

MEMORANDUM

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: DIRECTOR OF PLANNING BUILDING AND CODE ENFORCEMENT AND THE CITY ATTORNEY

DATE: MAY 6, 2008

SUBJECT: PURCHASE OF ADDITIONAL ACREAGE TO BE INCLUDED IN THE PALOS VERDES NATURE PRESERVE

REVIEWED: CAROLYN LEHR, CITY MANAGER

RECOMMENDATION

Approve the Purchase and Option and Donation Agreement and Joint Escrow Instructions and authorize the Mayor to execute the Agreement on behalf of the City.

BACKGROUND

For many years, the City and the Palos Verdes Peninsula Land Conservancy (“the Conservancy”) have been working together to acquire properties to protect endangered and threatened species and for open space and passive recreational purposes. To that end, the Forrestal Property, the Barkentine Property and the Hon Properties all have been acquired and placed in the City’s NCCP Preserve which was recently formally named the Palos Verdes Nature Preserve. In addition, the City and the Conservancy have been working with the Resource Agencies to finalize the City’s NCCP.

This evening, Staff is pleased to present to the City Council the Agreement that is attached to this report, which will allow the City and the Conservancy to purchase a significant portion of the remaining open space that is located on the south side of the City and the Peninsula, which is commonly known as the Upper Filiorum Property. Approval of this Agreement will provide connectivity between the Portuguese Bend Reserve to the east and the Three Sisters Reserve to the west for both wildlife and users of the trails on those properties and will complete the acquisitions that are contemplated by the NCCP.

DISCUSSION

This Agreement already has been signed by Mr. James York, the General Partner of the owner of the Property, and by the Chairman of the Board of the Conservancy. Thus, City Council approval is the last action that is necessary to enter into this Agreement whereby the City and the Conservancy can work together to purchase approximately 190 acres of the Upper Filiorum Property (referred to in the Agreement as the "Purchase Property") for the price of \$9.2 million. The Agreement provides that the City will own the Property, and the Conservancy will have a conservation easement over the Property, similar to the other City-owned properties enrolled in the NCCP Preserve. (See Exhibit G to the Agreement.)

Like the purchase of the Hon property, other public entities, including the California Coastal Conservancy ("Coastal Conservancy"), are expected to make significant monetary contributions towards the purchase of this land (\$2 million from the Federal Fish and Wildlife Service with approval from WCB, and approximately \$4,787,000 from the Coastal Conservancy.) In addition, the City will contribute \$613,000 towards the purchase price, which already has been budgeted, and the PVPLC has stated that it will raise \$1.8 million from the community to acquire this land.

The negotiating team and the other parties have been working strenuously to finalize this agreement so that the funding from the other agencies can be secured. Indeed, Mr. Rojas and others have been advised that all of the funding that was generated by the state ballot measures has been committed to various acquisitions. Furthermore, Staff has been advised that if this Agreement is not approved and submitted promptly, the City will risk losing the \$2 million of federal funds that were set aside four years ago for this acquisition by the Fish and Wildlife Service.

The Agreement provides that the close of escrow for this purchase will occur by the end of the 2008 calendar year (December 31, 2008). However, given that several different public agencies will need to approve the allocation of the funds for this land purchase, and the State must approve the appraisal of the property that recently was completed, which demonstrates a value of \$9,500,000, the Agreement provides that the close of escrow can be extended for three more months, to March 31, 2009, in order to secure the funding.

In addition to the purchase of the 190 acres of Upper Filiorum, the Agreement also states that the City and the Conservancy have the option of purchasing twenty-eight additional acres that are immediately adjacent to Upper Filiorum, which commonly are referred to as the Plumtree/Cinnamon Lane Lot property (referred to in the Agreement as "the Option Property"). The Agreement provides that the Cinnamon Lane Lot will only be included as part of the purchase of the Option Property, if the pending application for a lot line adjustment has been approved and recorded prior to the closing date of the purchase of the Option Property. If the Option Property were purchased, the City would own the Option Property, and the Conservancy would have a conservation easement over that property, which is the same as their respective

interests will be in the Purchase Property.

The City and the Conservancy will pay \$15,000 (\$7,500 each) to secure the option to purchase the Option Property, which must be deposited into escrow within two business days following the opening of escrow for the Purchase Property (Section 6.2). The option payment is nonrefundable, but it will be applied to the \$3 million purchase price for the Option Property, if the City and the Conservancy decide to exercise the Option.

The purchase price for the Option Property is \$3 million, because the Seller believes that the location and topography of the Option Property should make it easier to develop. There is no funding that has been committed by any entity towards that purchase. Accordingly, should the City and the Conservancy subsequently determine that they wish to exercise the option (action by the Council and the Board would be required), the Conservancy may have to raise the entire \$3 million from donations or petition the state for any additional funds.

To exercise the option, the City and the Conservancy must advise the Seller that they wish to exercise the option on or prior to the closing date of the escrow for the purchase of the Purchase Property. The escrow for the purchase of the Option Property is to close by June 30, 2009, although it can be extended until December 31, 2009, if additional time is needed to secure the funding. (Given the amount of money that would be required to be raised from private donations or additional state funding to acquire the Option Property, the need for an extension seems extremely likely.)

The last potential acquisition that is addressed by the Agreement is the possible donation to the Conservancy of at least 40 acres of the 94-acre Lower Filiorum or Point View Property. The 40-acre donation can only be taken generally from the easterly portion of the Lower Filiorum Property, referred to in the Agreement as the Potential Donation Area (see Exhibit D to the Agreement). City Staff, Conservancy Staff and the Staff of the Resource Agencies have found that Exhibit D is consistent with the City's NCCP Preserve design and will allow for the connectivity for wildlife that the NCCP envisions.

The donation to the Conservancy will occur only if the City approves a subdivision or development on the Development Area of the Lower Filiorum Property, in a form and with conditions that are satisfactory to the developer of that property within ten years of the effective date of the Agreement. The donation would be made to the Conservancy, with a conservation easement granted to the City, to clarify that the donation is not being made as consideration for City approval of any development. In that regard, it is very important to note that the Agreement states:

“Nothing in this Section 5.3 [which addresses only the donation property and the conditions under which the donation will be made] is intended, and shall not be interpreted to, obligate the City to approve, conditionally approve, or otherwise, the Subdivision Map or any other proposed development of the Development Property.”

Another paragraph of the Agreement (Section 15.4) similarly provides that the Agreement does not prevent the Property Owner from developing the Development Property (Lower Filiorum), and “Seller acknowledges and agrees that nothing in this Agreement shall, or shall be deemed to, require City to approve the current development application or any other application to develop all or any portion of the Development Property or the Option Property.”

Thus, this Agreement creates no obligation on the part of the City to approve a development on the Lower Filiorum Property or the Option Property. In addition, the Agreement provides that if development is approved, and the donation is made to the Conservancy, then the owner of the Lower Filiorum Property has an easement over the donation property so that the developer can use the donation property during construction of the project. At the end of the construction and the use of the easement area, the developer will be required to restore the easement area in accordance with the Agreement and the conditions of approval of the project.

It also should be noted that the obligation to make the donation is not triggered if the property owner applies for and receives a parcel map that creates only one additional estate-sized lot (of between 1 and 10 acres) on the developable portion of the Lower Filiorum Property. This seemed fair to the negotiating team, since it would be very unlikely that the creation of one lot on the developable portion of the Lower Filiorum property would cause environmental impacts that would justify the donation of 40 acres to the Conservancy, and any environmental impacts arising from the creation of the one-lot parcel map would be addressed in connection with that approval, if that ever were to occur.

FISCAL IMPACT

The City is obligated to spend \$613,000 on the purchase of the Upper Filiorum Property, and that amount has been included in the City's budget. Other than the \$7,500 that the City is agreeing to pay as its share (50%) of the price for the Option to purchase the Option Property, the Agreement contains no other obligation on the part of the City to contribute towards the purchase price of either the Purchase Property or the Option Property.

However, the Agreement does specify that escrow and closing costs will be shared equally by the Seller and the Buyers. Accordingly, the City should include some additional funds (approximately \$10,000) for that purpose with respect to the Purchase Property. (If the Option were exercised, similar expenditures would be incurred in connection with the closing of that purchase.) The City also may want to update the Phase 1 Environmental assessment that was performed several years ago, and may wish to obtain a survey of all or part of the Purchase Property, so that funds should be budgeted for those purposes. (Surveys, which can be very expensive, were not performed on other properties that the City acquired for open space purposes.)

Finally, after the Purchase Property is acquired, the City will incur certain costs to

maintain the Property, such as weed abatement costs, which City Staff currently estimates will be approximately \$30,000 per year.

CONCLUSION

Staff and the negotiating team recommend that the City Council approve the attached Agreement so that the Agreement and the appraisal can be submitted to the State and the other public agencies immediately and the \$6,787,000 can be secured from the other governmental entities before those monies are diverted to other acquisitions.

Attachment: Purchase and Option and Donation Agreement And Joint Escrow Instructions

PURCHASE AND SALE, OPTION AND DONATION AGREEMENT AND JOINT ESCROW INSTRUCTIONS

THIS PURCHASE AND SALE, OPTION AND DONATION AGREEMENT AND JOINT ESCROW INSTRUCTIONS (this “**Agreement**”) is made as of May 6, 2008 (the “**Effective Date**”), by and among the CITY OF RANCHO PALOS VERDES, a California municipal corporation (“**City**”), and the PALOS VERDES PENINSULA LAND CONSERVANCY, a California non-profit corporation (the “**Conservancy**,” and, collectively with City, “**Buyers**”), and YORK LONG POINT ASSOCIATES, L.P., a California limited partnership (“**Seller**”). In consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the parties to this Agreement agree as follows:

1. Purchase and Sale. Upon the terms and conditions contained herein, Seller agrees to sell to Buyers, and Buyers agree to purchase from Seller, approximately one hundred ninety (190) acres of real property depicted as the “Purchase Property” on Exhibit A attached hereto and located in the City of Rancho Palos Verdes, County of Los Angeles, State of California, as more particularly described on Exhibit B attached hereto (the “**Purchase Property**”).

2. Option. Upon the terms and conditions contained herein, Seller grants to Buyers an exclusive and irrevocable option (the “**Option**”) to purchase approximately twenty-eight (28) acres of real property depicted as the “Option Property” on Exhibit A attached hereto and located in the City of Rancho Palos Verdes, County of Los Angeles, State of California, as more particularly described on Exhibit C attached hereto (the “**Option Property**”); provided, however, that the Option Property shall not include the unimproved lot commonly known as 37 Cinnamon Lane, and more particularly described as Lot 15, Block 3 of Tract No. 14195, as shown on a map filed in Book 323, Pages 8 through 10, inclusive, of Maps in the Office of the County Recorder of Los Angeles County, California (the “**Lot**”), in the event Lot Line Adjustment No. SUB2007-00002 (or any other lot line adjustment that has the effect of combining the Lot and the remainder of the Option Property into a single, legal lot) has not been recorded in the Official Records of Los Angeles County, California, on or before the “Option Closing Date” (as defined below).

3. Donation. Upon the terms and conditions contained herein, Seller agrees to donate to Conservancy, and Conservancy agrees to accept from Seller, at least forty (40) acres of the approximately ninety-four (94) acres of real property depicted as the “Point View (Lower Filiorum) Parcel” on Exhibit A attached hereto and located in the City of Rancho Palos Verdes, County of Los Angeles, State of California (the “**Point View Property**”); provided, however, that such minimum forty (40) acres (the “**Donation Property**”) shall only be located within the portion of the Point View Property depicted as the “Potential Donation Area” on Exhibit D attached hereto and shall not be located within any portion of the Point View Property within the area depicted as the “Development Area” on Exhibit D attached hereto (the “**Development Property**”). Buyers and Seller acknowledge and agree that the exact size and location of the Donation Property cannot be determined as of the Effective Date because such size and location is related to the “Development Entitlements” (as defined below). As a result, Conservancy agrees to prepare (or cause to be prepared), at its sole cost and expense, a metes and bounds legal

description for the Donation Property promptly after Seller has reasonably approved the Development Entitlements. Such legal description shall (a) include at least forty (40) acres of the Point View Property within the Donation Property (but not within the Development Property); (b) provide that there are no gaps, gores or strips between (i) the Donation Property and the Option Property along their common boundaries, and (ii) the Donation Property and the Purchase Property along their common boundaries; and (c) otherwise be reasonably acceptable to Buyers and Seller. Seller acknowledges and agrees that Conservancy may expend substantial resources to solicit monetary donations from members of the public to pay a portion of the "Purchase Property Purchase Price" and the "Option Property Purchase Price" (as those terms are defined below), and that the information/materials provided by Conservancy to members of the public may refer to the fact that Seller has agreed to donate the Donation Property to Conservancy on the terms, and subject to the conditions, contained in this Agreement, and that, as a result, such members of the public may be relying upon Seller's obligation to make such donation in connection with their agreement to donate money to Conservancy that will pay a portion of the Purchase Property Purchase Price and/or the Option Property Purchase Price.

4. Opening of Escrow. Within three (3) business days after the Effective Date, Buyers and Seller shall open an escrow (the "**Escrow**") with First American Title Insurance Company at 5 First American Way, Santa Ana, California 92707, Attention: Ms. Patty Beverly ("**Escrow Holder**"), by delivering this Agreement executed by Buyers and Seller to Escrow Holder. Escrow Holder shall execute copies hereof (and the Escrow shall thereby be deemed open) and return fully executed copies to Buyers and Seller. In addition, Buyers and Seller agree to be bound by Escrow Holder's general provisions attached hereto as Exhibit E. In the event of any discrepancy between the provisions of this Agreement and such general provisions, the provisions of this Agreement shall prevail.

5. Closings. The transfers of the Purchase Property, the Option Property and the Donation Property (collectively, the "**Property**") contemplated hereby (each a "**Closing**") shall take place through the Escrow and shall occur as follows:

5.1 Purchase Property. With respect to the Purchase Property, on or before the earlier to occur of (a) the date that is ten (10) business days after Buyers obtain the Purchase Property Purchase Price from the State of California, the California Coastal Conservancy, the United States government and from private party donations (collectively, the "**Funding Sources**"), (b) six (6) months after the Wildlife Conservation Board meeting at which the transfer of the Purchase Property contemplated by this Agreement is discussed, or (c) December 31, 2008; provided, however, that such date shall be extended for one three (3) month period (i.e., to March 31, 2009) in the event Buyers notify Escrow Holder and Seller at least two (2) weeks prior to the existing date (i.e., on or before December 17, 2008) that such extension is necessary because of delays in obtaining the Purchase Property Purchase Price from the Funding Sources, which notice shall include evidence, reasonably satisfactory to Seller, that Buyers have made requests for such funds in accordance with Section 15.1 and that such requests have not been denied (the "**Purchase Closing Date**"). In the event Buyers are unable to obtain funds in the amount of the Purchase Property Purchase Price from the Funding Sources prior to the Purchase Closing Date (and such failure is not caused by a default by Buyers under Section 15.1), then (i) Buyers' shall not be in default hereunder, (ii) this Agreement shall automatically terminate with respect to the Purchase Property, (iii) no party shall have any

further rights or obligations hereunder with respect to the Purchase Property (except for indemnity obligations and the provisions of Section 14), and (iv) each party shall bear its own costs incurred hereunder in connection with the Purchase Property.

5.2 Option Property. With respect to the Option Property, in the event Buyers notified Escrow Holder and Seller on or prior to the Purchase Closing Date that Buyers have elected to exercise the Option (the “**Option Election Notice**”), then on or before the earlier to occur of (a) the date that is ten (10) business days after Buyers obtain the Option Property Purchase Price from the Funding Sources, (b) six (6) months after the Wildlife Conservation Board meeting at which the transfer of the Option Property contemplated by this Agreement is discussed, or (c) June 30, 2009; provided, however, that such date shall be extended to December 31, 2009, in the event Buyers notify Escrow Holder and Seller on or before June 15, 2009, that such extension is necessary because of delays in obtaining the Option Property Purchase Price from the Funding Sources, which notice shall include evidence, reasonably satisfactory to Seller, that Buyers have made requests for such funds in accordance with Section 15.2 and that such requests have not been denied (the “**Option Closing Date**”). In the event Buyers are unable to obtain funds in the amount of the Option Property Purchase Price from the Funding Sources prior to the Option Closing Date (and such failure is not caused by a default by Buyers under Section 15.2), then (i) Buyers’ shall not be in default hereunder, (ii) this Agreement shall automatically terminate with respect to the Option Property, (iii) no party shall have any further rights or obligations hereunder with respect to the Option Property (except for indemnity obligations and the provisions of Section 14), and (iv) each party shall bear its own costs incurred hereunder in connection with the Option Property.

5.3 Donation Property. With respect to the Donation Property, in the event (i) a grading permit has been issued by City for the Development Property pursuant to one or more subdivision/parcel maps for the development of all or a portion of the Development Property, which maps were submitted by Seller to City with designs, and conditions of approval imposed by City, that are acceptable to Seller (the “**Subdivision Map**”); and (ii) the Rancho Palos Verdes Natural Communities Conservation Plan Subarea Plan applicable to all or a portion of the Property, permits development of the Development Property as described in the Subdivision Map (collectively, the “**Development Entitlements**”), then, on or before the date that is ninety (90) days after Seller has reasonably approved the Development Entitlements (the “**Donation Closing Date**”); provided, however, that if the Development Entitlements have not been received and reasonably approved by Seller on or before the tenth (10th) anniversary of the Effective Date (the “**Termination Date**”), then this Agreement shall automatically terminate with respect to the Donation Property. Nothing in this Section 5.3 is intended, and shall not be interpreted, to obligate City to approve, conditionally or otherwise, the Subdivision Map or any other proposed development of the Development Property. Notwithstanding anything to the contrary in this Agreement, the development of a single, single-family residence on a single lot (of not less than one (1), but not more than ten (10), acres of the Development Property) created by a parcel map shall not trigger Seller’s obligation to donate, or Conservancy’s right to accept, the Donation Property (provided, however, that any further subdivision of such 1 to 10 acre lot by Seller prior to the Termination Date shall trigger Seller’s obligation to donate, and Conservancy’s right to accept, the Donation Property).

6. Payments.

6.1 Purchase Property. The purchase price for the Purchase Property shall be Nine Million Two Hundred Thousand Dollars (\$9,200,000) (the “**Purchase Property Purchase Price**”). Buyers shall deposit the Purchase Property Purchase Price into the Escrow either by wire transfer of immediately available federal funds or by bank or cashier’s check drawn on a national bank reasonably satisfactory to Seller (“**Acceptable Funds**”) on or before the Purchase Closing Date.

6.2 Option Property. The purchase price for the Option shall be Fifteen Thousand Dollars (\$15,000) (the “**Option Payment**”). Within two (2) business days after the opening of the Escrow, Buyers shall deposit Acceptable Funds into the Escrow in an amount equal to the Option Payment. The Option Payment shall be deemed earned upon receipt by Seller as provided in Section 6.3 and shall not be refundable under any circumstances; provided, however, that the Option Payment shall be applied to the Option Property Purchase Price in connection with the Closing of the Option Property. The purchase price for the Option Property shall be Three Million Dollars (\$3,000,000) (the “**Option Property Purchase Price**”). Buyers shall deposit Acceptable Funds into the Escrow in the amount of the Option Property Purchase Price on or before the Option Closing Date.

6.3 Disbursement of Option Payment. Upon Escrow Holder’s receipt of the Option Payment, Escrow Holder shall promptly disburse the same to Seller without the requirement of any further instructions.

7. Costs and Prorations.

7.1 Escrow Fees and Title Premiums. Buyers and Seller shall each pay one-half (1/2) of Escrow Holder’s fees in connection with the Escrow. Seller shall bear the cost of (i) all documentary transfer taxes, (ii) all recording fees, (iii) the premium for one (1) standard coverage owner’s policy of title insurance for the Purchase Property with a liability limit in the amount of the Purchase Property Purchase Price, and (iv) the premium for one (1) standard coverage owner’s policy of title insurance for the Option Property with a liability limit in the amount of the Option Property Purchase Price. Buyers shall bear the cost of any premium attributable to (a) endorsements to, or extended coverage provided by, Buyers’ title insurance policies for the Purchase Property and the Option Property, and any survey costs in connection therewith; (b) the issuance of more than one (1) owner’s policy of title insurance for the Purchase Property and/or the Option Property; and (c) the issuance of any owner’s policy of title insurance for the Donation Property. The payment of all other costs or expenses of the Closings not otherwise provided for in this Agreement shall be allocated between Buyers and Seller in the manner customary in Los Angeles County, California. Notwithstanding the foregoing, Buyers shall pay all fees, costs and other expenses in connection with the Closing of the Donation Property.

7.2 Taxes and Assessments. All current real property taxes, and all payments on general and special bonds and assessments, applicable to each Property shall be prorated through the Escrow between Buyers and Seller as of the Closing thereof based upon the latest available tax information, using customary escrow procedures. Notwithstanding the foregoing,

Buyers shall make all payments on general and special bonds and assessments applicable to the Donation Property that are payable due to the Closing of the Donation Property.

8. Title Review.

8.1 Purchase Property. Buyers have received that certain Commitment for Title Insurance issued by First American Title Insurance Company (“**Title Company**”) for its Commitment No. NCS-337238-SA1 dated February 6, 2008 (the “**Preliminary Report**”). Buyers shall have until the ninetieth (90th) day after the Effective Date (the “**Purchase Title Inspection Period**”) to review copies of all instruments giving rise to any exceptions to title to the Purchase Property disclosed by the Preliminary Report (collectively, the “**Purchase Title Exceptions**”), and otherwise examine the status of title to the Purchase Property. Buyers shall notify Seller prior to the expiration of the Purchase Title Inspection Period which Purchase Title Exceptions will not be accepted by Buyers (the “**Purchase Title Notice**”). If Buyers fail to deliver the Purchase Title Notice prior to the expiration of the Purchase Title Inspection Period, then Buyers shall be deemed to have approved the condition of title to the Purchase Property, except as provided in this Section 8.1, with respect to a “Purchase Gap Notice” (as defined below). If Buyers deliver the Purchase Title Notice prior to the expiration of the Purchase Title Inspection Period, then Seller shall have five (5) business days after its receipt thereof to notify Buyers that Seller will cause such objectionable Purchase Title Exceptions to be removed from title to the Purchase Property on or before the Purchase Closing Date. The procurement by Seller of a commitment for the issuance of a title policy, or an endorsement thereto, satisfactory to Buyers (in their sole and absolute discretion) and insuring Buyers against any Purchase Title Exception that was objected to in the Purchase Title Notice shall be deemed a cure by Seller of such objection. If Seller fails to notify Buyers of its election within such five (5) business day period, then Seller shall be deemed to have elected to not cause such objectionable Purchase Title Exceptions to be removed from title to the Purchase Property and Buyers shall have five (5) business days thereafter to notify Seller that Buyers waive their objections to such Purchase Title Exceptions. If Buyers fail to notify Seller of their election within such five (5) business day period, then Buyers shall be deemed to have elected to terminate this Agreement with respect to the Purchase Property. In the event this Agreement is so terminated, then no party shall have any further rights or obligations hereunder with respect to the Purchase Property (except for indemnity obligations and the provisions of Section 14), and each party shall bear its own costs incurred hereunder in connection with the Purchase Property. Buyers may notify Seller (the “**Purchase Gap Notice**”) of any objections to title to the Purchase Property (i) raised by Title Company between the expiration of the Purchase Title Inspection Period and the Purchase Closing Date, (ii) not disclosed by Title Company or otherwise known to Buyers prior to the expiration of the Purchase Title Inspection Period and (iii) not caused by Buyers. Buyers must notify Seller of any such objection to title within five (5) business days after being made aware of the existence of any such exception. If Buyers send a Purchase Gap Notice to Seller, then Buyers and Seller shall have the same rights and obligations with respect to such notice as apply to a Purchase Title Notice under this Section 8.1.

8.2 Option Property. The provisions of Section 8.1 shall also apply to the Option Property, such that all references therein to “Purchase” shall be deemed to be references to “Option;” provided, however, that the Option Title Inspection Period shall expire on the

earlier of the ninetieth (90th) day after the Option Election Notice or the thirtieth (30th) day before the Option Closing Date.

8.3 Donation Property. The provisions of Section 8.1 shall also apply to the Donation Property, such that all references therein to “Purchase” shall be deemed to be references to “Donation;” provided, however, that the Donation Title Inspection Period shall expire on the thirtieth (30th) day before the Donation Closing Date.

8.4 Monetary Encumbrances. Notwithstanding anything to the contrary contained herein, Seller shall cause all mortgages, deeds of trust and other private party monetary liens (including mechanics’ liens and judgment liens) and liens for delinquent taxes affecting each Property to be fully satisfied, released and discharged of record on or before the Closing thereof (except for any such matters resulting from Buyers’ activities with respect to the Property, which shall be solely Buyers’ responsibility) so that Buyers shall take title to each Property free and clear of the same. Seller acknowledges that such satisfaction, release and discharge may involve substantial prepayment penalties or premiums and other costs or expenses, all of which shall be paid by Seller at its sole cost and expense at or prior to each Closing.

9. Property Studies.

9.1 Purchase Property. Buyers shall have until the ninetieth (90th) day after the Effective Date (the “**Purchase Due Diligence Period**”) to enter upon the Purchase Property, at reasonable times after giving Seller at least twenty-four (24) hours’ advance notice, for the purpose of conducting such tests and studies and undertaking such other investigations of the Purchase Property as Buyers may deem necessary and/or desirable, all at Buyers’ sole cost. Such tests, studies and/or investigations may include obtaining and reviewing a Phase I Environmental Report. Immediately after performing such tests, studies and/or investigations, Buyers shall restore the Purchase Property to the same condition as prior to performing such tests, studies and/or investigations, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. Notwithstanding anything to the contrary contained herein, Buyers shall not conduct any drilling, or otherwise disturb any soil, on the Purchase Property without Seller’s prior consent, which consent shall not be unreasonably withheld, delayed or conditioned. If Buyers determine that they are unwilling to consummate the transfer of the Purchase Property as contemplated by this Agreement, whether based on dissatisfaction with the results of any such tests, studies and/or investigations or for any other reason or for no reason, and Buyers give notice to Escrow Holder and Seller of such determination prior to the expiration of the Purchase Due Diligence Period, then this Agreement shall automatically terminate with respect to the Purchase Property concurrently with the giving of such notice to Seller. If Buyers fail to so notify Seller prior to the expiration of the Purchase Due Diligence Period, then Buyers shall be deemed to have elected to proceed with the Closing of the Purchase Property. Buyers shall indemnify, defend and hold Seller harmless from any and all losses, damages, costs, liabilities and expenses, including reasonable attorneys’ fees (and those fees incurred upon any appeals) and court costs incurred or suffered by Seller, whether directly or proximately, by the act or omission of Buyers or Buyers’ representatives during their inspections of the Purchase Property. If this Agreement is terminated with respect to the Purchase Property pursuant to the foregoing provisions of this Section 9, then no party shall have any further rights

or obligations hereunder with respect to the Purchase Property (except for indemnity obligations and the provisions of Section 14), and each party shall bear its own costs incurred hereunder with respect to the Purchase Property.

9.2 Option Property. The provisions of Section 9.1 shall also apply to the Option Property, such that all references therein to “Purchase” shall be deemed to be references to “Option;” provided, however, that the Option Due Diligence Period shall commence concurrently with the Option Election Notice and shall expire on the earlier of the ninetieth (90th) day after the Option Election Notice or the thirtieth (30th) day before the Option Closing Date.

9.3 Donation Property. The provisions of Section 9.1 shall also apply to the Donation Property, such that all references therein to “Purchase” shall be deemed to be references to “Donation;” provided, however, that the Donation Due Diligence Period shall commence upon Buyers’ request, which shall not be unreasonably denied, delayed or conditioned by Seller, and shall expire on the thirtieth (30th) day before the Donation Closing Date.

10. Closings.

10.1 Delivery of Documents.

10.1.1 On or prior to the Purchase Closing Date, City, Conservancy and Seller will deliver to Escrow Holder counterpart originals of a grant deed in the form attached hereto as Exhibit G that has been executed by City, Conservancy and Seller and acknowledged, conveying the fee interest in the Purchase Property to City subject to a conservation easement reserved for the benefit of Conservancy (the “**Purchase Deed**”).

10.1.2 On or prior to the Option Closing Date, City, Conservancy and Seller will deliver to Escrow Holder counterpart originals of a grant deed in the form attached hereto as Exhibit G that has been executed by Seller and acknowledged, conveying the fee interest in the Option Property to City or Conservancy (as determined by Buyers, in their sole and absolute discretion, by notifying Escrow Holder and Seller thereof at least thirty (30) days prior to the Option Closing Date) subject to a conservation easement reserved for the benefit of City (if the fee interest in the Option Property is conveyed to Conservancy) or Conservancy (if the fee interest in the Option Property is conveyed to City) (the “**Option Deed**”).

10.1.3 On or prior to the Donation Closing Date, Seller will deliver to Escrow Holder an original grant deed in the form attached hereto as Exhibit H that has been executed by Seller and acknowledged, conveying the fee interest in the Donation Property to Conservancy subject to a conservation easement reserved for the benefit of City (the “**Donation Deed**”).

10.1.4 On or prior to the Donation Closing Date, City, Conservancy and Seller will deliver to Escrow Holder counterpart originals of a temporary easement agreement in the form attached hereto as Exhibit J that has been executed by City, Conservancy and Seller and acknowledged, providing Seller with an easement to use a portion of the Donation Property that is adjacent to the Development Property in connection with Seller’s grading of the Development Property (the “**Easement**”); provided, however, that prior to such execution, City, Conservancy

and Seller shall reasonably agree upon a depiction of the “Easement Area” to be created thereby (and attached thereto), the location of which shall be determined as reasonably required by the grading permit described in Section 5.3; provided further, however, that the “Easement Area” shall not, under any circumstances, bisect the Donation Property.

10.1.5 On or prior to the Donation Closing Date, Conservancy will deliver to Escrow Holder an IRS Form 8283.

10.1.6 On or prior to the Purchase Closing Date, the Option Closing Date and the Donation Closing Date (each, a “**Closing Date**”), Buyers and Seller will deliver, or cause to be delivered, to Escrow Holder such other instruments as are consistent with this Agreement and as are reasonably required by Escrow Holder, Title Company or otherwise required for the Closings. In addition, Seller and Buyers will designate Escrow Holder as the “Reporting Person” for each Closing pursuant to the Internal Revenue Code of 1986 (“**IRC**”) Section 6045(e).

10.1.7 On or prior to each Closing Date, Seller will deliver to Escrow Holder a mutual release agreement in the form attached hereto as Exhibit I that has been executed by Seller, releasing any and all claims that it alleges that it may have against City with respect to the applicable Property, including eminent domain, inverse condemnation or any similar taking claim or any other potential claims or causes of action relating to City’s actions or inactions during or before Seller’s ownership of such Property. Notwithstanding the forgoing, if a Closing does not occur as contemplated herein, then Seller shall retain any and all such alleged claims that it may have against City with respect to such Property that was not the subject of a Closing.

10.1.8 On or prior to each Closing Date, City will deliver to Escrow Holder a mutual release agreement in the form attached hereto as Exhibit I that has been executed by City, releasing any and all alleged claims that it may have against Seller with respect to the applicable Property, including the violation of any law, regulation, ordinance or other legal requirement or any other potential claims or causes of action relating to Seller’s actions or inactions during Seller’s ownership of such Property. Notwithstanding the forgoing, if a Closing does not occur as contemplated herein, then, except as provided to the contrary herein, City shall retain any and all such alleged claims that it may have against Seller with respect to such Property that was not the subject of a Closing.

10.2 Escrow Holder Instructions. In connection with each Closing, Escrow Holder will promptly take all of the following actions once all required funds and instruments have been deposited into the Escrow by the appropriate parties and when all other conditions to such Closing have been fulfilled:

10.2.1 Record the Purchase Deed, the Option Deed or the Donation Deed and the Easement, as applicable, in the Official Records of Los Angeles County, California.

10.2.2 Disburse all funds deposited with Escrow Holder by Buyers pursuant to Section 6 with respect to the applicable Property as follows: deduct or credit all items chargeable to the account of Seller and/or Buyers, as applicable, pursuant to Section 7; the balance of the Purchase Property Purchase Price or the Option Property Purchase Price, as

applicable, (after deducting or crediting all amounts chargeable to the account of Seller as provided above), to Seller; and any remaining balance to Buyer.

10.2.3 Direct Title Company to issue the title policies described in Section 10.4 with respect to the applicable Property.

10.2.4 Deliver the release described in Section 10.1.7 to City.

10.2.5 Deliver the release described in Section 10.1.8 and the IRS form described in Section 10.1.5, as applicable, to Seller.

10.3 Possession. Possession of each Property will be delivered to Buyers upon the Closing thereof.

10.4 Title. Seller shall cause Title Company to be prepared or committed to issue a CLTA Owner's Policy of Title Insurance dated as of the date of each Closing with respect to the Property that is the subject of such Closing. If Buyers require an ALTA Owner's Policy of Title Insurance or endorsements, Buyers shall notify Title Company of such requirement and deliver to Title Company, at Buyers' sole cost and expense and in a timely manner so as to not delay the applicable Closing, an ALTA survey of the applicable Property that is adequate for the issuance of such ALTA Owner's Policy of Title Insurance. The title policies issued for the Purchase Property shall insure that City is the fee owner thereof and that Conservancy is the owner of the conservation easement described in the Purchase Deed, each in an amount agreed to by and among City, Conservancy and Title Company prior to expiration of the Purchase Due Diligence Period. The title policies issued for the Option Property shall insure that City/Conservancy (as determined by Buyers as described in Section 10.1.2) is the fee owner thereof and that Conservancy/City (again, as determined by Buyers as described in Section 10.1.2) is the owner of the conservation easement described in the Option Deed, each in an amount agreed to by and among City, Conservancy and Title Company prior to expiration of the Option Due Diligence Period. The title policies issued for the Donation Property shall insure that Conservancy is the fee owner thereof and that City is the owner of the conservation easement described in the Donation Deed, each in an amount agreed to by and among Conservancy, City and Title Company prior to the expiration of the Donation Due Diligence Period. Each title policy shall show title vested subject only to:

10.4.1 The usual printed exceptions;

10.4.2 Non-delinquent taxes and assessments;

10.4.3 All exceptions approved, or deemed approved, by Buyers pursuant to Section 8;

10.4.4 All exceptions otherwise approved by Buyers; and

10.4.5 All exceptions created by, or on behalf of, Buyers.

11. Assignment and Conveyance. Other than assigning interests between City and Conservancy, Buyers shall not assign any of their rights or interests in or under this Agreement

without Seller's prior consent, which consent may be withheld in its sole and absolute discretion. Seller may assign its rights and interests in and under this Agreement with respect to the Purchase Property and/or the Option Property to the partners of Seller, as tenants in common, in connection with a transfer of fee title to the Purchase Property and/or the Option Property to such partners, as tenants in common, without Buyers' prior consent; provided, however, that such partners, as tenants in common, shall assume Seller's obligations in and under this Agreement with respect to the Purchase Property and/or the Option Property in connection with any such transfer pursuant to an assignment and assumption agreement in form and substance reasonably acceptable to Buyers, Seller and such partners. Seller may assign its rights and interests in and under this Agreement with respect to the Donation Property to any person or entity to which it transfers fee title to the Donation Property, or any portion thereof, without Buyers' prior consent; provided, however, that such transferee shall assume Seller's obligations in and under this Agreement in connection with any such transfer pursuant to an assignment and assumption agreement in form and substance reasonably acceptable to Buyers, Seller and such transferee. Any assignment made in violation of this Section 11 shall be null and void.

12. Time of Essence. Time is of the essence of every provision of this Agreement in which time is an element; provided, however, that whenever an action must be taken (including the giving of notice or the delivery of documents) under this Agreement during a certain period of time (or by a particular date) that ends (or occurs) on a non-business day, then such period (or date) shall be extended until the immediately following business day. Failure by one party to perform any obligation within the time and on the terms and conditions required hereunder shall discharge the other party's duties and obligations to perform hereunder upon notice or demand from the other party. However, if a Property is not ready for Closing by the Closing Date therefor, Escrow Holder shall continue to comply with the instructions contained herein until a demand has been made by a party entitled to do so for the cancellation of the Escrow with respect to such Property. Escrow Holder shall notify the other party of any such demand, and shall immediately cancel the Escrow with respect to such Property without any further instructions from any party. As used herein, "**business day**" means any day other than a Saturday, Sunday or federal or California state holiday.

13. LIQUIDATED DAMAGES. IF THE CLOSING OF THE PURCHASE PROPERTY DOES NOT OCCUR DUE TO A BREACH OF THIS AGREEMENT BY BUYERS (PROVIDED, HOWEVER, THAT BUYERS' FAILURE TO OBTAIN FUNDS IN THE AMOUNT OF THE PURCHASE PROPERTY PURCHASE PRICE SHALL NOT CONSTITUTE A BREACH OF THIS AGREEMENT BY BUYERS UNLESS SUCH FAILURE RESULTS FROM BUYERS' FAILURE TO COMPLY WITH SECTION 15.1), THEN BUYERS SHALL PAY SELLER SEVENTY-FIVE THOUSAND DOLLARS (\$75,000). IF THE CLOSING OF THE OPTION PROPERTY DOES NOT OCCUR AFTER THE OPTION ELECTION NOTICE DUE TO A BREACH OF THIS AGREEMENT BY BUYERS (PROVIDED, HOWEVER, THAT BUYERS' FAILURE TO OBTAIN FUNDS IN THE AMOUNT OF THE OPTION PROPERTY PURCHASE PRICE SHALL NOT CONSTITUTE A BREACH OF THIS AGREEMENT BY BUYERS UNLESS SUCH FAILURE RESULTS FROM BUYERS' FAILURE TO COMPLY WITH SECTION 15.2), THEN BUYERS SHALL PAY SELLER TWENTY-FIVE THOUSAND DOLLARS (\$25,000). SUCH AMOUNTS SHALL BE PAID BY BUYERS TO SELLER AS LIQUIDATED DAMAGES, WHICH AMOUNTS ARE THE BEST ESTIMATE BY THE PARTIES OF THE DAMAGES SELLER

WOULD SUFFER FROM SUCH A BREACH PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, ET. SEQ., IT BEING AGREED THAT IT IS EXTREMELY DIFFICULT, IF NOT IMPOSSIBLE AND IMPRACTICABLE, TO FIX THE EXACT AMOUNT OF SUCH DAMAGES. SUCH AMOUNTS SHALL BE ACCEPTED BY SELLER AS LIQUIDATED DAMAGES AND NOT AS A PENALTY AND AS SELLER'S SOLE AND EXCLUSIVE REMEDY. THEREUPON, THIS AGREEMENT SHALL BE TERMINATED WITH RESPECT TO THE APPLICABLE PROPERTY, ESCROW HOLDER SHALL RETURN ALL DOCUMENTS TO THE PARTIES WHO DEPOSITED THE SAME, THE PARTIES SHALL COMPLY WITH SECTION 14 AND BUYERS SHALL PAY ALL CANCELLATION FEES AND COSTS CHARGED BY ESCROW HOLDER AND TITLE COMPANY WITH RESPECT THERETO.

City Initials

Conservancy Initials

Seller Initials

14. Further Documents and Acts. The parties hereto agree to cooperate in good faith with each other, and to execute and deliver such further documents and perform such other acts as may be reasonably necessary or appropriate to consummate and carry into effect the transactions contemplated under this Agreement. If this Agreement is terminated for any reason with respect to a Property, Buyers shall return to Seller any studies, reports or other documents previously supplied to Buyers by Seller with respect to such property, and shall deliver to Seller, without charge, any and all such documents that Buyers shall have obtained with respect to such Property at any time prior to such termination. The provisions of this Section 14 shall not supercede City's obligations to maintain copies of such documents in accordance with the requirements of state law.

15. Representations, Warranties and Covenants of Buyers.

15.1 Purchase Property Purchase Price. Buyers covenant to use their best efforts in order to obtain funds in the amount of the Purchase Property Purchase Price from the Funding Sources as soon as reasonably possible after the Effective Date.

15.2 Option Property Purchase Price. Buyers covenant to use their best efforts in order to obtain funds in the amount of the Option Property Purchase Price from the Funding Sources as soon as reasonably possible after the Option Election Notice.

15.3 Donation. Conservancy is entitled to receive charitable donations for public purposes pursuant to IRC Section 170(c)(1). Conservancy covenants to reasonably cooperate with Seller in its efforts to substantiate the making of the gift/donation of the Donation Property under the IRC. Buyers will have no liability to Seller in the event the Seller does not achieve the desired tax treatment with respect to gift/donation of the Donation Property under the IRC.

15.4 Processing of Subdivision Map. City acknowledges that, in connection with Seller's attempt to obtain approval of a Subdivision Map to subdivide the Development Property, Seller has submitted preliminary plans for its development to City. City further

acknowledges and agrees that nothing in this Agreement shall, or shall be deemed to, prohibit the development of the Development Property and/or the approval of the Subdivision Map. Seller acknowledges and agrees that nothing in this Agreement shall, or shall be deemed to, require City to approve the current development application or any other application to develop all or any portion of the Development Property or the Option Property.

15.5 Sole Reliance. Prior to each Closing, Buyers shall conduct all tests, studies and/or investigations with respect to the applicable Property as Buyers deem appropriate. Except as set forth herein, Buyers shall rely solely upon their own tests, studies and/or investigations of such Property in purchasing the same and shall not rely in any way upon any representations, statements, agreements, warranties, studies, reports, descriptions, guidelines or other information or material furnished by Seller or its representatives, whether oral or written, express or implied, of any nature whatsoever regarding any of the foregoing matters.

15.6 As Is, Where Is. Except as set forth herein, Buyers represent and warrant that they are acquiring each Property "AS IS, WHERE IS" without representation by Seller, and that no patent or latent condition affecting the Property in any way, whether or not known or discoverable or hereafter discovered, shall affect Buyers' obligations contained in this Agreement, nor shall any such condition give rise to any right of damages, rescission or otherwise against Seller.

15.7 Defaults. Buyers represent and warrant that the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not result in any breach of the terms or conditions of, or constitute a default under, any instrument or obligation by which Buyers are bound, or violate any order, writ, injunction or decree of any court in any litigation to which Buyers are a party.

15.8 Survival. All of Buyers' representations and warranties set forth herein shall be true upon the execution of this Agreement, and shall be deemed to be repeated at, and as of, each Closing and shall survive each Closing for one (1) year. Additionally, all indemnities by Buyers of Seller set forth in this Agreement shall survive the termination of this Agreement.

16. Representations, Warranties and Covenants of Seller.

16.1 Operation and Maintenance.

16.1.1 Seller covenants that, between the Effective Date and the Closing of the Purchase Property, Seller shall (i) operate and maintain the Purchase Property in substantially the same manner and condition as before the Effective Date, as if Seller were retaining the Purchase Property; and (ii) not, without the prior consent of Buyers, which consent shall not be unreasonably withheld or delayed, (a) materially and physically alter the Purchase Property; (b) impose, or allow the imposition of, any lien or encumbrance on the Purchase Property; and (c) create, grant or consent to any use restriction, easement, license, servitude or similar interest in the Purchase Property.

16.1.2 Seller covenants that, between the Option Election Notice and the Closing of the Option Property, Seller shall (i) operate and maintain the Option Property in substantially the same manner and condition as before the Option Election Notice, as if Seller

were retaining the Option Property; and (ii) not, without the prior consent of Buyers, which consent shall not be unreasonably withheld or delayed, (a) materially and physically alter the Option Property; (b) impose, or allow the imposition of, any lien or encumbrance on the Option Property; and (c) create, grant or consent to any use restriction, easement, license, servitude or similar interest in the Option Property.

16.1.3 Seller covenants that, between the approval of the Subdivision Map by City and Seller and the Closing of the Donation Property, Seller shall (i) operate and maintain the Donation Property in substantially the same manner and condition as before the approval of the Subdivision Map by City and Seller, as if Seller were retaining the Donation Property; and (ii) not, without the prior consent of Buyers, which consent shall not be unreasonably withheld or delayed, (a) materially and physically alter the Donation Property; (b) impose, or allow the imposition of, any lien or encumbrance on the Donation Property; and (c) create, grant or consent to any use restriction, easement, license, servitude or similar interest in the Donation Property.

Nothing in this Section 16.1 is intended, and shall not be interpreted, to prohibit or otherwise limit Seller's right, at any time and from time to time, to encumber the Property with monetary liens of the nature described in Section 8.4. Furthermore, nothing in this Section 16.1 is intended, and shall not be interpreted, to obligate City (acting in its capacity as a governmental agency and not in its capacity as a prospective purchaser of the Property) to consent to any (a) material and/or physical alteration of the Property; (b) imposition of a lien or encumbrance on the Property; and (c) creation or granting of a use restriction, easement, license, servitude or similar interest in the Property.

16.2 No Agreements. There are no leases, service contracts or other agreements affecting the Property (including the permitted use thereof) to which Seller is a party and that will be in effect after the Closing of each Property.

16.3 No Litigation. To Seller's knowledge, Seller is not now a party to any litigation, and Seller knows of no litigation affecting the Property, that may prevent the transfer of the Property, and if Seller receives written notice of any such litigation prior to the applicable Closing, Seller shall give Buyers prompt notice thereof.

16.4 Defaults. Seller represents and warrants that the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not result in any breach of the terms or conditions of, or constitute a default under, any instrument or obligation by which Seller is bound, or violate any order, writ, injunction or decree of any court in any litigation to which Seller is a party.

16.5 Survival. All of Seller's representations and warranties set forth herein shall be true upon the execution of this Agreement, and shall be deemed to be repeated at, and as of, each Closing and shall survive each Closing for one (1) year. Additionally, all indemnities by Seller of Buyers set forth in this Agreement shall survive the termination of this Agreement. Notwithstanding the foregoing, in the event, and despite the truth of the representations and warranties of Seller on the date hereof, new facts arise subsequent to the date hereof that result in any representations and warranties made above being untrue as of a Closing, Seller shall not be

deemed to be in breach or default of this Agreement, and Buyer's sole and exclusive remedy for the failure of such representation and warranty being true at Closing is to agree to accept such representation or warranty as modified by such new facts disclosed by Seller to Buyers or to terminate this Agreement.

17. Broker's Commission. Seller represents and warrants to Buyers and Buyers represent and warrant to Seller that no broker or finder has been engaged by Seller or Buyers, respectively, in connection with the transactions contemplated by this Agreement, and that no broker or finder is in any way connected with such transactions. In the event any claim for broker's or finder's fees or commissions is made in connection with the negotiation, execution or consummation of the transactions contemplated hereby, Buyers shall indemnify, hold harmless and defend Seller from and against such claim if it shall be based upon any statement or representation or agreement made by Buyers, and Seller shall indemnify, hold harmless and defend Buyers from and against such claim if it shall be based upon any statement, representation or agreement made by Seller.

18. Waiver, Consent and Remedies. Each provision of this Agreement to be performed by Buyers and/or Seller shall be deemed both a covenant and a condition and shall be a material consideration for the other party's performance hereunder, and any breach hereof by Buyers and/or Seller shall be deemed a material default hereunder. Buyers and/or Seller may waive any portion of this Agreement or any breach hereof, but no such waiver shall constitute a further or continuing waiver of any preceding or succeeding breach of the same or any other provision. A waiving party may at any time thereafter require further compliance by the other party with any breach or provision so waived. The consent by one party to any act by the other for which such consent was required shall not be deemed to imply consent or waiver of the necessity of obtaining such consent for the same or any similar acts in the future. No waiver or consent shall be implied from silence or any failure of a party to act, except as otherwise specified in this Agreement. All rights, remedies, undertakings, obligations, options, covenants, conditions and agreements contained in this Agreement shall be cumulative and no one of them shall be exclusive of any other. Except as otherwise specified herein, Buyers and/or Seller may pursue any one or more of its rights, options or remedies hereunder or may seek damages in the event of the other party's breach hereunder, or may pursue any other remedy at law or equity, whether or not stated in this Agreement.

19. Attorneys' Fees. In the event of any action or proceeding instituted between or among the parties hereto in connection with this Agreement, then the prevailing party shall be entitled to recover from the losing party all of its costs and expenses, including court costs, all costs of appeals and reasonable attorneys' fees.

20. Notices. Except as otherwise required by law, any notice, request, direction, demand, consent, waiver, approval or other communication required or permitted to be given hereunder shall not be effective unless it is given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by facsimile, or (d) by a commercial overnight courier that guarantees next day delivery and provides a receipt, and addressed to the parties at the addresses stated below, or at such other address as either party may hereafter notify the other in writing as aforementioned:

If to City: The City of Rancho Palos Verdes
30940 Hawthorne Boulevard
Rancho Palos Verdes, California 90275
Attn: City Manager
Facsimile: (310) 377-9868

With a copy to: Richards, Watson & Gershon
355 South Grand Avenue, 40th Floor
Los Angeles, California 90071
Attn: Carol W. Lynch, Esq.
Facsimile: (213) 626-0078

If to Conservancy: Palos Verdes Peninsula Land Conservancy
916 Silver Spur Road, Suite 207
Rolling Hills Estates, California 90274
Attn: Mr. Henry Jurgens
Facsimile: (310) 541-7623

With a copy to: Holme, Roberts & Owen LLP
777 South Figueroa Street, Suite 2800
Los Angeles, California 90017
Attn: William K. Swank, Esq.
Facsimile: (213) 572-4400

If to Escrow Holder: First American Title Insurance Company
5 First American Way
Santa Ana, California 92707
Attn: Ms. Patty Beverly
Facsimile: (714) 200-0519

If to Seller: York Long Point Associates, L.P.
550 Silver Spur Road, Suite 250
Rancho Palos Verdes, California 90275
Attn: James York, President
Facsimile: (310) 544-6179

With a copy to: Cox, Castle & Nicholson LLP
2049 Century Park East, 28th Floor
Los Angeles, California 90067
Attn: Scott L. Grossfeld, Esq.
Facsimile: (310) 277-7889

Service of any such notice or other communication so made shall be deemed effective on the day of actual delivery (whether accepted or refused) as evidenced by confirmed answerback if by facsimile (provided that if any notice or other communication to be delivered by facsimile is unable to be transmitted because of a problem affecting the receiving party's facsimile machine, the deadline for receiving such notice or other communication shall be extended

through the next business day), as shown by the addressee's return receipt if by certified mail, and as confirmed by the courier service if by courier; provided, however, that if such actual delivery occurs after 5:00 p.m. (local time where received) or on a non-business day, then such notice or demand so made shall be deemed effective on the first business day following the day of actual delivery. No communication via electronic mail shall be effective to give any such notice or other communication hereunder.

21. Entire Agreement. This Agreement and its exhibits constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and the final, complete and exclusive expression of the terms and conditions thereof. All prior agreements, representations, negotiations and understandings of the parties hereto, oral or written, express or implied, are superseded and merged herein.

22. Interpretation. As used in this Agreement, (a) the words "include," "includes" and "including" shall be construed as if followed by the words "without limitation;" (b) the words "hereof," "herein" and "hereunder" and words of similar import shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and (c) pronouns shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa. Except as provided herein to the contrary, references to any "Section" or "Exhibit" herein are to the sections and exhibits of this Agreement. References to any agreement or other document defined herein are to such agreement or document as amended, restated, supplemented or otherwise modified. References to any statutory section or act herein are to such section or act as amended and/or recodified as well as to any successor statutes thereto. The titles and headings of the sections and exhibits of this Agreement are intended for the convenience of reference only and shall not limit or otherwise affect the meaning of any provision of this Agreement. The preamble of, and the exhibits attached to, this Agreement are incorporated into, and made a part of, this Agreement.

23. Governing Law. This Agreement has been negotiated and executed in the State of California and shall be governed by, and construed under, the laws of the State of California.

24. Invalidity of Provision. If any provision of this Agreement as applied to any party hereto or circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

25. Amendments. No addition to, or modification of, any provision contained in this Agreement shall be effective unless set forth in writing and signed by Buyers and Seller.

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

27. Binding Agreement. Subject to the restrictions on assignment set forth herein, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

28. Construction. The parties hereto acknowledge that each party and its counsel have reviewed and approved this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

29. Exchange Rights. Seller may cause the Closings of the Purchase Property and/or the Option Property to be part of a so-called like-kind exchange pursuant to Section 1031 of the Code (the “**Seller’s Exchange**”), provided that (i) all costs, fees and expenses associated with the Seller’s Exchange shall be paid Seller, (ii) no Closing shall be delayed or otherwise affected as a result of the Seller’s Exchange, (iii) Buyers shall not be required to acquire or hold title to any real property other than the Purchase Property and/or the Option Property, as applicable, for purposes of completing the Seller’s Exchange, and (iv) the Seller’s Exchange shall not affect Seller’s obligations, or Buyer’s rights or remedies, hereunder. Buyers will have no liability to Seller in the event the Seller’s Exchange is not completed, or in the event Seller does not achieve the desired tax treatment.

30. Recordation of Memorandum. Within five (5) business days after Seller’s receipt of the Option Payment, Buyers and Seller shall execute (such execution to be acknowledged by a notary public) and instruct Title Company to record against the Property a memorandum of this Agreement in the form attached hereto as Exhibit F (the “**Memorandum**”). Except for the Memorandum, Buyers shall not take any action that would materially and adversely affect the marketability of Seller’s title to the Property. In addition, Buyers agree to execute (such execution to be acknowledged by a notary public) and instruct Title Company to record a quitclaim deed (on Title Company’s standard form) in connection with any termination of this Agreement with respect to any portion of the Property.

31. No Recording. Except as provided to the contrary herein, Buyers shall not record this Agreement, or a short form or memorandum hereof, or take any other action that would materially and adversely affect the marketability of Seller’s title to the Property.

32. Joint and Several. City and the Conservancy shall be jointly and severally liable for all obligations of Buyers hereunder.

33. Severability. Should any part, term, portion or provision of this Agreement, or the application thereof to any person or circumstances be held to be illegal or in conflict with any governmental restrictions, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms, or circumstances, shall be deemed severable and the same shall remain enforceable and valid to the fullest extent permitted by law.

[This Space Intentionally Left Blank; Signatures Begin On The Next Page]

IN WITNESS WHEREOF, City, Conservancy and Seller have executed this Purchase and Sale, Option and Donation Agreement and Joint Escrow Instructions as of the Effective Date.

CITY: CITY OF RANCHO PALOS VERDES, a California municipal corporation

By: _____
Name: _____
Its: _____

ATTEST:

City Clerk

Approved as to form and content:

Richards, Watson & Gershon, counsel for City

Carol W. Lynch

[This Space Intentionally Left Blank; Signatures Continue On The Next Page]

[Signatures Continued From The Previous Page]

CONSERVANCY: PALOS VERDES PENINSULA LAND CONSERVANCY,
a California non-profit corporation

By: _____
Michael J. Kilroy, Director & Land Acquisition
Chairman

Approved as to form and content by the Board of Directors:

Henry J. Jurgens, President

Approved as to form and content:

Holme, Roberts & Owen LLP, counsel for Conservancy

William K. Swank

[This Space Intentionally Left Blank; Signatures Continue On The Next Page]

[Signatures Continued From The Previous Page]

SELLER: YORK LONG POINT ASSOCIATES, L.P., a California limited partnership

By: York Capital Group, Inc., a California corporation, its general partner

By: _____
James York, President

Approved as to form and content:

Cox, Castle & Nicholson LLP, counsel for Seller

Owen P. Gross

EXHIBITS

Exhibit A – Depiction of Property and Development Property

Exhibit B – Legal Description of Purchase Property

Exhibit C – Legal Description of Option Property

Exhibit D – Depiction of Donation Property and Development Property

Exhibit E – General Escrow Provisions

Exhibit F – Form of Memorandum

Exhibit G – Form of Purchase/Option Deed

Exhibit H – Form of Donation Deed

Exhibit I – Form of Release

Exhibit J – Form of Temporary Easement

EXHIBIT A

DEPICTION OF PROPERTY AND DEVELOPMENT PROPERTY

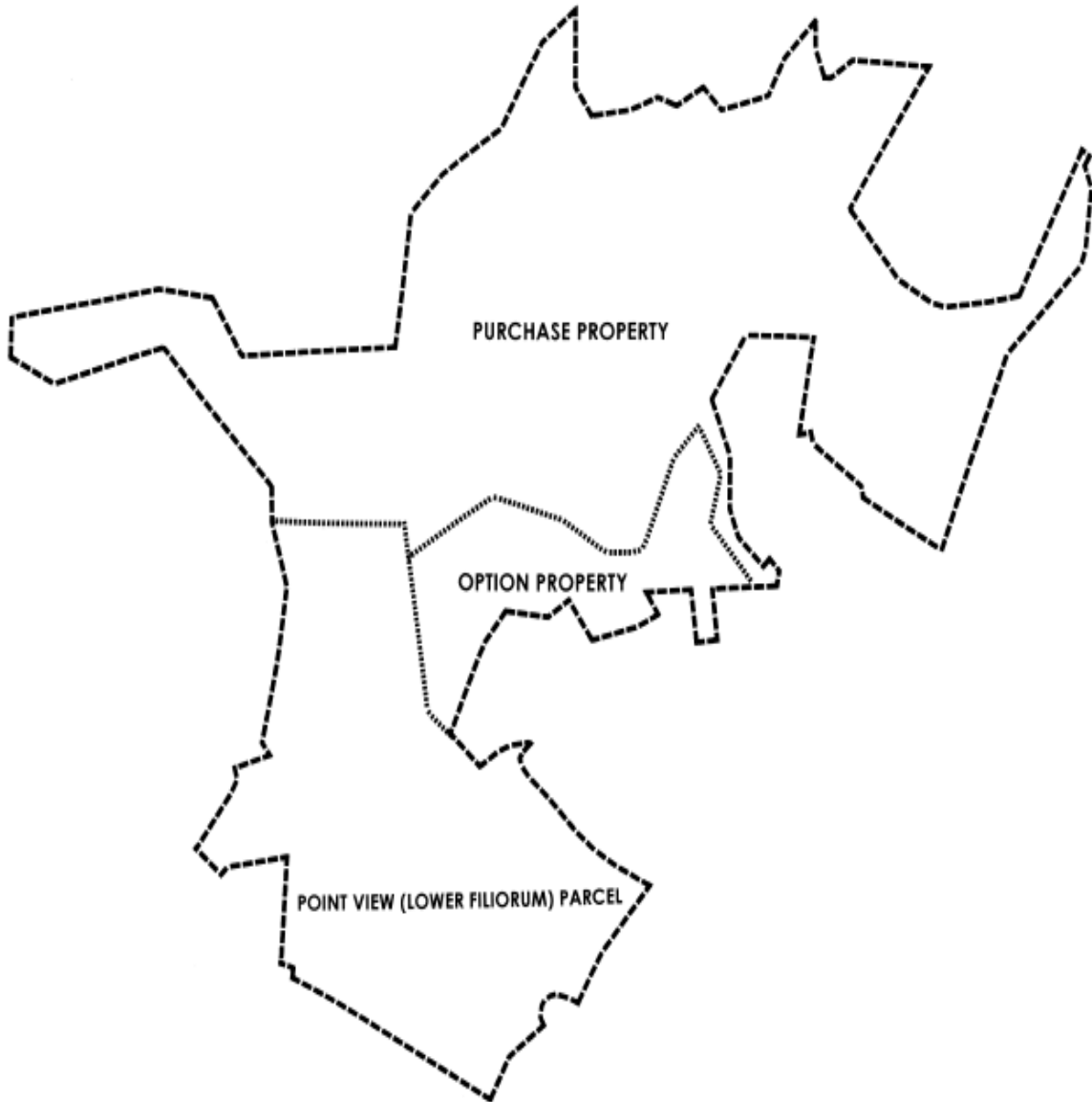


EXHIBIT B

LEGAL DESCRIPTION OF PURCHASE PROPERTY

Parcel A of Lot Line Adjustment No. SUB2004-00001, in the City of Rancho Palos Verdes, County of Los Angeles, State of California recorded January 27, 2005, as Instrument No. 05-0200143 of Official Records, in the office of the County Recorder of said county.

Except that portion thereof lying southerly of the following described line:

Beginning at a point on the boundary of Parcel 1 of Certificate of Compliance No. SUB2004-00005, recorded August 09, 2004, as Instrument No. 04-2035438 of said Official Records, distant South 09°54'54 East 166.00 feet from the northerly terminus of a line shown as "N 09°54'54" W 990.00" on said Certificate of Compliance; thence North 60°18'30" East 631.33 feet; thence South 74°20'44" East 440.95 feet; thence South 59°07'14" East 320.71 feet; thence South 88°59'52" East 152.85 feet; thence North 71°58'30" East 105.45 feet; thence North 21°34'17" East 474.07 feet; thence North 45°02'17" East 237.34 feet; thence South 30°16'06" East 256.41 feet; thence South 14°25'32" West 272.05 feet; thence South 40°29'11" East 432.00 feet to the southerly boundary of said Parcel A.

Containing an area of 189.873 Acres , more or less.

Sketch to Accompany Legal Description

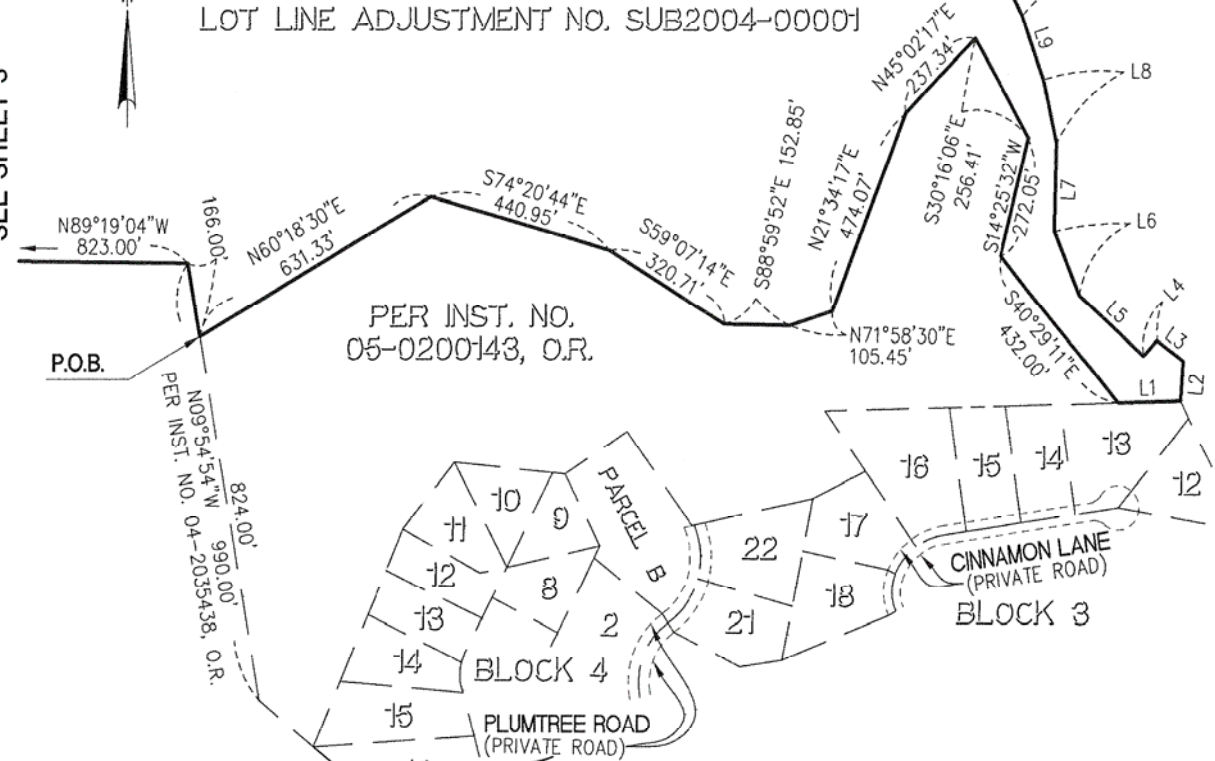


SEE SHEET 3

SEE SHEET 4

PARCEL A

LOT LINE ADJUSTMENT NO. SUB2004-00001



PER INST. NO.
05-0200143, O.R.

P.O.B.

N89°19'04"W
823.00'
166.00'
N60°18'30"E
631.33'
S74°20'44"E
440.95'
S59°07'14"E
320.71'
S88°59'52"E
152.85'
N21°34'17"E
474.07'
N45°02'17"E
237.34'
S30°16'06"E
256.41'
S14°25'32"W
272.05'
S40°29'11"E
432.00'N09°54'54"W
824.00'
990.00'
PER INST. NO. 04-2035438, O.R.

PARCEL 1
CERTIFICATE OF COMPLIANCE
NO. SUB2004-00005 PER
INST. NO. 04-2035438, O.R.

TRACT NO. 14195
M.B. 323/8-10

LINE TABLE		
LINE	BEARING	LENGTH
L1	N88°29'40"E	150.00'
L2	N04°02'35"E	89.33'
L3	N54°15'45"W	78.50'
L4	N43°12'20"E	47.61'
L5	N47°58'50"W	204.93'
L6	N22°40'50"W	153.26'
L7	N01°37'50"E	197.23'
L8	N12°45'10"W	144.97'
L9	N19°10'10"W	151.58'
L10	N27°43'30"W	106.34'

Sketch to Accompany Legal Description

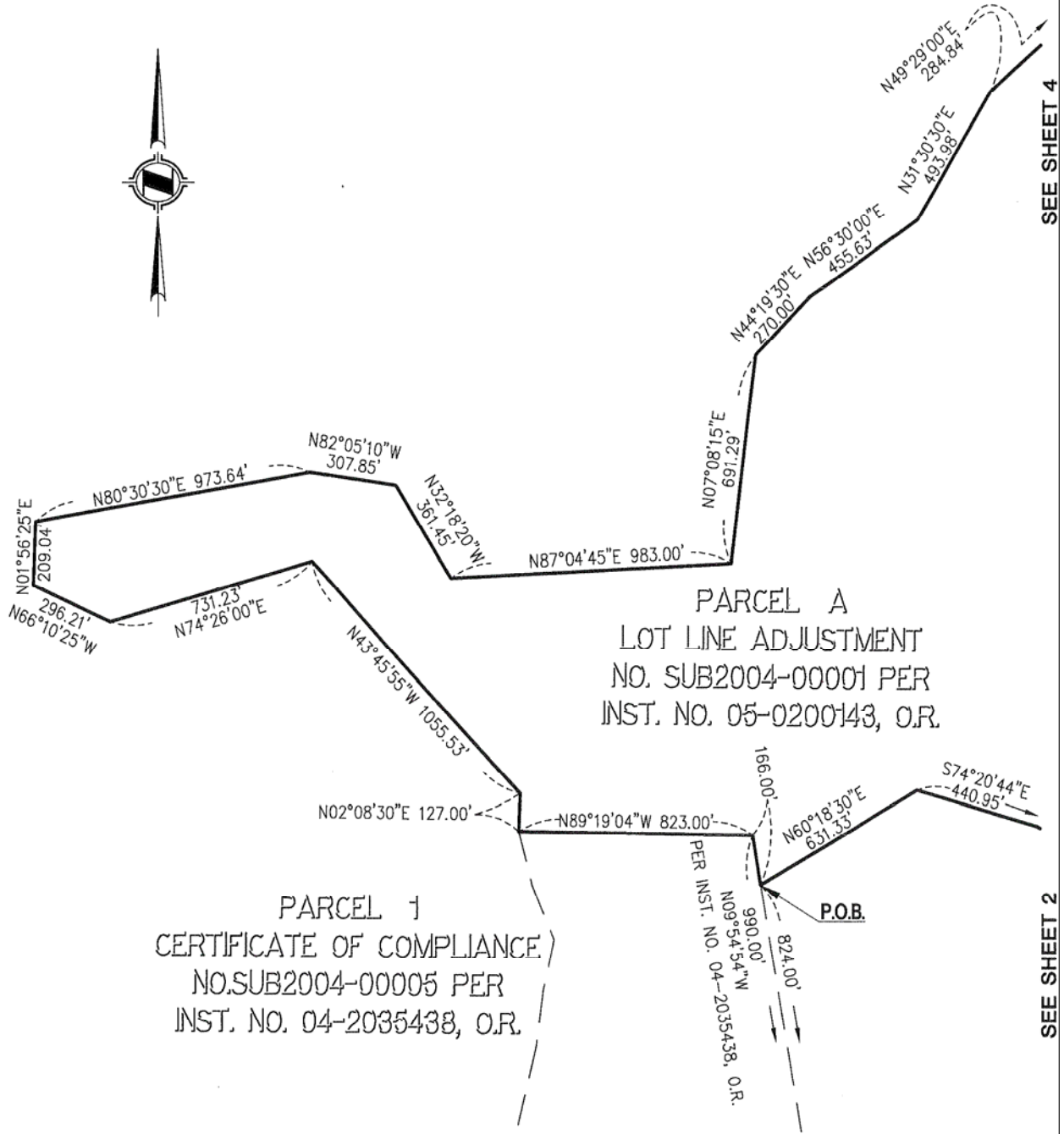


EXHIBIT C

LEGAL DESCRIPTION OF OPTION PROPERTY

In the City of Rancho Palos Verdes, County of Los Angeles, State of California, being Lot 15, Block 3 of Tract No. 14195, as shown on a map filed in Book 323, Pages 8 through 10, inclusive, of Maps in the office of the County Recorder of said County, together with that portion of Parcel A of Lot Line Adjustment No. SUB2004-00001, recorded January 27, 2005, as Instrument No. 05-0200143 of Official Records, in the office of said County Recorder lying southerly of the following described line:

Beginning at a point on the boundary of Parcel 1 of Certificate of Compliance No. SUB2004-00005, recorded August 09, 2004, as Instrument No. 04-2035438 of said Official Records, distant South $09^{\circ}54'54''$ East 166.00 feet from the northerly terminus of a line shown as " $N 09^{\circ}54'54'' W 990.00''$ " on said Certificate of Compliance; thence North $60^{\circ}18'30''$ East 631.33 feet; thence South $74^{\circ}20'44''$ East 440.95 feet; thence South $59^{\circ}07'14''$ East 320.71 feet; thence South $88^{\circ}59'52''$ East 152.85 feet; thence North $71^{\circ}58'30''$ East 105.45 feet; thence North $21^{\circ}34'17''$ East 474.07 feet; thence North $45^{\circ}02'17''$ East 237.34 feet; thence South $30^{\circ}16'06''$ East 256.41 feet; thence South $14^{\circ}25'32''$ West 272.05 feet; thence South $40^{\circ}29'11''$ East 432.00 feet to the southerly boundary of said Parcel A.

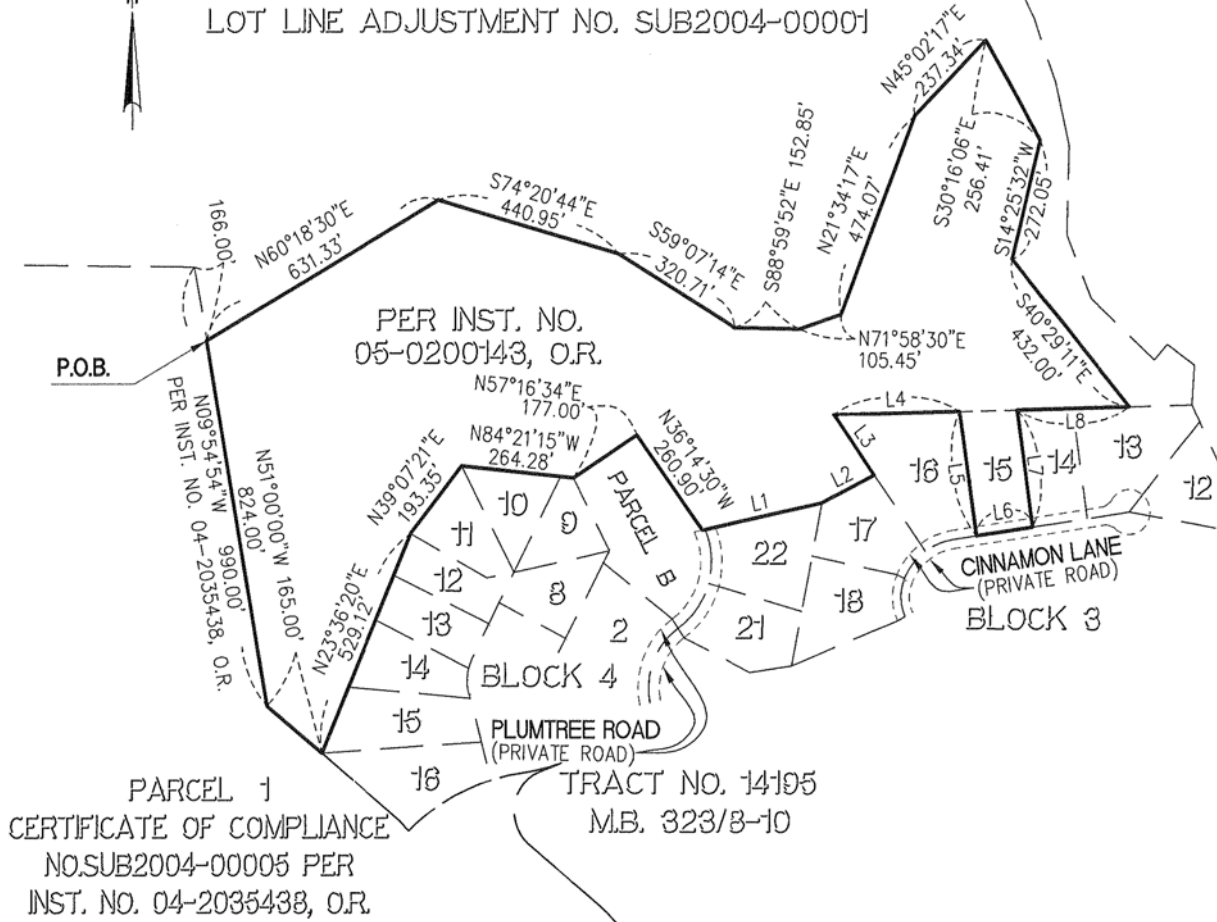
Containing an area of 28.235 Acres , more or less.

Sketch to Accompany Legal Description



PARCEL A

LOT LINE ADJUSTMENT NO. SUB2004-00001



LINE TABLE		
LINE	BEARING	LENGTH
L1	N77°58'35"E	291.25'
L2	N63°55'16"E	140.00'
L3	N35°35'39"W	165.98'
L4	N88°29'40"E	297.48'
L5	S08°17'22"E	279.58'
L6	N81°42'38"E	135.00'
L7	S08°17'22"E	263.52'
L8	N88°29'40"E	268.24'

EXHIBIT D

DEPICTION OF DONATION PROPERTY AND DEVELOPMENT PROPERTY

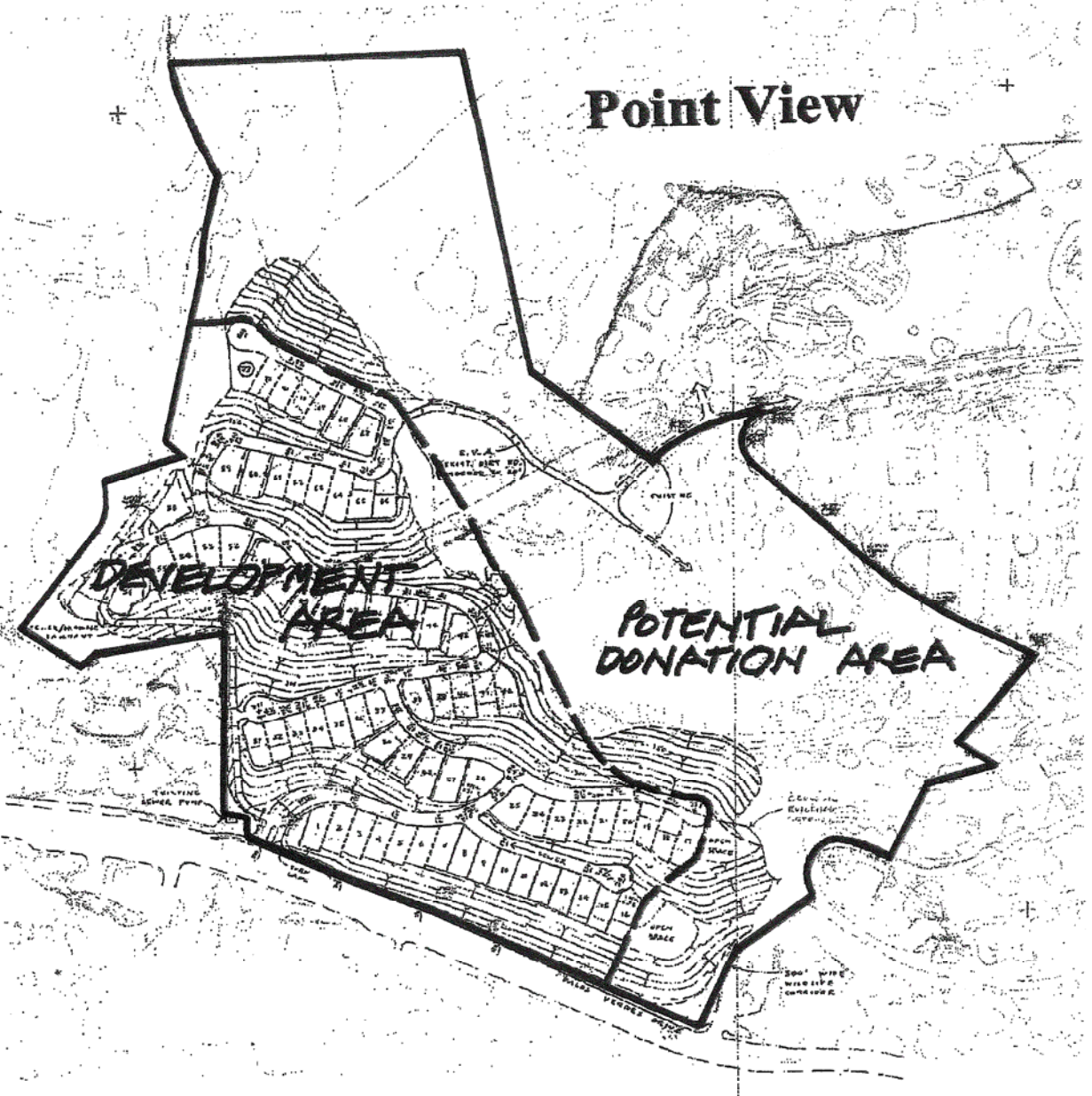


Figure 18 from the Neblett & Assoc Report dated September 14, 2007

EXHIBIT E

GENERAL ESCROW PROVISIONS

The parties understand and acknowledge:

1. Deposit of Funds & Disbursements. Unless directed in writing to establish a separate, interest bearing account together with all necessary taxpayer reporting information, all funds shall be deposited in general escrow accounts in a federally insured financial institution including those affiliated with Escrow Holder (“depositories”). All disbursements shall be made by Escrow Holder’s check or by wire transfer unless otherwise instructed in writing. The Good Funds Law requires that Escrow Holder have confirmation of receipt of funds prior to disbursement.
2. Disclosure of Possible Benefits to Escrow Holder. As a result of Escrow Holder maintaining its general escrow accounts with the depositories, Escrow Holder may receive certain financial benefits such as an array of bank services, accommodations, loans or other business transactions from the depositories (“collateral benefits”). All collateral benefits shall accrue to the sole benefit of Escrow Holder and Escrow Holder shall have no obligation to account to the parties to this escrow for the value of any such collateral benefits.
3. Miscellaneous Fees. Escrow Holder may incur certain additional costs on behalf of the parties for services performed by third party providers. The fees charged by Escrow Holder for such services may include a mark up over the direct cost of such services to reflect the averaging of direct, administrative and overhead charges of Escrow Holder for such services.
4. Prorations & Adjustments. The term “close of escrow” means the date on which documents are recorded. All prorations and/or adjustments shall be made to the close of escrow based on a 30-day month, unless otherwise instructed in writing.
5. Contingency Periods. Escrow Holder shall not be responsible for monitoring contingency time periods between the parties. The parties shall execute such documents as may be requested by Escrow Holder to confirm the status of any such periods.
6. Reports. As an accommodation, Escrow Holder may agree to transmit orders for inspection, termite, disclosure and other reports if requested, in writing or orally, by the parties or their agents. Escrow Holder shall deliver copies of any such reports as directed. Escrow Holder is not responsible for reviewing such reports or advising the parties of the content of same.
7. Information from Affiliated Companies. Escrow Holder may provide the parties’ information to and from its affiliates in connection with the offering of products and services from these affiliates.
8. Recordation of Documents. Escrow Holder is authorized to record documents delivered through escrow which are necessary or proper for the issuance of the requested title

insurance policy(ies). Buyer will provide a completed Preliminary Change of Ownership Report form (“PCOR”). If Buyer fails to provide the PCOR, Escrow Holder shall close escrow and charge Buyer any additional fee incurred for recording the documents without the PCOR. Escrow Holder is released from any liability in connection with the same.

9. Personal Property Taxes. No examination, UCC search, insurance as to personal property and/or the payment of personal property taxes is required unless otherwise instructed in writing.

10. Real Property Taxes. Supplemental taxes may be assessed as a result of a change in ownership or completion of construction. Adjustments due either party based on a supplemental tax bill will be made by the parties outside of escrow and Escrow Holder is released of any liability in connection with same. The first installment of real property taxes is due November 1st (delinquent December 10th) and the second installment is due February 1st (delinquent April 10th). If a tax bill is not received from the County at least 30 days prior to the due date, buyer should contact the County Tax Collector’s office and request one. Escrow Holder is not responsible for the same.

11. Cancellation of Escrow. Any party desiring to cancel this escrow shall deliver written notice of cancellation to Escrow Holder. Within a reasonable time after receipt of such notice, Escrow Holder shall send by regular mail to the address on the escrow instructions, one copy of said notice to the other party(ies). Unless written objection to cancellation is delivered to Escrow Holder by a party within 10 days after date of mailing, Escrow Holder is authorized, at its option, to comply with the notice and terminate the escrow. If a written objection is received by Escrow Holder, Escrow Holder is authorized, at its option, to hold all funds and documents in escrow (subject to the funds held fee) and to take no other action until otherwise directed by either the parties’ mutual written instructions or a final order of a court of competent jurisdiction. If no action is taken on this escrow within 6 months after the closing date specified in the escrow instructions, Escrow Holder’s obligations shall, at its option, terminate. Upon termination of this escrow, the parties shall pay all fees, charges and reimbursements due to Escrow Holder and all documents and remaining funds held in escrow shall be returned to the parties depositing same.

12. Conflicting Instructions & Disputes. If Escrow Holder becomes aware of any conflicting demands or claims concerning this escrow, Escrow Holder shall have the right to discontinue all further acts on Escrow Holder’s part until the conflict is resolved to Escrow Holder’s satisfaction. Escrow Holder has the right at its option to file an action in interpleader requiring the parties to litigate their claims/rights. If such an action is filed, the parties jointly and severally agree (a) to pay Escrow Holder’s cancellation charges, costs (including the funds held fees) and reasonable attorneys’ fees, and (b) that Escrow Holder is fully released and discharged from all further obligations under the escrow. If an action is brought involving this escrow and/or Escrow Holder, the parties agree to indemnify and hold the Escrow Holder harmless against liabilities, damages and costs incurred by Escrow Holder (including reasonable attorneys’ fees and costs) except to the extent that such liabilities, damages and costs were caused by the gross negligence or willful misconduct of Escrow Holder.

13. Usury. Escrow Holder is not to be concerned with usury as to any loans or encumbrances in this escrow and is hereby released of any responsibility and/or liability therefor.

14. Amendments to Escrow Instructions. Any amendment to the escrow instructions must be in writing, executed by all parties and accepted by Escrow Holder. Escrow Holder may, at its sole option, elect to accept and act upon oral instructions from the parties. If requested by Escrow Holder the parties agree to confirm said instructions in writing as soon as practicable. The escrow instructions as amended shall constitute the entire escrow agreement between the Escrow Holder and the parties hereto with respect to the subject matter of the escrow.

15. Insurance Policies. In all matters relating to insurance, Escrow Holder may assume that each policy is in force and that the necessary premium has been paid. Escrow Holder is not responsible for obtaining fire, hazard or liability insurance, unless Escrow Holder has received specific written instructions to obtain such insurance prior to close of escrow from the parties or their respective lenders.

16. Copies of Documents; Authorization to Release. Escrow Holder is authorized to rely upon copies of documents, which include facsimile, electronic, NCR, or photocopies as if they were an originally executed document. If requested by Escrow Holder, the originals of such documents shall be delivered to Escrow Holder. Escrow Holder may withhold documents and/or funds due to the party until such originals are delivered. Documents to be recorded MUST contain original signatures. Escrow Holder may furnish copies of any and all documents to the lender(s), real estate broker(s), attorney(s) and/or accountant(s) involved in this transaction upon their request. Delivery of documents by escrow to a real estate broker or agent who is so designated in the purchase agreement shall be deemed delivery to the principal.

17. Execution in Counterpart. The escrow instructions and any amendments may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute the same instruction.

18. Tax Reporting, Withholding & Disclosure. The parties are advised to seek independent advice concerning the tax consequences of this transaction, including but not limited to, their withholding, reporting and disclosure obligations. Escrow Holder does not provide tax or legal advice and the parties agree to hold Escrow Holder harmless from any loss or damage that the parties may incur as a result of their failure to comply with federal and/or state tax laws. **WITHHOLDING OBLIGATIONS ARE THE EXCLUSIVE OBLIGATIONS OF THE PARTIES. ESCROW HOLDER IS NOT RESPONSIBLE TO PERFORM THESE OBLIGATIONS UNLESS ESCROW HOLDER AGREES IN WRITING.**

18.1 Taxpayer Identification Number Reporting. Federal law requires Escrow Holder to report seller's social security number and/or tax identification number, forwarding address, and the gross sales price to the Internal Revenue Service ("IRS"). To comply with the USA PATRIOT Act, certain taxpayer identification information may be required by Escrow Holder from certain persons or entities involved (directly or indirectly) in the transaction prior to closing. Escrow cannot be closed nor any documents recorded until the information is provided and certified as to its accuracy to Escrow Holder. The parties agree to promptly obtain and provide such information as requested by Escrow Holder.

18.2 State Withholding & Reporting.

18.2.1 For Closings Prior to January 1, 2003: A buyer may be required to withhold and deliver to the Franchise Tax Board (“FTB”) an amount equal to 3.33% of the sales price of a California real property interest (“Real Property”) by either: (a) a seller who is an individual with either a last known street address outside of California or when the seller’s disbursement instructions direct the proceeds to be sent to a financial intermediary of the seller; OR (b) a corporate seller which has no permanent place of business in California. Buyer may become subject to a penalty for failing to withhold in an amount equal to the greater of: (i) 10% of the amount required to be withheld, or (ii) \$500. However, the buyer is not required to withhold any amount and will not be subject to penalty for failure to withhold if (1) the sales price of the California real property interest conveyed does not exceed \$100,000; (2) the seller executes a written certificate, under the penalty of perjury, certifying that the seller is a resident of California, or if a corporation, has a permanent place of business in California; OR (3) the seller, who is an individual, executes a written certificate, under the penalty of perjury, that the Real Property is the seller’s principal residence. FTB may grant reduced withholding or waivers.

18.2.2 For Closings after January 1, 2003: Under California law (Rev & Tax Code § 18662), a buyer may be required to withhold and deliver to FTB an amount equal to 3.33% of the sales price in the case of disposition of California real property interest (“Real Property”) by either: (a) a seller who is an individual or when the disbursement instructions authorize the proceeds to be sent to a financial intermediary of seller; OR (b) a corporate seller that has no permanent place of business in California. Buyer may be subject to a penalty (equal to the greater of 10% of the amount required to be withheld or \$500) for failing to withhold and transmit the funds to FTB in the time required by law. Buyer is not required to withhold any amount and will not be subject to penalty for failure to withhold if: (i) the sales price of the Real Property does not exceed \$100,000; (ii) the seller executes a written certificate under penalty of perjury certifying that the seller is a corporation with a permanent place of business in California; OR (iii) the seller, who is an individual, executes a written certificate under penalty of perjury certifying one of the following: (1) the Real Property was the seller’s principal residence (as defined in IRC § 121); (2) the Real Property is or will be exchanged for property of like-kind (as defined in IRC § 1031) and that the seller intends to acquire property similar or related in service or use so as to be eligible for nonrecognition of gain for California income tax purposes under IRC § 1031; (3) the Real Property has been compulsorily or involuntarily converted (as defined in IRC § 1033) and the seller intends to acquire property similar or related in service or use so as to be eligible for nonrecognition of gain for California income tax purposes under IRC § 1033; or (4) the Real Property sale will result in a loss for California income tax purposes. Seller is subject to penalties for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding laws. FTB may grant reduced withholding and waivers from withholding on a case-by-case basis for corporations or other entities.

18.2.3 Contact FTB: For additional information regarding California withholding, contact the Franchise Tax Board at (toll free) 888-792-4900, by e-mail nrws@ftb.ca.gov; or visit their website at www.ftb.ca.gov.

18.3 Federal Withholding & Reporting. Certain federal reporting and withholding requirements exist for real estate transactions where the seller (transferor) is a

non-resident alien, a non-domestic corporation or partnership, a domestic corporation or partnership controlled by non-residents or non-resident corporations or partnerships.

18.4 Taxpayer Identification Disclosure. Parties to a residential real estate transaction involving seller-provided financing are required to furnish, disclose, and include taxpayer identification numbers in their tax returns. Escrow Holder is not required to transmit the taxpayer I.D. numbers to the IRS or the parties. Escrow Holder is authorized to release any party's taxpayer I.D. numbers to any other party upon receipt of a written request. The parties waive all rights of confidentiality regarding their taxpayer I.D. numbers and agree to hold Escrow Holder harmless against any fees, costs, or judgments incurred and/or awarded because of the release of taxpayer I.D. numbers.

EXHIBIT F

FORM OF MEMORANDUM

RECORDING REQUESTED BY:

First American Title Insurance Company

WHEN RECORDED RETURN THIS DEED
AND MAIL TAX STATEMENTS TO:

City of Rancho Palos Verdes
Planning Department
30940 Hawthorne Boulevard
Rancho Palos Verdes, California 90275

APN:

[Space Above For Recorder's Use Only]

Recording Fee: Exempt pursuant to California
Government Code Section 27383

**MEMORANDUM OF
PURCHASE AND SALE, OPTION AND DONATION AGREEMENT**

THIS MEMORANDUM OF PURCHASE AND SALE, OPTION AND DONATION AGREEMENT (this "**Memorandum**") is made as of _____, 2008, by and among YORK LONG POINT ASSOCIATES, L.P., a California limited partnership ("**York**"), the CITY OF RANCHO PALOS VERDES, a California municipal corporation ("**City**"), and the PALOS VERDES PENINSULA LAND CONSERVANCY, a California nonprofit public benefit corporation ("**Conservancy**"), with respect to the following:

York is the owner in fee simple of certain real property located in the City of Rancho Palos Verdes, County of Los Angeles, State of California, and described in Exhibit A attached hereto (the "**Property**").

York, City and Conservancy have entered into that certain Purchase and Sale, Option and Donation Agreement and Joint Escrow Instructions dated as of May 6, 2008 (the "**Agreement**").

Subject to the terms and conditions of the Agreement, York has agreed to sell, and City and Conservancy have agreed to purchase, the portion of the Property described in Exhibit B attached hereto (the "**Purchase Property**"). The Agreement shall terminate with respect to the

Purchase Property not later than March 31, 2009, but is subject to earlier termination as provided in the Agreement.

Subject to the terms and conditions of the Agreement, York has granted City and Conservancy an option to purchase the portion of the Property described in Exhibit C attached hereto (the “**Option Property**”). The Agreement shall terminate with respect to the Option Property not later than December 31, 2009, but is subject to earlier termination as provided in the Agreement.

Subject to the terms and conditions of the Agreement, York has agreed to donate, and City and Conservancy have agreed to accept, the portion of the Property depicted as the “Potential Donation Area” on Exhibit D attached hereto (the “**Donation Property**”). The Agreement shall terminate with respect to the Donation Property not later than May 6, 2018, but is subject to earlier termination as provided in the Agreement.

The Agreement DOES NOT affect the portion of the Property depicted as the “Development Area” on Exhibit D attached hereto (the “**Development Property**”). As a result, any transfer or encumbrance of the Development Property shall NOT be subject to the Agreement.

Reference should be made to the Agreement for the specific terms and conditions thereof, and the same are, by this reference, made a part of this Memorandum as if set forth herein in their entirety.

This Memorandum may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall be deemed to be one and the same instrument.

[This Space Intentionally Left Blank; Signatures Continue On The Next Page]

IN WITNESS WHEREOF, York, City and Conservancy have executed this Memorandum of Purchase and Sale, Option and Donation Agreement as of the date and year first set forth above.

YORK: YORK LONG POINT ASSOCIATES, L.P., a California limited partnership

By: York Capital Group, Inc., a California corporation, its general partner

By: _____
James York, President

CITY: CITY OF RANCHO PALOS VERDES, a California municipal corporation

By: _____
Name: _____
Its: _____

ATTEST:

City Clerk

CONSERVANCY: PALOS VERDES PENINSULA LAND CONSERVANCY, a California non-profit corporation

By: _____
Name: _____
Its: _____

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

**EXHIBIT A
TO
MEMORANDUM OF
PURCHASE AND SALE, OPTION AND DONATION AGREEMENT**

LEGAL DESCRIPTION OF PROPERTY

(See Attached)

**EXHIBIT B
TO
MEMORANDUM OF
PURCHASE AND SALE, OPTION AND DONATION AGREEMENT**

LEGAL DESCRIPTION OF PURCHASE PROPERTY

(See Attached)

**EXHIBIT C
TO
MEMORANDUM OF
PURCHASE AND SALE, OPTION AND DONATION AGREEMENT**

LEGAL DESCRIPTION OF OPTION PROPERTY

(See Attached)

**EXHIBIT D
TO
MEMORANDUM OF
PURCHASE AND SALE, OPTION AND DONATION AGREEMENT**

DEPICTION OF DONATION PROPERTY AND DEVELOPMENT PROPERTY

(See Attached)

EXHIBIT G

FORM OF PURCHASE/OPTION DEED

RECORDING REQUESTED BY:

First American Title Insurance Company

WHEN RECORDED RETURN THIS DEED
AND MAIL TAX STATEMENTS TO:

City of Rancho Palos Verdes
Planning Department
30940 Hawthorne Boulevard
Rancho Palos Verdes, California 90275

APN:

[Space Above For Recorder’s Use Only]

Recording Fee: Exempt pursuant to California
Government Code Section 27383

Documentary Transfer Tax: Exempt pursuant to
California Revenue & Taxation Code Section 11922

**GRANT DEED AND
DEED OF CONSERVATION EASEMENT**

THIS GRANT DEED AND DEED OF CONSERVATION EASEMENT (this “Deed”) is made as of _____, _____, by YORK LONG POINT ASSOCIATES, L.P., a California limited partnership (“Grantor”), to the CITY OF RANCHO PALOS VERDES, a California municipal corporation (“City”), and the PALOS VERDES PENINSULA LAND CONSERVANCY, a California nonprofit public benefit corporation (“Conservancy” and, together with Grantor and City, the “Parties”), with respect to the following:

RECITALS:

A. Grantor is the owner in fee simple of certain real property located in the City of Rancho Palos Verdes, County of Los Angeles, State of California, and described in Exhibit A attached hereto (the “Property”). Grantor intends to convey the Property to the City and a conservation easement over the Property (the “Easement Area”) to Conservancy (the “Conservation Easement”).

B. Conservancy is a “qualified organization” as defined by the Internal Revenue Code of 1986 (“IRC”) Section 170(h)(3) and is eligible to hold the Conservation Easement pursuant to California Civil Code (“CC”) Section 815.3. As certified by resolution of its governing body, Conservancy accepts the responsibility of monitoring and enforcing the terms of this Deed and upholding its conservation purposes.

C. The purposes of the Conservation Easement are presumed to be the best and most necessary public use as defined in California Code of Civil Procedure (“CCP”) Section 1240.680, notwithstanding CCP Sections 1240.690 and 1240.700.

D. The grant of the Conservation Easement will further the purposes of several governmental conservation policies, including:

CC Section 815, in which the California Legislature has declared: (1) that “the preservation of land in its natural, scenic, agricultural, historical, forested, or open-space condition is among the most important environmental assets of California;” and (2) that it is “in the public interest of this state to encourage the voluntary conveyance of conservation easements to qualified nonprofit organizations;”

California Public Resources Code Section 30251, which provides that the “...scenic and visual qualities of coastal areas shall be considered and protected as a resource of public importance”;

California Water Code Section 79501 in which the people of California have declared that “it is necessary and in the public interest to protect, restore and acquire beaches and coastal uplands, wetlands and watershed lands ... to protect the quality of drinking water, to keep beaches and coastal waters safe from water pollution, and to provide the wildlife and plant habitat and riparian and wetland areas needed to support functioning coastal ... ecosystems for the benefit of the people of California.”

E. The Easement Area possesses extraordinary ecological and scenic values (collectively, the “Conservation Values”) that are of great importance to Conservancy, the people of City, the County of Los Angeles (“County”) and the State of California, and visitors from across the United States of America. The Conservation Values include the following:

A diverse assemblage of native plants, plant communities and natural habitats, including more than one hundred (100) plant and wildlife species at least thirteen (13) of which hold special status (federal or state endangered, threatened or rare) classification. In addition, at least nine (9) plants listed by the California Native Plant Society are known to occur. Coastal and interior habitats, and native plant and wildlife species, maintained in a large, contiguous and principally undeveloped landscape with connectivity providing wildlife corridors to other natural open areas; habitats represented within the Easement Area include: springs, serpentine, outcroppings and soils, maritime chaparral mosaics, coastal prairie, coastal bluff scrub; and

- Unsurpassed coastal scenic vistas.

More specifically, the Conservation Values, which will be protected under the provisions of this Deed, include:

- Resources and Habitats

The Easement Area offers extraordinary resources on approximately two hundred (200) acres. Elevations on the Easement Area, which overlooks the coastline, to over 1,000 feet on some of the peaks along the ridgeline. More than one hundred (100) plant and wildlife species have been identified on the Easement Area. Thirteen (13) plant and wildlife species hold special status (federal or state endangered, threatened or rare) classification. Many non-listed species of wildlife, including amphibians, reptiles, birds and mammals occur on the Easement Area.

- Visual Resources

The Easement Area possesses spectacular visual resources.

- Ecological Connectivity

The Easement Area provides a logical link to other properties in the immediate vicinity that have established conservation easements. The Conservation Easement, in connection with these other conservation efforts, will assist in the overall goal of protecting large areas of intact California native plant and animal habitats.

Because of the Easement Area's size and resources, the Conservation Easement provides a cumulative benefit by (i) preventing fragmentation of resources both within the Easement Area and with respect to conservation areas to the north and south; and (ii) providing a conservation opportunity that cannot be matched by conservation of smaller properties on a piece-by-piece basis.

F. The Conservation Values of the Easement Area, and its current uses and existing state of improvement, are described for the entire reserve in Section 2.2, Biological Resources, and Section 3, Proposed Preserve Design, of the Rancho Palos Verdes Natural Communities Conservation Planning Subarea Plan (the "Plan"). Once the Reserve is established, an Initial Management and Monitoring Report will be prepared in accordance with Section 6.3.2 of the Plan, Management and Restoration and Reporting for the Reserve, of the Plan. It will be used by Conservancy as a resource tool to assist in monitoring and enforcing the terms of this Deed, including evaluating changes in the conditions and use of the Easement Area in relation to the conditions and use of the Easement Area as of the "Effective Date" (as defined below). The Initial Report is not intended to preclude the use of other evidence to establish the condition of the Easement Area as of the Effective Date if there is a controversy over its then-existing condition.

G. The Conservation Easement, in conjunction with other conservation efforts involving the Property, eliminates all current and future development rights for residential, commercial or industrial projects.

H. The Conservation Easement provides appropriate mechanisms for ensuring in perpetuity against impairment of Conservation Values through collaboration between City and Conservancy in the development of a management plan for the Easement Area, including the review and approval of proposed activities and the monitoring and enforcement of rights.

I. Conservancy has entered into Grant Agreement No. _____ with the California Wildlife Conservation Board (“WCB”), pursuant to which WCB provided partial funding for the acquisition of the Conservation Easement (the “WCB Grant Agreement”), a copy of which has been provided to City. A notice of the WCB Grant Agreement is being recorded concurrently herewith. City acknowledges that, in the event of a “Default” (as that term is defined in the WCB Grant Agreement) by Conservancy under the WCB Grant Agreement, WCB may elect to require Conservancy to assign its interest in the Easement Area to a qualified entity; provided, that such assignment must be made in accordance with the provisions of Section 2 of this Deed. WCB is not a party to this Deed and Grantor is not granting any interest or rights to WCB by its conveyance of the Conservation Easement to Conservancy.

A G R E E M E N T:

In consideration of the recitals set forth above, and of their mutual promises and covenants, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Grantor hereby GRANTS, SUBJECT TO (a) current real property taxes and all unpaid general and special bonds or assessments; and (b) all covenants, conditions, restrictions, reservations, rights, rights-of-way and easements of record, (i) a perpetual “conservation easement” (as defined in CC Section 815.1), of the nature and character described in this Deed, over the Easement Area to Conservancy and its permitted successors and assigns, and Conservancy accepts the same, and (ii) further SUBJECT TO the Conservation Easement, the Property to City and its permitted successors and assigns, and City, pursuant to the Certificate of Acceptance attached hereto, accepts the same.

1. Conservation Purpose.

1.1 The purpose of the Conservation Easement is to achieve protection of the Conservation Values by sustaining in perpetuity natural habitats within the Easement Area in accordance with the terms and conditions of this Deed (the “Conservation Purpose”). The Conservation Values include:

1.1.1 To conserve, preserve, restore, protect, create, revegetate and maintain natural vegetation and wildlife habitat, including the fencing of revegetated areas, so that sensitive, endangered and threatened plant and animal species will be able to thrive;

1.1.2 To maintain open space and preserve views;

1.1.3 To conduct surveys to ascertain the presence of key plant and animal species and other scientific research for interpretive purposes;

1.1.4 To maintain, construct, protect, fence, enhance and otherwise improve public trails consistent with Conservation Values;

1.1.5 To include the property within the area that is subject to the Natural Communities Conservation Plan that has been prepared and approved by City (the “NCCP”).

1.1.6 Conservancy shall develop and submit a written Public Use Master Plan (the “PUMP”) to City, which shall set forth an overview of the resource and resource management practices that Conservancy intends to undertake. The PUMP shall provide for a common management program for the entire Easement Area and define the varying degrees of responsibility of the management entity or entities responsible for such common management program. Conservancy shall consult with City in the course of Conservancy’s development of the PUMP. Pending the completion and City’s approval of the PUMP, Conservancy shall manage the Easement Area in accordance with interim standards mutually agreed upon by City and Conservancy. In connection with annual monitoring, Conservancy and City will cooperatively review the effectiveness of Conservancy’s ongoing management practice in achieving the Conservation Purpose and to identify any adjustments and/or PUMP modifications.

1.2 Consistent with the requirements set forth in Treasury Regulations Sections 1.170A-14(e)(1)-(2), no use or activity shall be permitted that would result in the impairment of the Conservation Values protected by the Conservation Easement. Such prohibited uses include:

1.2.1 The development of the Property for residential, commercial or industrial purposes, including the erection, construction, placement or maintenance of any building, structure, or other improvement thereon for such purposes.

1.2.2 The cutting, uprooting, removal or other disturbance of the natural vegetation of the Property, except that this restriction shall not prevent the removal of non-native plants (especially invasive varieties).

1.2.3 The grading or any other alteration of the general topography of the Property, other than grading that is necessary to protect public safety.

1.2.4 Any surface entry for exploration or extraction of minerals, including the excavation, dredging or removal of loam, gravel, soil, rock, sand or any other material.

1.2.5 The storage, dumping or other deposit of anything whatsoever, including soil, ashes, garbage, waste, bio-solids, trash, debris or any other unsightly or offensive material, that is not indigenous or natural to the Property. The release, storage, or disposal of any hazardous substance on or within the Easement Area (including air, soil, surface water and ground water) is also prohibited, except that herbicides, pesticides and other biocides utilized on the Easement Area and incidental amounts of gasoline and diesel fuel utilized in authorized operations, may be stored within the Easement Area; provided that all such utilization and storage shall be in compliance with applicable health, safety and environmental laws.

1.2.6 The use of motorbikes, go-carts or other motor-driven or motor-powered vehicles on the Property, except those vehicles reasonably necessary for the accomplishment of permitted uses of the Property.

1.2.7 Signs within the Easement Area except informational and/or directional signage, signs describing permitted activities or the presence of plants, animals on the Easement Area, signs warning about hazards or natural conditions that are present, or signs used to control unauthorized entry or use of the Easement Area. Conservancy may install and maintain signage within the Easement Area to indicate the participation of Conservancy, City and any of Conservancy's or City's public or private funding sources in the acquisition and maintenance of the Conservation Easement; provided, that the size, location, number text and design of any such sign shall be subject to the reasonable approval of Conservancy and City, provided further, that City, the standard logos of Conservancy, and each agency of the State of California that has provided funding for Conservancy's acquisition of the Conservation Easement, may be included on any such sign.

1.2.8 All uses of the Easement Area other than passive recreational use are prohibited.

1.2.9 All rights to develop and put to reasonable and beneficial use all water and water rights associated with the Easement Area, including surface and groundwater.

1.3 Notwithstanding the foregoing, the Conservation Easement shall not prohibit: (1) vegetation clearance reasonably required for fire prevention, including fire breaks; maintenance of trails, utility easements or existing access roads, or prevention or treatment of disease; (2) slope maintenance and repair, including the installation of preventative drainage devices or retaining walls to protect public safety; or (3) the uses specified on Exhibit B attached hereto. However, nothing in the Conservation Easement shall require any action to restore the condition of the Easement Area caused by (i) the elements of nature, which include, without limitation, fire, climatic change, flood, storm, landslides and other earth movement, or natural evolutionary changes in the condition of the Easement Area; (ii) any prudent action taken under emergency conditions to prevent, abate, or mitigate significant injury to the Easement Area or to any person resulting from such causes; or (iii) the non-permitted acts of unrelated third parties.

1.4 The rights enumerated in Section 1(c) and the rights required to perform the NCCP, the Implementing Agreement, the PUMP and any other agreement between City and Conservancy, shall be conveyed to and retained by City. Any other rights held by City in the Property are extinguished. All rights held by Grantor in the Property are conveyed and extinguished as to Grantor and this Deed shall not be deemed to create or impose any obligations to be performed by Grantor with respect to the Property. Further, with the exception of the actual grant of the Conservation easement and the Property, all of the provisions contained in this Deed are matters between City and Conservancy and Grantor shall have no liability whatsoever in connection with such provisions, including, without limitation, any statement as to the uses of the Property, the conservation value of the Property, the existence of species on the Property or the Conservation Purpose. To this end, City and Conservancy agree to indemnify, defend and hold Grantor harmless from all claims, liabilities, costs, damages, obligations and expenses arising as a result of any of the foregoing matters.

1.5 As used in this Deed, the phrase “impair(s) Conservation Values,” “impairment of Conservation Values” or “impairing Conservation Values” means substantially reduce(s) or substantially reducing, for more than a transient period, Conservation Values.

2. Transfer of Conservation Easement. In the event Conservancy decides, or is required by WCB or any successor of WCB to the WCB Grant Agreement, to assign its interest in the Easement Area, Conservancy shall provide City with written notice of such intention or requirement and shall allow City a period of one hundred eighty (180) days within which to designate an assignee that must: (a) be qualified to hold a conservation easement under CC Section 815.3; (b) be a “qualified organization” as defined in IRC Section 170(h)(3); (c) not be an “Affiliate” (as defined below) of City or any management entity responsible for the common management program; (d) be willing and financially able to assume all of the responsibilities imposed on Conservancy under this Deed, including, without limitation, monitoring and enforcement as set forth in the Implementing Agreement if one of them exists; and (e) be willing and financially able to assume by written assignment the obligations and responsibilities imposed under the WCB Grant Agreement. As used in this Section 2, “Affiliate” means an entity which directly, or indirectly through one or more intermediaries, controls is controlled by or is under common control with another person or entity. The Parties intend that, in the selection of a transferee, preference be given to a qualified organization with conservation purpose as well as requisite experience in preserving and protecting the other Conservation Values. Such organization should have a board, staff, or consultants with practical conservation experience.

3. Amendment of Conservation Easement. This Deed may be amended only with the written consent of Conservancy and City. Any such amendment shall be consistent with the Conservation Purpose and shall comply with IRC Section 170(h), CC Sections 815, et seq., and any regulations promulgated in accordance with those statutory provisions. Any such amendment shall also be consistent with California law governing conservation easements and shall not affect the perpetual duration of the Conservation Easement. All amendments shall refer to this Deed and shall be recorded in the Official Records of County.

4. Interpretation. This instrument shall be interpreted under the laws of the State of California, resolving any ambiguities and questions of the validity of specific provision so as to give effect to its Conservation Purpose. If any provision of this Deed, or the application thereof to any person or circumstances, is found to be invalid, the remainder of the provisions of this Deed, or the application of such provisions to persons or circumstances other than those as to which it is found to be invalid, as the case may be, shall not be affected.

5. Captions. The captions in this Deed have been inserted solely for convenience of reference and are not a part of this Deed and shall have no effect upon its construction or interpretation.

6. Perpetual Duration. The Conservation Easement shall be a servitude running with the Property in perpetuity. Every provision, right and obligation of this Deed that applies to Grantor, City and/or Conservancy shall also apply to and be binding upon their respective agents, heirs, executors, administrators, successors and assigns.

7. Notices. Any notice, request, direction, demand, consent, waiver, approval or other communication required or permitted to be given hereunder shall not be effective unless it is given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by facsimile, or (d) by a commercial overnight courier that guarantees next day delivery and provides a receipt, and addressed to the Parties at the addresses stated below, or at such other address as either party may hereafter notify the other in writing as aforementioned:

To City: City of Rancho Palos Verdes
30940 Hawthorne Boulevard
Rancho Palos Verdes, California 90275
Attn: City Manager
Facsimile: (310) 377-9868

To Conservancy: Palos Verdes Peninsula Land Conservancy
916 Silver Spur Road, Suite 207
Rolling Hills Estates, California 90274
Attn: Mr. Henry Jurgens
Facsimile: (310) 541-7623

Service of any such notice or other communication so made shall be deemed effective on the day of actual delivery (whether accepted or refused) as evidenced by confirmed answerback if by facsimile (provided that if any notice or other communication to be delivered by facsimile is unable to be transmitted because of a problem affecting the receiving party's facsimile machine, the deadline for receiving such notice or other communication shall be extended through the next business day), as shown by the addressee's return receipt if by certified mail, and as confirmed by the courier service if by courier; provided, however, that if such actual delivery occurs after 5:00 p.m. (local time where received) or on a non-business day, then such notice or demand so made shall be deemed effective on the first business day following the day of actual delivery. No communication via electronic mail shall be effective to give any such notice or other communication hereunder.

8. Condemnation. If all or any part of the Easement Area is taken by exercise of the power of eminent domain, or acquired by purchase in lieu of condemnation, so as to terminate the Conservation Easement in whole or in part, Conservancy shall be entitled to recover its full value of its interest in the Easement Area so taken or purchased, and all direct or incidental damages resulting therefrom. If only a portion of the Easement Area is subject to such exercise of eminent domain, the Conservation Easement shall remain in effect as to all other portions of the Easement Area.

9. Extinguishment. If circumstances arise in the future that render the purpose of the Conservation Easement impossible to accomplish, the Conservation Easement can only be terminated or extinguished, whether in whole or in part, by judicial proceedings in a court of competent jurisdiction, and the amount of the compensation to which Conservancy shall be entitled from any sale, exchange or involuntary conveyance of all or any portion of its interest in the Easement Area subsequent to such termination or extinguishment, shall be determined as provided by applicable Federal or California law at the time. Conservancy shall use any

proceeds received under the circumstances described in this Section 9 in a manner consistent with the conservation purposes, which are exemplified by the Conservation Easement.

10. Valuation. The Conservation Easement constitutes a real property interest immediately vested in Conservancy. For the purpose of Section 9 of this Deed, the Parties stipulated that the Conservation Easement has a fair market value of Four Million Dollars (\$4,000,000).

11. Laws Currently in Effect. Except for the term “Applicable Rules” (as defined below), all references in this Deed to statutes, regulations and other laws shall be deemed to refer to those statutes, regulations and laws currently in effect, or as amended (or any successor provision then applicable). The term “Applicable Rules” as used in this Deed is defined as those statutes, regulations and laws applicable to development within the Easement Area as of the Effective Date.

12. Entire Agreement. This instrument sets forth the entire agreement of the Parties with respect to the Easement Area and supersedes all prior discussions, negotiations, understandings or agreements relating to the Easement Area, all of which are herein merged.

13. Counterparts. The Parties may execute this instrument in two or more counterparts, which shall, in the aggregate, be signed by the Parties; each counterpart shall be deemed an original instrument as against any Party who has signed it.

14. Attorneys’ Fees. Should proceedings be brought to enforce or interpret any of the terms of this instrument, the prevailing party in any such proceedings shall be entitled to recover from the non-prevailing Party its costs, including reasonable attorneys’ fees and expert’s fees.

15. Permission. Whenever permission, consent or approval (“Permission”) is required pursuant to this Deed, such Permission shall be obtained in advance and in writing signed by the Party from whom Permission is to be obtained. Except as otherwise provided in this Deed, whether Permission should be granted or denied shall be determined based upon the purposes of this Deed, and shall not be unreasonably withheld, unless consent or permission is specified in this Deed as being within the sole discretion of a Party.

16. Exhibits. The following exhibits attached hereto are incorporated herein by this reference:

Exhibit A: Legal Description of Property

Exhibit B: Permitted Uses

17. Effective Date. This Deed is effective as of the date of recordation in the Official Records of County (the “Effective Date”).

[This Space Intentionally Left Blank; Signatures Begin On The Next Page]

IN WITNESS WHEREOF, Grantor, Conservancy and City have executed this Grant Deed and Deed of Conservation Easement as of the date and year first set forth above.

GRANTOR: YORK LONG POINT ASSOCIATES, L.P., a California limited partnership

By: York Capital Group, Inc., a California corporation, its general partner

By: _____
James York, President

CONSERVANCY: PALOS VERDES PENINSULA LAND CONSERVANCY, a California non-profit corporation

By: _____
Name: _____
Its: _____

CITY: CITY OF RANCHO PALOS VERDES, a California municipal corporation

By: _____
Name: _____
Its: _____

ATTEST:

City Clerk

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

**EXHIBIT A
TO
GRANT DEED AND
DEED OF CONSERVATION EASEMENT**

LEGAL DESCRIPTION OF PROPERTY

**EXHIBIT B
TO
GRANT DEED AND
DEED OF CONSERVATION EASEMENT**

PERMITTED USES

Within two (2) years of the signing of the Implementing Agreement, the PUMP shall be mutually developed by City and Conservancy to address issues such as public access, trailhead locations, overlooks, parking, trail use, fencing, signage, lighting (if any), firebrush management, minimizing impacts to adjacent neighborhoods, public involvement in advisory capacities, and other issues that may arise. The PUMP must be reviewed and approved by the WCB. Compatible lands uses within the Easement Area would, to the extent practicable, be sited to minimize impacts to sensitive resources and are limited to the following:

Creation and maintenance of a recreational trail system consistent with the City's 1993 Conceptual Trails Plan (as amended, the "CTP"). A trail plan will be developed for the Easement Area (the "Trail Plan") through the PUMP process and shall be consistent with the CTP and consider impacts to habitat and covered species.

Existing trails within the Easement Area not included in the Trail Plan will be closed and appropriate measures shall be taken to prevent public access and restore habitat and covered species.

Creation and maintenance of passive overlook areas with benches, picnic tables, tie rails, portable toilets and trashcans, to be located near preserve boundaries where no existing habitat would be lost. The location of these overlooks shall consider impacts to habitat and covered species, and their location shall be reviewed and approved as a part of the PUMP before any work to implement the same is initiated. Overlooks and staging areas for trailheads will be located adjacent to existing roads and away from sensitive resource areas.

Existing recreational uses can be allowed in areas where impacts to habitat can be minimized.

Where required, landslide abatement activities may occur within the Easement Area. Such activities shall be scheduled outside the gnatcatcher breeding season if practicable. Temporary disturbance areas will be revegetated with covered species after completion of abatement activities.

Selected drainage improvements, linear utility easements and existing access roads within the Easement Area will be maintained and upgraded as required. An access protocol will be created to facilitate access by utility agencies to areas within the Easement Area while minimizing, to the maximum extent possible, environmental damage.

Emergency access roads.

Geologic testing, if deemed necessary by City's geotechnical consultants, with impacts to be minimized and unavoidable habitat impacts fully restored.

Utilities and related infrastructure serving existing and future developments, such as sewers, water, cable, gas, electric and storm drains.

Water quality basins, retention basins and debris basins, if such features are required to meet water quality standards, and if the design incorporates native vegetation where practicable and minimizes the amount of hardscape.

Groundwater monitoring wells, and GPS stations for landslide monitoring, with associated equipment such as pumps, electrical, drainage pipes and access pathways, if such equipment is deemed necessary by City's geotechnical consultants.

All brush management and fuel modification required by the L.A. County Fire Department.

Brush management and fuel modification for new development should occur outside the Reserve.

Except as otherwise required by the L.A. County Fire Department, existing brush management and fuel modification for existing development adjoining the Reserve boundaries may continue in the Reserve provided it is not expanded.

Existing agricultural uses within the Easement Area can be allowed to continue as long as all agricultural practices and improvements remain consistent with the Plan.

CERTIFICATE OF ACCEPTANCE
(California Government Code Section 27281)

This is to certify that the interest in real property conveyed by that certain Grant Deed and Deed of Conservation Easement dated as of _____, _____, executed by York Long Point Associates, L.P. in favor of the City of Rancho Palos Verdes and the Palos Verdes Peninsula Land Conservancy is accepted by the undersigned officer on behalf of the City of Rancho Palos Verdes pursuant to the authority conferred by Resolution No. _____ of the City Council of the City of Rancho Palos Verdes adopted on May 6, 2008, and the grantee consents to the recordation thereof by its duly authorized officer.

Dated as of: _____, _____.

City Manager

ATTEST:

City Clerk

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

EXHIBIT H

FORM OF DONATION DEED

RECORDING REQUESTED BY:

First American Title Insurance Company

WHEN RECORDED RETURN THIS DEED
AND MAIL TAX STATEMENTS TO:

City of Rancho Palos Verdes
Planning Department
30940 Hawthorne Boulevard
Rancho Palos Verdes, California 90275

APN:

[Space Above For Recorder’s Use Only]

Recording Fee: Exempt pursuant to California
Government Code Section 27383

Documentary Transfer Tax: Exempt pursuant to
California Revenue & Taxation Code Section 11922

GRANT AND EASEMENT DEED

FOR A VALUABLE CONSIDERATION, receipt of which is acknowledged, YORK LONG POINT ASSOCIATES, L.P., a California limited partnership (“YLPA”), hereby GRANTS (a) to the PALOS VERDES PENINSULA LAND CONSERVANCY, a California non-profit corporation (“Conservancy”), the real property in the County of Los Angeles, State of California, more particularly described on Exhibit A attached hereto and incorporated herein by this reference (the “Property”), and (b) to the CITY OF RANCHO PALOS VERDES, a California municipal corporation (“City”), a non-exclusive, perpetual and irrevocable conservation easement in gross over the Property for the purpose of ensuring that the Property will be retained forever in a natural condition and to prevent any use of the Property that will significantly impair or interfere with the conservation values thereof (the “Conservation Easement”), including the following:

1. To prohibit the development of the Property for residential, commercial or industrial purposes, including the erection, construction, placement or maintenance of any building, structure, or other improvement thereon;

2. To prohibit the cutting, uprooting, removal or other disturbance of the natural vegetation on the Property, except that this restriction shall not prevent the removal of non-native plants (especially invasive varieties);
3. To prohibit grading or any other alteration of the general topography of the Property, other than grading that is necessary to protect the public safety;
4. To prohibit any surface entry for exploration or extraction of minerals, including the excavation, dredging or removal of loam, gravel, soil, rock, sand or any other material;
5. To prohibit the storage, dumping or other deposit of anything whatsoever, including soil, ashes, garbage, waste, bio-solids, trash, debris or any other unsightly or offensive material, that is not indigenous or natural to the Property;
6. To prohibit the use of motorbikes, go-carts or other motor-driven or motor-powered vehicles on the Property, except those vehicles reasonably necessary for the accomplishment of permitted uses of the Property;
7. To conserve, preserve, restore, protect, create, revegetate and maintain natural vegetation and wildlife habitat, including the fencing of revegetated areas, so that sensitive, endangered and threatened plant and animal species will be able to thrive;
8. To maintain open space and preserve views;
9. To conduct surveys to ascertain the presence of key plant and animal species and other scientific research for interpretive purposes;
10. To construct, protect, fence, enhance and otherwise improve public trails;
11. To place signs indicating the presence of a sensitive, threatened or endangered species or directing individuals to public trails;
12. To include the Property within the area that is subject to the Natural Communities Conservation Plan that has been prepared and approved by City (the "NCCP");
13. To operate and maintain the Property in accordance with the Public Use Master Plan (the "PUMP"); and
14. To operate and maintain the Property in a manner that is otherwise consistent with any other agreement approved by City and Conservancy ("Agreement").

The Conservation Easement is transferable, but City may only transfer its rights and obligations hereunder to an entity or organization acceptable to Conservancy and otherwise authorized to acquire and hold conservation easements pursuant to California Civil Code Section 815.3.

The purposes of the Conservation Easement are presumed to be the best and most necessary public use as defined in California Code of Civil Procedure (“CCP”) Section 1240.680, notwithstanding CCP Sections 1240.690 and 1240.700.

Notwithstanding the foregoing, for so long as the NCCP and/or the PUMP and/or any Agreement remain in effect, to the extent that any of the forgoing permitted and/or restricted uses of the Property pursuant to the Conservation Easement conflict with any permitted and/or restricted uses of the Property pursuant to the NCCP and/or the PUMP or and/or any Agreement, the uses specified in the NCCP and/or the PUMP and/or the Agreement shall prevail.

The above GRANTS are made SUBJECT TO: (1) current real property taxes and all unpaid general and special bonds or assessments; and (2) all covenants, conditions, restrictions, reservations, rights, rights-of-way and easements of record.

[This Space Intentionally Left Blank; Signature On The Next Page]

IN WITNESS WHEREOF, YLPA has executed this Grant and Easement Deed as of

_____, _____.

YLPA:

YORK LONG POINT ASSOCIATES, L.P., a California limited partnership

By: York Capital Group, Inc., a California corporation, its general partner

By: _____
James York, President

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

**EXHIBIT A
TO
GRANT AND EASEMENT DEED**

LEGAL DESCRIPTION

(See Attached)

CERTIFICATE OF ACCEPTANCE
(California Government Code Section 27281)

This is to certify that the interest in real property conveyed by that certain Grant and Easement Deed dated as of _____, _____, executed by York Long Point Associates, L.P. in favor of the City of Rancho Palos Verdes and the Palos Verdes Peninsula Land Conservancy is accepted by the undersigned officer on behalf of the City of Rancho Palos Verdes pursuant to the authority conferred by Resolution No. _____ of the City Council of the City of Rancho Palos Verdes adopted on May 6, 2008, and the grantee consents to the recordation thereof by its duly authorized officer.

Dated as of: _____, _____.

City Manager

ATTEST:

City Clerk

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

EXHIBIT I

FORM OF RELEASE

MUTUAL RELEASE AGREEMENT

THIS MUTUAL RELEASE AGREEMENT (this "Release") is made as of _____, _____, by and between YORK LONG POINT ASSOCIATES, L.P., a California limited partnership ("Seller"), and the CITY OF RANCHO PALOS VERDES, a California municipal corporation ("City"), with respect to the following:

RECITALS

A. City, Seller and the Palos Verdes Peninsula Land Conservancy, a California non-profit corporation ("Conservancy"), executed that certain Purchase and Sale, Option and Donation Agreement and Joint Escrow Instructions dated as of May 6, 2008 (as amended, the "Agreement"), with respect to approximately two hundred fifty (250) acres of land within City (collectively, the "Properties").

B. Pursuant to the terms and conditions of the Agreement, Seller agreed to convey fee title to the Properties to City and a conservation easement over the Properties to Conservancy.

C. The execution of this Release by City and Seller is a condition precedent to the "Closing" (as defined in the Agreement) of the portion of the Properties more particularly described on Exhibit A attached hereto (the "**Applicable Property**").

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 acknowledged, it is agreed as follows:

1. Release by City. With the exception of any claims arising out of this Release, and effective upon the Closing of the Applicable Property, City, on behalf of itself and its officers, employees, agencies, successors and assignees (collectively, the "City Releasing Parties"), releases and discharges Seller and its officers, employees, partners, attorneys, successors and assignees (collectively, the "Seller Released Parties"), from any and all claims, demands, liabilities, obligations, losses, acts, omissions, misfeasance, malfeasance, causes of action, damages, expenses (including attorney's fees and court costs), judgments and controversies that the City Releasing Parties, or any of them, have against the Seller Released Parties, or any of them, with respect to the Applicable Property, including the violation of any law, regulation, ordinance or other legal requirement or any other potential claims or causes of action relating to Seller's actions or inactions during Seller's ownership of the Applicable Property (the "City Release").

2. Release by Seller. With the exception of any claims arising out of this Release, and effective upon the Closing of the Applicable Property, Seller, on behalf of itself and its officers, employees, partners, successors and assigns (collectively, the “Seller Releasing Parties”), releases and discharges City and its officers, employees, agencies, attorneys, successors and assignees (collectively, the “City Released Parties”), from any and all claims, demands, liabilities, obligations, losses, acts, omissions, misfeasance, malfeasance, causes of action, damages, expenses (including attorney’s fees and court costs), judgments and controversies that the Seller Releasing Parties, or any of them, have against the City Released Parties, or any of them, with respect to the Applicable Property, including those (i) due to any alleged action or inaction on the part of the City Released Parties, or any of them, in failing to process applications to allow the Applicable Property to be developed, or (ii) for inverse condemnation, eminent domain, denial of substantive due process, and any similar legal theories (the “Seller Release”).

3. Waiver of California Civil Code Section 1542. City, on behalf of the City Releasing Parties, and Seller, on behalf of the Seller Releasing Parties, agree, with respect to the City Release and the Seller Release, respectively, that they waive and relinquish, to the fullest extent permitted by law, the provisions, rights and benefits of California Civil Code Section 1542, which provides 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.

4. Termination. For the avoidance of doubt, City and Seller acknowledge and agree that if, for any reason, the Closing of the Applicable Property does not occur, then the releases contained in this Release shall never become effective and the City Releasing Parties and the Seller Releasing Parties, and each of them, shall retain any and all claims, demands, liabilities, obligations, losses, acts, omissions, misfeasance, malfeasance, causes of action, damages, expenses (including attorney’s fees and court costs), judgments and controversies that would have otherwise been released pursuant to this Release upon the Closing of the Applicable Property.

5. Entire Agreement. This Release constitutes the entire agreement between the parties hereto pertaining to the releases provided for herein, and is the final, complete and exclusive expression of the parties’ agreement concerning such release. All prior agreements, representations, negotiations and understandings of the parties hereto, oral or written, express or implied, pertaining so such release, are superseded and merged herein.

6. No Oral Modification or Waiver. No modification or waiver of any of the terms hereof shall be valid or effective unless made in writing and executed by the duly authorized representative of both parties, or their respective successors or permitted assigns. No waiver of any breach hereof or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

7. Enforcement of Agreement. The parties agree that, if any action or dispute arises regarding enforcement of this Release, or any of its terms, the prevailing party shall be reimbursed for all reasonable expenses incurred in resolving such dispute, including attorneys' fees.

8. Counterparts. This Release may be executed in any number of counterparts, each of which shall constitute a duplicate original hereof.

9. Applicable Law and Venue. This Release shall be construed under the substantive laws of the State of California. Any action that is brought to enforce this Release shall be filed in the County of Los Angeles, State of California.

10. Authority. The persons executing this Release on behalf of City and Seller represent and warrant that they are duly authorized to do so as to fully and legally bind City and Seller, respectively.

11. Interpretation. The parties agree that they have had the opportunity to consult with counsel in connection with this Release. This Release shall be construed as if the parties jointly prepared it and any uncertainty or ambiguity shall not be interpreted against any one party.

[This Space Intentionally Left Blank; Signatures On The Next Page]

IN WITNESS WHEREOF, City and Seller have executed this Mutual Release Agreement as of the date and year first set forth above.

CITY: CITY OF RANCHO PALOS VERDES, a California municipal corporation

By: _____
Name: _____
Its: _____

ATTEST:

City Clerk

Approved as to form and content:

Richards, Watson & Gershon, counsel for City

Carol W. Lynch

SELLER: YORK LONG POINT ASSOCIATES, L.P., a California limited partnership

By: York Capital Group, Inc., a California corporation,
its general partner

By: _____
James York, President

Approved as to form and content:

Cox, Castle & Nicholson LLP, counsel for Seller

Owen P. Gross

**EXHIBIT A
TO
MUTUAL RELEASE AGREEMENT**

LEGAL DESCRIPTION

(See Attached)

EXHIBIT J

FORM OF TEMPORARY EASEMENT

RECORDING REQUESTED BY:

First American Title Insurance Company

WHEN RECORDED RETURN TO:

York Long Point Associates, L.P.
550 Silver Spur Road, Suite 250
Rancho Palos Verdes, California 90275
Attn: James York, President

APN:

[Space Above For Recorder's Use Only]

TEMPORARY ACCESS AND GRADING EASEMENT

THIS TEMPORARY ACCESS AND GRADING EASEMENT (this "Easement") is made as of _____, _____ (the "Effective Date"), by the CITY OF RANCHO PALOS VERDES, a California municipal corporation ("City"), and the PALOS VERDES PENINSULA LAND CONSERVANCY, a California non-profit corporation ("Conservancy," and, collectively with City, "Grantor"), to YORK LONG POINT ASSOCIATES, L.P., a California limited partnership ("Grantee"), with respect to the following.

RECITALS:

A. Grantor and Grantee executed that certain Purchase and Sale, Option and Donation Agreement and Joint Escrow Instructions dated as of May 6, 2008 (as amended, the "Agreement"), pursuant to which Grantee agreed to transfer the real property more particularly described in Exhibit A attached hereto (the "Donation Property"), to Grantor (the fee interest to Conservancy and an easement interest, with use restrictions, to City) upon the issuance of a grading permit (the "Grading Permit") for a project on the real property owned by Grantee adjacent to the Donation Property and more particularly described in Exhibit B attached hereto (the "Development Property").

B. It is anticipated that the most efficient and effective way to complete the grading work to be performed pursuant to the Grading Permit (the "Grading Work") will require Grantee to temporarily store equipment and materials (including soil from the Development Property) on, and otherwise have access (including construction vehicle turns, construction staging activities and storage and retrieval of equipment and materials) to, the portion of the Donation Property depicted on Exhibit C attached hereto (the "Easement Area").

C. At Grantor's request, Grantee agreed to transfer the Donation Property to Grantor prior to Grantee completing the Grading Work provided that Grantor execute this Easement as a condition precedent to the "Closing" (as defined in the Agreement) of the Donation Property in order to provide Grantee and the Development Property with an easement over a portion of the Donation Property for the "Easement Purposes" (as defined below) as provided by the terms and conditions set forth below.

AGREEMENT

NOW, THEREFORE, for and in consideration of the foregoing premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantee and Grantor agree as follows:

1. Easement and Restrictions.

1.1 Grantor grants a non-exclusive easement (the "Temporary Easement") to Grantee and its agents, employees and contractors (collectively, the "Grantee Parties") to access and use the Easement Area for the following purposes (the "Easement Purposes"): (a) storage of equipment and materials (including soil from the Development Property) and (b) construction vehicle turns, construction staging activities and retrieval of stored equipment and materials. The Temporary Easement shall be deemed to include such incidental rights as are reasonably necessary to use the Easement Area for the Easement Purposes. In no event shall Grantee construct any permanent or temporary improvements on the Easement Area without Grantor's prior consent, which shall not be unreasonably withheld, delayed or conditioned.

1.2 The Grantee Parties shall not conduct any activity on the Easement Area other than in connection with the Easement Purposes. The Grantee Parties will not use the Easement Area in any way that will conflict with any law, statute, ordinance, rule, regulation or requirement of any duly constituted public authority with jurisdiction over the Easement Area, whether now in force or hereafter enacted or promulgated. Grantee will not permit any person or entity other than the Grantee Parties to enter upon the Easement Area in connection with the Temporary Easement.

1.3 Grantor reserves the right to use, and permit others to use, on a non-exclusive basis, the Easement Area; provided, however, that Grantor agrees not to use, or permit others to use, the Easement Area in any manner that will impede the use of the Easement Area for the Easement Purposes, including that no permanent buildings, structures, fences or walls shall be constructed or placed thereon.

2. Term of Temporary Easement. The Temporary Easement shall be irrevocable and remain in full force and effect from the Effective Date until the earlier of (a) the fifth (5th) anniversary of the Effective Date, (b) the date the Grading Work has been completed, or (c) an "Event of Default" (as defined below) has occurred. Notwithstanding the foregoing, if the Grading Work has been commenced, and is being diligently completed, but has not been completed by the fifth (5th) anniversary of the Effective Date, Grantee may request a reasonable extension of the term of the Temporary Easement and Grantor shall not unreasonably withhold,

delay or condition its approval thereof. Upon the termination of the Temporary Easement, Grantee shall promptly remove (at Grantee's sole cost and expense) all of Grantee's equipment and all other materials (but not including de minimis amounts of soil) then located on the Easement Area and/or the Donation Property. Promptly following Grantor's request, Grantee shall execute a quitclaim deed in recordable form evidencing the termination of any right, title or interest under this Easement to the Donation Property.

3. Personal Property; Assumption of Risk and Waiver. Grantor acknowledges and agrees that the Grantee Parties may bring equipment and other materials onto the Easement Area in connection with the Easement Purposes. Grantor further acknowledges and agrees that such equipment and materials are the personal property of the Grantee Parties, that Grantor has no, and shall not claim, any right title or interest therein, and that the Grantee Parties shall have the right to remove them at any time without Grantor's consent. Grantee acknowledges and agrees that its use of the Easement Area shall be at the sole cost, risk and responsibility of Grantee, including the costs and risks associated with theft, vandalism, damage or destruction, and Grantor shall have no responsibility or liability whatsoever to Grantee or any other person or entity in connection therewith. Without limiting the foregoing, and to the maximum extent permitted by law, Grantee assumes all risk of loss, damage or injury of any kind to any person or property arising in connection with Grantee's exercise of its rights or the performance of its obligations hereunder. Grantee, as a material part of the consideration for the Temporary Easement, waives all claims and demands against Grantor for any such loss, damage or injury. To this end, Grantee waives the benefit of California Civil Code Section 1542, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH
THE CREDITOR DOES NOT KNOW OR EXPECT 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.

4. Liens. Grantee shall not suffer or permit to be enforced against the Easement Area, or any other portion of the Donation Property, any mechanics', materialmen's, contractors' or subcontractors' liens or any claim for damage arising from the Grading Work, or any other activity of the Grantee Parties undertaken in connection with the exercise of their rights and the performance of their obligations hereunder, and Grantee shall pay, or cause to be paid, all of such liens, claims or demands before any action is brought to enforce the same against the Easement Area, or any other portion of the Donation Property. Notwithstanding the foregoing, if Grantee shall, in good faith, contest the validity of any such lien, claim or demand, then Grantee shall, at its expense, defend the Easement Area, or any other portion of the Donation Property, against the same and shall pay and satisfy any adverse judgment that may be rendered thereon before any enforcement thereof against the Easement Area, or any other portion of the Donation Property; provided, however, that, if Grantor shall so require, Grantee promptly shall procure and record or furnish to Grantor a surety bond, or other security satisfactory to Grantor, in an amount equal to at least one hundred fifty percent (150%) of the amount of such contested lien, claim or demand, holding the Easement Area, or any other portion of the Donation Property, free from the effect thereof. Grantor reserves the right, at any time and from time to time, to post and maintain on the Easement Area, or any other portion of the Donation Property, such notices of

non responsibility as may be necessary to protect Grantor against liability for all such liens, claims and demands.

5. Notices of Non-Responsibility and Completion. Promptly upon commencement of the Grading Work, Grantee shall, at its expense, post in the Easement Area and record in the Official Records of Los Angeles County, California, a notice of non-responsibility executed by Grantor in statutory form. Promptly upon completion of the Grading Work, Grantee shall, at its expense, post in the Easement Area and record in the Official Records of Los Angeles County, California, a notice of completion executed by Grantee in statutory form.

6. Payment of Claims. In addition to, and not in limitation of, Grantor's other rights and remedies hereunder, should Grantee fail within twenty (20) days of a request from Grantor either (a) to pay and discharge any lien, claim or demand as provided in Section 4, or (b) to protect, indemnify, defend and hold Grantor free and harmless as provided in Section 7, then, in any such case, Grantor may, at its option, pay any such lien, claim or demand or settle or discharge any action therefor or satisfy any judgment thereon, and all reasonable costs, expenses and other amounts incurred by Grantor in connection therewith (including reasonable attorneys' fees) shall be paid to Grantor by Grantee upon demand, together with interest thereon at the maximum rate permitted by law from the date paid by Grantor until repaid by Grantee.

7. Indemnity. Grantee hereby agrees to protect, indemnify, defend and hold Grantor and its officers, employees, representatives and agents (collectively, the "Indemnified Parties") free and harmless from and against (collectively, "Indemnify") any and all claims, causes of action, demands, damages, liens, liabilities, losses, costs and expenses (including, without limitation, reasonable attorneys' fees) to which the Indemnified Parties may become exposed or which the Indemnified Parties may incur in connection with the Indemnified Parties exercising their rights and performing their obligations hereunder (collectively, "Losses"). Notwithstanding the foregoing, it is the intent of Grantee and Grantor that Grantee shall be liable to Indemnify the Indemnified Parties under this Section 7 irrespective of the cause of the Losses (i.e., regardless of whether or not caused by any act, omission, willful misconduct or negligent conduct (whether active or passive) of Grantee, or otherwise), except to the extent that the Losses are caused by the gross negligence or willful misconduct of the Indemnified Parties. Notwithstanding anything to the contrary contained herein, the provisions of this Section 7 shall survive the termination of the Temporary Easement as provided in Section 2 for one (1) year except as to claims made and pending at such time (collectively, the "Indemnified Losses").

8. Insurance. Grantee shall obtain and maintain insurance workers' compensation insurance as required by law. Grantee shall also obtain and maintain insurance against claims and liability for personal injury, death or property damage arising from the use of the Easement Area by the Grantee Parties. The amount of such insurance shall be at least Two Million Dollars (\$2,000,000) per occurrence for bodily injury or death, and at least Five Hundred Thousand Dollars (\$500,000) for property damage. Such insurance shall be issued by insurers authorized to do business in the State of California and well-rated by national rating organizations. Such policies of insurance shall expressly provide that Grantor shall be named as additional insureds and shall provide that the policies shall not be canceled or modified by the insurer without fifteen (15) days' prior written notice to the insured parties. Grantee shall deliver to Grantor, in the manner required for notices, copies of all insurance policies (including certificates evidencing

the same and endorsements thereto) required hereby upon the Effective Date and upon the renewal of each policy.

9. Inspections. Grantor shall have the right to inspect the Easement Area and monitor Grantee's compliance with this Easement.

10. Hazardous Materials. Without limiting the generality of Section 1.2, Grantee shall use the Easement Area in compliance with, and shall not cause or permit the Easement Area to be used in violation of, any or all federal, state or local environmental, health and/or safety-related laws, regulations, standards, decisions of the courts, permits or permit conditions, currently existing or as amended or adopted in the future, that are or become applicable to Grantee and/or the Easement Area (collectively, the "Environmental Laws"). Grantee shall not cause or permit any "Hazardous Materials" (as defined below) to be brought, stored, used, generated, treated or disposed of on or about the Easement Area and/or the Donation Property, except in the normal course of the Grantee's exercise of its rights under this Easement and, in such event, any such Hazardous Materials shall be brought, stored, used, generated, treated and disposed of in accordance with all applicable Environmental Laws. As used herein, "Hazardous Materials" means any chemical, substance or material that is now or becomes in the future listed, defined or regulated in any manner by any Environmental Law based upon, directly or indirectly, its properties or effects. In the event of any release on, or contamination of, the Easement Area and/or the Donation Property with Hazardous Materials in connection with the Grantee Parties' use of the Easement Area, Grantee shall, at its sole cost and expense, promptly take all actions necessary to clean up any portion of the Easement Area and/or the Donation Property affected thereby and return the same to substantially the same condition as existed prior to such release or contamination, and otherwise in compliance with all applicable Environmental Laws.

11. Events of Default. The failure by Grantee to (a) perform any obligation under this Easement to be performed by Grantee or the Grantee Parties, or (b) comply with any other term or condition applicable to Grantor or the Grantee Parties under this Easement shall constitute an "Event of Default" upon the expiration of thirty (30) days after notice of such failure from Grantor to Grantee; provided, however, that if such failure cannot reasonably be cured within such thirty (30) day period but is capable, with reasonable diligence, of being cured within a total of ninety (90) days, Grantee shall have an additional sixty (60) days in which to effect such cure provided that Grantee commences to cure such failure within the initial thirty (30) day period, at all times diligently pursues the cure to completion, and in fact completes such cure within the subsequent sixty (60) day period.

12. Running with the Land. The easements, covenants, conditions and restrictions provided herein are interests in the Donation Property. All rights and obligations provided in this Easement shall be appurtenant to and shall run with the Donation Property and the benefits and burdens of this Easement shall bind and benefit all parties having or acquiring any right, title or interest in all or any portion of the Development Property.

13. Notices. Except as otherwise required by law, any notice, request, direction, demand, consent, waiver, approval or other communication required or permitted to be given hereunder shall not be effective unless it is given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by facsimile, or (d) by a

reimbursed for all reasonable expenses incurred in resolving such dispute, including attorneys' fees.

17. Counterparts. This Easement may be executed in any number of counterparts, each of which shall constitute a duplicate original hereof.

18. Applicable Law. This Easement shall be construed under the substantive laws of the State of California.

19. Interpretation. The parties agree that they have had the opportunity to consult with counsel in connection with this Easement. This Easement shall be construed as if the parties jointly prepared it and any uncertainty or ambiguity shall not be interpreted against any one party.

20. Mutual Cooperation. The parties agree to execute any and all documents and writings that are reasonably necessary or expedient to carry out the intent of this Easement, to do such other reasonable acts as will further the purposes hereof, and to refrain from any actions that would impede or otherwise interfere with the other party with respect to the performance of its duties and obligations hereunder.

[This Space Intentionally Left Blank; Signatures On The Next Page]

IN WITNESS WHEREOF, City, Conservancy and Grantee have executed this Temporary Access and Grading Easement as of the date and year first set forth above.

CITY: CITY OF RANCHO PALOS VERDES, a California municipal corporation

By: _____
Name: _____
Its: _____

ATTEST:

City Clerk

CONSERVANCY: PALOS VERDES PENINSULA LAND CONSERVANCY, a California non-profit corporation

By: _____
Name: _____
Its: _____

GRANTEE: YORK LONG POINT ASSOCIATES, L.P., a California limited partnership

By: York Capital Group, Inc., a California corporation, its general partner

By: _____
James York, President

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Notary Public in and for the State of California

(SEAL)

**EXHIBIT A
TO
TEMPORARY ACCESS AND GRADING EASEMENT**

LEGAL DESCRIPTION OF DONATION PROPERTY

(See Attached)

**EXHIBIT B
TO
TEMPORARY ACCESS AND GRADING EASEMENT**

LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY

(See Attached)

**EXHIBIT C
TO
TEMPORARY ACCESS AND GRADING EASEMENT**

DEPICTION OF EASEMENT AREA

(See Attached)