

SETTLEMENT AGREEMENT AND GENERAL RELEASE

This Settlement and Release Agreement (the "Agreement") is made and entered into this 2nd day of January, 1996 (the "Effective Date"), by and between the City of Redlands, a municipal corporation, ("Redlands"), and Tara Projects, Inc., a California corporation ("Developer").

RECITALS

Whereas, Developer has represented to City that it is the successor-in-interest to certain assets of Willowcreek Developers, a California limited partnership, which assets include the final phase of Tract No. 12798 and any security funds associated therewith; and

Whereas, City is in possession of certain security funds deposited by the predecessors of Developer for the development of Tract No. 12798; and

Whereas, Developer has made a written request of City that City release all security funds held for Tract No. 12798 to Developer; and

Whereas, City also has a prior written demand from the Brookshire Company, a predecessor of Developer, that all security funds held by City for Tract No. 12798 be released to Willowcreek Development, Inc. as general partner of Willowcreek Developers, a California limited partnership; and

Whereas, City has provided written notice to Willowcreek of Developer's request and Willowcreek has since failed to respond to City; and

Whereas, City is willing to comply with Developer's request for the release of security funds subject to the terms and conditions of this Agreement;

Now, therefore, in consideration of the mutual promises contained herein, and for such other good and valuable consideration, the receipt of which is hereby acknowledged, the City of Redlands and Tara Projects, Inc. agree as follows:

AGREEMENT

Section 1. Release of Security Funds.

Concurrent with the execution of this Agreement by Developer, City shall pay to Developer the sum of Seven Thousand Eight Hundred Dollars (\$7,800) which amount represents the total security funds in City's possession for Tract No. 12798.

Section 2. Release.

In consideration of the actions to be taken by Redlands pursuant to this Agreement, Developer does hereby release, hold harmless and forever discharge the City of Redlands and its respective City Councilmembers, employees, attorneys, agents and assigns of and from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, of every nature, character and description, known or unknown, which Developer owns or holds or has at any time heretofore owned or held, or may at any time own or hold, by reason of any manner, cause or thing whatsoever that occurred or was done, omitted or suffered to be done prior to the Effective Date of this Agreement, with respect to the matters that are the subject of this Agreement.

Section 3. Waiver.

Except as otherwise provided in this Agreement, it is the intention of Developer that the release entered into by it shall be effective as a bar to all actions, causes of action, obligations, costs, expenses, attorneys' fees, damages, losses, claims, liabilities and demands of whatsoever character, nature and kind, known or unknown, suspected or unsuspected with respect to the matters that are the subject of this Agreement; in furtherance of which intention Developer hereby expressly waives any and all rights and benefits conferred upon it by the provisions of Section 1542 of the California Civil Code, which reads as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of execution of the release, which if known by him must have materially affected his settlement with the debtor."

Developer hereby acknowledges that the foregoing waiver of the provisions of Section 1542 of the California Civil Code was bargained for separately. Developer expressly agrees that the release provisions herein contained shall be given full force and effect in accordance with each and all of their express terms and provisions, including but not limited to those terms and provisions relating to unknown or unsuspected claims, demands and causes of action hereinabove specified. Developer assumes the risk of the subsequent discovery or understanding of any matter, fact or law which if now known or understood would in any respect have affected this Agreement.

Section 4.

Developer shall defend, indemnify and hold harmless City, its elected officials, officers, employees and agents from and against any and all claims, losses, damages, causes of action and liability arising out of or in connection with Developer and City's performance of their respective obligations under this Agreement.

Section 5. No Admission of Liability.

The parties to this Agreement acknowledge that they have relied wholly upon their own individual judgment, belief and knowledge of the existence, nature and extent of each claim, demand or cause of action that they may have against the other party hereto which is hereby released and that they have not been influenced to any extent in entering into this Agreement by any representations or statements regarding any such claim, demand or cause of action made by any other party hereto. The parties acknowledge that this Agreement is intended to settle certain disputes between the parties and to avoid the expense and time of litigation. Neither the execution of this Agreement nor the performance of the terms hereof shall be deemed or construed to be an admission by such party or establish any fault or liability in connection with any matter or thing by either party.

Section 6. Costs and Fees.

Except as otherwise expressly provided for herein, the parties hereto shall bear their own attorneys' fees, expenses and costs incurred in connection with the disputes arising out of, relating to or connected with matters which are the subject of this Agreement. In the event either party to this Agreement files an action to enforce or interpret the terms hereof, the prevailing party in such action shall be entitled to recover its reasonable attorneys' fees, including expert witness fees and costs.

Section 7. Entire Agreement.

This Agreement comprises the entire understanding between the parties concerning the subject matter hereof and supersedes and replaces all prior negotiations and agreements, written and oral. There are no other contracts, understandings, representations or warranties made by any party to this Agreement except as expressly contained in this Agreement.

Section 8. Interpretation.

This Agreement is to be construed fairly and not in favor of, or against, any party regardless of which party drafted or participated in the drafting of its terms. It is acknowledged that all parties have had an opportunity to consult with their lawyers concerning the terms and conditions of this Agreement. As a result, this Agreement shall be deemed to have been drafted by all parties hereto and no party shall urge otherwise.

Section 9. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, agents, representatives, successors and assigns.

Section 10. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same document.

Section 11. Governing Law.

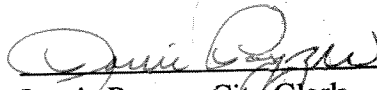
This Agreement and the documents referred to herein, shall in all respects be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto execute this Agreement as of the date first above written.

CITY OF REDLANDS


Swen Larson, Mayor

Attest:


Lorrie Poyzer, City Clerk

TARA PROJECTS, INC.,

By: 
President