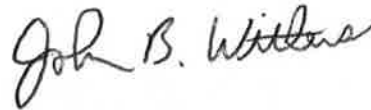


NOTICE OF SPECIAL MEETING
OF BOARD OF DIRECTORS OF
BARDEEN PARTNERS, INC.

To: Peer Swan, Doug Reinhart, Steve LaMar, and Mary Aileen Matheis, Members of the Board of Directors of Bardeen Partners, Inc.

Pursuant to the call of the President of Bardeen Partners, Inc., notice is hereby given that a Special Meeting of the Board of Directors of Bardeen Partners, Inc. has been called and will be held on Monday, March 28, 2016 at the hour of 5:30 p.m. of said day in the Board of Directors' meeting room of the Irvine Ranch Water District, 15600 Sand Canyon Avenue, Irvine, California, for the purpose set forth in Exhibit "A" attached hereto and by this reference made a party hereof.

This notice is given in accordance with the bylaws of Bardeen Partners, Inc. and Section 54956 of the California Government Code and Corporation Code Section 5211.



John Withers
President

AGENDA

BOARD OF DIRECTORS OF
BARDEEN PARTNERS, INC.

SPECIAL MEETING

MARCH 28, 2016

CALL TO ORDER 5:30 PM Irvine Ranch Water District
Board of Directors Meeting Room
15600 Sand Canyon Ave., Irvine, Calif.

ROLL CALL Directors Matheis, Reinhart, Swan, LaMar
and President Withers

Bardeen Partners, Inc. was formed in March 1991 to act on behalf of IRWD in matching its real estate investments, and to segregate such investments from other activities of IRWD.

1. APPROVAL OF MINUTES

Recommendation: Approve the minutes of Special Meeting of March 14, 2016.

2. WOOD CANYON VILLAS APARTMENT. PROPERTY PROPOSED PARTNERSHIP AMENDMENT

Recommendation: That the Board authorize the President to execute the Fourth Amendment to the Agreement of Limited Partnership extending the unilateral partner sale date to June 2021, removing the personal guarantee provisions and providing 100% of any future excess ordinary cash flows to Bardeen Partners, Inc.

3. ORAL COMMUNICATIONS

4. ADJOURNMENT

MINUTES OF SPECIAL MEETING OF
BARDEEN PARTNERS, INC.

MARCH 14, 2016

The special meeting of the Board of Directors of the Bardeen Partners, Inc. was called to order by President Withers at 6:59 p.m. in the Board Room of the principal office of the Irvine Ranch Water District, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis, LaMar, Swan, Reinhart, and President Withers

Directors Absent: None

Also Present: Secretary Bonkowski of Bardeen Partners, Inc., and Legal Counsel Arneson of the IRWD staff and public.

APPROVAL OF MINUTES

On MOTION by Swan, seconded and unanimously carried, THE JANUARY 25, 2016 MINUTES OF THE SPECIAL MEETING WERE APPROVED AS PRESENTED.

CLOSED SESSION

President Withers said that the following Closed Sessions would be held:

CLOSED SESSION CONFERENCE WITH REAL PROPERTY NEGOTIATOR (Government Code Section 54956.8):

Property: Parcels 839-150-001, 839-150-002, County of Riverside

Negotiating Parties: Peggy L. Martin, Owner

Agency Negotiator: Paul Cook, General Manager

Purpose of Negotiations: Price and Term of Payment, and

CLOSED SESSION CONFERENCE WITH REAL PROPERTY NEGOTIATOR (Government Code Section 54956.8):

Property: Parcels 821-160-001, 821-160-010, County of Riverside

Negotiating Parties: Rose J. Holt, Owner

Agency Negotiator: Paul Cook, General Manager

Purpose of Negotiations: Price and Term of Payment.

OPEN SESSION

Following the Closed Session the meeting was reconvened with LaMar, Matheis, Reinhart, Swan and Withers present. President Withers said there was no action to report.

ORAL COMMUNICATIONS – None

ADJOURNMENT

There being no further business, President Withers adjourned the meeting at 8:45 p.m.

Date: March 21, 2016

Leslie Bonkowski, Secretary

APPROVED and SIGNED this _____ day of _____, _____.


John Withers, President


APPROVED AS TO FORM:

Joan Arneson, Legal Counsel

March 28, 2016

Prepared by: Rob Jacobson

Submitted by: Cheryl Clary 

Approved by: Paul A. Cook 

BARDEEN PARTNERS

WOOD CANYON VILLAS APARTMENT PROPERTY
PROPOSED PARTNERSHIP AMENDMENT

SUMMARY:

The Wood Canyon Villas apartment property is a limited partnership investment between Bardeen Partners, Inc. (Bardeen) as the sole limited partner, and Western National Properties (WNP) as general partner (collectively, "Partners"). Staff received a request from WNP to amend certain terms of the *Agreement of Limited Partnership of Wood Canyon Villas, L.P.* (Agreement) based on previous discussions with staff and the IRWD Asset Management Committee (Committee). The requested amendment would revise the Agreement terms as follows:

- Extend the first date that either partner could force a sale of the property by five years (to June 2021);
- Remove WNP's personal guarantee provisions associated with Bardeen's initial capital investment; and
- Revise the excess Ordinary Cash Flow provision such that 100% of any future excess cash will be distributed to Bardeen (currently a 50/50 partnership distribution).

Proposed modifications included in the draft *Fourth Amendment to the Agreement of Limited Partnership* (Amendment) are included as Exhibit "A". At its November 17, 2015 meeting, the Committee recommended approval of the Amendment subject to staff confirming with other industry professionals that the amended terms were within acceptable industry standards.

BACKGROUND:

In 1991 the District's real estate entity, Bardeen Partners, Inc., entered into an agreement with Western National Properties providing for the construction of a \$22 million, 230-unit apartment complex in Aliso Viejo. Bardeen made an equity investment of \$6 million, and with tax-exempt housing bonds issued through the County of Orange, financed the remaining project costs. The Agreement provides for Bardeen to earn a 9% preferred return on its investment and participate in the profit potential upon a sale of the property. Construction was completed in February 1993 and stabilized occupancy (80%) was reached that October.

The property is currently 97% occupied and had net operating income of \$2.72 million for the 12-month period ended December 31, 2015.

Extension of Partner Initiated Sale Date:

As part of the Wood Canyon Villas 2015 budget planning process, WNP's construction division recommended that the Partners consider a project to replace all copper pipes at the property due to a significant and increasing number of pinhole leaks. Based on the estimated capital cost and duration of the re-pipe project (\$3.6 million over a two-year period), WNP's senior management recommended that the Partners only make the capital investment if there were an agreement that the property would be held for a period of at least five additional years. The current Agreement provides that either Partner may unilaterally request a sale of the property beginning in June 2016, and the proposed Amendment would formally extend that date by five years to June 2021.

Personal Guarantee Provisions:

The original Agreement includes a personal guarantee provision securing the District's initial \$6 million investment. The guarantee provision was made by the three WNP senior partners at the time the agreement was executed in 1991, prior to construction of the apartments and while no income was being generated. Because the apartments had not been constructed at the time of the initial investment, the guarantee provision was essential in securing the District's investment in the project. In 1993, construction of the apartments was completed and the property has now generated positive cash flows for over 22 years.

Since the agreement was executed in 1991, one of the three WNP senior partners/guarantors has passed away and another retired from the firm, leaving the current President and CEO, Mr. Mike Hayde, as the sole remaining WNP guarantor under the terms of the agreement. Based on the District's ownership of most, if not all of the equity in the Wood Canyon Villas property as a result of future sale provisions in the Agreement, WNP has requested the removal of the guarantee provisions and the release of the remaining partner as the sole guarantor.

Distribution of Excess Ordinary Cash Flows:

In exchange for removing the guarantee provisions, WNP has proposed a revision to the terms related to distribution of Ordinary Cash Flows in excess of the Partners' respective preferred return payments. Current terms provide for distribution of any excess cash to the Partners on a 50/50 basis. Excess cash would include net operating income less any current or accrued preferred return payments and capital improvement expenditures. WNP is proposing that 100% of any future excess cash flows be distributed to Bardeen. While no excess cash flows are expected for the next two years during the copper re-pipe project, excess cash flows have been generated in recent years and could continue after the project is completed.

At its November 2015 meeting, the Committee recommended approval of the proposed Amendment subject to staff's confirmation from other industry professionals that the proposed terms were in the best interest of Bardeen Partners. Staff has since discussed the proposed amendment terms with representatives from two multi-family developers/property managers, Lewis Operating Group (Lewis) and Alliance Residential Company. Each has agreed that the proposed terms were fair and reasonable. Lewis stated that the personal guarantee provisions were most critical during the pre-construction and initial lease-up periods of the property. Given

Bardeen's current and increasing equity position in the property as well as the potential for additional future cash flows, Lewis stated that the terms being proposed were very reasonable.

FISCAL IMPACTS:

Bardeen receives a preferred return of 9% on its \$6 million limited partner interest in the property, or approximately \$540,000 per year. Upon the sale of the property, Bardeen will receive a total 15% Internal Rate of Return (IRR) from the inception of the Agreement. A modification to the agreement terms providing Bardeen with 100% of future excess Ordinary Cash Flows may provide additional income; however, no amount can be estimated at this time.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act (CEQA), Code of Regulations, Title 14, Chapter 3, Section 15378.

COMMITTEE STATUS:

This item was reviewed by the IRWD Asset Management Committee on November 17, 2015.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE PRESIDENT TO EXECUTE THE FOURTH AMENDMENT TO THE AGREEMENT OF LIMITED PARTERSHIP EXTENDING THE UNILATERAL PARTNER SALE DATE TO JUNE 2021, REMOVING THE PERSONAL GUARANTEE PROVISIONS AND PROVIDING 100% OF ANY FUTURE EXCESS ORDINARY CASH FLOWS TO BARDEEN PARTNERS.

LIST OF EXHIBITS:

Exhibit "A" – Draft *Fourth Amendment to the Agreement of Limited Partnership*

**FOURTH AMENDMENT
TO AGREEMENT OF LIMITED PARTNERSHIP
OF WOOD CANYON VILLAS, L.P.**

This Fourth Amendment to Agreement of Limited Partnership of Wood Canyon Villas, L.P., a California limited partnership (this "Fourth Amendment"), is entered into effective as of October 1, 2015 (the "Effective Date") by and between Western National Partners XXI, a California limited partnership ("General Partner"), and Bardeen Partners, Inc., a California corporation ("Limited Partner").

This Fourth Amendment is entered into with reference to the following facts:

A. Wood Canyon Villas, L.P., a California limited partnership (the "Partnership"), was formed pursuant to that certain Agreement of Limited Partnership of the Partnership (the "Original Agreement") dated June 25, 1991, and that certain Certificate of Limited Partnership filed with the California Secretary of State of July 1, 1991, as Instrument No. 9118200011, as amended by (i) that certain Letter Agreement dated December 10, 1991 (the "First Amendment"), (ii) that certain Letter Agreement dated April 27, 2001 (the "Second Amendment"), and (iii) that certain First Amendment to Agreement of Limited Partnership of the Partnership dated June 2001 (the "Third Amendment" and together with the Original Agreement, the First Amendment, and the Second Amendment, the "Partnership Agreement"). Capitalized terms used but not defined herein shall have their meanings under the Partnership Agreement.

B. Pursuant to Section 3.01(d) of the Partnership Agreement, the parties executing this Fourth Amendment constitute all of the partners of the Partnership.

C. Under Section 8.01 of the Original Agreement either Partner was authorized to require a sale at any time following the expiration of ten (10) years following the date of execution of the Original Agreement. The Second Amendment amended the reference to "ten (10) years" to read "twenty-five (25) years." The Partners now desire to further amend this reference to "thirty (30) years."

D. Under Section 6.01(c) of the Partnership Agreement, the Partners are currently entitled to a distribution of Ordinary Cash Flow in proportion to their respective Percentage Interests. The General Partner now wishes to waive its right to such distributions.

E. Under Article IX of the Partnership Agreement, the Limited Partner is entitled to receive a Guaranteed Minimum Distribution upon the liquidation of the Partnership and/or upon the sale of the Project pursuant to Section 8.02, which entitlement is currently guaranteed by the Shareholders. The Limited Partner now wishes to release the Shareholders from any such guarantees.

NOW, THEREFORE, it is hereby agreed as follows:

1. Right to Require a Sale. The final sentence of Section 8.01 of the Partnership Agreement is hereby amended to read as follows:

“In addition, the provisions of this Article VIII may be implemented (without the delivery of the Dispute Notice) by (i) the Limited Partner at any time following a Material Default of the General Partner hereunder and (ii) either Partner at any time following June 25, 2021.”

2. Amendment to Section 5.01(a)(iii). Section 5.01(a)(iii) of the Partnership Agreement is hereby amended to read as follows:

“Third, and finally, to the Limited Partner.”

3. Amendment to Section 6.01(c). Section 6.01(c) of the Partnership Agreement is hereby amended to read as follows:

“Thereafter, to the Limited Partner.”

4. Amendment to Article IX. Article IX of the Partnership Agreement is hereby amended by deleting Sections 9.02, 9.03 and 9.04 in their entirety.

5. Amendment to Article XIV. Article XIV of the Partnership Agreement is hereby amended by:

(a) Deleting the terms “Credit Default”, “Guaranty Agreement”, “Letter of Credit”, “Minimum Cash Reserves”, “Minimum Net Worth” and “Required Credit Rating”;

(b) Deleting from clause (ii) of the definition of the term “Material Default” the phrase “any Credit Default described in Section 9.04 and/or”; and

(c) Revising the term “Unrecovered Contribution Amount” as follows:

(i) deleting the phrase “and/or 9.04.”;

(ii) adding “and” immediately before clause (iii);

(iii) deleting the word “and” immediately before clause (iv); and

(iv) deleting all of clause (iv).

6. Termination of and Release of Obligations under the Guaranty Agreement. As of the Effective Date, the Guaranty Agreement is hereby irrevocably and unconditionally terminated and of no further force and effect, and the Guarantors (as defined in the Guaranty Agreement) shall have no further liability or obligations under the Guaranty Agreement. As of the Effective Date, the Limited Partner and the Partnership hereby unconditionally and irrevocably release and forever discharge the Guarantors from all claims and liability which the Limited Partner or the Partnership may now or hereafter own, hold, have or claim to have against the Guarantors arising out of or in connection with the Guaranty Agreement and the Guarantors’ obligations under the Guaranty Agreement.

7. Inconsistencies; Full Force and Effect. In the event of any inconsistencies between the Partnership Agreement and this Fourth Amendment, the terms of this Fourth Amendment shall control. Except as set forth in this Fourth Amendment, all other terms and conditions of the Partnership Agreement shall remain in full force and effect.

8. Counterparts. This Fourth Amendment may be executed in multiple counterparts which when taken together shall constitute a fully executed document as if all signatures appeared on one copy.

(Remainder of page left intentionally blank. Signatures follow.)

IN WITNESS WHEREOF, the parties have executed this Fourth Amendment to Agreement of Limited Partnership of Wood Canyon Villas, L.P., as of the date first written above.

“General Partner”

WESTERN NATIONAL PARTNERS XXI,
a California limited partnership

By: Western National Investments
(formerly known as Western National
Properties), a California corporation

By: _____
Rex DeLong
President

“Limited Partner”

BARDEEN PARTNERS, INC.,
a California corporation

By: _____
Name: _____
Title: _____