

MOTION BY SUPERVISOR ZEV YAROSLAVSKY

March 12, 2013

Between 1986 and 1998, Rossco Holdings, Inc. ("Rossco") posted a series of bonds and deposits with the County to provide financial assurances to the County that Rossco would carry out public infrastructure improvements associated with the development of Los Angeles County Tract Map 38931 ("Tract 38931").

On August 2, 2010 Rossco filed for Chapter 11 Bankruptcy protection. As part of the subsequent bankruptcy proceedings, the 20 separate parcels of Tract 38931 that were still owned by Rossco but had not yet been developed with houses transferred to a new property owner. As of today, all of those 20 lots are now owned by Vintage Pacific at Monte Nido, LLC ("Vintage").

On August 31, 2011, Rossco filed an adversary proceeding in Bankruptcy Court against the County, Vintage, and other defendants seeking, among other things, exoneration from obligations related to the bonds and deposits. Following this lawsuit, the company that provided the bonds for the County ("Lumbermans") gave notice that it is now insolvent, and can no longer support the bonds. Lumberman's insolvency may severely diminish the value of the bonds to the County, and to Rossco. However, Lumberman's insolvency does not resolve Rossco's ongoing adversarial proceeding against the County. While the County adamantly believes that Rossco's action is without merit, the County

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nevertheless may face costly litigation over what will soon be worthless bonds. To avoid this wasteful litigation, the Director of Public Works and County Counsel recommend that the bonds be released to Rossco, which should resolve the ongoing adversarial proceeding. The Department's action to release the bonds does not require action by the Board of Supervisors.

At the same time, by entering into an agreement along the lines of the attached agreement with Vintage, the County can maintain the appropriate financial guarantees that the public improvements previously guaranteed by the Lumbermans bonds will in fact be built. In general terms, this agreement requires Vintage to: 1) provide bonds, deposits, and other undertakings reasonably required by the Department of Public Works; and, 2) to take certain steps to voluntarily restrict development on the 20 lots that it owns within Tract 38931. These development restrictions will enhance the protection of the natural environment, improve the experience of hikers and equestrian users of the Back Bone Trail, and, by eliminating the need for an additional debris basin on currently unspoiled natural land, also reduce the financial obligations of Vintage.

In short, this agreement will allow the county to resolve long-standing litigation, retain reasonable financial guarantees that public improvements necessitated by Tract 38931 will be built, and provide important environmental and community benefits. Accordingly, the Director of Public Works, and County Counsel recommend that such an agreement be approved without delay and the Board of Supervisors should follow that recommendation.

**I, THEREFORE, MOVE** that the Board of Supervisors approve the attached agreement, and authorize the Chief Executive Officer to execute an agreement substantially similar to the attached agreement with Vintage Pacific at Monte Nido, LLC ("Vintage"), subject to terms acceptable to the Department of Public Works and County Counsel.

