

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT ("Settlement Agreement ") is executed and made effective this _____ day of _____, 2009, by and between ARROWHEAD LAKE ASSOCIATION, a California non-profit corporation ("ALA"), and ARROWHEAD WOODS ARCHITECTURAL COMMITTEE, INC., a California corporation ("AWAC"). ALA and AWAC are sometimes hereinafter collectively referred to as the "Party," "Parties," or "Settling Parties."

RECITALS

This Settlement Agreement is entered into with reference to the following facts:

WHEREAS, ALA is a California nonprofit corporation whose specific purpose is to operate, manage and maintain Lake Arrowhead, Grass Valley Lake, the reserve strips, reserve strip additions, buffer zones, Burnt Mill and Tavern Bay Beach Clubs, Grass Valley Recreational Area and certain other properties either owned by ALA or upon which ALA has an easement, all within Arrowhead Woods, San Bernardino County, California ("ALA Property");

WHEREAS, on or about August 31, 1990, a document was recorded in San Bernardino County Recorder's Office as Instrument No. 90-349482 ("1990 Document") which may have impacted ALA's right of architectural and landscape control over any architectural or landscape improvements, as well as existing vegetation installed and/or growing on ALA Property ("Architectural / Landscape Control");

WHEREAS, subsequent to the execution of the above-referenced 1990 Document and for approximately eighteen (18) years since, ALA has exercised Architectural / Landscape Control over any and all improvements located within the ALA Property;

WHEREAS, ALA filed suit against Association on June 24, 2008, San Bernardino County Superior Court Case No. CIVSS808455 seeking a judicial determination and declaration of the Parties' respective rights, duties and obligations with regard to the ALA Property and, specifically, that plaintiff, ALA, by and through it's Board of Directors, Shoreline Committee and other designated committees has an absolute unfettered right to exercise Architectural/Landscape Control and make decisions with regard to all trees, landscaping, improvements/modifications and/or additions on the ALA property ("Civil Litigation"); and

WHEREAS, the parties desire to settle the Civil Litigation fully and finally in order to avoid the expense and uncertainties of litigation; and

WHEREAS, by entering into this Settlement Agreement, no party to the Settlement Agreement is admitting the validity or sufficiency of the other Party's claims, allegations, assertions, contentions or positions, nor the sufficiency of any defense to any such claim, allegation, assertion, contention or position.

NOW THEREFORE, in consideration of the mutual promises and releases contained herein, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Incorporation of Recitals. The above-stated recitals are hereby expressly made a part of this Settlement Agreement.

2. Settlement Terms

2.1 AWAC covenants and agrees that ALA is the entity having sole jurisdiction for Architectural/Landscape Control over the ALA Property.

2.2 AWAC covenants and agrees that ALA has the sole responsibility for all vegetation on ALA Property.

2.3 ALA recognizes and agrees that nothing contained in this Settlement Agreement is intended to impact AWAC's jurisdiction over Arrowhead Woods' real property that is not ALA Property, including all residential lots/units within Arrowhead Woods.

3. Arbitration. Any breach of the terms of this Settlement Agreement shall be submitted to binding arbitration with JAMS in San Bernardino. Any rulings by JAMS are deemed to be final and binding and without the right to review by any Court, with the Parties hereto waiving all rights they otherwise might have to a review of JAMS award except to the extent of proving fraud by JAMS, including any alleged errors of law, or mistakes of fact. Such order(s) then may be confirmed by petition to the Superior Court of San Bernardino County and a binding, enforceable judgment entered thereon in accordance with Code of Civil Procedure section 1285, et seq. In the event the parties cannot agree on an arbitrator from JAMS it is agreed that JAMS shall appoint a retired justice of any court of appeal or supreme court to act as the arbitrator in this matter.

4. Attorneys' Fees. In the event there are any future legal proceedings to remedy, prevent or obtain relief from a breach of this Settlement Agreement, or arising out of a breach of this Settlement Agreement, the arbitrator (or judge in the event of an appeal) shall award the prevailing party all of such party's attorneys' fees incurred in such action. As used in this Settlement Agreement, attorneys' fees shall be deemed to mean the full and actual cost of any legal services actually performed in connection with the matters involved, calculated on the basis of the usual fees charged by the attorneys performing such services and shall not be limited to "reasonable attorneys' fees" as defined in any statute or rule of court.

6. Applicable Law. This Settlement Agreement shall, in all respects, be interpreted, enforced and governed by and under the laws of the State of California.

7. Entire Agreement. The terms of this Settlement Agreement are intended by the Settling Parties as a final expression of their Settlement Agreement, constitute and contain the entire Settlement Agreement and understanding between the Settling Parties with respect to such terms as are included herein, and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. In addition, this Settlement Agreement supersedes and replaces all prior settlement negotiations, proposed settlement agreement or agreements, written or oral, as it relates to this matter.

7.1 The Settling Parties further intend that this Settlement Agreement constitutes a complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial or other proceeding, if any, involving this Settlement Agreement. Each of the Settling Parties acknowledges that no other Settling Party has made any promise, representation or warranty whatsoever, expressed or implied, written or oral, not contained herein concerning the subject matter hereof, to induce the execution of this instrument, and each of the Settling Parties acknowledges that it has not executed this instrument in reliance on any promise or representation or warranty not contained herein.

8. Modifications. Neither this Settlement Agreement, nor any term or provision thereof, may be waived, modified, or amended except by written agreement signed by all the Settling Parties.

9. Severability. If any of the provisions of this Settlement Agreement shall be declared by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect.

12. Independent Legal Counsel. Each Settling Party acknowledges that it has retained independent legal counsel of its own choice throughout all of the negotiations which preceded the execution of this Settlement Agreement, and that each Settling Party has executed this Settlement Agreement with the consent and on the advice of such independent legal counsel.

13. **Assignment of Claims.** All Parties warrant and represent to the other that no claims they might have, or do have, and which are otherwise referenced and released by this Settlement Agreement have been assigned to any other party or Parties.

14. **Titles.** The headings of the sections of this Settlement Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions.

15. **Additional Documents.** To the extent that it is necessary or appropriate to prepare and execute any additional documents in order to effectuate and carry out the terms of this Settlement Agreement, the Settling Parties agree to do so in a timely manner.

16. **Binding On Successors.** This Settlement Agreement shall be binding on and inure to the benefit of the Parties hereto and their respective heirs, legal representatives, successors and assigns.

17. **Counterparts.** This Settlement Agreement may be executed in counterparts, or by facsimile, each of which shall constitute an original, and all of which together shall constitute one agreement.

18. **Authority.** Any Settling Party signing this Settlement Agreement on behalf of an entity or other than themselves, hereby represents and warrants that such Settling Party has authority to sign on behalf of the indicated entity.

19. **Each Party to Bear Own Costs and Attorneys Fees.** Each party to this Settlement Agreement shall bear all of his, her or its own costs and attorneys fees incurred in connection with the Judgment, the Civil Action, the Released Claims, and the negotiation, preparation and execution of this Settlement Agreement.

IN WITNESS WHEREOF, the Settling Parties have executed this Settlement Agreement effective as of the day first written above.

Dated: _____, 2009

ARROWHEAD LAKE ASSOCIATION, A California
Non-Profit Corporation

By: _____
Its: _____

ARROWHEAD WOODS ARCHITECTURAL
COMMITTEE, INC., A California Corporation

Dated: _____, 2009

By: _____
Its: _____