

AGENDA
IRVINE RANCH WATER DISTRICT
ASSET MANAGEMENT COMMITTEE
TUESDAY, NOVEMBER 17, 2015

CALL TO ORDER 12:00 p.m., Committee Room, Second Floor District Office
15600 Sand Canyon Avenue, Irvine, California

ATTENDANCE Committee Chair: John Withers ____ Committee Member: Peer Swan ____

<u>ALSO PRESENT</u>	Paul Cook	_____	Tanja Fournier	_____
	Rob Jacobson	_____	_____	_____
	Cheryl Clary	_____	_____	_____
	_____	_____	_____	_____

COMMUNICATIONS

1. Notes: Jacobson
2. Public Comments.
3. Determine the need to discuss and/or take action on item(s) introduced that came to the attention of the District subsequent to the agenda being posted.
4. Determine which items may be approved without discussion.

INFORMATION

- | | |
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| <p>5. <u>REAL ESTATE QUARTERLY PERFORMANCE – SEPTEMBER 2015 – DAVIS/FOURNIER/JACOBSON/CLARY</u></p> <p>Recommendation: Receive and file.</p> <p>6. <u>WOOD CANYON VILLAS APARTMENT PROPERTY PROPOSED PARTNERSHIP AGREEMENT AMENDMENT – JACOBSON/CLARY</u></p> <p>Recommendation: Receive and file.</p> | |
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ACTION

- | | |
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| <p>7. <u>COUNTY OF ORANGE REQUEST FOR TEMPORARY ACCESS LICENSE – IRVINE LAKE – JACOBSON/CLARY</u></p> <p>Recommendation: That the Committee approve the temporary Access License between the District and County of Orange, subject to non-substantive changes, for a maximum one-year period related to the District's interest in the access road from Santiago Canyon Road to Irvine Lake.</p> | |
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OTHER BUSINESS

8. Directors' Comments:

9. Adjourn

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Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Irvine Ranch Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Board Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance of the Committee Room of the District Office. The Irvine Ranch Water District Committee Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.) please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

November 17, 2015

Prepared by: Jennifer Davis/Tanja Fournier
Submitted by: Robert Jacobson /Cheryl Clary
Approved by: Paul Cook

ASSET MANAGEMENT COMMITTEE

REAL ESTATE QUARTERLY PERFORMANCE – SEPTEMBER 2015

SUMMARY:

Staff will provide the Committee with an update on the financial performance of the District's real estate investments and other revenue-generating properties for the quarter ended September 30, 2015.

BACKGROUND:

For the quarter ended September 30, 2015, the District's residential and commercial real estate investments provided net operating income (NOI) of \$2.34 million, which represents a 12.84% return for the period. Land lease income from the Strawberry Farms Golf Course and lease revenue from the District's five cell sites was \$136,894 and \$46,264, respectively. A report detailing the NOI and returns for the District's real estate investment properties, golf course and cell sites is attached as Exhibit "A". Staff will provide additional updated property information at the meeting.

Residential Investment Properties:

For the quarter ended September 30, 2015, the NOI for the Sycamore Canyon Apartments was \$1.85 million, which is favorable to budget by approximately \$29,970, primarily due to lower-than-anticipated vacancies and higher lease rates. The District's limited partnership investment in the Wood Canyon Villa property earned a preferred return of 9.00%, with a net return of 8.53%.

Commercial Investment Properties:

The NOI for the quarter ended September 30, 2015 at the Irvine Market Place (230 Commerce) property was \$67,116, which was unfavorable to budget by \$4,951. The variance was primarily due to higher-than-anticipated electricity costs and timing of budgeted expenses. There is currently one suite (#185 – 3,408 square feet) available for lease.

The NOI for the Waterworks Way Business Park property for the quarter ended September 30, 2015 was \$111,114, which is in line with the budget. The property is currently 100% occupied.

For the Sand Canyon Professional Center medical office property, the NOI was \$175,651 for the quarter ended September 30, 2015, which was unfavorable to budget by \$2,720, primarily due to timing of budgeted expenses. The property is currently 100% occupied.

Strawberry Farms Golf Course and Cell Site Leases:

Land lease income for Strawberry Farms Golf Course for the quarter ended September 30, 2015 was \$136,894, which is in line with the budget. This compares with income of \$128,367 for the same period last year. Lease revenue from the District's five cell sites was \$46,264 for the quarter, which is \$7,264 favorable to budget due to timing of receipt of payments and is in line with the prior year quarter.

FISCAL IMPACTS:

For the quarter ended September 30, 2015, the District's commercial and residential real estate investments provided NOI of \$2.3 million. Strawberry Farms Golf Course lease revenue and District cell site revenue were \$136,894 and \$46,264 for the quarter, respectively.

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.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Real Estate Performance Report

Exhibit "A"

**Irvine Ranch Water District
Real Estate Investment Performance Report
as of September 30, 2015**

INCOME PROPERTIES			FY 2015-16					FY 2015-16 RATE OF RETURN		3 Year Average Rate of Return	5 Year Average Rate of Return
Property Description	Capital Investment	Investment Inception	Jul-15	Aug-15	Sep-15	FY Q1	FY 2015-16 TOTAL	FY Q1	Average Fiscal YTD	FY 13/14 - 15/16	FY 11/12 - 15/16
Sycamore Canyon Apartments	\$43,550,810	Dec-92	\$ 599,596	\$ 596,672	\$ 651,314	\$ 1,847,582	\$ 1,847,582	16.97%	16.97%	16.27%	15.05%
Wood Canyon Villa Apartments	\$6,000,000	Jun-91	\$ 45,863	\$ 45,863	\$ 44,384	\$ 136,110	\$ 136,110	8.53%	8.53%	8.52%	8.45%
Irvine Market Place Office	\$5,739,845	Jul-03	\$ 23,193	\$ 18,621	\$ 25,302	\$ 67,116	\$ 67,116	4.68%	4.68%	5.89%	6.89%
Waterworks Way Business Park	\$8,630,577	Nov-08	\$ 38,598	\$ 34,537	\$ 37,979	\$ 111,114	\$ 111,114	5.15%	5.15%	4.66%	4.23%
Sand Canyon Professional Center	\$8,648,594	Jul-12	\$ 59,540	\$ 57,128	\$ 58,983	\$ 175,651	\$ 175,651	8.12%	8.12%	7.97%	
TOTALS	\$72,569,826		\$ 766,790	\$ 752,821	\$ 817,962	\$ 2,337,573	\$ 2,337,573	12.84%	12.84%	12.44%	10.78%

Notes/Assumptions:

- Wood Canyon cash flows represent partnership cash distributions from Western National Group.
- The 9.00% Preferred Return for Wood Canyon accrues on the original \$6 million investment amount along with any accrued preferred return. The current total monthly accrual is approximately \$45,000/month.
- Capital Investment does not include depreciation; Sycamore Canyon 2007-08 renovation costs included in Capital Investment total.
- Irvine Market Place capital investment amount includes land cost of \$871,396; Waterworks Business Park capital investment includes land cost of \$2,420,213.

**Irvine Ranch Water District
Real Estate Investment Performance Report
Strawberry Farms Golf Course & Cell Site Income
as of September 30, 2015**

Property Description	2015-16 NET INCOME				
	Jul-15	Aug-15	Sep-15	FY Q1	NET INCOME 2015-2016
Strawberry Farms Golf Course	\$ 49,532	\$ 43,667	\$ 43,695	\$ 136,894	\$136,894
TOTALS	\$ 49,532	\$ 43,667	\$ 43,695	\$ 136,894	\$136,894
Change From Prior Period				\$ 8,527 6.64%	

Property Description	2015-16 NET INCOME				
	Jul-15	Aug-15	Sep-15	FY Q1	NET INCOME 2015-2016
Cell Sites	\$ 15,932	\$ 15,166	\$ 15,166	\$ 46,264	\$46,264
TOTALS	\$ 15,932	\$ 15,166	\$ 15,166	\$ 46,264	\$46,264
Change From Prior Period				\$ (246) -0.53%	

**Irvine Ranch Water District
Real Estate Investment Performance Report
Cell Site Terms
as of September 30, 2015**

Location:	Rattlesnake (Portola) Reservoir 4883 Portola Parkway, Irvine	Central Zone 1 Reservoir 13826 Sand Canyon Avenue, Irvine	Santiago Canyon Head Quarters 7431 Santiago Road, Santiago Canyon
Licensee/Lessee	712223 <u>Crown Castle (839428)</u> Site# 321620	712224 <u>Crown Castle (839459)</u> Site# 321757	712221 <u>AT&T Wireless</u> LA3212
Type:	Master Lease	Master Lease	Lease
Date:	1/14/02	11/22/99, #1 1/14/02	11/22/04
Contract Monthly Rent:	Greater of \$1,500 + 3% annual escalation or 40% of gross rents (March)	Greater of \$1,500 + 3% annual escalation or 40% of gross rents (July)	3% annual escalation(July)
Current Monthly Rent:	\$2,203	\$2,203	\$2,492
Annually	\$72,148	\$46,081	\$29,899
	10276818	10276843	(Faux Tree)
	10276843	10276818	
Contract Term & notice	15 yrs+; Termination upon 1 yr notice	15 yrs+; Termination upon 1 yr notice	5 yrs + 4 5 yr extensions

Location:	Lake Forest Zone II West Reservoir 26001 Dimension, Lake Forest		
Licensee/Lessee	712228 <u>T-Mobile</u> LA02308A	712227 <u>Sprint PCS</u> 0G03XC113	712222 <u>AT&T</u> R086/FoothillCorridor1
Type:	License	License	License
Date:	12/16/96	9/8/97	9/9/98, #1 9/5/01
Contract Monthly Rent:	\$1,500 No escalation	\$1,500 No escalation	\$1,500 3% annual escalation (October)
Current Monthly Rent:	\$1,500	\$1,500	\$2,269
Annually	\$18,000	\$18,000 (Antennas on Tank)	\$27,228
Contract Term & notice	Termination upon 6 months notice	Termination upon 6 months notice	Termination upon 6 months notice

Location:	Lake Forest Zone II East Reservoir 20696 Regency Lane, Lake Forest
Licensee/Lessee	712230 <u>Verizon</u> SCAL North Lake Forest
Type:	License
Date:	10/11/95
Contract Monthly Rent:	\$1,500 No escalation
Current Monthly Rent:	\$1,500
Annually	\$18,000
Contract Term & notice	Termination upon 6 months notice

November 17, 2015

Prepared by: Rob Jacobson 

Submitted by: Cheryl Clary 

Approved by: Paul A. Cook 

ASSET MANAGEMENT COMMITTEE

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 has received a request from WNP to amend certain terms of the *Agreement of Limited Partnership* (Agreement) based on previous discussions with the Committee and staff. 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 the personal guarantee provisions associated with the return of Bardeen's initial capital investment; and,
- Revise the excess Ordinary Cash Flow provision such that 100% of any excess cash will be distributed to the District (currently a 50/50 partnership distribution).

Proposed modifications included in the draft *Fourth Amendment to the Agreement of Limited Partnership* (Amendment) will be discussed in further detail at the meeting and are included as Exhibit "A" attached. Based on discussion and feedback from the Committee, staff will respond to WNP accordingly.

BACKGROUND:

In 1991, the District's real estate entity, Bardeen Partners, Inc. entered into an *Agreement of Limited Partnership of Wood Canyon Villas, L.P.* (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 tax-exempt housing bonds issued through the County of Orange financed the remaining project costs. The Agreement provides for Bardeen to earn a 9.0% 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 in October 1993.

The property is currently 92.6% occupied and had net operating income of \$2.94 million for the 12-month period ended October 31, 2015.

Extension of Partner Initiated Sale Date:

As part of the property's 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 an increasing number of pinhole leaks at the property. Based on the significant cost of a re-pipe project, WNP 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 years. The current Agreement provides that either Partner may request a sale of the property beginning in June 2016. Based on the Committee's agreement with WNP to proceed with the copper re-pipe project at its September 29, 2015 meeting, the proposed Amendment would formally extend the unilateral Partner sale date by five years to June 2021.

Other Proposed Partnership Amendments:

The Agreement includes a personal guarantee provision securing the District's initial \$6 million investment. The guarantee provision was made by three of WNP's senior partners at the time the Agreement was executed in 1991. Considering that 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 had generated positive cash flows for over 20 years. Since the Agreement was executed, one of the senior partners/guarantors has passed away and another retired from the firm, leaving the current President and CEO as the sole remaining WNP partner guaranteeing the District's investment.

Based on the District's ownership of most, if not all, of the equity in the Wood Canyon Villas property as a result of sale provisions in the Agreement, WNP is requesting the deletion of the guarantee provisions and the release of the remaining partner as the sole guarantor.

In exchange for the deletion of the guarantee provisions, WNP has proposed a revision to Agreement terms related to distribution of Ordinary Cash Flows in excess of the Partners' preferred return payments. Current terms provide for the 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 and capital improvement expenditures. WNP is proposing that 100% of any future excess cash flows be distributed to the District. Based on the planned re-pipe project, no excess cash flows are expected for the next two years; however, excess cash flows may be generated in later years.

Based on discussion and feedback from the Committee, staff will respond to WNP accordingly.

FISCAL IMPACTS:

The District receives a preferred return of 9.0% on its \$6 million limited partner interest in the property, or approximately \$540,000 per year. A modification to the Agreement terms providing the District 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.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

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

Exhibit "A"

- DRAFT -

**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.”

1. 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.”

2. 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.”

3. 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.

4. 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).

5. 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.

6. 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.

7. 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: _____

November 17, 2015

Prepared by: Rob Jacobson

Submitted by: Cheryl Clary

Approved by: Paul Cook 

ASSET MANAGEMENT COMMITTEE

COUNTY OF ORANGE REQUEST FOR TEMPORARY ACCESS LICENSE – IRVINE LAKE

SUMMARY:

In late 2014, the Irvine Company dedicated the majority of its remaining land at Irvine Lake to the County of Orange (County) for future recreational, park and open space purposes. Portions of the land and certain related rights will require resolution of outstanding items related to a 2003 Memorandum of Understanding (MOU) between the District, the Irvine Company and the Serrano Water District (SWD). While the District, County and other parties continue efforts toward resolution of all outstanding MOU commitments, the County has requested a temporary Access License from the District related to its interest in a portion of the primary access road at the lake for a maximum one-year period. Staff recommends that the Committee approve the temporary Access License between IRWD and County of Orange, subject to non-substantive changes, for a maximum one-year period related to the District's interest in the access road from Santiago Canyon Road to Irvine Lake.

BACKGROUND:

In mid-2014, the Irvine Company notified District staff of its decision not to pursue development of its Irvine Lake and certain East Orange properties, as well as its intent to transfer its remaining properties in the area to the County. The transfer of the majority of the acreage to the County occurred in December 2014, with certain remaining properties pending transfer through an Irrevocable Offer of Dedication in favor of the County.

The 2003 MOU between IRWD, SWD and the Irvine Company addressed issues concerning Irvine Lake relative to the Irvine Company's previous residential development plans for the area. The scope of the MOU includes reservoir recreation rights, proposed boundary adjustments, road easements, construction and slope development, golf course rights, and general cooperation provisions.

Given the number of parties involved and outstanding items to be addressed, District staff estimates that resolution of the various MOU items will likely take approximately nine to 12 months to complete. While District and County staff work together, along with the Irvine Company and SWD, toward resolution of the outstanding 2003 MOU items, the County has requested a temporary Access License from the District for use of the portion of the primary access road through the Limestone Creek area within the lake boundaries. The full access road extends from Santiago Canyon Road to the southeast area of the lake.

Staff recommends that the Committee approve the temporary Access License between IRWD and County of Orange, which is attached as Exhibit "A".

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

That the Committee approve the temporary Access License between IRWD and County of Orange, subject to non-substantive changes, for a maximum one-year period related to the District's interest in the access road from Santiago Canyon Road to Irvine Lake.

LIST OF EXHIBITS:

Exhibit "A" – Proposed Temporary Access Easement

ACCESS LICENSE

THIS ACCESS LICENSE ("**License**") is entered into this _____ day of _____, 2015 ("**Effective Date**") by and between IRVINE RANCH WATER DISTRICT, a California water district organized under and existing pursuant to Section 34000 *et seq.* of the California Water Code ("**Licensor**"), and the COUNTY OF ORANGE, a political subdivision of the State of California ("**Licensee**"). Licensor and Licensee may be referred to herein individually as a "**Party**," or collectively as the "**Parties**."

RECITALS

A. Licensor is the co-owner in fee title to that certain reservoir facility commonly known as "Irvine Lake" or the "Santiago Reservoir" (the "**Reservoir**") with Serrano Water District ("**SWD**").

B. Licensee received property ("**Donation Property**") in 2014 and 2015 through historic donations from The Irvine Company LLC, a Delaware limited liability company, and TIC Land Investment LLC, a Delaware limited liability company (collectively, "**TIC**"), some of which is adjacent to portions of the Reservoir. Relevant to this License, Licensee received an easement for use of a roadway ("**Access Road**") between Santiago Canyon Road and certain portions of the Donation Property ("**Access Road Easement**"). A depiction of the Donation Property and the Access Road is attached hereto as **Exhibit A**, and the legal description and depiction of the Access Road are attached hereto as **Exhibits B** and **C**, respectively.

C. The Access Road Easement does not provide access over Licensor's property within the Reservoir. Licensee desires to ensure contiguous access to the Donation Property by obtaining from Licensor a license for access upon, over, and across the portion of the Reservoir depicted at the "License Area" on **Exhibit A** (the "**License Area**"), which will provide connectivity between non-contiguous segments of the Access Road Easement. The legal description and depiction of the Access Area are attached hereto as **Exhibits D** and **E**, respectively.

D. Subject to the terms and conditions set forth below, Licensor is willing and able to grant to Licensee a revocable, non-exclusive license to enter upon, over, and across the License Area.

NOW, THEREFORE, in consideration for the mutual promises, covenants and conditions contained herein, the Parties agree as follows:

1. Use. Subject to the terms, reservations, covenants and conditions hereinafter set forth below, Licensor, for and in consideration of the faithful performance by Licensee of the terms, covenants and agreements hereinafter set forth to be kept and performed by Licensee, does hereby grant to Licensee a non-exclusive, revocable license upon, over, and across the License Area for the purpose of providing access for Licensee and the general public to and from the Donation Property. Means of access may include pedestrian, equestrian, motor vehicle, or non-motorized vehicle access both to and from the Donation Property.

a. Licensor's Use of the License Area. Licensor reserves the right to full use and enjoyment of the License Area. Exercise of these rights by Licensor will not result in compensation to Licensee for any damages to any improvements placed by Licensee within the License Area, except for damages caused by the negligent or intentional acts or omissions of Licensor or its contractors.

b. Use by Licensee and General Public. The rights granted herein shall be specifically limited to use by Licensee (including without limitation Licensee's employees, contractors, subcontractors and representatives) and shall include access for the general public to and from the Donation Property.

c. Subject to Extrinsic Conditions. The rights granted herein are subject to all easements, covenants, conditions, restrictions, reservations, rights, rights-of-way, encumbrances, assessments, leases and other matters of record, apparent or of which Licensee is or should be aware, as such matters now or hereafter affect the License Area.

d. Non-Possessory Interest. Licensor retains full possession of the License Area and Licensee will not acquire any interest temporary, permanent, irrevocable, possessory or otherwise by reason of this License, or by the exercise of the permission given herein. Licensee will make no claim to any such interest.

2. Entrance. Licensee and any other person or Party acting under this License shall enter upon the License Area only by means of access points and routes designated by Licensor from time to time in writing.

3. Improvements. Licensee must submit, for Licensor's prior written approval, complete improvement plans, including grading plans, identifying all proposed improvements, a minimum of thirty (30) days prior to making any improvements to the License Area. Licensee must submit, for Licensor's prior written approval plans for any modifications to such improvements. Licensor is not required, at any time, to make any improvements, alterations, changes or additions of any nature whatsoever to the License Area; provided, however, that Licensor shall be responsible to repair damage to any Licensee-installed improvements caused by the negligent or intentional acts or omissions of Licensor or its contractors.

4. Maintenance and Repairs. Except for maintenance or repairs necessary to address damage caused by the negligent or intentional acts or omissions of Licensor or its contractors, Licensee shall perform, at its sole cost and expense, all maintenance and repairs of any improvements installed by Licensee within the License Area. Such maintenance shall be performed in such manner and at such intervals as shall be required to maintain Licensee's improvements within the License Area in good condition and repair.

5. Signs. Licensee must obtain written approval from Licensor prior to the construction or placement of any directional or other sign upon the License Area.

6. Term. The term of this License and the rights of Licensee hereunder shall commence on the Effective Date and shall only be revoked or terminated upon the earlier of:

- a. 12 months after the Effective Date of this License;
- b. The abandonment of this License by Licensee as evidenced by written notice provided by Licensee to Licensors
- c. The material breach or default of Licensee under this License and Licensee's failure to cure the same within sixty (60) days of Licensors written notice thereof (or such reasonably longer period as shall be necessary with respect to any non-monetary breach or default so long as Licensee has commenced and is diligently pursuing to complete the cure of such breach or default within said sixty (60)-day period); or
- d. The recording of a permanent access easement to County (or conveyed to County by The Irvine Company LLC) pursuant to the April 30, 2003 Memorandum of Understanding between The Irvine Company LLC, Licensors and SWD.

7. Approvals; Compliance. Licensee's use of the License Area hereunder shall be conditioned upon Licensee, at its sole cost and expense:

- a. Maintaining all necessary licenses and permits from all appropriate public and/or governmental agencies with respect to such use; and
- b. Complying with each and every federal, state or local law, regulation, standard, decision of court, ordinance, rule, code, order, decree, directive, guideline, permit or permit condition, together with any agreement, declaration of covenants, conditions and restrictions which have been recorded in any official or public records with respect to the Reservoir or any portion thereof, each as currently existing and as amended, enacted, issued or adopted in the future which are or become applicable to the License Area.

8. Damage; Liens. Licensee shall repair and restore any damage or casualty to any improvements located within the License Area (including roadway surface improvements) arising from Licensee's exercise of this License and/or use of the License Area hereunder. Licensee shall not permit to exist or otherwise to be enforced against the License Area (or any portion thereof) any mechanics', materialmen's, contractors' or other liens arising out of the acts or omissions of Licensee hereunder.

9. Hazardous Substances. Licensee shall not use, store, or allow the use of any hazardous substances on or onto the License Area.

10. Indemnification. Licensee shall hold harmless, defend and indemnify Licensors, its officers, agents and employees, and its successors and assigns, from and against all claims, loss, damage, actions, causes of actions, expense and/or liability arising from or growing out of loss or damage to property, including that of Licensors, or injury to or death of persons, including employees of Licensors, resulting in any manner whatsoever, directly or indirectly, by Licensee's use or occupancy of the License Area.

11. Entry at Own Risk; No Duty to Warn. Licensee and any other person or Party entering upon the License Area under the authority or color of this License does so at his/her/its own risk and peril. Licensors shall have no duty to inspect the License Area (or any portion thereof) and no duty to warn any person of any latent or patent defect, condition or risk that might be incurred in the exercise of the rights granted herein.

12. Notice. Unless otherwise expressly identified and authorized in the preceding Sections of this Agreement, any and all notices given or delivered by any Party hereto shall be in writing and delivered in person or by Federal Express or similar private commercial courier for next business day delivery or otherwise deposited in the United States mail in the County of Orange, California, duly certified or registered, postage prepaid, and addressed as set forth below:

Licensor: Irvine Ranch Water District
15600 Sand Canyon Avenue
P.O. Box 5700
Irvine, CA 92619-7000
General Manager

Licensee: County of Orange
13042 Old Myford Rd.,
Irvine, CA 92602
Attn: OC Parks, Real Estate Division

13. Miscellaneous.

a. This License shall be binding on the successors, assigns and legal representatives of each of the Parties hereto; provided, Licensee shall not assign or transfer its interest in this License without the prior written consent of Licensor. Any such assignment without the consent and approval in writing of Licensor thereto shall cause this License to automatically terminate.

b. This License represents the entire agreement between the Parties hereto regarding the subject matter herein and supersedes all prior negotiations, representations or agreements, either written or oral. Exhibits A – E attached hereto are hereby incorporated herein by this reference for all purposes.

c. This License may be modified only by written instrument executed by both Parties hereto.

d. Time is of the essence of each provision of this License.

e. No delay on the part of any Party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party hereto of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

f. This License shall be governed by and construed in accordance with the laws of the State of California.

g. If any suit or action is brought to enforce or construe any provision of this License, the prevailing Party shall be entitled to recover its costs and expenses arising out of such litigation, including attorneys' fees and court costs, from the non-prevailing Party.

h. This License may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute but one and the same instrument.

[THIS SPACE INTENTIONALLY LEFT BLANK; SIGNATURES TO FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this License as of the Effective Date.

“LICENSOR”

IRVINE RANCH WATER DISTRICT

By: _____
Paul Cook
General Manager

By: _____
Leslie Bonkowski
Secretary

Approved as to Form

BOWIE, ARNESON, WILES & GIANNONE

By: _____

“LICENSEE”

COUNTY OF ORANGE,
a political subdivision of the State of California

By: _____
Scott D. Mayer
Chief Real Estate Officer
Per Minute Order dated June 9, 2015

Approved as to Form
Office of the County Counsel
Orange County, California

By: _____
Deputy

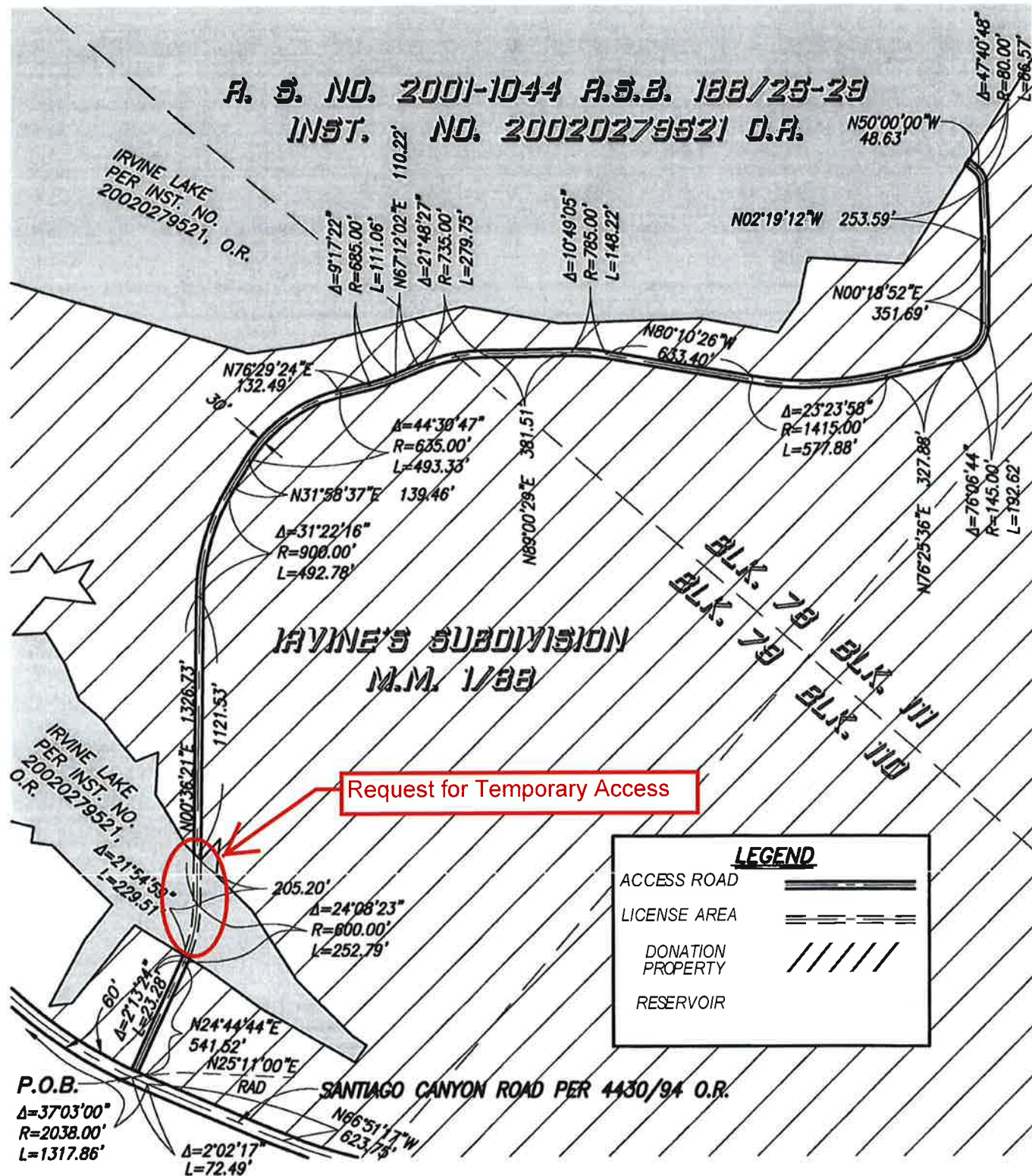
Date: _____

EXHIBIT A

Depiction of Access Road & Donation Land

(See Attached)

EXHIBIT "A"



QC PUBLIC WORKS
OC SURVEY
RIGHT - OF - WAY

ROW ID# 2015-044

SCALE : $1'' = BOO'$

DEPICTION OF ACCESS ROAD & DONATION LAND

SHEET 1 OF 1

PROJECT: BLACK STAR WILDERNESS PARK-IRVINE LAKE ACCESS LICENSE

EXHIBIT B

Legal Description of Access Road

(See Attached)

EXHIBIT "B"

LEGAL DESCRIPTION OF ACCESS ROAD

That certain 30.00 foot wide strip of land over portions of Blocks 78 and 79 of Irvine's Subdivision, in the Unincorporated Territory of the County of Orange, State of California, as shown on a map filed in Book 1, Page 88 of Miscellaneous Maps, in the Office of the County Recorder of said County, lying 15.00 feet on each side of the following described centerline;

BEGINNING at a point on the centerline of Santiago Canyon Road, being 60.00 feet wide, as described in a document recorded September 29, 1958, in Book 4430, Page 94 of Official Records, in said Office of the County Recorder, distant northwesterly 72.49 feet, along a curve concave northeasterly and having a radius 2038.00 feet, from the southeasterly terminus of the curve described as concave northeasterly, having a radius of 2038.00 feet, a central angle of 37°03'00" and an arc length of 1317.86 feet in said document, a radial line from said point bears North 25°11'00" East;

Thence leaving said centerline, North 24°44'44" East 541.52 feet to a curve concave northwesterly and having a radius of 600.00 feet;

Thence northerly along said curve, through a central angle of 24°08'23", 252.79 feet;

Thence North 00°36'21" East 1326.73 feet to the beginning of a tangent curve concave southeasterly and having a radius of 900.00 feet;

Thence northerly along said curve, through a central angle of 31°22'16", 492.78 feet;

Thence North 31°58'37" East 139.46 feet to the beginning of a tangent curve concave southeasterly and having a radius of 635.00 feet;

Thence northeasterly along said curve, through a central angle of 44°30'47", 493.33 feet;

Thence North 76°29'24" East 132.49 feet to the beginning of a tangent curve concave northwesterly and having a radius of 685.00 feet;

Thence northeasterly along said curve, through a central angle of 09°17'22", 111.06 feet;

Thence North 67°12'02" East 110.22 feet to the beginning of a tangent curve concave southerly and having a radius of 735.00 feet;

Thence easterly along said curve, through a central angle of 21°48'27", 279.75 feet;

Thence North 89°00'29" East 381.51 feet to the beginning of a tangent curve concave southerly and having a radius of 785.00 feet;

Thence easterly along said curve, through a central angle of 10°49'05", 148.22 feet;

Thence South $80^{\circ}10'26''$ East 633.40 feet to the beginning of a tangent curve concave northerly and having a radius of 1415.00 feet;

Thence easterly along said curve, through a central angle of $23^{\circ}23'58''$, 577.88 feet;

Thence North $76^{\circ}25'36''$ East 327.88 feet to the beginning of a tangent curve concave northwesterly and having a radius of 145.00 feet;

Thence northerly along said curve, through a central angle of $76^{\circ}06'44''$, 192.62 feet;

Thence North $00^{\circ}18'52''$ East 351.69 feet;

Thence North $02^{\circ}19'12''$ West 253.59 feet to the beginning of a tangent curve concave southwesterly and having a radius of 80.00 feet;

Thence northwesterly along said curve, through a central angle of $47^{\circ}40'48''$, 66.57 feet;

Thence North $50^{\circ}00'00''$ West 48.63 feet to the generally southerly line of the Irvine Lake Boundary as described in a Grant Deed recorded April 3, 2002, as Instrument No. 20020279521 of said Official Records, and as shown on Record of Survey No. 2001-1044, as shown by map filed in Book 188, Pages 25 through 29, inclusive, of Records of Survey.

Except that portion included in the area described in said Grant Deed.

Also except that portion included within said right-of-way of Santiago Canyon Road.

The sidelines of said strip to be prolonged or shortened to terminate on said boundary.

As more particularly shown on Exhibit "C" attached hereto and made a part hereof.

Containing 8.812 Acres, more or less.

EXHIBIT C

Depiction of Access Road

(See Attached)

EXHIBIT "C"

A. S. NO. 2001-1044 A.S.B. 188/25-29

INST. NO. 20020279521 O.R.

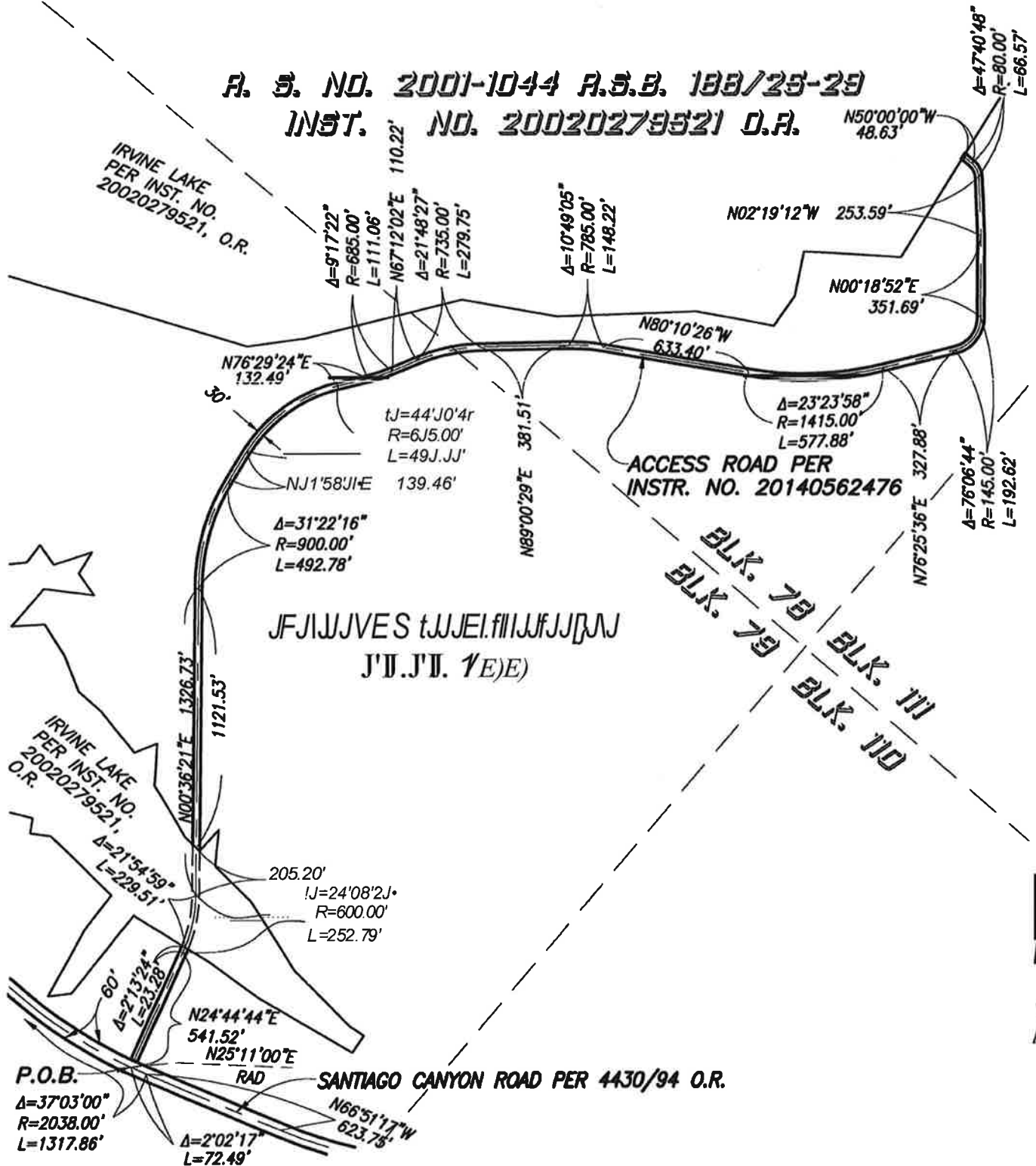


EXHIBIT D

Legal Description of License Area

(See Attached)

EXHIBIT "D"

LEGAL DESCRIPTION OF LICENSE AREA

PARCEL 1: ROAD LICENSE AREA

That certain portion of a 30.00 foot wide strip of land in Block 79 of Irvine's Subdivision, in the Unincorporated Territory of the County of Orange, State of California, as shown on a map filed in Book 1, Page 88 of Miscellaneous Maps, in the Office of the County Recorder of said County, lying within the land described in a Grant Deed recorded April 3, 2002 as Instrument No. 20020279521 of Official Records in said Office of the County Recorder, lying 15.00 feet on each side of the following described centerline:

BEGINNING at a point on the centerline of Santiago Canyon Road, being 60.00 feet wide, as described in a document recorded September 29, 1958, in Book 4430, Page 94 of Official Records, in said Office of the County Recorder, distant northwesterly 72.49 feet, along a curve concave northeasterly and having a radius 2038.00 feet, from the southeasterly terminus of the curve described as concave northeasterly, having a radius of 2038.00 feet, a central angle of 37°03'00" and an arc length of 1317.86 feet in said document, a radial line from said point bears North 25°11'00" East;

Thence leaving said centerline, North 24°44'44" East 541.52 feet to a curve concave northwesterly and having a radius of 600.00 feet;

Thence northerly along said curve, through a central angle of 24°08'23", 252.79 feet;

Thence North 00°36'21" East 1326.73 feet;

As more particularly shown on Exhibit "E" attached hereto and made a part hereof.

Containing 0.300 acres, more or less.

PARCEL 2: TRAIL LICENSE AREA

That certain 15.00 foot wide strip of land in Block 79 of Irvine's Subdivision, in the Unincorporated Territory of the County of Orange, State of California, as shown on a map filed in Book 1, Page 88 of Miscellaneous Maps, in the Office of the County Recorder of said County, lying within the land described in a Grant Deed recorded April 3, 2002 as Instrument No. 20020279521 of Official Records in said Office of the County Recorder, the westerly line of said strip lying 15.00 feet easterly of the following described line:

BEGINNING at a point on the centerline of Santiago Canyon Road, being 60.00 feet wide, as described in a document recorded September 29, 1958, in Book 4430, Page 94 of Official Records, in said Office of the County Recorder, distant northwesterly 72.49 feet, along a curve concave north easterly and having a radius 2038.00 feet, from the southeasterly terminus of the curve described as concave northeasterly, having a radius of 2038.00 feet, a central angle

of 37°03'00" and an arc length of 1317.86 feet in said document, a radial line from said point bears North 25°11'00" East;

Thence leaving said centerline, North 24°44'44" East 541.52 feet to a curve concave northwesterly and having a radius of 600.00 feet;

Thence northerly along said curve, through a central angle of 24°08'23", 252.79 feet;

Thence North 00°36'21" East 1326.73 feet;

As more particularly shown on Exhibit "E" attached hereto and made a part hereof.

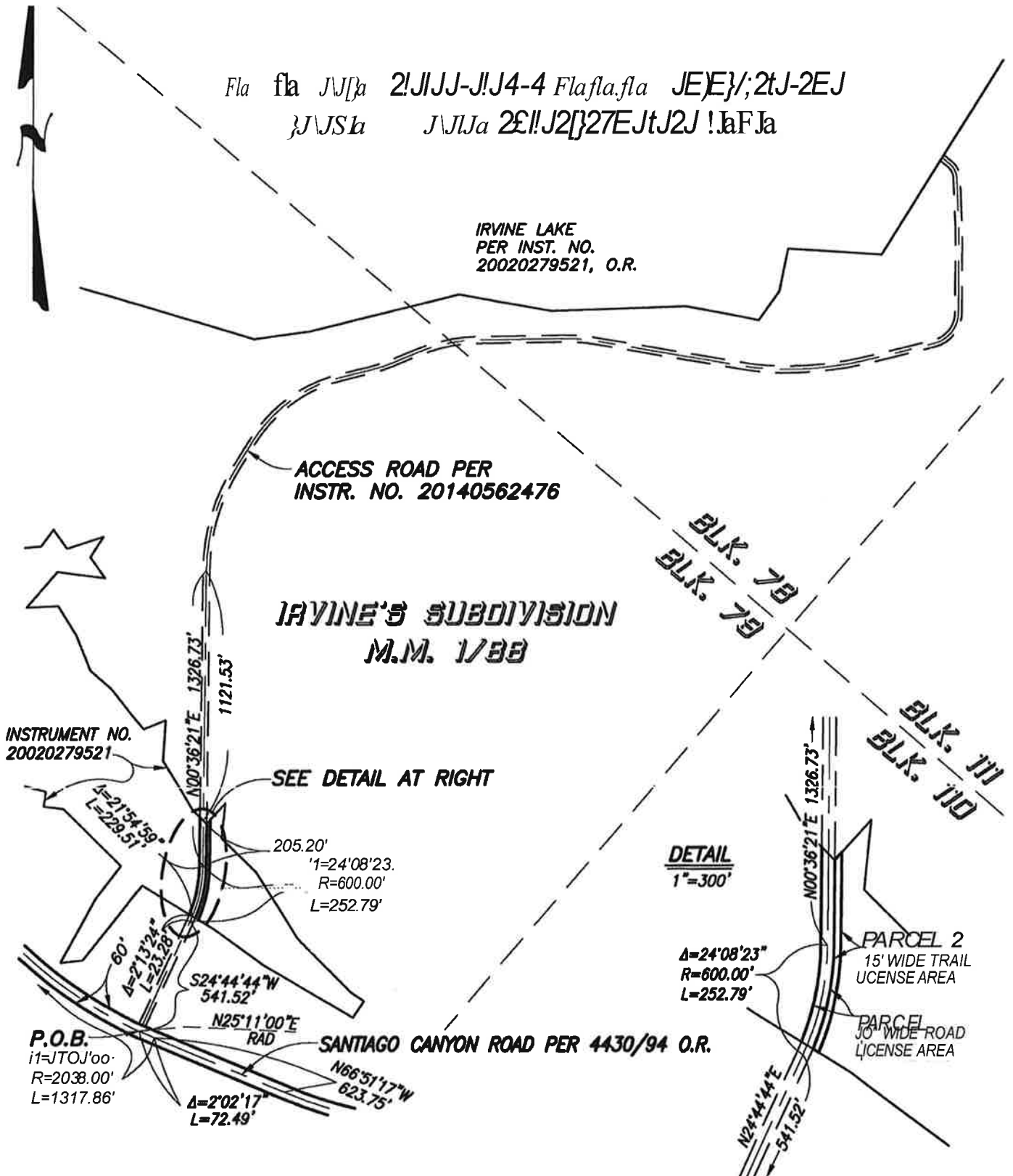
Containing 6628 square feet, more or less.

EXHIBIT E

Depiction of License Area

(See Attached)

EXHIBIT "E"



OC PUBLIC WORKS
 QC SURVEY
 RIGHT - OF - WAY

ROW ID# 2015 - 044

SCALE : 1" = 600'

DEPICTION OF
 LICENSE AREA

SHEET 1 OF 1

PROJECT: BLACK STAR WILDERNESS PARK - IRVINE LAKE ACCESS LICENSE