

**SETTLEMENT AGREEMENT
AND RELEASE OF ALL CLAIMS**

This Settlement Agreement and Release of All Claims ("Agreement") is entered into between the CITY OF DESERT HOT SPRINGS ("CITY"), CITY OF DESERT HOT SPRINGS REDEVELOPMENT AGENCY ("RDA") and JERRY HANSON ("HANSON") (collectively referred to as "Parties") on November 17, 2009.

RECITALS

WHEREAS, HANSON was formerly employed by CITY as its City Manager and RDA as its Executive Director pursuant to a series of written contracts; and

WHEREAS, on or about June 7, 2007, HANSON filed a Complaint for breach of contract, declaratory relief, and quantum meruit ("Complaint") against the CITY, entitled *Hanson v. City of Desert Hot Springs*, Riverside County Superior Court Case No. RIC 472882 ("Action"); and

WHEREAS, on or about December 18, 2008, HANSON filed a Demand for Arbitration with the American Arbitration Association ("AAA") naming the CITY and for the first time the RDA as Respondents; and

WHEREAS, on November 17, 2009, the Parties participated in a Mandatory Settlement Conference with Mr. Ribakoff and reached a settlement of their dispute in its entirety; and

WHEREAS, the City Council approved settlement of the Action as set forth herein; and

WHEREAS, the Parties believe it is in their respective best interests to settle all claims now existing between them on the terms specified in this Agreement. Thus, the Parties have executed and delivered this Agreement in settlement, fully and forever, of all rights, duties, liabilities, claims, demands, damages, rights of action, and causes of action, whether known or unknown, between the Parties relating to or arising out of the Action.

NOW, THEREFORE, the Parties agree:

SETTLEMENT TERMS AND AGREEMENTS

1.1 OBLIGATIONS OF CITY AND RDA:

(a) **Payment to HANSON:** Subject to the terms of this Agreement, CITY and RDA shall pay HANSON, within thirty (30) days of the execution of this Agreement, **One Hundred and Fifty Thousand Dollars (\$150,000.00)**, for settlement of any and all claims arising from the Action and HANSON's employment with the CITY and RDA. The City and RDA will issue to HANSON a 1099 tax form, reflecting the amount set forth in this section. Said payment is intended to compensate HANSON for any and all claims that he has and may have against the CITY and/or the RDA.

(b) Funds to be paid by the CITY and RDA pursuant to this settlement shall be made to the law firm of Varner & Brandt, L.L.P., Taxpayer I.D. Number 33-0736926 and delivered to 3750 University Avenue, Suite 610, Riverside, CA 92501-3323.

1.2 OBLIGATIONS OF HANSON:

(a) **Dismissal of the Claims:** In addition to the other obligations of HANSON set forth herein, concurrent with the payment set forth in paragraph 1.1(a) of this Agreement, HANSON, if he has made any claims, shall cause any and all such claims which he may have pending against the CITY and/or RDA, including any complaint or claim filed with any government agency, including but not limited to the Department of Fair Employment & Housing, the Equal Employment Opportunity Commission, the Department of Labor, and any lawsuit, amongst others, and any Release, as set forth in Section 1.2 (d) of this Agreement, to be dismissed with prejudice in their entirety.

HANSON further covenants that he will not commence, maintain, prosecute, instigate, encourage, cooperate ("unless and to the extent required or compelled by law"), or participate in the filing or prosecution against the CITY or its City Council, RDA or its RDA Board, or CITY's or RDA's agents, officers, and employees of any claim, action at law, suit, or other proceeding, administrative or otherwise, in any forum or jurisdiction, including, but not limited to the Equal Employment Opportunity Commission, California Department of Fair Employment and Housing, Department of Labor, California Department of Industrial Relations/Division of Labor Standards Enforcement, federal courts, or state courts by reason of any claim or demand, in law or in equity, including, without limitation, claims under the California Fair Employment and Housing Act (Cal. Govt. Code, §12940, et seq.), Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000e, et seq.), the Age Discrimination in Employment Act of 1967 (29 U.S.C. §621, et seq.) and Older Workers' Benefit Protection Act (29 U.S.C. § 626, et seq.), the Rehabilitation Act of 1973 (29 U.S.C. §706, et seq.), the Fair Labor Standards Act (29 U.S.C. §201, et seq.), the Employee Retirement and Income Security Act (29 U.S.C. §1001, et seq.), the Americans with Disabilities Act (42 U.S.C. §12101, et seq.), 42 U.S.C. § 1981, the Family and Medical Leave Act (29 U.S.C. §2601, et seq.), the California Family Rights Act (Cal. Govt. Code, §12945.2), the California Labor Code (with the exception of workers' compensation laws), the California Civil Code, the California Constitution, and any and all other laws and regulations relating to employment termination, employment discrimination, harassment, retaliation, wages, hours, benefits, compensation, and any and all claims for attorneys' fees and costs which he may now have or claim to have arising out of or in any manner relating to the facts recited above, his employment relationship with the City and/or RDA, the termination of his employment or contractual relationship with the City and/or RDA, or any other transaction between the Parties, arising up through the date of execution of this Agreement.

(b) **Confidentiality:** HANSON agrees to keep all matters concerning this agreement, as well as the facts, circumstances, contents and terms of this agreement confidential and not to discuss or disclose the terms or contents of this agreement to any person other than his attorney, family members, business partners or financial advisor. The CITY and RDA will also maintain the confidentiality of this Agreement to the extent permitted by law, bearing in mind that it may have to be disclosed pursuant to law.

(c) **Non-disparagement:** The Parties shall not make any disparaging comments and/or statements about one another. The CITY and RDA will not ratify or authorize any disparaging

comment and/or statement about HANSON. HANSON agrees that he shall not disparage or denigrate the CITY or its City Council, RDA or its Board, and/or any of CITY's or RDA's employee, director, officer, agent, or any parent, subsidiary or affiliated entity, after the date of this Agreement.

(d) **Release of Claims:**

(1) For and in consideration of the terms herein described, the Parties hereby release and forever discharge each other, for themselves and anyone and any entity claiming through them including but not limited to their, spouse, heirs, successors CITY, RDA, CITY'S and RDA's present and former agents, servants, employees, officials and insurers (hereinafter referred to as "Releasees") of and from any and all claims, demands, actions and causes of action (hereinafter referred to as "Claims") arising out of, or in any way connected with or resulting from the terms and conditions of HANSON's employment, or his contract of employment, or the termination of his employment, including, but not limited to, any claim of discrimination on any prohibited basis, violation of civil rights, retaliation or any other allegedly improper act by Releasees; provided however, that the CITY and RDA's release and discharge of Claims under this Agreement does not include release or discharge of any Claims: a) arising out of HANSON's act(s) and/or omission(s) outside the scope of his employment; or b) arising out of HANSON's act(s) and/or omission(s) of fraud, actual fraud, corruption or actual malice; or c) arising out of Hanson's violation or non-compliance with state ethical and conflict of interest laws, including but not limited to California Political Reform Act, Government Code Section 1090 and common doctrine of conflict of interest.

(2) Subject to limitations on CITY's and RDA's release of Claims, as set forth in Section 1.2 (d)(1) above, the Parties understand that this is a full and final release covering all unsuspected, unknown, undisclosed and unanticipated Claims which may have arisen, or may arise, from any act or omission prior to the Effective Date of this Agreement, and which arise out of or are related, directly or indirectly, to the Party's dealings with one another and/or any of the Releasees. It is understood and agreed that this is a full and final release of any and all claims arising out of HANSON's employment with CITY and/or RDA, or termination thereof, including any and all potential claims. The Parties agree as a further consideration and inducement for this compromise settlement, to waive the provisions of California Civil Code, Section 1542, which provides as follows:

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

(3) Subject to limitations on CITY's and RDA's release of Claims, as set forth in Section 1.2 (d)(1) above, the Parties recognize the possibility that they may have sustained injuries or losses in connection with his employment and/or contractual relationship with the CITY and RDA, or the termination thereof, which are not yet known, suspected or anticipated. However, in consideration as described herein, the Parties hereby release the aforesaid Releasees of any and all claims.

(4) HANSON recognizes that this settlement is intended to, and warrants that it will, dispose of all liability of Releasees to HANSON, his heirs and assigns, and to any other person

or entity that might now or in the future have a claim as a result of any injury to HANSON as described in this release. Should any further claim be made by any person or entity for which Releasees might be liable, directly or indirectly, HANSON on behalf of himself, his heirs and assigns agrees to and will hold harmless and indemnify Releasees of and from any and all liability for such claim, including all costs, expenses and attorney's fees incurred in defense of such claim.

(5) It is understood and agreed that this is a compromise settlement of a disputed claim and that the consideration for this release shall not be deemed to be or construed as an admission of liability to HANSON or anyone else by the above-referenced Releasees, and that this Agreement shall not be introduced as evidence by HANSON in any proceeding other than a proceeding brought for the purpose of enforcing the promises made herein. This Agreement shall not be used by any party or the party's attorneys or representatives, as a precedent or evidence of any prior practice by CITY and/or RDA.

(6) This Agreement constitutes a comprehensive, general release of any and all claims, including without limitation Age Discrimination in Employment Act ("ADEA"), against Releasees. HANSON understands and acknowledges that he has been given at least 21 days to consider his release of claims under the ADEA, and that he expressly waives this 21 day notice provision. HANSON acknowledges that he has seven days from the date he executes this settlement agreement to revoke his release under the ADEA; provided, however, that should HANSON revoke his release, CITY and RDA may in its sole discretion rescind this entire agreement and obtain all amounts paid hereunder.

(e) **Dismissal of this Action:** Within seven (7) days after receipt of the CITY's/RDA's payment of funds as set forth in Section 1.1, HANSON agrees to file all necessary forms, documents, pleadings and notices necessary to dismiss this Action with AAA and Riverside County Superior Court.

1.3 GENERAL TERMS:

(a) The validity, interpretation and performance of this Agreement shall be construed and interpreted according to the laws of the State of California.

(b) HANSON represents and warrants that he has full power to make the releases and agreements contained herein. HANSON expressly represents and warrants that he has not assigned, encumbered or in any manner transferred all or any portion of the claims covered by the releases and agreements contained herein. HANSON acknowledges and agrees that this warranty and representation is an essential and material term of the Agreement. HANSON agrees to indemnify the CITY and/or RDA for any claims brought by his purported assignees, including costs of judgment and reasonable attorneys' fees.

(c) The Parties acknowledge that this Agreement constitutes the sole and entire agreement of the Parties in this matter, that any modifications may only be effected by a writing signed by all affected Parties, and that this Agreement and Release supersedes any prior written or oral agreement concerning the subject matter of its provisions. The Parties agree that there are no representations, agreements, arrangements or understandings, either written or oral, between or among the Parties relating to the subject matter of this Agreement which are not fully expressed herein.

(d) Each party has had the opportunity to participate in drafting the Agreement. Any terms, conditions or provisions of the Agreement shall not be construed against one party and in favor of another by virtue of who actually drafted or circulated the Agreement.

(e) The Parties agree to execute all documents and perform all acts necessary to effectuate the terms and purposes of this Agreement.

(f) The Parties agree that they may execute this Agreement in counterparts, with the same force and effect as if executed in a single, complete document.

(g) The Parties acknowledge that they have been represented by counsel in connection with this matter. The Parties acknowledge that they have read and understand the foregoing Agreement and Release and that they affix their signatures hereto voluntarily and without coercion. The Parties further acknowledge that the waiver they have made are knowing, conscious and with full appreciation that they are forever foreclosed from pursuing any of the rights so waived.

(h) Any dispute arising from or relating to this Agreement shall be re-submitted to Honorable Arbitrator, Allan Ribakoff for decision and determination. In the event the Arbitrator is unavailable, the parties agreed to select a neutral arbitrator with the American Arbitration Association.

(i) Should either party to this Agreement, their heir, representative, successor or permitted assign resort to legal proceedings to enforce this Agreement, the prevailing party in such legal proceeding shall be entitled, in addition to such other relief as may be granted, to recover its reasonable attorney's fees, expert witness fees, arbitration fees and costs in such litigation from the party against whom enforcement was sought.

(j) The Parties hereby mutually release each Party from any claims for recovery of attorneys' fees and costs, including but not limited to claims for malicious prosecution, arising out of the Action.

(k) The Parties acknowledge that each party has read and understands the foregoing Agreement and release of all claims and that each party affixes a signature hereto voluntarily and without coercion.

[SIGNATURES ON THE NEXT PAGE]

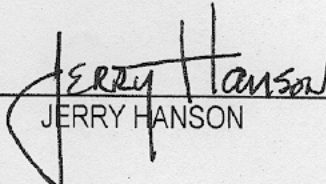
IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed the day and year written below.

Dated: December _____, 2009

CITY OF DESERT HOT SPRINGS
CITY OF DESERT HOT SPRINGS, REDEVELOPMENT
AGENCY

By _____
RICK DANIELS
City of Desert Hot Springs, City Manager
RDA, Executive Director

Dated: December 7, 2009

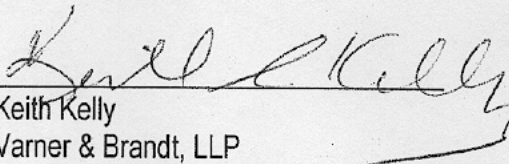


JERRY HANSON

APPROVED AS TO FORM AND CONTENT:

Ruben Duran
Meyers Nave Riback Silver & Wilson
On behalf of the CITY and RDA

APPROVED AS TO FORM AND CONTENT:



Keith Kelly
Varner & Brandt, LLP
On behalf of HANSON

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