

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and among NNP-Spencer's Crossing, LLC ("Developer"), the City of Temecula ("City"), and the County of Riverside ("County") effective as of January 14, 2003.

RECITALS

- A. On July 6, 2001, the City of Temecula filed a Petition for Writ of Mandate against the County of Riverside ("County"), as Case No. 360766 (the "Lawsuit"), contesting the County's certification of Final EIR No. 411 (the "EIR") and adoption of (1) Resolution No. 2001-135 approving *inter alia* General Plan Amendment No. 472, (2) Resolution No. 2001-111 approving Specific Plan No. 312 (French Valley), and (3) Ordinance No. 348.3996 approving Zone Change No. 6383 (collectively the "Approvals"). The Approvals authorize development of the real property depicted on Exhibit A hereto ("French Valley") with 1,793 residential dwelling units and 1.7 acres of commercial uses. Developer is the successor in interest to the original applicant for the Approvals (Tucalotta Hills Associates and French Valley Association) and is now fee owner of French Valley and a real party in interest in the Lawsuit.
- B. The City contends, *inter alia*, that the County violated CEQA and the Planning and Zoning Law in connection with the Approvals and that the significant adverse traffic impacts of the Approvals must be mitigated by the construction of roadway construction and improvements identified in the EIR. Developer and County dispute the City's claims, but Developer recognizes that certain roadway improvements are necessary to provide adequate circulation to the development of the 1,793 residential dwelling units allowed in French Valley by the Approvals.
- C. As directed by the California Environmental Quality Act, City and Landowner have met to discuss the issues raised in the Lawsuit, and explore potential for settlement of those issues.
- D. Through settlement discussions, the City expressed concerns that French Valley will develop without the completion of improvements to Clinton Keith Road connecting SR 79 to I-215 ("Clinton Keith Road"). Without the completion of Clinton Keith Road, traffic from unincorporated areas in the County north of the City will adversely burden SR 79 (Winchester Road) through the City to I-15. At the same time, Developer recognizes that Clinton Keith Road is needed to provide an adequate circulation system to serve the French Valley development.
- E. Clinton Keith Road is an important regional circulation system improvement with or without development of French Valley. Finding a way to cause Clinton Keith Road to be built expeditiously is a transcendent goal for the City and French Valley.
- F. Successfully designing, funding, constructing and opening Clinton Keith Road requires dedicated and determined participation by motivated property owners, and support by governmental entities, including the City, the County, and the City of Murrieta. Developer has

taken the lead in pursuing private landowner and political support for Clinton Keith Road, and is best situated to provide the continued private landowner leadership required to successfully complete Clinton Keith Road.

G. The cost of designing and constructing Clinton Keith Road is such that it cannot be privately funded and completed, even in substantial part, prior to any development proceeding. Revenues from development are a critical element of successfully funding Clinton Keith Road. However, City believes development should be linked in phase with discrete milestone events in the accomplishment of Clinton Keith Road, so that development is at least coincident with reasonable certainty of the completion of Clinton Keith Road on a reasonable timetable.

H. The more private and public funds invested in completing Clinton Keith Road, the more likely it is that Clinton Keith Road will be built.

I. As a result of the settlement discussions between City and Developer, and in light of the foregoing recitals, the parties have agreed upon a schedule of milestone events and corresponding residential unit phasing plan, which will avoid the necessity of bringing the Lawsuit to a hearing, and instead result in its dismissal. Accordingly, the parties now wish to resolve the dispute embodied in the Lawsuit without further litigation and without admission of the merits of the contentions of any party by any other party on the terms set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and agreements contained herein, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, it is agreed as follows:

1. Unit Phasing with Circulation System Improvements. In consideration for City's dismissal of the Lawsuit with prejudice, Developer agrees that it will phase residential unit development in French Valley in accordance with the milestone schedule attached hereto as Exhibit B. As depicted on Exhibit B, as each milestone event or set of events is satisfied, building permits may be issued for one hundred (100) dwelling units. The parties understand that while the milestone events are identified on Exhibit B in the order it is anticipated they will occur, the order in which they are listed on Exhibit B is not material to this Agreement; provided, however, that building permits for (1) the first 100 units will not be issued until a park and ride facility is completed as described in milestone "A," and (2) not more than 500 units will be released prior to accomplishment of milestone "F": securing funding for Clinton Keith Road. "Clinton Keith Road" as used in this Agreement means a road with a minimum of four traffic lanes between the French Valley Project and I-215 and the improvements, or interim improvements, to the I-215 and Clinton Keith Interchange necessary to accommodate traffic from the French Valley Project. The park and ride described in milestone "A" shall be open and available to the public and maintained by Developer, its successors, or by an assignee of Developer approved by the City, which approval shall not be unreasonably withheld provided the assignee is capable of maintaining the facility. ✓

swj
20

2. French Valley Development Agreement. In order to justify the up-front costs Developer will be incurring for Clinton Keith Road and other improvements and the risks inherent in the Exhibit B phasing program and milestone schedule, and to implement the Exhibit B phasing program and milestone schedule, Developer will apply to the County for approval of a Development Agreement for French Valley that will incorporate the Exhibit B phasing program and milestone schedule as a project requirement, and provide a process for verifying the accomplishment of each milestone event(s). City agrees to support Developer's application for such a development agreement so long as the development agreement contains the phasing plan described in Exhibit B to this Agreement, provides a reasonable method for monitoring development and determination of accomplishment of the milestones, and does not increase overall the density and intensity of development in French Valley allowed by the Approvals. The County shall use its best efforts to expeditiously process and consider approval of the development agreement. The portion of the development agreement conditioning the issuance of building permits on the accomplishment of the milestones described in Exhibit B of this Agreement shall be enforceable by the City against the County, Developer and then-current owners of the affected portions of French Valley. In the event the County declines to approve the Development Agreement application, or attaches conditions to the Development Agreement that are unacceptable to Developer, Developer agrees that it will nonetheless provide evidence reasonably satisfactory to City of the accomplishment of each milestone event or package of events prior to obtaining the corresponding allocation of building permits, and that any dispute concerning the accomplishment of one or more milestone events shall be subject to non-binding, expedited arbitration by a mutually acceptable member of JAMS.

3. Continued Support for Clinton Keith Road/French Valley Development. City agrees that so long as the overall intensity and density of development of French Valley is not greater than as allowed pursuant to the Approvals, and is phased in accordance with this Agreement, City shall not oppose future development of French Valley. City agrees to support County's expedited processing of Clinton Keith Road as an important regional circulation system improvement, and in so doing to use reasonable efforts to enlist the support of the City of Murrieta for improvements to Clinton Keith Road within its jurisdiction.

4. Dismissal, Release and Enforcement. Concurrently with the execution of this Agreement, City agrees to execute for filing and file a dismissal of the Lawsuit with prejudice. Upon execution of this agreement and dismissal of the lawsuit, City shall have the right to enforce the terms and provisions of this Agreement against French Valley as contractual obligations of the Developer. Developer agrees to advise any subsequent buyer of all or any portion of French Valley of the existence and obligations of this Agreement, which obligation will be satisfied upon execution and recordation of a Development Agreement as provided in Paragraph 2 above.. In the event Developer applies for approval of a subdivision map for all or any portion of French Valley prior to County action on the Development Agreement, or thereafter if no Development Agreement is executed and recorded for French Valley, Developer shall immediately notify the City of the filing of the application for the subdivision map, and Developer and County agree that the subdivision map shall be conditioned to comply with the milestones and phasing established by Exhibit B to this Agreement, and shall recite that the condition shall be enforceable by the City as a contractual right flowing from the settlement of the Lawsuit. County will place a copy of this Agreement in the Specific Plan file for French Valley.

5. General Provisions.

- a. If any dispute arises out of or concerning this Settlement Agreement and/or the Mutual Release, the prevailing party shall be entitled to recover, in addition to any damages and/or equitable relief, its reasonable attorneys fees in that dispute.
- b. This Agreement and the exhibits hereto contain the entire agreement and understanding between the parties concerning the subject matter of this settlement and supersede and replace all prior negotiations, proposed agreements and agreements, written or oral.
- c. This Agreement and the exhibits hereto may be amended or modified only by a written instrument signed by all parties or their successors in interest.
- d. This Agreement and the exhibits hereto shall be interpreted, enforced and governed by the laws of the State of California.
- e. This Agreement and the exhibits hereto shall be construed as if the parties jointly prepared them and any uncertainty or ambiguity shall not be interpreted against any one party.
- f. If any provision of this Agreement or the exhibits hereto shall be deemed unenforceable for any reason, the remaining provisions will be given full force and effect.
- g. This Agreement and the exhibits hereto may be executed in counterparts which when taken together constitute the entire agreement among the parties hereto.
- h. The person(s) signing this Agreement on behalf of any specified party represents that he or she has full authority to execute this Agreement on behalf of such party.
- i. This Agreement shall inure to the benefit of, and be binding upon, the heirs, successors in interest, and assignees of the respective parties. All heirs, successors and assignees shall be bound by the duties of the parties arising under this Agreement.
- j. In the event that Clinton Keith Road is significantly delayed, City and Developer agree to meet and confer in good faith on possible additional circulation system improvements that may be feasible, and provide similar congestion relief to City, as a potential substitute to the milestone events listed on Exhibit B.
- k. The waiver of any provision of this Agreement shall be invalid unless evidenced by a writing signed by the party to be charged therewith. The waiver of, or failure to enforce, any provision of this Agreement shall not be a waiver of any further breach of such provision or of any other provision hereof. The waiver by any party of the time for performing any act shall not be a waiver of the time for performing any other act or acts required under this Agreement.



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.


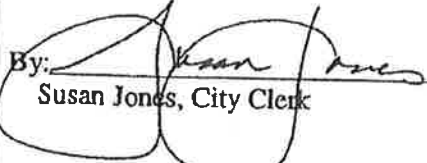



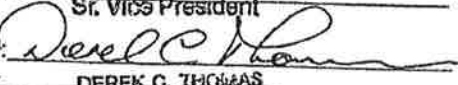
<p>"CITY" City of Temecula</p> <p>By: <u></u> Jeff Stone, Mayor</p> <p>ATTEST:</p> <p>By: <u></u> Susan Jones, City Clerk</p> <p>APPROVED AS TO FORM:</p> <p>By: <u></u> Peter Thorson, City Attorney</p>	<p>"COUNTY" County of Riverside</p> <p>By: _____</p> <p>ATTEST:</p> <p>By: _____</p> <p>APPROVED AS TO FORM:</p> <p>By: _____</p>
<p>"DEVELOPER" NNP-Spencer's Crossing, LLC  a Delaware limited liability company</p> <p>By: <u></u> Its: <u>LaDonna K. Monsees</u> Sr. Vice President</p> <p>By: <u></u> Its: <u>DEREK C. THOMAS</u> SR. VICE PRESIDENT</p>	



EXHIBIT A
DEPICTION OF FRENCH VALLEY

**FIGURE III.A-1
SPECIFIC PLAN
LAND USE PLAN**

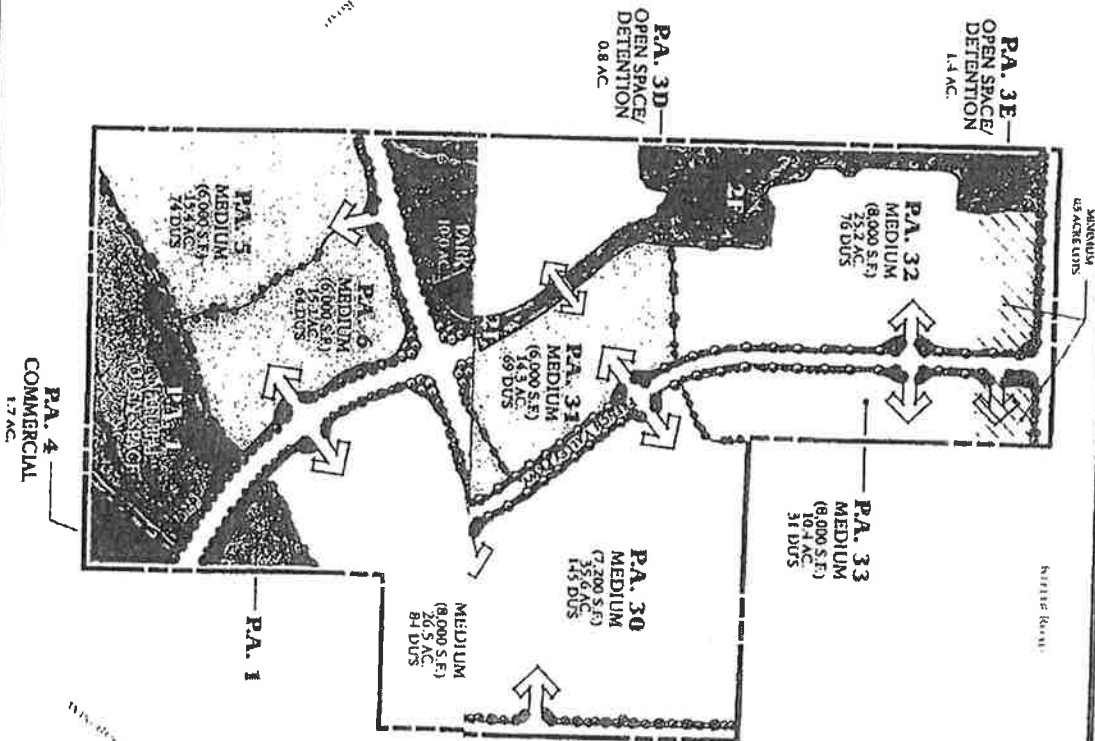
French Valley

TUCALOTA HILLS ASSOCIATES LLC
19800 MACARTHUR BLVD. SUITE 700
IRVINE, CA 92612

LAND USE SUMMARY

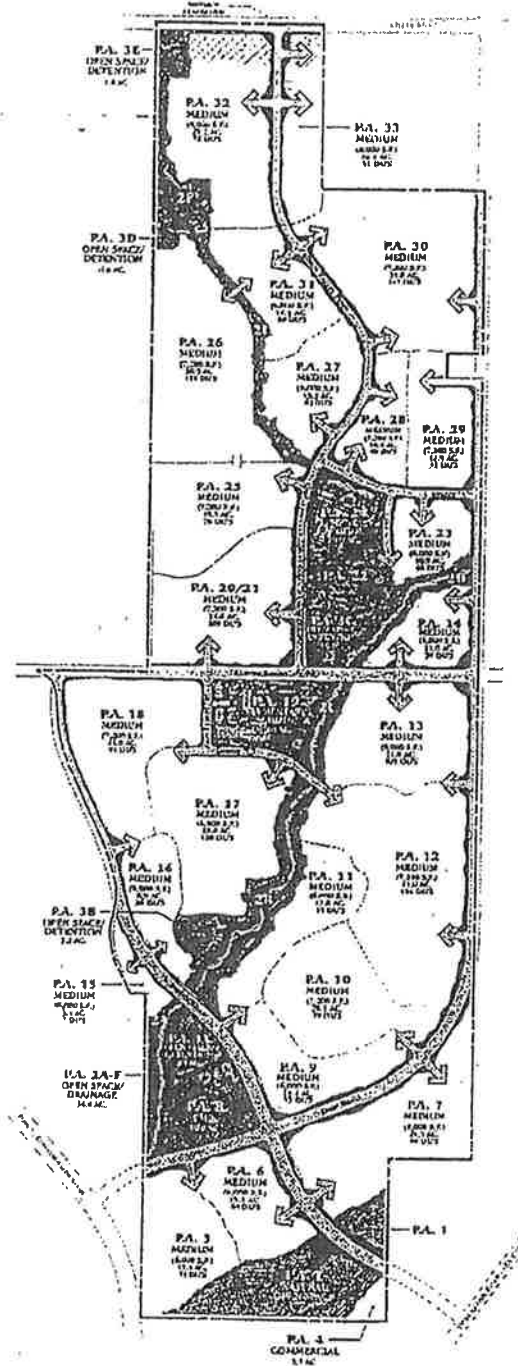
LAND USE	ACRES	DENSITY	DUS
Medium Residential - 8,000 s.f.	74.4	1.0	24
Medium Residential - 7,200 s.f.	218.4	1.0	871
Medium Residential - 6,000 s.f.	156.6	1.5	698
Residential School	413.4	1.0	1,793
TOTAL	862.8	1.1	3,486

Paths	16.0	-	-
Open Space/ Detention	11.3	-	-
Elementary Schools	20.0	-	-
Open Space/ Expanded Pathways	64.1	-	-
Commercial	1.7	-	-
Major Roads	41.3	-	-



LAND USE SUMMARY

LAND USE	ACRES	DENSITY	DU'S
Medium Residential - 8,000 s.f.	74.4	3.0	224
Medium Residential - 7,200 s.f.	218.4	4.0	871
Medium Residential - 6,000 s.f.	156.6	4.5	698
Residential Subtotal	449.4	4.0	1,793
Parks	16.0	--	--
Open Space/Detention	13.3	--	--
Elementary Schools	28.0	--	--
Open Spaces/Expanded Pathways	66.1	--	--
Commercial	1.7	--	--
Major Roads	41.3	--	--
Nonresidential Subtotal	158.4	--	--
Project Totals	607.8	2.9	1,793



LAND USE PLAN

French Valley

TUCALOTA HILLS ASSOCIATES LLC
 19800 MACARTHUR BLVD. SUITE 700
 IRVINE, CA 92612

FIGURE III.A-2



EXHIBIT B

CLINTON KEITH ROAD MILESTONE SCHEDULE

Building permits for 100 units will be released upon the accomplishment of each of the following milestone events for the completion of Clinton Keith Road ("CKR"). "Clinton Keith Road" as used in this Agreement means a road with a minimum of four traffic lanes between the French Valley Project and I-215 and the improvements, or interim improvements, to the I-215 and Clinton Keith Interchange necessary to accommodate traffic from the French Valley Project.

A. 100 units at:	<ul style="list-style-type: none"> • execution of an agreement for preliminary design and environmental clearances for CKR; and • approval by the Board of Supervisors of the expanded boundaries and the funding levels of the Southwest Area Road and Bridge Benefit District ("RBBB") for CKR
B. 100 units at:	<ul style="list-style-type: none"> • completion of a 250-space park-and-ride facility either on-site or off-site north of the Temecula City limits open and available for public use.
C. 100 units at:	<ul style="list-style-type: none"> • circulation to the public of the draft environmental document for CKR
D. 100 units at:	<ul style="list-style-type: none"> • execution of the "at Risk" final design contract for CKR
E. 100 units at:	<ul style="list-style-type: none"> • Certification of the final environmental document by lead agency pursuant to CEQA and, if applicable, NEPA for CKR; and • award of the CKR bridge structural design contract; and • identification of CKR right-of-way ("ROW") requirements (i.e., completion of 35% of CKR roadway design)
F. 100 units at:	<ul style="list-style-type: none"> • funds for the completion of CKR are available pursuant to the financing plan
G. 100 units at:	<ul style="list-style-type: none"> • finalization of ROW requirements and completion of ROW appraisals for CKR
H. 100 units at:	<ul style="list-style-type: none"> • 95% completion of the CKR roadway and bridge design • completion of ROW acquisition for CKR
I. 100 units at:	<ul style="list-style-type: none"> • completion of final roadway design, including final structural design of the CKR bridge; and • receipt of all environmental clearances; and • award of contracts for construction of CKR
J. Remaining units at:	CKR completed and open for public use