Feet, a radial line through which bears S 30°48'00" E;

Thence, westerly 142.740 Feet along said curve, through a central angle of 48°06'30";
Thence, N 72°41'30" W 32.190 Feet, to the beginning of a curve, concave northerly, having a radius of 170.000 Feet, a radial line through which bears S 17°18'30" W;

Thence, westerly 78.388 Feet along said curve, through a central angle of 26°25'10";
Thence, N 46-16-20 W 149.340 Feet,to the beginning of a curve, concave easterly, having a radius of 120.000 feet, a radial line through which bears S 43°43'40" W;
Thence, northwesterly 133.163 Feet along said curve, through a central angle of 63°34'50";
Thence, N 17°18'30" E 180.630 Feet, to the beginning of a curve, concave northerly, having a radius of 130.000 feet, a radial line through which bears S 72°41'30" E;
Thence, northerly and westerly 315.633 Feet along said curve, through a central angle of 139°06'40";
Thence, S 58°11'50" W 38.430 Feet, to the beginning of a curve, concave southeasterly, having a radius of 230.000 feet, a radial line through which bears N 31°48'10" W;
Thence, 346.308 Feet along said curve, through a central angle of 86°16'10";
Thence, S 28-04-20 E 199.990 Feet, to the beginning of a curve, concave easterly, having a radius 1530.000 feet, a radial line through which bears S 61°55'40" W;
Thence, southeasterly 342.399 Feet along said curve, through a central angle of 12°49'20", to the end of said curve of the westerly line of Santa Anita Canyon Road at a point of intersection with the easterly line of that land described in a deed recorded in Book 46269, Page 10, of official records of Los Angeles County;

Thence northerly, westerly and southerly along that land described in said deed, the following courses;

Thence N 42-58-42 W 228.008 Feet;
Thence S 73-16-10 W 175.540 Feet;
Thence S 8-52-50 E 439.230 Feet;
Thence S 22-58-00 W 256.310 Feet;
Thence S 82-29-00 W 91.790 Feet;
Thence S 2-42-00 E 106.110 Feet;
Thence S 45-22-00 W 109.610 Feet;
Thence S 18-38-00 W 181.131 Feet, to a point in the northerly line of Lot 14, Tract 28192, as shown on a map recorded in Book 711, Pages 43 and 44 inclusive, in the office of the County Recorder of Los Angeles County;

Thence, along the northerly and westerly line of said Tract 28192, the following courses, the bearings of which have been rotated N 0°10'40" E from record for this description;

Thence N 71-21-05 W 44.291 Feet;
Thence S 70-24-05 W 417.730 Feet;
Thence S 6-26-47 E 209.250 Feet;
Thence N 79-20-25 E 80.000 Feet;
Thence S 48-37-04 E 95.000 Feet;
Thence S 15-28-02 E 87.000 Feet;

Thence S 21-36-44 E 48.140 Feet, to the southwest corner of Lot 5 of said Tract 28192, said point also being the northwest corner of Lot 14, Tract 17951, as shown on a map recorded in Book 558, Pages 17 and 18 inclusive, in the office of the County Recorder of Los Angeles County;

Thence, along the westerly line of said Tract 17951, the bearings of which have been rotated N 0°10'40" E from record for this description, the following courses;

Thence S 39-09-20 E 115.000 Feet;
Thence S 6-14-20 E 525.000 Feet;
Thence S 2-10-40 W 153.000 Feet;
Thence S 21-50-40 W 115.000 Feet;
Thence S 41-40-40 W 72.000 Feet;
Thence S 50-30-55 W 131.310 Feet, to the northeast corner of Stone House Road (60 feet wide) as shown on said Tract 17951;

Thence S 89-40-04 W 60.000 Feet, along the northerly line of said Stone House Road, to the northwest corner of said Stone House Road;

Thence N 0-19-56 W 1.800 Feet, along the northerly prolongation of the westerly line of said Stone House Road;

Thence N 10-00-00 W 127.500 Feet;
Thence N 20-00-00 W 191.000 Feet;
Thence N 6-00-00 E 87.000 Feet;
Thence N 20-00-00 W 159.000 Feet;
Thence N 3-00-00 E 44.000 Feet;
Thence N 10-58-20 W 67.020 Feet;
Thence N 14-00-00 E 11.000 Feet;
Thence N 5-00-00 W 117.000 Feet;
Thence N 41-00-00 W 80.000 Feet;
Thence N 43-00-00 W 56.000 Feet;
Thence N 41-57-25 E 87.523 Feet;
Thence N 21-00-00 W 121.000 Feet;
Thence S 87-00-00 W 69.000 Feet;
Thence N 10-00-00 W 15.000 Feet;
Thence N 57-00-00 W 32.000 Feet;
Thence N 17-45-14 W 117.557 Feet;
Thence N 89-31-08 W 70.000 Feet to the POINT OF BEGINNING.

The above described parcel encloses 87.066 acres.

PARCEL 2 LEGAL DESCRIPTION – APN 5764-005-012

Those portions of Lots 33 and 34 of the Camillo Guercio Tract, in the City of sierra Madre, as per map recorded in Book 11, Page 123 of Maps, in the Office of the County Recorder, lying Northerly of said line describer as follows:

Beginning at the most Southerly corner of Lot 17, Tract No. 27459, as shown on map recorded in Book 717, Pages 41 to 44 inclusive of Maps, in the Office of the County Recorder; thence along the Easterly line of said Lot 17, North

0°31'00"West 250.00 feet, to the true point of beginning; thence South 73°01'00" East 76.90 feet, more or less, to the Easterly line of said Lot 34.

The above described parcel encloses 1.85 acres more or less.

PARCEL 3 LEGAL DESCRIPTION – APN 5764-005-004

That portion of the east one-half of Section 16, Township 1 North, Range 11 West, San Bernardino Base and Meridian, in the City of Sierra Madre, County of Los Angeles, State of California, described as follows:

Beginning at the southeast corner of Lot 34 of the Camillo Guercio Tract as shown on a map recorded in Book 11, Page 120 of maps, in the office of the County Recorder of Los Angeles County,

Thence, N 0-28-52 W 1058.080 Feet, along the easterly line of said Lot 34 as shown on a Record of Survey filed in Book 208, Page 52 of Record of Survey of said county,

Thence, N 75°00'00" E 117.000 Feet;
Thence, N 35°00'00" E 37.000 Feet;
Thence, S 81°00'00" E 14.000 Feet;
Thence, S 55°00'00" E 74.000 Feet;
Thence, S 17°39'55" W 126.233 Feet;
Thence, S 3°00'00" E 70.000 Feet;
Thence, S 10°00'00" W 97.000 Feet;
Thence, S 18°00'00" E 173.000 Feet;
Thence, S 0°28'52" E 622.000 Feet, to a point in the northerly line of Grand View Ave.(50 feet wide) as shown on said Record of Survey;
Thence, S 89°30'30" W 207.000 Feet, along said northerly line of Grand View Ave. to the point of beginning.

The above described parcel encloses 4.855 acres.

PARCEL 4 LEGAL DESCRIPTION – APN 5764-005-016

That portion of the east one-half of Section 16, Township 1 North, Range 11 West, San Bernardino Base and Meridian, in the City of Sierra Madre, County of Los Angeles, State of California, described as follows:

Beginning at the southeast corner of Lot 34 of the Camillo Guercio Tract as shown on a map recorded in Book 11, Page 120 of maps, in the office of the County Recorder of Los Angeles County,

Thence, N 89°30'30" E 207.00 Feet, along the northerly line of Grand View Ave. (50 feet wide) as shown on a Record of Survey filed in Book 208, Page 52 of Record of Survey of said county, to the TRUE POINT of BEGINNING:

Thence, N 0°28'52" W 622.000 Feet;
Thence, N 18°00'00" W 173.000 Feet;
Thence, N 10°00'00" E 97.000 Feet;

Thence, N 3°00'00" W 70.000 Feet;
Thence, N 17°39'55" E 126.233 Feet;
Thence, N 84°00'00" E 36.000 Feet;
Thence, S 64°07'33" E 87.780 Feet;
Thence, S 10°58'20" E 67.020 Feet;
Thence, S 3°00'00" W 44.000 Feet;
Thence, S 20°00'00" E 159.000 Feet;
Thence, S 6°00'00" W 87.000 Feet;
Thence, S 20°00'00" E 191.000 Feet;
Thence, S 10°00'00" E 127.500 Feet, to a point on the northerly prolongation of the westerly line of Stone House Road, as shown on a map of Tract 28192, filed in Book 711, Pages 43 and 44 of maps, in the office of the County Recorded of said Los Angeles County, said point being distant northerly 384.40 feet, along said westerly line of Stone House Road, from said northerly line of Grand View Ave.;
Thence, S 89°30'30" W 131.168 Feet, to a point in the easterly line of Lot 35 of said Camillo Guercio Tract;
Thence, S 0°28'52" E 384.798 Feet, along said easterly line of Lot 35, to a point in the northerly line of said Grand View Ave.;
Thence, S 89°30'30" W 122.867 Feet, along said northerly line of Grand View Ave. to the TRUE POINT OF BEGINNING.

The above described parcel encloses 4.170 acres.

EXHIBIT A

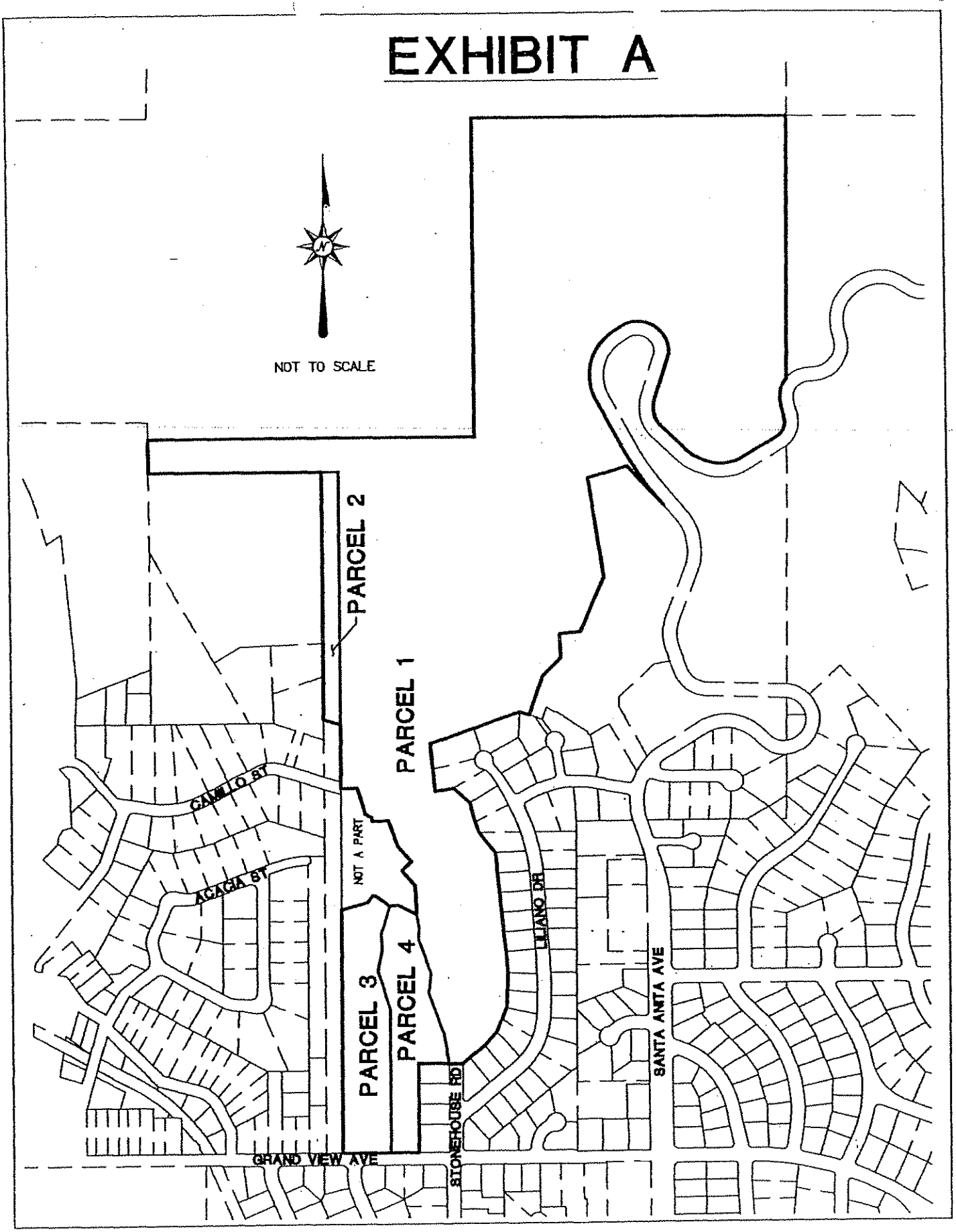
NOT TO SCALE
PARCEL 2
PARCEL 1
PARCEL 3
PARCEL 4
NOT A PART
CAMILO ST
ACACIA ST
LLANO DR
SANTA ANITA AVE
STONEHOUSE RD
GRAND VIEW AVE

EXHIBIT B

DEPICTION/DESCRIPTION OF THE ONE CARTER PROPERTY

EXHIBIT "B"

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

Lots 1-29 and A-C of Tract Map No. 54016, in the City of Sierra Madre, County of Los Angeles, State of California, as per map recorded in Book 1337, Pages 16 to 26 inclusive of Miscellaneous Maps, in the Office of the County Recorder of said County.

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EXHIBIT C

ORIGINAL CHAPTER 17.52
(IN EFFECT AS OF APRIL 2006)

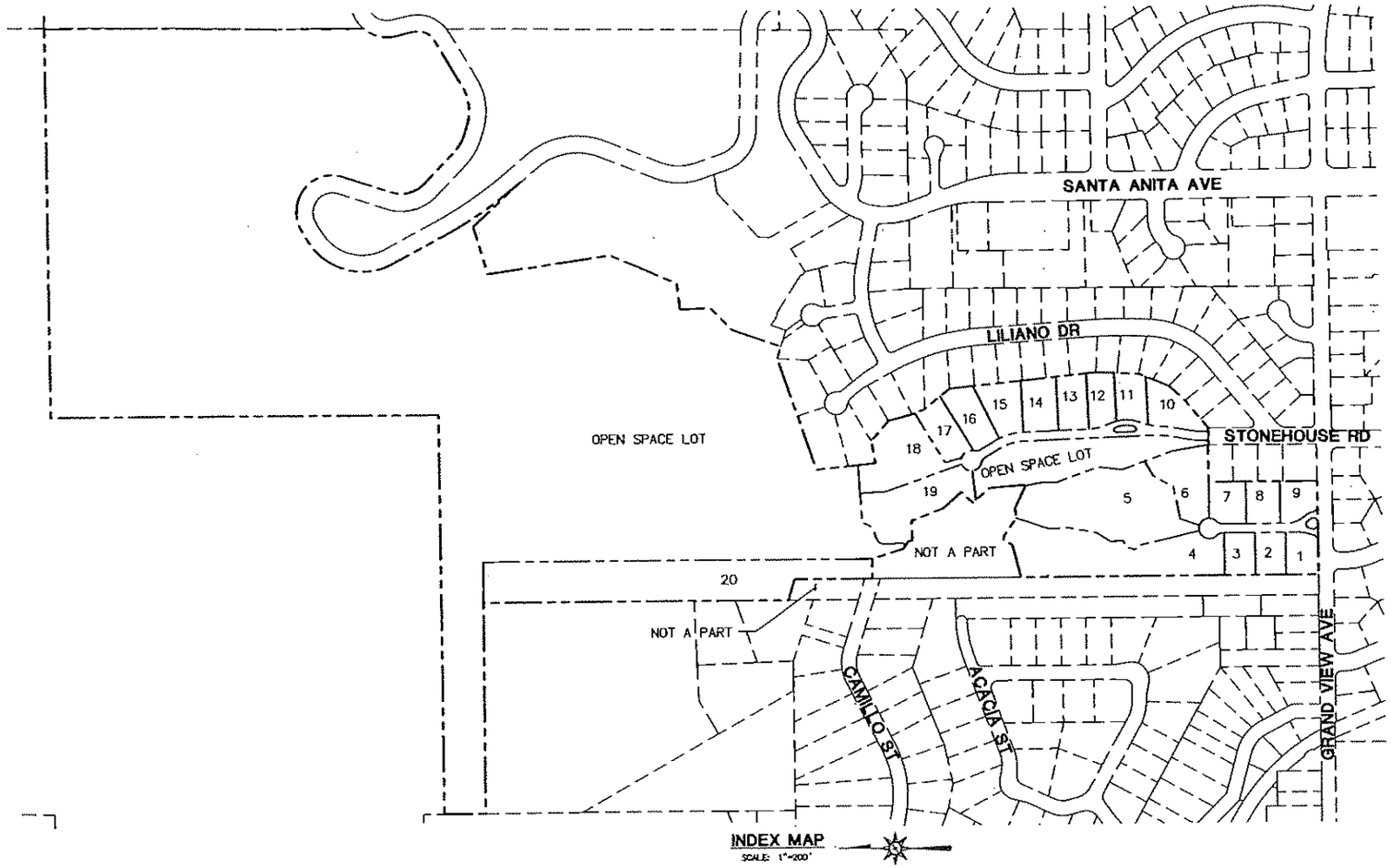
A copy of Chapter 17.52 in effect as of April 2006 is on file in the City of Sierra Madre, Office of the City Clerk.

EXHIBIT D

CS SETTLEMENT PROPOSAL PLAN

STONEHOUSE
SITE PLAN
CS SETTLEMENT PROPOSAL PLAN FOR 10/13/2009 MEETING

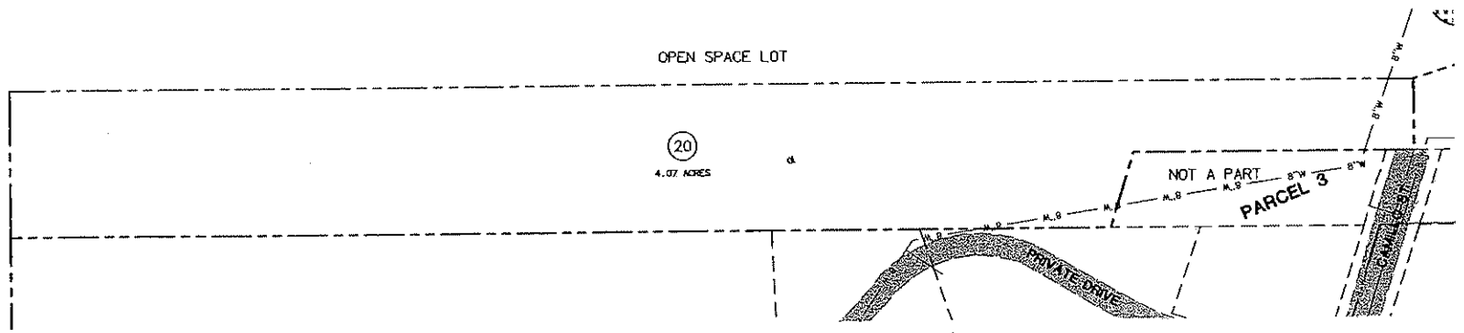
PAGE 1 OF 2



INDEX MAP
SCALE: 1"=200'

LEGEND

- PROJECT BOUNDARY
- PROPOSED LOT LINE
- EXISTING LOT LINE
- PROPOSED BIO SWALE
- PROPOSED CONTOUR
- EXISTING CONTOUR
- SS — SS — EXISTING SANITARY SEWER LINE
- 8"W — 8"W — EXISTING WATER LINE
- ST — ST — EXISTING STORM DRAIN
- PROPOSED ASPHALT PAVING
- EXISTING ASPHALT PAVING
- PROPOSED LANDSCAPING
- TREE CONSERVATION AREA



LOT 20 DETAIL
SCALE: 1"=80'

STONEHOUSE
SITE PLAN
CS SETTLEMENT PROPOSAL PLAN FOR 10/13/2009 MEETING

PAGE 2 OF 2

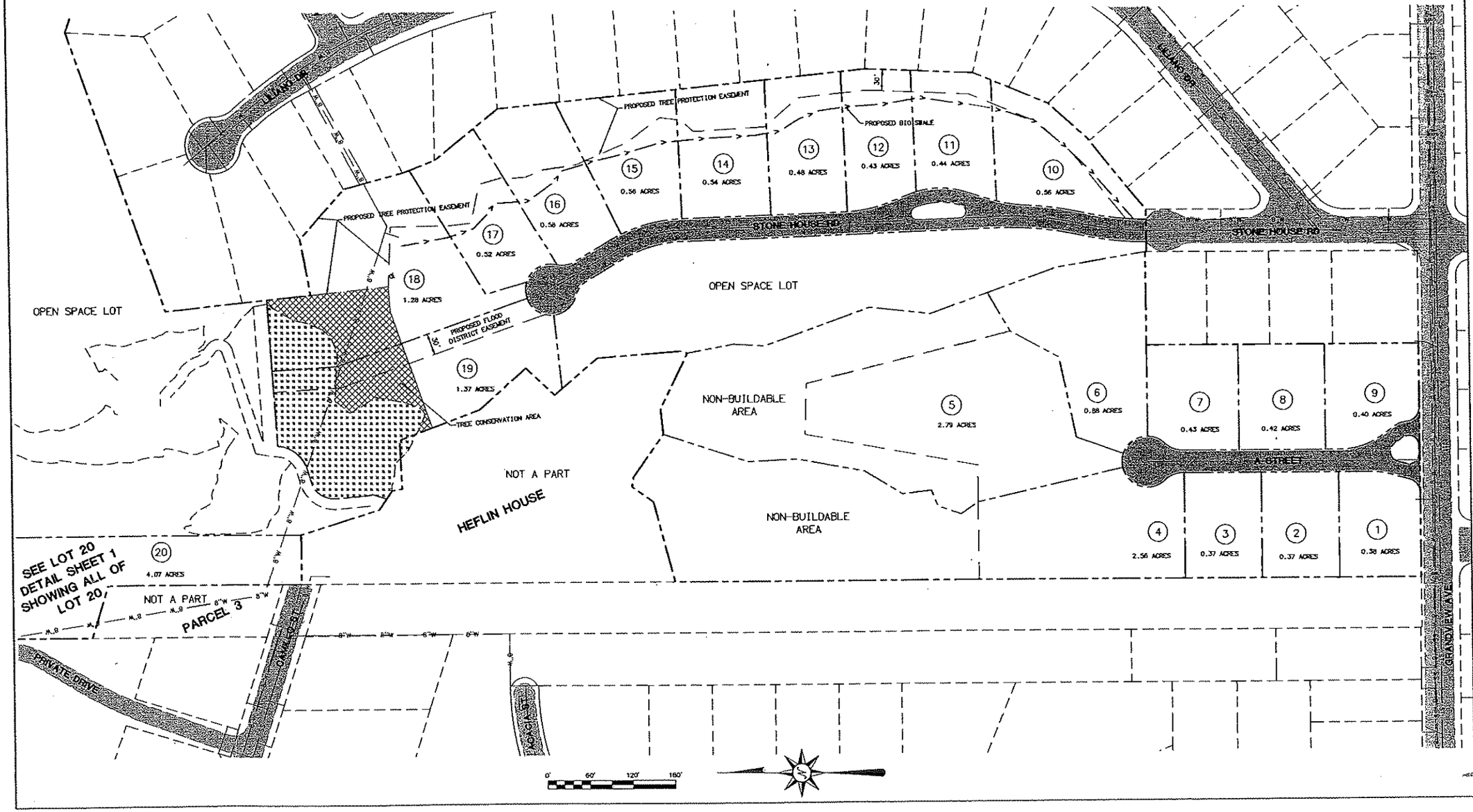


EXHIBIT E

OPEN SPACE AREA CONSTRAINTS

EXHIBIT E

PASSIVE PEDESTRIAN OPEN SPACE AREA CONSTRAINTS

The passive pedestrian open space area will be the responsibility of the homeowners' association for purposes of maintenance. Therefore, any proposed use other than visual open space must meet the following standards:

(a) Liability insurance for any passive pedestrian use shall be procurable in a standard commercially available form of policy at commercially reasonable rates;

(b) The design and configuration of any proposed trail or other passive pedestrian improvements shall: (1) be subject to review by the project engineer and the project geologist for a determination as to whether such improvements can be installed and utilized feasibly and safely; and (b) not result in extraordinary or unreasonable maintenance or construction costs.

EXHIBIT F

STONEHOUSE CS SETTLEMENT PROPOSAL PLAN PROCESSING SCHEDULE

EXHIBIT F

STONEHOUSE CS SETTLEMENT PROPOSAL PLAN
PROCESSING SCHEDULE

TASK	TIME FRAME
Finalize CS Settlement Proposal Site Plan and formally submit modification to Original 2007 Stonehouse Application	Month 1
Technical Study Preparation/Revision and Peer Review	Months 2-3
Prepare Draft EIR	Months 4-9
Tree Advisory Commission Meetings	Months 5-7
Draft EIR Published for Public Review	Months 9-11
Prepare Final EIR	Months 11-12
Planning Commission Hearings	Months 12-14
City Council Hearings and Decision	Months 14-16

EXHIBIT G

STONEHOUSE COMPLIANCE EXCEPTIONS

STONEHOUSE HMZ ORDINANCE COMPLIANCE EXCEPTIONS

Stonehouse VTTM #65348
Chapter 17.52 Hillside Management Zone exceptions

Below are specific requirements in Chapter 17.52 with which the Development Plan may not comply.

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Streets	Debris Basin	Comments
17.52.120	**Design and Development Standards for Uses Requiring Permits**																							
5	The maximum permissible gross floor area of all structures on an R-H zoned lot shall be computed as (3,300 square feet plus 10% of the lot area in excess of 11,000 square feet), up to a maximum of 6,500 square feet.	X	X	X				X	X	X	X	X	X	X	X	X	X	X						Development plan follows R1/Old HMZ formula with additional restrictions. See FAR schedule.
8&10	Slope Category 4. Portions of such lots classified in slope category 4 shall be maintained in their natural condition, without grading or alterations of any other sort.																					X	X	Grading needed to create access, required infrastructure and preserve trees.
11	Import of more than 32.5 cubic yards of material onto an R-H zoned lot is prohibited; for this purpose the site of a land division shall be deemed a single R-H-zoned lot until a final map is recorded.																						X	Debris basin required on site, import will exceed.
17.52.140	**Design and Development Standards for Land Division**																							
2, 3	Maximum number of lots, lot size, dimensions, etc.	X	X	X			X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	As depicted on development plan.
17.52.150	**Construction, Grading and Drainage**																							
B7	**Final Grading Plan** Cut slopes for purposes or establishing a pad shall not exceed twenty feet in height. Fill slopes shall not exceed nine feet in depth at any point.																						F	C=cut, F=fill in excess of 9 feet required to construct debris basin per 17.52.150.C.

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EXHIBIT H

STONEHOUSE BUILDING SQUARE FOOTAGES AND MAXIMUM PERMISSIBLE GROSS FLOOR AREA

Stonehouse Floor Area Analysis

Lot No.	Zoning as of 1/19/06	Lot Area (SF)	Maximum Allowable Floor Area Per HMZ as of 1/19/06	Maximum Allowable Floor Area Per Current HMZ	Proposed Maximum Allowable Floor Area	FAR Ratio
1	R-1 15,000	16,669	4,700	3,867	4,700	28%
2	R-1 15,000	16,234	4,635	3,823	4,635	29%
3	R-1 15,000	16,234	4,635	3,823	4,635	29%
4	R-1 15,000	111,641	18,946	6,500	6,500	6%
5	R-1 15,000	121,432	20,415	6,500	6,500	5%
6	R-1 15,000	38,444	7,967	6,044	6,044	17%
7	R-1 15,000	18,919	5,038	4,092	5,038	27%
8	R-1 15,000	18,095	4,914	4,010	4,914	27%
9	R-1 15,000	17,584	4,838	3,958	4,838	28%
10	R-1 11,000	24,344	5,852	4,634	5,100	21%
11	R-1 11,000	18,957	5,044	4,096	5,044	27%
12	R-1 15,000	18,807	5,021	4,081	5,021	27%
13	R-1 15,000	21,078	5,362	4,308	5,100	24%
14	R-1 15,000	23,706	5,756	4,571	5,100	22%
15	R-1 15,000	24,318	5,848	4,632	5,100	21%
16	R-1 15,000	25,108	5,966	4,711	5,100	20%
17	R-1 15,000	22,853	5,628	4,485	5,628	25%
18[1]	R-1 15,000	55,700	10,555	6,500	6,500	12%
19[1]	R-1 15,000	59,759	11,164	6,500	6,500	11%
20*	HMZ	177,313	28,797	6,500	6,500	4%

17.20.125 Allowable floor area.
All buildings in the R-1 zone, are limited to a maximum floor area as defined below and must also be within the permissible lot coverage as defined in Section 17.20.120.

If the lot area is:	Then the allowable floor area is: (excludes decks, covered porches, patios)
Under 6,000 sf	2,100 sf
6,000 – 11,000	35% of lot area *
Over 11,000 sf	3,850 sf + 15% of area over 11,000 sf

Lot Area	New HMZ (17.52.120)
Under 6,000 sf	1,800 sf
6,000 – 11,000	30% of lot area *
Over 11,000 sf	3,300 sf + 10% of area over 11,000 sf Maximum of 6,500 sf

Note: 1 - Lot Nos. 18 and 19 currently include portions of the debris basin slope area.

EXHIBIT I

ONE CARTER BUILDING SQUARE FOOTAGES AND MAXIMUM PERMISSIBLE GROSS FLOOR AREA

One Carter Floor Area Analysis

Lot No.	Zoning as of 8/8/05	Lot Area (SF)	Maximum Allowable Floor Area Per HMZ as of 8/8/05	Maximum Allowable Floor Area Per Current HMZ	Proposed Maximum Allowable Floor Area	FAR Ratio
1	R-1 15,000	19,498 (18,692*)	5,125	4,150	4,625	24%
2	R-1 15,000	16,005	4,601	3,801	4,601	29%
3	HMZ	20,969	5,345**	4,297**	4,297**	20%**
4	HMZ	16,745	4,712	3,875	3,875	23%
5	HMZ	23,540	5,731	4,554	4,400	19%
6	HMZ	24,636	5,895	4,664	4,400	18%
7	HMZ	219,725	35,159	6,500	6,500	3%
8	R-1 15,000	27,090	6,264	4,909	4,909	18%
9	R-1 15,000	17,562	4,834	3,956	4,399	25%
10	R-1 15,000	35,652	7,548	5,765	5,765	16%
11	R-1 15,000	35,240	7,486	5,724	5,724	16%
12	R-1 15,000	117,829	19,874	6,500	6,500	6%
13	R-1 15,000	34,818	7,423	5,682	5,682	16%
14	R-1 15,000	18,380	4,957	4,038	4,957	27%
15	HMZ	110,223	18,733	6,500	6,500	6%
16	HMZ	37,558	7,834	5,956	5,956	16%
17	R-1 15,000	27,160	6,274	4,916	5,760	21%
18	Barn/Cabin	23,029	5,654	4,503	5,654	25%
19	R-1 15,000	18,674	5,001	4,067	5,001	27%
20	Willis House	47,189	existing	existing	6,500	existing
21	R-1 11,000	10,089	3,531	3,027	3,531	35%
22	R-1 11,000	10,089	3,531	3,027	3,531	35%
23	R-1 11,000	10,089	3,531	3,027	3,531	35%
24	R-1 11,000	13,018	4,153	3,502	4,153	32%
25	R-1 15,000	15,047	4,457	3,705	4,457	30%
26	R-1 15,000	15,620	4,543	3,762	4,543	29%
27	R-1 15,000	22,201	5,530	4,420	4,543	20%
28	R-1 15,000	87,991.2	8,720[1]	6,500	6,500	7%
29	R-1 15,000	87,991.2	22,167[2]	6,500	6,500	7%
A	Private Drive	27,960				
B	Private Drive	39,303				
C	Open Space	165,285				

[1]/ Prior to Lot Line Adjustment 09-04, Lot 28 was 43,422 sf.
[2]/ Prior to Lot Line Adjustment 09-04, Lot 29 was 133,115 sf.

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* Adjusted lot area subject to approval of a lot line adjustment with the property located at 3, 3 1/2 and 5 E. Carter Avenue.
** Development limited subject to Section 5.5 of the Settlement Agreement prohibiting structures.

EXHIBIT J

ONE CARTER COMPLIANCE EXCEPTIONS

One Carter Final Map 54016
Chapter 17.52 Hillside Management Zone exceptions

Below are specific requirements in Chapter 17.52 with which the Development Plan may not comply.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	Streets	Debris Basin	Comments
17.52.120	**Design and Development Standards for Uses Requiring Permits**																																
5	The maximum permissible gross floor area of all structures on an R-H zoned lot shall be computed as (3,300 square feet plus 10% of the lot area in excess of 11,000 square feet), up to a maximum of 6,500 square feet.	X	X							X					X			X	X	X		X	X	X	X	X	X	X				Development plan follows R1/Old HMZ formula with additional restrictions. See FAR schedule.
8&10	Slope: The placement of buildings and use on an R H – zoned lot shall be limited based upon the slope category or categories of the lot.	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			Allow home construction to occur only on areas of these lots that have been previously graded per an approved grading plan.
9	Every development on an R-H-zoned lot shall maintain the number of off-street parking spaces required pursuant to chapter 17.68 of this title plus one space for each 1,000 square feet of floor are in excess of 4,000.	2	2						2	2	2	2							2						2	2							Allow certain lots have to 2-car garages if requested by home applicant.
17.52.140	**Design and development standards for land divisions**																																
C.6	Be a minimum of two acres in size.	X																															Lot 1 shall be a minimum of 18,692 square feet after approval of a lot line adjustment with the property located at 3, 3 1/2 and 5 E. Carter Avenue
17.52.160	**Architectural and Site Design**																																Definition of Finish Grade from

	Standards																																	
C	**Height Restrictions** Building height shall not exceed twenty-five feet as measured from *finished grade** at any point on the structure. [*per Condition of Approval #40(b)]	X	X						X	X	X	X		X	X			X	X					X	X		X	X	X	X			the HMZ... "Finish grade" means the final elevation of ground surface after development consistent with an approved grading plan.