

SETTLEMENT AGREEMENT

This Settlement Agreement (the “**Agreement**”) is dated February 8, 2013, (the “**Agreement Date**”) for reference purposes and is made and entered into by and among ARA SEVACHERIAN and WHITTIER BLVD. PROPERTIES, LLC (collectively, “**Sevacherian**”), the SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF MONTEBELLO (“**Successor Agency**”), and the OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY (“**Oversight Board**”). Sevacherian, Successor Agency, and Oversight Board are sometimes hereinafter referred to individually as a “**Party**” and collectively as the “**Parties**.”

RECITALS

WHEREAS, an action is pending in Los Angeles Superior Court of the State of California, County of Los Angeles, entitled *Ara Sevacherian, et al. v. Community Redevelopment Agency of the City of Montebello, et al.*, Los Angeles Superior Court Case No. BC437787 (the “**Sevacherian Action**”); and

WHEREAS, the Sevacherian Action was originally filed by Sevacherian against the COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF MONTEBELLO (“**Redevelopment Agency**”) on or about May 18, 2010, and seeks to enforce a written contract, dated November of 2009 (“**Purchase Agreement**”), the terms of which required the Redevelopment Agency to purchase certain real property from Sevacherian for Three Million Two Hundred Thousand Dollars (\$3,200,000) under terms and conditions as more particularly set forth in the Purchase Agreement; and

WHEREAS, by way of Assembly Bill x1 26 passed by the State Legislature in June of 2011 (as amended by Assembly Bill 1484 enacted in June of 2012, as the same may be further amended from time to time, the “**Dissolution Act**”), and the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011) 53 Cal.4th 231, the Redevelopment Agency and all other redevelopment agencies in the State were dissolved effective February 1, 2012; and

WHEREAS, the Dissolution Act established the Successor Agency to perform various tasks, including without limitation to (1) continue to make payments for enforceable obligations of the Redevelopment Agency (Health & Safety Code §34177(a)) (“**Enforceable Obligations**”), (2) perform all of the Redevelopment Agency’s Enforceable Obligations (Health & Safety Code §34177(c)), and (3) expeditiously “wind down” the affairs of the Redevelopment Agency, with a goal of preserving the assets of the Redevelopment Agency to the extent possible for the benefit of, and for redistribution to, the State’s taxing entities (Health & Safety Code §34177(h)); and

WHEREAS, the Successor Agency is an independent public entity from the CITY OF MONTEBELLO (“**City**”), with the capacity to sue and to be sued, and its liabilities are limited to the extent of the total sum of property tax revenues it receives under the Dissolution Act (Health & Safety Code § 34173(e),(g)); and

WHEREAS, all litigation involving the Redevelopment Agency, and all assets, properties, contracts, leases, books, records, buildings, cash, and cash equivalents of the Redevelopment Agency, were transferred to the control of the Successor Agency for administration pursuant to the Dissolution Act (Health & Safety Code §§ 34173 and 34175); and

WHEREAS, in addition to the Successor Agency, the Dissolution Act created the Oversight Board, which is statutorily charged with overseeing the Successor Agency as the Successor Agency performs various obligations required under the Dissolution Act (Health & Safety Code §§ 34179, 34180, and 34181); and

WHEREAS, among its other powers, the Oversight Board has the power to direct the Successor Agency to determine whether any contract between the Redevelopment Agency and private parties, including the Purchase Agreement between the Redevelopment Agency and Sevacherian, “should be terminated or renegotiated to reduce liabilities and increase net revenues to the taxing entities,” upon a finding that amendment or early termination of the contract “would be in the best interests of the taxing entities” (Health & Safety Code §34181(e)); and

WHEREAS, subsequent to the dissolution of the Redevelopment Agency the Successor Agency and Oversight Board were added as parties to the Sevacherian Action; and

WHEREAS, the Dissolution Act defines “Enforceable Obligations” to include, *inter alia*, any legally binding and enforceable agreement or contract of the Redevelopment Agency that is not otherwise void as violating the debt limit or public policy, judgments or settlements entered by a competent court of law against the Redevelopment Agency, and contracts or agreements necessary for the administration or operation of the Successor Agency in accordance with the Dissolution Act (Health & Safety Code § 34171(d)(1)(D),(E),(F)); and

WHEREAS, Sevacherian has asserted in the Sevacherian Action that the Redevelopment Agency breached the Purchase Agreement by failing to timely perform it; and

WHEREAS, Sevacherian originally sought specific performance of the Purchase Agreement in the Sevacherian Action but in its August 28, 2012, order granting the Successor Agency’s Motion to Strike the Court determined that, under the Dissolution Act, an order of specific performance would be improper as a matter of law, thereby relegating Sevacherian to his/its/their damages remedy; and

WHEREAS, Sevacherian has asserted that his/its/their compensable damages arising out of the Redevelopment Agency’s breach of the Purchase Agreement, including attorney’s fees (there is a prevailing party attorney fees provision in the Purchase Agreement) and prejudgment interest, are in excess of Two Million Eight Hundred Thousand Dollars (\$2,800,000) as of the Agreement Date and that such damages are increasing daily; and

WHEREAS, after multiple days of mediation of the disputes arising out of the Sevacherian Action before the Honorable Helen I. Bendix, Judge of the Superior Court, County of Los Angeles, the Parties have agreed to settle the Sevacherian Action on the basis that the Purchase Agreement will be terminated in exchange for the payment by the Successor Agency to Sevacherian of the sum of One Million Four Hundred Thousand Dollars (\$1,400,000), in accordance with and subject to the terms and conditions set forth herein; and

WHEREAS, by their approval of this Agreement, the Oversight Board has found and determined that termination or renegotiation of the Purchase Agreement in the manner provided for in this Agreement will reduce liabilities and will increase net revenues to the taxing entities, and will therefore be in the best interests of the taxing entities within the meaning of Health & Safety Code §34181(e); and

WHEREAS, for purposes of settling the Sevacherian Action, the Parties agree that the Purchase Agreement is an “Enforceable Obligation” within the meaning of California Health & Safety Code Section 34171(d)(1)(E); and

WHEREAS, the Parties agree that this Agreement is an “Enforceable Obligation” within the meaning of California Health & Safety Code Section 34171(d)(1)(D), (E), and (F) in that it constitutes a settlement agreement entered against the Successor Agency (as successor to the Redevelopment Agency) by a competent court of law, is a legally binding and enforceable contract that terminates the Purchase Agreement and provides appropriate compensation therefor, and is necessary for the administration and operation of the Successor Agency in accordance with the terms of the Dissolution Act; and

WHEREAS, while no Party has made a representation or warranty to any other Party with respect thereto, the Parties mutually believe that the payments required to be made by the Successor Agency to Sevacherian pursuant to Section 5 of this Agreement in settlement of Sevacherian’s claims asserted in the Sevacherian Action and as necessary to provide compensation and remediation for termination of the Purchase Agreement are an irrevocable commitment of property tax revenues and that the allocation of such revenues is expected to occur over time, all within the meaning of Health & Safety Code Section 34177.5(i); and

WHEREAS, the Dissolution Act diverted all “tax increment” funds that previously would have been received by the Redevelopment Agency into a Real Property Tax Trust Fund, to be administered by the LOS ANGELES COUNTY AUDITOR-CONTROLLER (“**Auditor-Controller**”) for the benefit of holders of Enforceable Obligations and the taxing entities benefiting from the reallocation of property tax proceeds (Health & Safety Code §§ 34172(d), 34182(c)(1) and (2)); and

WHEREAS, under the Dissolution Act, the Successor Agency is required to prepare a forward-looking Recognized Obligations Payment Schedule for each six-month fiscal period (each, a “**ROPS**”), listing all Enforceable Obligations of the Redevelopment Agency, and amounts due to be paid on each Enforceable Obligation during the applicable six-month payment period (Health & Safety Code § 34177(l) and (m)); and

WHEREAS, under the Dissolution Act, each ROPS prepared by the Successor Agency must be approved by the Oversight Board (Health & Safety Code §§ 34177(m) and 34180(g)); and

WHEREAS, the CALIFORNIA STATE DEPARTMENT OF FINANCE (“**Finance**”) may elect to review any action taken by the Oversight Board, including the Oversight Board’s approval of the Successor Agency’s ROPS (Health & Safety Code §§ 34177(m) and 34179(h)); and

WHEREAS, the Successor Agency lacks the authority to, and is prohibited from, transferring any revenues or assets of the Redevelopment Agency, or any Real Property Tax Trust Fund monies received from the Los Angeles County Auditor-Controller, to a public or private entity except pursuant to an Enforceable Obligation listed on a ROPS that has been approved by the Oversight Board and has not been timely disapproved by Finance (Health & Safety Code §§34177(a)(3), 34177.3(c), and 34180(g)); and

WHEREAS, Health & Safety Code §34177.5(i) allows the Successor Agency to request that Finance provide written confirmation that its determination that a particular item on the Successor Agency’s ROPS is an Enforceable Obligation is final and conclusive and reflects

Finance's approval of subsequent payments made pursuant to the Enforceable Obligation and Finance has created a "Final and Conclusive Determination Request Form" and procedures to implement said provision of the Dissolution Act; and

WHEREAS, the Parties desire to provide a mechanism in this Agreement for seeking a "final and conclusive determination" by Finance that this Agreement is an Enforceable Obligation and for the Successor Agency and Oversight Board to take all actions required under the Dissolution Act, and within their power to perform under the Dissolution Act, to cause sufficient funds to be allocated and paid by the Auditor-Controller to the Successor Agency to enable the Successor Agency to pay the amounts due to Sevacherian in the amounts, at the times, and subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and promises herein contained and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged by each Party, and to avoid further litigation, the Parties hereby agree as follows:

TERMS AND CONDITIONS

1. Recitals Incorporated.

The Parties agree that the foregoing Recitals may be relied upon in any future legal action or proceeding to enforce this Agreement, but only to enforce this Agreement. The foregoing Recitals, and this Agreement in its entirety, shall not be admissible or relied on by any Party in any court of law or any other legal proceeding other than a legal action or proceeding brought to enforce this Agreement and in any proceeding required to implement this Agreement with those governmental agencies with jurisdiction under the Dissolution Act.

2. Meaning of Terms

In addition to the capitalized terms defined in the above Recitals, the following capitalized terms, when used in this Agreement, shall have the meanings set forth below:

A. "All Persons Action" shall mean and refer to *Sevacherian v. All Persons Interested In the Matter of the Validity of a Loan Agreement, et al.*, Los Angeles Superior Court Case No. BC445364 (consolidated for all proceedings with Los Angeles Superior Court Case No. BC449895);

B. "Ara Sevacherian" shall mean and refer to Ara Sevacherian, an individual, and a plaintiff in the Sevacherian Action.

C. "COPP Action" shall mean and refer to *Citizens For Open And Public Participation v. City of Montebello, et al.*, Los Angeles Superior Court Case No. BS124825, and *Citizens For Open and Public Participation v. City of Montebello, et al.*, Second Appellate District Case No. B232700.

D. "Court" shall mean and refer to the Los Angeles Superior Court of the State of California, County of Los Angeles.

E. "Initial Effective Date" means the date on which the last of the conditions set forth in Paragraph (B) of Section 3 of this Agreement has been satisfied.

F. "Full Effective Date" means the date on which the last of the conditions set forth in Paragraph (C) of Section 3 of this Agreement has been satisfied.

G. "Ostrom I Agreement" shall mean and refer to, collectively, (1) the Agreement for Purchase and Sale and Escrow Instructions, dated February 11, 2009, between the Redevelopment Agency, as buyer, and Ara Sevacherian, as seller, for the Redevelopment Agency's purchase from Sevacherian of the property located at 310 W. Whittier Boulevard, (2) the Promissory Note Secured by Deed of Trust and Security Agreement dated as of April 2, 2009, executed by the Redevelopment Agency in favor of Ara Sevacherian, (3) the Deed of Trust and Security Agreement relating thereto that was recorded in the Official Records of the Los Angeles County Recorder's Office on April 17, 2009, as Document No. 20090560054, (4) the Retail Lease dated February 18, 2009, between the Redevelopment Agency, as landlord, and Arsev, Inc., dba Ostrom Chevrolet, as tenant, relating to the premises described in the property located at 310 W. Whittier Boulevard, and (5) the First Amendment to Retail Lease dated October 28, 2009, between the Redevelopment Agency, as landlord, and Arsev, Inc., dba Ostrom Chevrolet, as tenant, and (6) any other written agreements that may exist that relate to the matters addressed in the agreements and instruments referred to in clauses (1)-(4), inclusive.

H. "Oversight Board" means and refers to the Oversight Board to the Successor Agency, as that entity was created and exists by virtue of the Dissolution Act, and more specifically Health & Safety Code Section 34179.

I. "Payment Schedule" shall mean and refer to the installment payments described in Subsection (2) of Paragraph (A) of Section 5 of this Agreement.

J. "Reasonable Diligence" shall mean and refer to the actions and obligations of the Successor Agency and/or Oversight Board, respectively, described in Paragraph (A) of Section 4 of this Agreement.

K. "ROPS" shall mean and refer to each Recognized Obligations Payment Schedule required to be prepared pursuant to Health & Safety Code Sections 34171(h) and 34177(l) and (m).

L. "Payment Period" shall mean and refer to the six-month fiscal period covered by each ROPS, as those fiscal periods respectively extend from January 1 through June 30, and July 1 through December 31, annually, and as more particularly described in Health & Safety Code Section 34177(l) and (m).

M. "RPTTF" shall mean and refer to the Real Property Tax Trust Fund established by the Auditor-Controller pursuant to Health & Safety Code Sections 34170.5(b), 34172(d), and 34182(c)(1) and (2) and administered by the Auditor-Controller for the benefit of holders of Enforceable Obligations and the taxing entities that benefit from the distribution of property taxes.

3. Conditions Precedent To Effectiveness of Agreement.

A. This Agreement, and each Party's obligations hereunder, are expressly conditioned upon the satisfaction of the conditions for the "Initial Effective Date," defined in Paragraph B of this Section, and, except for the duties and obligations of the Parties that are effective upon the Initial Effective Date, upon satisfaction of the conditions for the "Full Effective Date," as defined in Paragraph C of this Section.

B. The “**Initial Effective Date**” of this Agreement shall be the date upon which the last of the following conditions are satisfied:

(1) Adoption of a Resolution by the Oversight Board approving of this Agreement and authorizing the execution thereof, and action by the Oversight Board recommending that the Successor Agency approve this Agreement;

(2) Execution by the presiding officer of the Oversight Board of this Agreement. It is mutually understood that the obligation as described in Section 5 hereof is to be included on the Successor Agency’s ROPS until such obligations have been satisfied or this Agreement is no longer in effect;

(3) Execution by the presiding officer of the Successor Agency of this Agreement. It is mutually understood that the obligation as described in Section 5 hereof is to be included on the Successor Agency’s ROPS until such obligations have been satisfied or this Agreement is no longer in effect;

(4) The Oversight Board has provided written notice of its approval of this Agreement to Finance in the manner required by Health & Safety Code Section 34179(h);

(5) Ara Sevacherian executes this Agreement and Whittier Blvd. Properties, LLC, either for itself or by and through its authorized agent, executes this Agreement; **and**

(6) One of the following occurs (whichever shall first occur): (1) five business days pass after Finance receives notice of the Oversight Board’s approval of this Agreement in the manner required by Health & Safety Code Section 34179(h) and Finance does not request a review of said approval, or (2) Finance communicates express written approval of said approval by the Oversight Board to the Oversight Board, whichever first occurs, or (3) Finance indicates that it requires time in addition to five (5) business days to review the Agreement or action by the Oversight Board but thereafter indicates either that it approves of inclusion of this Agreement on ROPS or that Finance is no longer conducting review of the approval of the Oversight Board of this Agreement (each of the foregoing constituting an “Approval Action” for purposes of this Agreement).

C. The “**Full Effective Date**” of this Agreement shall be the date upon which the last of the following conditions are satisfied:

(1) The conditions for the Initial Effective Date have been satisfied;

(2) Finance has approved this Agreement as an Enforceable Obligation on the Successor Agency’s ROPS IV/13-14A by affirmative action, by other Approval Action having occurred, or by failing to take affirmative action to approve or disapprove this Agreement as an Enforceable Obligation on the Successor Agency’s ROPS IV/13-14A within the review period prescribed in Health & Safety Code Section 34177(m), and with the understanding that it shall not be necessary in order to satisfy the condition in this Subsection (2) that Finance’s approval be in the form of a “final and conclusive determination” under Health & Safety Code §34177.5(i); **and**

(3) By Stipulation of the Parties and Order of the Court, the Sevacherian Action has been dismissed, without prejudice, pursuant to California Code of Civil Procedure Section 664.6, with the Court retaining jurisdiction over the Parties to enforce the terms of this Agreement, and such Stipulation further requiring Sevacherian to dismiss the Sevacherian

Action with prejudice upon full performance of this Agreement and payment of all sums owing to Sevacherian under this Agreement.

4. Termination of Purchase Agreement; Obligations of Successor Agency and Oversight Board to Comply with Provisions of Dissolution Act Relating to Approval and Payment Of Enforceable Obligations.

A. On the Full Effective Date, the Purchase Agreement shall be deemed to have been terminated and replaced by this Agreement, and thereafter the Purchase Agreement shall be null and void and of no further force or effect whatsoever.

B. Commencing on the Initial Effective Date and continuing thereafter until this Agreement has been performed in full and all amounts due hereunder to Sevacherian hereunder have been paid, the Successor Agency and Oversight Board, and each of them, shall exercise Reasonable Diligence to process and obtain final approval of this Agreement as an Enforceable Obligation on ROPS IV/13-14A and each succeeding ROPS of the Successor Agency, the Successor Agency shall promptly submit a copy of each approved ROPS to the Auditor-Controller in sufficient time to receive payment of the amounts owing to Sevacherian pursuant to the approved ROPS, as provided for in Health & Safety Code §34177(l)(C), and, within (30) days of the Full Effective Date, the Successor Agency shall submit a "Final and Conclusive Determination Request Form" to Finance with respect to this Agreement in accordance with Health & Safety Code §34177.5(i) and Finance's normal administrative procedures. As used herein, "**Reasonable Diligence**" shall mean the following, to the extent the Successor Agency and/or Oversight Board are authorized to perform such tasks under the Dissolution Act:

(1) timely preparing, processing, and approving each ROPS and including this Agreement as an Enforceable Obligation on each ROPS;

(2) timely submitting each ROPS to Finance for its review;

(3) timely submitting each approved ROPS to the Auditor-Controller and timely taking whatever other actions are legally required to be taken as a condition to its receipt of an allocation of funds from the RPTTF for each applicable Payment Period;

(4) within (30) days of the Full Effective Date, submitting a "Final and Conclusive Determination Request Form" to Finance with respect to this Agreement in accordance with Health & Safety Code §34177.5(i) and Finance's normal administrative procedures;

(5) responding with reasonable promptness to any requests by Finance for information and/or documents relating to the status of this Agreement as an Enforceable Obligation;

(6) at all times holding out this Agreement as an Enforceable Obligation to Finance, the Auditor-Controller, and any other public or private entity or person who may inquire or seek information with respect to same;

(7) promptly providing reasonable updates to Sevacherian regarding communications sent to or received from any governmental entity with jurisdiction under the Dissolution Act as to (a) the status of this Agreement (and payments due hereunder) as an

Enforceable Obligation, (b) any ROPS on which this Agreement appears, and (c) the Successor Agency's "final and conclusive determination" request;

(8) working cooperatively with Sevacherian in providing access to information and/or materials in the possession of the Successor Agency and/or Oversight Board as necessary to support the status of this Agreement as an Enforceable Obligation;

(9) if Finance disapproves this Agreement as an Enforceable Obligation in conjunction with any ROPS submittal or in conjunction with the Successor Agency's "final and conclusive determination" request, complying with the administrative "meet-and-confer" appeal procedures set forth in Health & Safety Code §34177(m), which may be required to exhaust administrative remedies as a prerequisite to the filing and prosecution of a lawsuit against Finance challenging Finance's disapproval; provided, that the Successor Agency shall not be required to incur any cost with respect to the meet-and-confer process beyond completing such "meet-and-confer" request forms as may be required by Finance and providing the pertinent information to Finance; and provided further that neither Sevacherian nor the Oversight Board shall have any control and/or review authority as to the content of said "meet-and-confer" request that may be submitted by the Successor Agency under this subsection;

(10) if Finance disapproves this Agreement as an Enforceable Obligation in conjunction with any ROPS submittal or in conjunction with the Successor Agency's "final and conclusive determination" request, promptly informing Sevacherian of Finance's action and cooperating with Sevacherian by allowing Sevacherian to participate or not objecting to participation by Sevacherian in the meet-and-confer process with Finance by submitting written materials to Finance with respect to this Agreement only; and

(11) if Finance and/or any other governmental agency with jurisdiction, including without limitation the Auditor-Controller and the State Controller, finally disapproves this Agreement as an Enforceable Obligation in conjunction with any ROPS submittal or in conjunction with the Successor Agency's "final and conclusive determination" request, if the Auditor-Controller fails or refuses to disburse funds from the RPTTF to the Successor Agency consistent with an approved ROPS sufficient in amount to enable the Successor Agency to timely make the payments due to Sevacherian in the amounts and at the times set forth in Section 5 of this Agreement, or if Finance, the Auditor-Controller, or any such other governmental agency takes any action or fails or refuses to take any action that results or threatens to result in payments not being timely made to Sevacherian in the amounts and at the times set forth in Section 5 of this Agreement, assigning to Sevacherian, upon Sevacherian's written request, the rights of the Successor Agency and/or the Oversight Board, as applicable and to the extent authorized under the Dissolution Act and other pertinent laws, to file and pursue litigation against Finance and/or such other governmental agency challenging such disapproval, action, or inaction.

C. To the extent that, for whatever reason, the Successor Agency does not receive a sufficient allocation of funds from the RPTTF to timely make the full payment required to be made to Sevacherian for a particular Payment Period or periods and the Successor Agency has other available revenue sources to make such payment, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former Redevelopment Agency, the Oversight Board, by its approval of this Agreement, approves the Successor Agency's use of such other revenue sources to make payments to Sevacherian in accordance with the Oversight Board's authority set forth in Health & Safety Code §34177(l)(1)(F).

D. Notwithstanding the foregoing, the Parties expressly acknowledge, understand, and agree that the following are conditions to the obligation of the Successor Agency to make any payments to Sevacherian in accordance with Section 5 of this Agreement: (1) either Finance must either have expressly authorized such payment to be made or failed to disapprove such payment being made within the time for Finance review provided for in Health & Safety Code §34177(m) or the Successor Agency must have been served with an enforceable order of a court of competent jurisdiction overriding the action of Finance and directing the Successor Agency to make such payment(s); and (2) the Auditor-Controller must have allocated payments to the Successor Agency from the RPTTF for the applicable Payment Period to pay the amounts owing to Sevacherian with respect to that Payment Period consistent with the approved ROPS (or court order) and/or the Successor Agency must have other revenue sources available to make such payment(s), including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former Redevelopment Agency, as provided for in Health & Safety Code Section 34177(l)(2)(F). In this regard, (1) neither the Successor Agency nor the Oversight Board makes any covenant, representation, or warranty, express or implied, to Sevacherian as to what actions may or may not be taken by Finance, the Auditor-Controller, and/or any other governmental agency with jurisdiction under the Dissolution Act, (2) if the Successor Agency and/or Oversight Board fully and timely perform their respective obligations set forth in this Agreement but the Successor Agency is unable to make a payment or payments to Sevacherian because the condition(s) to payment set forth in the preceding sentence is (are) not satisfied, the Successor Agency and/or Oversight Board, as applicable, shall not be considered in default hereunder, and (3) subject to the Successor Agency's and Oversight Board's obligation to fully perform their respective obligations set forth in this Agreement, Sevacherian bears the full risk with respect to satisfaction of the condition(s) to payment set forth in the preceding sentence. In addition, nothing in this Agreement is intended or shall be interpreted to obligate the Successor Agency or Oversight Board to initiate or pursue litigation against Finance, the Auditor-Controller, and/or any other governmental agency with jurisdiction under the Dissolution Act to implement or enforce this Agreement; provided, however, that if the Successor Agency and/or the Oversight Board, as applicable, is/are named as defendants/respondents or cross-defendants/respondents in any litigation arising out of the interpretation or enforcement of this Agreement as a result of Finance's, the Auditor-Controller's, or such other governmental agency's failure or refusal to approve one or more payments to Sevacherian or make such payments to the Successor Agency in an amount consistent with this Agreement, the Successor Agency and/or Oversight Board, as applicable (herein, collectively, the "**Indemnitor**"), shall have the right to tender its or their defense to Sevacherian and, assuming the Indemnitor has fully performed its obligations set forth herein, Sevacherian shall indemnify, defend, and hold harmless the Indemnitor with respect thereto. If Sevacherian elects to initiate litigation against Finance, the Auditor-Controller, and/or other governmental agency with jurisdiction under the Dissolution Act to implement or enforce this Agreement as a result of the actions of Finance, the Auditor-Controller, or such other governmental agency that are preventing or delaying the implementation or enforcement of this Agreement, the Successor Agency and Oversight Board agree to cooperate with Sevacherian with respect thereto.

5. Payments To Sevacherian

A. Upon the Initial Effective Date, the Successor Agency shall owe Sevacherian the sum of ONE MILLION FOUR HUNDRED THOUSAND DOLLARS AND 00/100 CENTS (\$1,400,000.00), which sum shall be payable subject to the satisfaction of the conditions for the Full Effective Date and in accordance with the following additional terms and conditions:

(1) Commencing on February 1, 2013, interest shall accrue on amounts due and owing to Sevacherian under this Agreement at a rate of seven percent (7.0%) per annum;

(2) Provided that no payments provided for under this Agreement shall be made before the Full Effective Date, payments shall be made to Sevacherian in six (6) separate and distinct installments corresponding to first full six (6) successive Payment Periods following the Initial Effective Date, commencing with the Payment Period covering the period commencing July 1, 2013, and ending December 31, 2013, in accordance with the following Payment Schedule:

<u>ROPS Payment Period</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Installment</u>	<u>Balance Due</u>
July 1, 2013 through December 31, 2013 (ROPS IV—or 13-14A)	\$101,000	\$49,000	\$150,000	\$1,299,000
January 1, 2014 through June 30, 2013 (ROPS V—or 13-14B)	\$104,535	\$45,465	\$150,000	\$1,194,465
July 1, 2014 through December 31, 2014 (ROPS VI—or 14-15A)	\$258,194	\$41,806	\$300,000	\$936,271
January 1, 2015 through June 30, 2015 (ROPS VII—or 14-15B)	\$267,231	\$32,769	\$300,000	\$669,040
July 1, 2015 through December 31, 2015 (ROPS VIII—or 15-16A)	\$326,584	\$23,416	\$350,000	\$342,457
January 1, 2016 through June 30, 2016 (ROPS IX—or 15-16B)	\$342,457	\$11,986	\$354,443	\$0

(3) The Successor Agency shall make the payment due during each Payment Period within the first thirty (30) days of the applicable Payment Period (e.g., on or before July 31, 2013, for the Payment Period of July 1, 2013-December 31, 2013), or within thirty (30) days receipt of the RPTTF disbursement from the Auditor-Controller to the Successor Agency for the applicable Payment Period pursuant to Health & Safety Code Section 34183(a)(2), whichever is later.

(4) Payments shall be made by the Successor Agency to Sevacherian by certified check made out to Ara Sevacherian at the address provided in Section 9 for notices to Sevacherian, or to such other payee(s) (not more than two total) and at such other address(es) as Ara Sevacherian may designate from time to time by delivery of written notice to the Successor Agency at least thirty (30) days in advance of the applicable Payment Date.

B. The Payment Schedule shall be considered the minimum payments due under this Agreement during any given Payment Period, and nothing in this Agreement or the Payment Schedule shall be construed as preventing the Successor Agency, with the approval of the Oversight Board, from making larger payments of amounts owed under this Agreement than those set forth in the Payment Schedule. In the event such larger payments are made, the interest provided for in Subsection (1) of Paragraph (A) of this Section shall be recalculated based on the remaining balance, if any, due under this Agreement. The payment obligations under this Agreement shall terminate upon full satisfaction of amounts due hereunder. In no event shall a prepayment in one Payment Period authorize a reduction in the principal payment amount listed in the Payment Schedule for a subsequent Payment Period until the entire amount of unpaid principal and accrued interest have been paid in full.

C. The Parties expressly acknowledge, understand, and agree that the Dissolution Act limits the funding sources available to perform this Agreement and make payments due to Sevacherian hereunder, and that the Successor Agency may only make such payments from the following two (2) revenue sources: (1) RPTTF revenues allocated to the Successor Agency by the Auditor-Controller pursuant to Health & Safety Code §34183(a)(2); and (2) other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former Redevelopment Agency, with the consent and approval of the Oversight Board. (Health & Safety Code Section 34177(l)(1)(F).) In the event the Successor Agency receives insufficient revenues from the aforementioned revenue sources to satisfy and/or make payments due on this Agreement during any given Payment Period, the Parties acknowledge, understand, and agree that the remedy for any resulting default of this Agreement is expressly limited by the terms of the Dissolution Act, and that the Successor Agency's liability under this Agreement is limited to the total sum of property tax revenues it receives under the Dissolution Act and the value of assets transferred to it as the Successor Agency for the dissolved Redevelopment Agency. (Health & Safety Code Section § 34173(e).) Subject to the foregoing, any amounts unpaid during a particular Payment Period shall continue to accrue interest at the rate provided for herein and shall be added to the next payment due hereunder or, with respect to the last payment due hereunder, any amounts unpaid shall be paid within thirty (30) days after the Successor Agency receives available funds to make the payment.

D. The Parties recognize, understand, and agree that this Agreement, and all payments due hereunder, is made subordinate to specific categories of Enforceable Obligations by the Dissolution Act, and specifically debt service payments scheduled to be made for tax allocation bonds, and payments scheduled to be made on revenue bonds, as described in Health & Safety Code Section 34183(a)(2). The Parties further recognize, understand, and agree that this Agreement, and any payment due hereunder, shall be not payable from the Successor Agency's administrative cost allowance, as defined in California Health & Safety Code Section 34171(b), but otherwise shall be on parity and paid on an equal basis with all other Enforceable Obligations of the Redevelopment Agency other than bonds the payment of which is granted a priority against other Enforceable Obligations under the Dissolution Act.

6. Parties To Bear Own Costs; Cooperation

Each Party is to bear its own attorneys' fees and costs incurred in, resulting from, and/or pertaining to, each of the following matters: (1) the Sevacherian Action; (2) the All Persons Action; (3) the COPP Action; and (4) all matters relating to this Agreement. Each of the Parties shall cooperate in good faith and exercise best efforts to complete, execute, and/or deliver any and all documents reasonably required to effectuate any and all aspects of the settlement that is the subject of this Agreement.

7. Release.

Each Party intends and agrees that this Agreement shall constitute a release of all claims, and each Party hereto, on behalf of itself, its successors and affiliated entities, directors, officers, shareholders, partners, members, agents, employees, legatees, and devisees, settles, releases, and discharges the other (including the other's successors and affiliated entities, directors, officers, shareholders, partners, members, agents, employees, legatees, and devisees) finally and forever, from any and all claims, allegations, demands, and/or causes of action, whether based on contract, tort, common counts, or other theory of recovery which any party has or may acquire against the other arising from the subject matter of this Agreement, including those arising from the Sevacherian Action, the All Persons Action, and the COPP Action. Each Party acknowledges and agrees that this release applies to all claims for injuries, damages, or losses that any Party has against another Party or Parties, whether known or unknown, foreseen or unforeseen, patent or latent, arising from the Sevacherian Action, the All Persons Action, and the COPP Action, and each Party waives the application of California Civil Code Section 1542 with respect thereto. The agents and representatives of each Party hereto certify, by affixing their signatures hereto this Agreement, that they have read the following provisions of California Civil Code Section 1542:

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 been materially affected his or her settlement with the debtor.

Each Party hereto understands and acknowledges the significance and consequences of this waiver of California Civil Code Section 1542 is that even if additional damages should be sustained arising out of the facts and circumstances alleged in the within matter, no claim may be made for those damages. Furthermore, each party acknowledges that these consequences are intended even as to claims for damages that may exist as of the date of this release, but which releasor does not know exist, and which, if known, would materially affect releasor's lack of knowledge as the result of ignorance, oversight, error, negligence, or any other cause.

Notwithstanding the foregoing, the provisions of this Section 7 are not intended as a release of the obligations of any Party arising out of this Agreement. In addition, the provisions of this Section 7 shall not apply to claims, allegations, demands, and/or causes of action, whether based on contract, tort, common counts, or other theory of recovery, that any Party has against another Party or Parties relating and/or arising out of the Ostrom I Agreement, and no Party hereby releases any other Party in connection with any rights, duties, obligations, claims, demands, allegations, and/or causes of action concerning the Ostrom I Agreement. Sevacherian and the Successor Agency do mutually acknowledge that, as of the Agreement Date, neither such Party is aware of any default by the other Party to the Ostrom 1 Agreement or of the existence of any facts or circumstances which, with the passage of time or the giving of notice, or both, would constitute a default thereunder.

8. Statutory References As Of Date Of Agreement

All statutory references made herein are to California's Health & Safety Code, as such code Sections exist on the date of execution of this Agreement, as the same may be amended from time to time.

9. Notices

All notices, demands, or other communications provided for or permitted hereunder shall be made in writing and shall be by certified mail, courier service, overnight mail, or personal delivery:

A. If to Successor Agency:

Successor Agency to the Community Redevelopment Agency of
the City of Montebello
ATTN: Executive Director
1600 W. Beverly Blvd.
Montebello, CA 90640

With copy to:
Alvarez -Glasman & Colvin
ATTN: Arnold M. Alvarez-Glasman
13181 Crossroads Pkwy North – Suite 400
City of Industry, CA 91746

AND

Alvarado Smith, a Professional Corporation
ATTN: Raul F. Salinas
663 W. Fifth Street – Suite 1100
Los Angeles, CA 90071

B. If to Oversight Board:

Oversight Board for the Successor Agency to the Community
Redevelopment Agency of the City of Montebello
ATTN: Chairperson of the Montebello Oversight Board
1600 W. Beverly Blvd.
Montebello, CA 90640

With copy to:
Stradling Yocca Carlson & Rauth, a Professional Corporation
ATTN: Mark J. Huebsch
660 Newport Center Drive – Suite 1600
Newport Beach, CA 92660

C. If to Sevacherian:

Ara Sevacherian
P.O. Box 309
Montebello, CA 90640

With copy to:
Rutan & Tucker LLP
ATTN: Jeffrey M. Oderman
611 Anton Blvd. – Suite 1400
Costa Mesa, CA 92626

All such notices, demands, and other communications shall be deemed to have been duly given when received. Any party can, at any time, change its respective notice information by providing notice to all other Parties as set forth in this Section.

10. Knowledge of Content and Advice of Counsel.

Each of the Parties hereto acknowledges that such Party has fully read and comprehended the contents of this Agreement, and that such Party is in full agreement with each and every one of the terms, conditions, and provisions set forth herein. Each of the Parties further acknowledges that such Party has retained or has been advised to retain his or her own separate independent counsel in connection with the negotiation, drafting, and execution of this Agreement, and has been fully advised and informed of the consequences of executing the Agreement.

11. Drafting.

This Agreement shall be interpreted as if it were mutually prepared and drafted by all the Parties, regardless of which Party or Parties had primary drafting responsibility, such that any rule of construction that would otherwise require that ambiguities be resolved against the drafting party shall not apply. Pronouns shall be deemed to include masculine, feminine, and neuter gender and singular and plural numbers as appropriate. The Section headings herein are for convenience only and shall have no force or effect in the interpretation of the substantive terms and conditions set forth in the text of this Agreement.

12. Dismissal, Choice Of Law, Jurisdiction, Enforcement, No Admission of Liability.

This Agreement shall be governed by the internal laws of the State of California, without regard to conflicts of laws principles. In furtherance of satisfying the condition for the Full Effective Date set forth in Subsection (3) of Paragraph (C) of Section 3 of this Agreement, the Parties stipulate and agree to cooperate and execute such documents as may be reasonably required by the Court to dismiss the Sevacherian Action without prejudice pursuant to California Code of Civil Procedure Section 644.6, with the Court retaining jurisdiction over the Parties to enforce this Agreement until this Agreement has been fully performed and all payments owing to Sevacherian have been made, and providing further for the dismissal of the Sevacherian Action with prejudice upon full performance of this Agreement and payment of all sums owing to Sevacherian. Upon the full performance of this Agreement and payment of all sums owing to Sevacherian, Sevacherian shall cause a dismissal with prejudice to be filed with the Court as to the entire Sevacherian Action, as authorized by the stipulation described in Subsection (3) of Paragraph (C) of Section 3 of this Agreement, and Sevacherian shall promptly deliver a copy of said dismissal to the Successor Agency and Oversight Board. If the Successor Agency and/or Oversight Board commits a default under this Agreement and fails to cure such default within fifteen (15) days after receipt of written notice of default from Sevacherian, specifying in reasonable detail the nature of the default and the action(s) required to be taken by the

Successor Agency and/or Oversight Board, as applicable, to cure the default, Sevacherian thereupon shall be entitled to refile the Sevacherian Action and file a motion pursuant to Code of Civil Procedure §664.6 requesting that judgment be entered in the Sevacherian Action consistent with this Agreement and the Successor Agency and Oversight Board hereby consent to the entry of judgment consistent with this Agreement. In this regard, the Successor Agency and Oversight Board each agree to waive (i) the bar of any statute of limitations or other time-based defense to the refiling of the Sevacherian Action consistent with the foregoing and (ii) any defense based on the failure to diligently prosecute the Sevacherian Action or bring said action (including the successor action) to trial or obtain a judgment within the time otherwise required by applicable law and Court rules. In the event of such refiling of the Sevacherian Action, any Court orders, judgments, and/or rulings made in the Sevacherian Action as of the Agreement Date shall continue to be binding on the Parties in the Sevacherian Action or any successor action to the same extent that such Court orders, judgments, and/or rulings were binding on the Parties as of the Agreement Date. The Parties agree that a breach of this Agreement will give rise to irreparable injury. Accordingly, any party may seek to obtain specific performance of this Agreement, or injunctive relief against the breach or threatened breach of this Agreement pursuant to Code of Civil Procedure Section 664.6, or otherwise, in addition to obtaining any and all other remedies available. Excepting only in connection with litigation to enforce this Agreement and any meet-and-confer process with Finance regarding this Agreement, this Agreement, as well as any actions taken with regard to the consideration or approval of this Agreement, including without limitation the adoption of resolutions or other actions taken by public agencies, shall be inadmissible in litigation for any purpose and the parties hereto shall be estopped from and stipulate to refrain from offering into evidence any such resolutions, actions or this Agreement into evidence in any proceeding.

13. Attorneys' Fees.

If any Party or Parties bring an action to enforce or interpret the terms of this Agreement, the prevailing Party or Parties is/are entitled to recover from the unsuccessful Party or Parties reasonable attorneys' fees, costs, and litigation expenses (including, but not limited to experts' fees) incurred in the prosecution or defense of such action. This Section shall not apply to any legal action brought by any Party to this Agreement to challenge or compel any action and/or inaction on the part of Finance, the Controller, the Auditor-Controller, and/or any other government or private entities (excluding the Parties hereto and their respective successors and assigns) with respect to this Agreement, whether brought under the Dissolution Act or any other law.

14. Severability.

If any Section, paragraph, subsection, or provision of this Agreement that does not go to the essential purpose of this Agreement shall be held to be invalid or unenforceable, for any reason, the remainder of this Agreement shall not be affected thereby, and shall remain in full force and effect.

15. Integration; No Reliance; No Modification.

This Agreement constitutes the entire agreement and understanding of and between the Parties with respect to the subject matter hereof and therefore, and to the extent they are inconsistent with or contradict any prior agreements and understandings, whether written or oral, express or implied, between them with respect thereto, this Agreement shall supersede

and replace such prior agreements and understandings. Notwithstanding the foregoing, this Agreement shall not amend or modify the Ostrom I Agreement. Each Party acknowledges and agrees that it is entering into this Agreement, and proceeding with the transaction contemplated hereby, based upon its own investigation and evaluation, and that it has not relied on any other Party to this Agreement or on any promises, representations, or statements by any other Party with respect to past, present, or future matters not expressly set forth in this Agreement. Any modification of this Agreement shall be specifically set for in a writing which is executed by the Party to be bound.

16. Execution.

This Agreement may be executed in duplicate counterparts and delivered by facsimile or electronic delivery (e.g. PDF). Any executed counterparts, taken together, shall constitute the entire Agreement between the Parties with respect to the subject matter hereof. A facsimile or electronically delivered signature shall be deemed to have the force and effect of an original signature. In the event that a Party requests an original signature, the Party to whom the request is made shall promptly deliver an original signature to the requesting Party.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly appointed representatives.

ARA SEVACHERIAN, an individual

Date: _____ By: _____
Ara Sevacherian

WHITTIER BLVD. PROPERTIES, LLC, a
California limited liability company

Date: _____ By: _____
Ara Sevacherian, Manager / Member

OVERSIGHT BOARD FOR THE
SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF MONTEBELLO, a public
entity

Date: _____ By: _____
Richard Bruckner, Chairperson

SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF MONTEBELLO, a public
entity

Date: _____

By: _____
Christina Cortez, Chairperson

DRAFT