

## **SUMMARY OF MAJOR IMPACTS**

### **Zoning**

The Cojo and Jalama Ranches (“Ranch”) are located entirely within the California Coastal Zone and are subject to the provisions of the California Coastal Act and the policies and regulations contained in the Santa Barbara County’s (“County”) Local Coastal Plan (“LCP”). The Ranch is zoned AG-II-320 under Article II of the Coastal Zoning Ordinance. The minimum parcel size in this zoning designation is 320 acres. LCP Policy 8-10 applies to the Ranch. This policy provides that legal parcels on non-prime agricultural land in excess of 2,000 acres zoned AG-II-320 may be subdivided into parcels of 320 acres or more, provided that the owner grants an agricultural easement in perpetuity over the subdivided land. LCP Policy 8-4 requires a finding for any subdivision of AG-II-320 property in the coastal zone that the parcels created must meet certain tests showing that they will be viable agricultural parcels. Senate Bill 18 passed in 2004 requires that the County consult with California Native American tribes concerning any land use planning decisions, including development projects, which may apply to the Ranch.

The use and development of the Ranch is primarily regulated by the County and California Coastal Commission. In addition to these agencies, there are numerous other local, state and federal agencies that would have potential jurisdiction over use and development of the Property including, without limitation, the U.S. Corps of Engineers, U.S. Fish & Wildlife Service, California Department of Fish and Game, Regional Water Control Agency and the California Department of Conservation.

The County has issued Certificates of Compliance for all 57 legal parcels.

### **Agricultural Preserve Contracts**

Several, but not all, of the Ranch legal parcels are subject to agricultural preserve contracts with the County under the Williamson Act in California. These contracts have a term of 10 years that are automatically renewed each year for a 10-year term until the owner gives the County Notice of Non-Renewal. Bixby gave the County Notices of Non-Renewal for all contracts effective January 1, 2005. These contracts will not expire until January 1, 2015.

The boundary lines of the Williamson Act contracts do not correspond to the boundary lines of the underlying legal lots. The use and development of the land under these contracts is subject to the provisions of the Williamson Act and the County’s Uniform Rules for Agricultural Preserves. These provisions restrict what uses the owner may make of the Property during the term of the contract.

## **Environmental Constraints**

There are documented archeological sites, as well as endangered, threatened and species of special concern protected under the environmental laws that potentially restrict the use and development of parts of the Ranch.

### **Pt. Conception Lighthouse Property**

The Lighthouse is located at Point Conception on a 30-acre parcel owned by the United States of America and operated by the U.S. Coast Guard (“Coast Guard property”). The Lighthouse has been declared an historic light station under the National Historic Lighthouse Preservation Act. The U.S. Coast Guard has stated its intention to abandon this property at some time in the future. The Air Force is currently in discussions with the Coast Guard to take over the property.

### **Coast Guard Lease and License**

Since October 1, 1984, Bixby has had a License Agreement with the Coast Guard allowing the Coast Guard (and certain designated agencies) to use Bixby’s private Cojo Road to access the Coast Guard property. Bixby also has a coterminous Lease for a portion of the Coast Guard property at Point Conception. Either agreement can be terminated with sixty (60) days notice. Termination of one agreement results in termination of the other.

With regard to the Lease, neither Bixby nor the Coast Guard can locate Exhibit A to the Lease, which exhibit sets forth the leased property. The parties believe that the Lease covers two houses and the adjacent land totaling 16 acres. Bixby has not terminated the Lease because it gives Bixby some control over the Coast Guard property and the authority to eject trespassers. The Lease imposes certain restoration obligations on Bixby; however, Bixby believes that the Coast Guard has waived all of its rights to require Bixby to restore the premises.

### **Jalama Park Encroachment**

Jalama County Park encroaches on a portion of the adjoining Bixby lot and may be subject to adverse claims by the public for use as a public park.

## Air Force Easement

### **History**

On December 24, 1992, the U.S. Air Force acquired restrictive easements and evacuation agreements (collectively, “**Easements**”) applicable to both the Cojo and Jalama Ranches. The purpose of the Easements is to limit development to allow the Air Force to continue their future programs for the launch of heavy payloads into polar orbit. The Air Force has agreed to surrender the Easements when heavy launches no longer require safety restrictions upon adjacent property or Vandenberg Air Force Base (“**Vandenberg**”) no longer conducts heavy space launches.

The restricted area is divided into the “Zero Development Area” and the “Low Development Area”.

### **Zero Development Area**

In the Zero Development Area, no residential use is permitted. Permitted uses include agriculture, a desalinization plant, a windmill farm, golf links (no clubhouse), equestrian trails (no stables), hiking trails, open air camping, recreational vehicle facilities and mineral development.

### **Low Development Area**

In addition to the uses permitted in the Zero Development Area, a golf clubhouse and non-commercial stables are also permitted. More importantly, residential development is permitted.

Over both the Jalama and Cojo Ranches, 38 new single-family residential dwelling units (“**Owner Units**”) and 38 corresponding new caretaker dwelling units (“**Caretaker Units**”) are permitted in the Low Development Area. These units are in addition to the seven existing ranch dwelling units (“**Ranch Units**”) in the Low Development Area. Four of those Ranch Units are on the Jalama and three are on the Cojo. The seven existing Ranch Units may be relocated or replaced by the owner of those Ranch Units. Any Ranch Unit may be converted to an Owner Unit and thereafter shall be entitled to one new Caretaker Unit for each converted Ranch Unit. A converted Ranch Unit shall not be counted as one of the 38 new Owner Units. If a Ranch Unit is converted into an Owner Unit, then the total number of Ranch Units permitted in the Low Development Area shall be permanently reduced by such number of converted Ranch Units. For example, if two Ranch Units are converted to Owner Units, then the total number of Ranch Units permitted thereafter in the Low Development Area would be five ( $7 - 2 = 5$ ). Owner Units cannot be converted into Ranch Units.

There cannot be more than a combined total of 45 Units (Owner Units and Ranch Units) at any one time in the Low Development Area.

There are currently four existing Guest Houses in the Low Development Area. One Guest House is on the Jalama and three are on the Cojo. The four existing Guest Houses may also be relocated and replaced. A Guest House may not be occupied continuously for more than 30 days. The Easements permit construction of three additional Guest Houses.

### **Evacuation**

All uses in the Zero Development Area are subject to evacuation during a launch. To Seller's best recollection, Vandenberg has asked Seller to evacuate only once or twice per year over the past four years.

The owner will be required to notify all occupants in the Low Development Area (excluding occupants of those Ranch, Owner or Caretaker Units who are not subject to evacuation) to vacate during a space launch operation for intermittent periods (“**Closure Periods**”). A Closure Period shall not exceed 48 consecutive hours. All Guest House occupants must evacuate. Ranch Unit occupants are not required to evacuate. The owner must designate either the occupants of the Owner Units or the occupants of the corresponding Caretaker Units to evacuate during Closure Periods. Once the election is made, the owner shall furnish Vandenberg with the addresses, names and telephone numbers of those required to evacuate and those who may remain on the property.

Vandenberg must give notice of a Closure Period 10 days in advance. Within the final 6 hours before a Closure Period, Vandenberg may enter the property to give personal or loudspeaker notice of the evacuation and to ensure that all parties required to vacate have in fact vacated. Vandenberg is not allowed to enter personal residences or other secured buildings. No more than 12 hours in advance of any Closure Period, Vandenberg may construct and operate a temporary barricade at the intersection of Jalama Road and California State Highway No. 1. Residents who are authorized to remain on the property during a launch will be allowed to pass through the barricade.

### **Oil Pipelines**

Arguello Inc., a wholly owned subsidiary of Plains Exploration and Production, has an interest in three offshore platforms and an onshore oil heating facility comprising the Point Arguello Project. In addition to being project operator, Arguello Inc. currently owns 52% of the Point Arguello Project.

There is a 100-foot wide pipeline easement that crosses the Cojo Ranch for an underground twenty-four inch oil pipeline and a twenty-inch natural gas pipeline to transport oil and gas from platforms offshore the Ranch to an oil and gas processing facility located in Gaviota, California. There are also easements for a microwave facility, air-monitoring station, access and other easements needed for these facilities and a 30-foot wide road easement along the pipeline route. The Arguello pipelines are also known as the PAPCO/PANGL pipelines.

The Planning Department of the County of Santa Barbara and Arguello confirm that Arguello is transporting dry oil and sweet gas through the pipelines. Previously, the Arguello pipelines included hydrogen sulfide gas (“**sour gas**”). At high concentration levels, sour gas can be dangerous and even lethal. In 2005, Arguello’s plant manager, Bob Huguenard, stated that while it is within the realm of possibility that Arguello could convert its operations to send sour gas through the pipelines, any such conversion would require a County permit. Mr. Huguenard said that Arguello’s desire to convert to sour gas transmission is “remote” and “extremely unlikely.” Moreover, Mr. Huguenard said that it is “extremely unlikely” that the County would grant a permit for sour gas transmission.

Many studies were done at the time the original Arguello Project was approved by the County. There was intense scrutiny of the project because of the sour gas. While this is no longer the case today, Seller wishes to inform prospective buyers of the possibility of safety setbacks in connection with the pipeline in connection with sour gas.

There are three types of hazard footprints: flammable, toxic vapor cloud and explosion. In connection with the environmental review of sour gas in the pipelines, the County of Santa Barbara retained A.D. Little as their consultant. The County’s consultant concluded that a setback of 6,500 feet on each side of the pipeline would be required for no fatalities from the toxic vapor hazard. In addition, a setback of 9,800 feet on each side of the pipeline would be required for no fatalities from the flammable vapor hazard. Thus, a total footprint of 19,600 feet would be required. Bixby’s consultant, ACTA, concluded that the total footprint should be 2,800 feet of the pipeline.

Although the Arguello pipelines traverse Hollister Ranch and Gaviota State Park, the County did not require setbacks for either property. The County also did not require setbacks for the Kelly-Gausman Project. The Kelly-Gausman Project was a residential project located next to a sour gas pipeline. A.D. Little, the same environmental consultant who prepared the supplement EIR on the pipelines, prepared the draft EIR on the Kelly-Gausman Project. Using the same methodology used in the supplemental EIR for the pipelines, the Kelly-Gausman Project appeared to be completely incompatible with the sour gas pipelines thus requiring the County to deny the project for safety reasons. However, A.D. Little came to the conclusion that the chances of eruption were so remote as to make it just as likely that someone would be hit by lightning. Since

being hit by lightening is a risk assumed by everyone, then the presence of the sour gas pipeline as a safety threat was not a significant environmental impact. The County accepted this reasoning and approved the project without any setbacks.

In summary, if sour gas is ever transmitted through the pipelines, it does not appear that the County will attempt to enforce the 19,600 footprint.

### **Unocal Lease**

In 1967, Union Oil Company of California (“**Unocal**”) leased certain property from Standard Oil Company of California (the “**1967 Lease**”). The 1967 Lease was assigned to Bixby by Chevron, the successor to Standard Oil Company of California. The 1967 Lease terminated but Unocal had continuing remediation obligations.

Unocal and Bixby entered into a Lease in 1986 (“**1986 Lease**”) covering portions of the Cojo Ranch. The collective purposes of the 1967 Lease and the 1986 Lease were to perform certain onshore and offshore oil and gas production related activities. Unocal has terminated all activities and received governmental approval to abandon all facilities used on the Cojo Ranch.

In 2004, Bixby and Unocal entered into a Fifteenth Amendment to the 1986 Lease whereby the parties clarified Unocal’s obligations to abandon and restore the property. The Fifteenth Amendment incorporates Unocal’s obligations under the 1967 Lease. Unocal is required to decommission its facilities pursuant to a Development Plan adopted by the County of Santa Barbara (“**Decommissioning Work**”). The County requires Unocal to monitor the revegetation for two years and to perform additional work if the revegetation is unsuccessful. The County also requires Unocal to monitor the pipelines abandoned in-place for 25 years. Unocal may be required to do additional work on the abandoned pipelines.

After the Decommissioning Work was completed, Unocal paid its share of the stabilization and repaving work for the Cojo Road.

The Unocal Lease will terminate upon Unocal’s completion of the abandonment, remediation and revegetation work described in the Development Plan and the temporary road repair described in the Fifteenth Amendment.

No rent was charged Unocal through December 31, 2005 and rent has been abated through December 31, 2006. If the owner reasonably determines that Unocal has not made good faith efforts to complete the Decommissioning work in a timely manner, then Unocal shall pay monthly rent of \$10,000 from and after January 1, 2007.

After Lease termination, Unocal has an Access License for monitoring purposes. Unocal will make payments for the Access License as set forth in the Fifteenth Amendment.

The parties have other obligations and liabilities as set forth in the Fifteenth Amendment.

**THE INFORMATION SET FORTH IN THIS DOCUMENT IS ONLY A SUMMARY AND NOT A COMPLETE STATEMENT OF ALL THE LAND USE INFORMATION THAT AFFECTS THE USE AND DEVELOPMENT OF THE RANCH. THE PURCHASER IS SOLELY RESPONSIBLE FOR UNDERTAKING ITS/HIS/HER OWN DUE DILIGENCE AND INVESTIGATION OF ALL LAND USE MATTERS THAT MAY AFFECT THE RANCH. THE PURCHASER SHOULD NOT RELY ON THE SUMMARY OF INFORMATION ABOVE IN MAKING A DECISION TO PURCHASE THE RANCH.**