



George Basye, President
Philip Bettencourt, Secretary
Neil Brandom, Treasurer
Kate Klimow, Board Member
Robyn Vettrano, Executive Director

December 18, 2014

Michael A. Mohler
Managing Director
Newport Banning Ranch
1300 Quail Street, Suite 100
Newport Beach, CA 92660

Re: California Coastal Commission Notice of Incomplete Application

Dear Mr. Mohler:

In response to your request, this letter is to confirm the Newport Banning Land Trust's willingness to accept a transfer of dedication of preserve areas to be identified as part of the Newport Banning Ranch, LLC project.

For background, we formed the Newport Banning Land Trust on June 13, 2012 as a non-profit public benefit corporation formed to engage in charitable activities for the benefit of the general public. Activities include: (1) preservation, protection, maintenance and enhancement of environmentally sensitive land and areas for education, environmental, ecological, recreational, historical, scenic and open space uses and including the receipt, administration and maintenance of one or more conservation easements; and (2) the development, organization and enhancement of educational activities and programs to benefit schools and other educational institutions.

The board adopted the following Mission Statement on November 1, 2012; *"Through its anticipated stewardship of approximately 235 acres of open space within Newport Banning Ranch, the Newport Banning Land Trust will work to preserve and enhance the natural values of the land. Our goals are to ensure its open space is enjoyed by future generations, to create a nature reserve, and to provide public access and outdoor recreation connectivity."*

On July 9, 2013, the Newport Banning Land Trust entered into a Memorandum of Understanding with Newport Banning Ranch, LLC, which affirms the parties' intent to convey conservation interests in the preserve areas to the Newport Banning Land Trust, and outlines the criteria under which the parties will agree to accomplish the transfer, including funding responsibilities.

We look forward to continue working with you to achieve the vision of protecting these important native habitats while providing the public an opportunity to enjoy and learn

about natural Orange County, and helping to bring to life a significant portion of the long-envisioned Orange Coast River Park.

Please let me know if you require further information in regards to this matter.

Sincerely,

A handwritten signature in black ink that reads "Robyn Vettrano". The signature is written in a cursive style with a large initial 'R'.

Robyn Vettrano
Executive Director
Newport Banning Land Trust

**Memorandum of Understanding
Between Newport Banning Ranch LLC
and Newport Banning Land Trust**

This Memorandum of Understanding ("MOU") is entered into this ninth day of July, 2013 between Newport Banning Ranch LLC ("NBRLLC"), a California limited liability corporation (together, the "Parties") and Newport Banning Land Trust ("NBLT"), an organization pursuing registration as a 501(c)(3) non-profit.

RECITALS

WHEREAS, Newport Banning Ranch ("NBR Site") is a 401-acre property partially within the corporate limits and entirely within the sphere of influence of the City of Newport Beach, California that has been in oil production operations for more than 70 years and is heavily encumbered with oil infrastructure and the impacts of oil operations.

WHEREAS, NBRLLC is in the process of entitling NBR Site to obtain approval of a conservation and development plan for the 401-acre Newport Banning Ranch project ("NBR Project"), which proposed project consists of annexing the full NBR Site to the City of Newport Beach, consolidating and updating oil production onto 17 acres, abandoning and remediating 384 acres of oil fields, developing 97 acres of neighborhood development with 52 acres of community park land, and establishing a 235-acre natural open space preserve.

WHEREAS, the approximately 235-acre natural open space preserve area (the "OS Property") is the subject of this MOU.

WHEREAS, on July 23, 2012, NBRLLC received the following approvals for the NBR Project from the City of Newport Beach: a Development Agreement; General Plan Amendment to the Circulation Element; Code Amendment; a Pre-annexation Zone Change; Planned Community Development Plan; Master Development Plan; Tentative Tract Map; Affordable Housing Implementation Plan; and Traffic Phasing Ordinance Traffic Study for a proposed planned community on the 401 acre NBR Site for development of up to 1,375 residential dwelling units, a 75-room resort inn and ancillary resort uses, 75,000 square feet of commercial uses, approximately 51 gross acres of parklands, approximately 252 gross acres of permanent open space.

WHEREAS, in 2012, NBRLLC received the necessary local approvals of the NBR Project to proceed with the processing of a Coastal Development Permit ("CDP") at the California Coastal Commission ("CCC") and companion permits and agreements will also be required from local, state and federal regulatory agencies, including, but not limited to, the U.S. Army Corps of Engineers ("ACOE"), U.S. Fish and Wildlife Service ("USFWS"), California Department of Fish and Wildlife ("CDFW"), and Regional Water

Quality Control Board ("RWQCB"); collectively, (the "Resource Agencies"), and the City of Newport Beach in order to entitle the NBR Project. Together, these approvals constitute the entitlements. Further, separate local permits (e.g., grading, building, etc) will be required to construct the NBR Project.

WHEREAS, implementation of the NBR Project would result in the creation, restoration, enhancement and conservation of native habitats and benefit native species, ensure linkage to regional open space, and provide for public access and enjoyment of the 235-acre natural open space preserve, which program will be detailed in a Habitat Conservation and Conceptual Mitigation Plan ("HCCMP") to be included in the CDP.

WHEREAS, as a component of the Natural and Open Space Program, NBRLLC intends to propose the creation, restoration and enhancement of the 235 acres pursuant to the HCCMP.

WHEREAS, after satisfaction of the NBR Project's mitigation requirements, NBRLLC can reserve an estimated seventy-five (75) acres of the OS Property for third-party mitigation.

WHEREAS, to ensure the permanent conservation of the OS Property, NBRLLC intends to convey either fee title or conservation easements over the OS Property and management and maintenance responsibility for the OS Property to a qualified non-profit entity.

WHEREAS, in anticipation of these large offers of conservation lands, NBRLLC has assisted in the formation of the NBLT as a 501(c)(3) non-profit corporation, with the intent that NBLT will seek proper recognition as an entity capable of restoration, conservation and long-term stewardship of the OS Property after oil field clean-up and Resource Agencies mitigation requirements are met.

WHEREAS, NBRLLC has funded the incorporation of NBLT and is currently supporting NBLT's continuing development as a land trust.

WHEREAS, on December 31, 2012, NBLT filed an Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code with the Internal Revenue Service.

WHEREAS, NBLT is seeking accreditation by the Land Trust Alliance ("LTA"), as well as working to build a team capable of receiving recognition as an appropriate entity to accept or manage mitigation land as part of Senate Bill ("SB") 1094, (codified at Statutes of 2012, Chapter 705) requirements.

THEREFORE, the Parties commit to, by the time the NBR Project is put on the agenda for consideration by the California Coastal Commission, have negotiated, in

good faith, a final form of the agreement which details the following deal points (the "Agreement").

UNDERSTANDING BETWEEN PARTIES

The Parties commit to negotiate an Agreement governing the potential transfer of the land interest and responsibility for land management of the OS Property from NBRLLC to NBLT that will address the following deal points.

1. Criteria for Dedication Transfers of Responsibility to Newport Banning Land Trust

The Parties agree that the following qualifications must be met for NBLT to receive the OS Property from NBRLLC. The timeline for potential transfers of responsibility, conservation interests and/or land will be under the discretion of NBRLLC and will depend upon the receipt of all permits necessary to entitle the NBR Project and the requirements of those entitlements, the schedule for oil field clean-up, and satisfaction of other conditions precedent that will be outlined in the Agreement.

A. Identification and Qualification of NBLT

1. Evidence that the NBLT is a non-profit corporation formed for the primary purpose of conserving the OS Property and long-term stewardship of the natural open space lands after oil field clean-up and required mitigation such as formation papers, or the adopted mission statement, vision statement or values of NBLT.
2. NBLT must be a registered member of the LTA and commit to pursue accreditation by the LTA at the first available opportunity once the prerequisites are met.
3. NBLT must be comprised of a team capable of receiving recognition as an appropriate entity to accept or manage mitigation land as part of Senate Bill ("SB") 1094, (codified at Statutes of 2012, Chapter 705) requirements.

B. NBLT must evidence capabilities in comprehensive management, including experience in areas such as endowment and other financial management; habitat restoration and stewardship; habitat and species biological monitoring; public access; water quality systems; regional linkage and integration with Orange Coast River Park concept lands. These capabilities can be evidenced by one or more of the NBLT board members, advisory committee, consultants, or staff having experience in the relevant areas.

C. NBLT must be a fully developed non-profit organization, evidenced by:

1. Board of Directors;
2. Professional staff, advisory committee, or consultants to provide guidance on science-based stewardship;
3. General eligibility to be land trust holder of mitigation funds under SB 1094, or alternate holder of funds identified; and
4. A plan for future community outreach.

2. Transfer of Conservation Interest

The Agreement will provide that upon approval of NBLT as a qualified entity per Section 1, above, and pursuant to conditions or requirements of applicable government agency approvals of the NBR Project, NBRLLC shall outline a timeline for anticipated dedication of either fee or conservation easements to NBLT. It is anticipated that the OS Property will be cleaned up, restored and delivered in phases and therefore dedicated as such. NBRLLC and NBLT shall negotiate the timeline for the transfers, which timeline shall be included in the final Agreement.

3. Conditions

Ownership

- A. The Agreement will enable NBRLLC to convey a conservation interest, either fee or conservation easement, over all "conservancy parcels" per Tentative Tract Map No. 17308, and upon applicable government agency approvals, allow NBRLLC to convey the responsibility to NBLT to oversee, manage and implement the HCCMP.

- B. The grant of conservation fee or easements to NBLT is anticipated to be structured to provide for a minimum of two conveyances of the "conservancy parcels," subject to applicable governmental agency approvals and the conveyances shall occur as early as possible but no later than 60 days after proof of satisfaction of the remediation and restoration performance criteria required in the entitlements for each phase, as applicable. The dedications shall be accompanied with the appropriate funding to meet the requirements of the conditions of approval for the NBR Project and satisfy the maintenance requirements of the HCCMP.

Funding

- C. Until the conservancy parcels are transferred, NBRLLC will continue to provide funding, at a minimum, to current levels to NBLT to support its continuing development as a land trust.

- D. The Agreement will ensure that NBRLLC will provide funding sources for the HCCMP in an amount sufficient to cover the costs including, but not limited to, land transfer and/or conservation easement costs, initial and capital costs, maintenance and monitoring costs and other identified long-term stewardship costs to satisfy anticipated conditions of approval of applicable governmental agency approvals.

- E. The Agreement will provide that after NBRLLC has satisfied its financial responsibilities with respect to implementation of the HCCMP that may be required pursuant to any applicable governmental agency conditions of approval, it is anticipated that the initial funding would be replaced by permanent funding mechanisms which could be provided through a combination of any or all of the following: third party mitigation programs, property transfer fees, special

assessment districts, home owners/property owners association fees, fundraising, endowments and grants. The burden is on the NBR Project to ensure adequate permanent funding is in place to meet the HCCMP obligations.

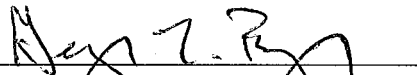
Other


- F. The Agreement will identify the circumstances which would allow NBLT to partner with another entity, such as a community non-profit organization, which is a qualified entity to hold mitigation or other similar funds from sources other than NBRLLC, at its discretion and without the approval of NBRLLC to undertake additional efforts beyond those required by the HCCMP, such as additional outreach and education consistent with the NBLT mission.


- G. The Agreement will also identify that NBRLLC has the financial responsibility to meet government agency approval requirements for the Natural HCCMP and will retain liability for the remediation required to achieve applicable oversight agency approval of oil field closure; the Agreement will also identify the circumstances under which NBRLLC would have on-going liability and financial responsibility for the HCCMP.

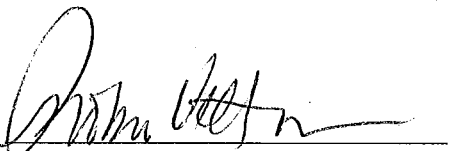
- H. Prior to any conveyance of the OS Property to NBLT, NBRLLC reserves the right to abandon the NBR Project, including remediation, restoration, and preservation of the OS Property, in the event that conditions imposed upon NBRLLC by approving agencies are too onerous in the assessment of NBRLLC. In such an event, NBRLLC shall not be required to convey a conservation interest, conservation easements, or all or a portion of the OS Property to NBLT, or to provide additional funding to NBLT, and NBRLLC shall retain all liability for the OS Property.


NEWPORT BANNING LAND TRUST

By: 
George L. Basye, President

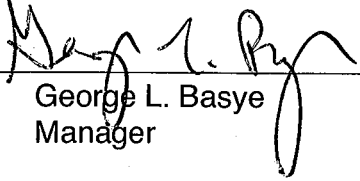
By: 
Philip Bellencourt, Secretary

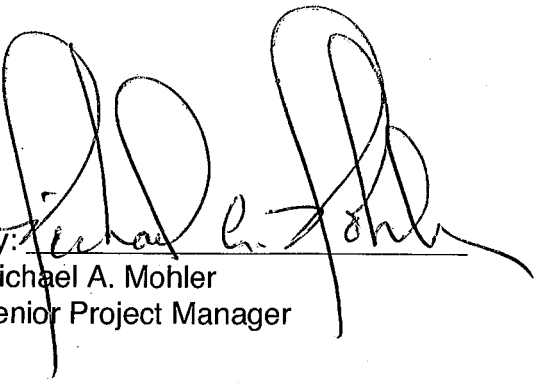
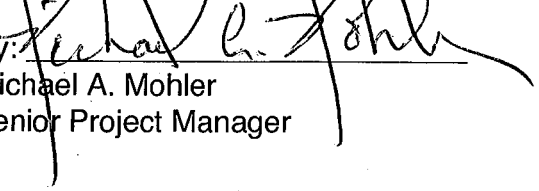
By: 
Kate Klimow, Member at Large

By: 
Robyn Vettraino, Executive Director

By: 
Neil Brandom, Treasurer

NEWPORT BANNING RANCH LLC

By: 
George L. Basye
Manager


By: 
Michael A. Mohler
Senior Project Manager