

SCHOOL IMPACT MITIGATION AGREEMENT

**EAST ORANGE PROJECT
SANTIAGO HILLS II PROJECT
MOUNTAIN PARK PROJECT**

BY AND BETWEEN

ORANGE UNIFIED SCHOOL DISTRICT

AND

IRVINE COMMUNITY DEVELOPMENT COMPANY LLC

DATED AS OF DECEMBER 9, 2004

SCHOOL IMPACT MITIGATION AGREEMENT

EAST ORANGE PROJECT SANTIAGO HILLS II PROJECT MOUNTAIN PARK PROJECT

THIS SCHOOL IMPACT MITIGATION AGREEMENT ("Mitigation Agreement") dated as of December 9, 2004, by and between ORANGE UNIFIED SCHOOL DISTRICT of Orange County, California ("School District"), a school district organized and existing under the laws of the State of California ("State"), and IRVINE COMMUNITY DEVELOPMENT COMPANY LLC, a Delaware limited liability company ("ICDC" or the "Landowner").

RECITALS:

A. ICDC is or will be the owner of the undeveloped properties described in **Exhibits A and A-1** and depicted on **Exhibits B and B-1** hereto ("Property") which are located within the School District and which are to be developed by ICDC into three residential development projects, known as (1) the East Orange Project (referred to individually herein as the "East Orange Project") currently in the County of Orange and planned to be annexed into the City of Orange; (2) the Santiago Hills II Project (referred to individually herein as the "Santiago Hills Project") currently in the County of Orange and planned to be annexed into the City of Orange; and (3) the Mountain Park Project (referred to individually herein as the "Mountain Park Project") in the City of Anaheim. Collectively, the foregoing development projects shall be referred to herein as the "Projects. ICDC is a wholly-owned subsidiary of The Irvine Company ("TIC") and will acquire from TIC any portion of the Property currently owned by TIC. As of the date of this Mitigation Agreement, ICDC represents that TIC and ICDC own all of the Property. TIC consents to the recordation of a memorandum of this Mitigation Agreement pursuant to Section 14.15.1 with respect to the portion of the Property currently owned by TIC and consents to ICDC's performance of any and all obligations under this Mitigation Agreement with respect to such portion of the Property.

B. School District is responsible for providing housing for students in kindergarten through the twelfth grade ("K-12") who reside within the School District; and

C. School District and Landowner agree that the development of the Projects will generate additional K-12 school students ("Project Students") who cannot all be housed in the existing school facilities of the School District; and

D. School District and Landowner agree that additional land and school facilities (further defined herein as the "School Facilities"), as generally described in Section 7.0 hereof and as further described in the Santiago Hills/East Orange School Facilities Plan and Mountain Park School Facilities Plan attached hereto as **Exhibits C-1 and C-2**, respectively, will be needed to adequately house the Project Students; and

E. School District and Landowner have determined that funding from the State for School Facilities to house Project Students is inadequate to meet the needs of School District for such purpose; and

F. School District and Landowner acknowledge and agree that while funding the School Facilities is the primary obligation of the State, both the adequacy and timing of State funding is unpredictable so that the parties may not be able to rely solely upon State funding to finance the School Facilities as such facilities are needed to house the Project Students; and

G. School District and Landowner have agreed that given the uncertainties of State funding for the School Facilities, it is in their mutual best interest to enter into this Mitigation Agreement to augment funding School Facilities necessary to house the Project Students; and

H. School District and Landowner acknowledge that it is their intention in entering into this Agreement to supersede in its entirety the "Mitigation Agreement Concerning School Facilities for Santiago Hills Phase II," dated as of August 15, 2000, by and between School District and TIC ("Prior Mitigation Agreement"); and

I. School District acknowledges that it has an obligation to make best efforts to pursue funding from the State for School Facilities made necessary by development of the Property; and

J. School District and Landowner further agree that interim school facilities described in each School Facilities Plan ("Interim Facilities") will be needed periodically to serve Project Students prior to construction of the School Facilities and that it is in their mutual best interest to enter into this Mitigation Agreement for the purpose of financing Interim Facilities; and

K. Landowner's participation and cooperation in implementing this Mitigation Agreement is intended to constitute complete mitigation of the impact of the development of Landowner's Property upon School District in lieu of any fees which the District might have imposed on the Projects pursuant to Education Code Section 17620 or Government Code Sections 65970, et seq. and 65995, et seq., and in lieu of any other school facilities requirements which the School District and County of Orange or Cities of Orange or Anaheim might be authorized to impose pursuant to applicable existing or future law.

AGREEMENT:

Section 1.0 Recitals

The foregoing recitals are true and correct.

Section 2.0 Prior Agreement Superseded

The Prior Mitigation Agreement is hereby superseded in its entirety and replaced by this Mitigation Agreement. As of the date of execution hereof, the Prior Mitigation shall be of no further force or effect.

Section 3.0 Definitions

The capitalized terms used in this Mitigation Agreement shall have the meanings set forth as follows unless such terms are defined elsewhere herein or the context requires otherwise:

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended (Government Code Section 53311, et seq.).

"Additional School Facilities" means school facilities in addition to the School Facilities described in Section 7.0 that directly benefit Project Students consisting of, with respect to the EO/SH CFD, Santiago Hills Charter Middle School, El Modena High School and Peralta High School and, with respect to the MP CFD, Imperial Elementary School, El Rancho Charter Middle School, Canyon High School and Peralta High School and, with respect to both CFDs, any other schools designated by the School District to serve Project Students.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel Number.

"Assessor's Parcel Number" means the number assigned to an Assessor's Parcel by the County for the purpose of identification.

"Assisted Living Unit" means any Unit which is a part of a residential care facility for the elderly as described in Health & Safety Code Section 1569.2(k) as such section may be amended from time to time or a multilevel facility for the elderly as described in Health & Safety Code Section 15432(d)(9) as such section may be amended from time to time.

"Bonds" means any obligation by a CFD to pay or repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, lease payments or installment purchase payments or any refunding thereof incurred by the CFD to finance the acquisition or construction of the School Facilities or any portion thereof and repayable out of Special Taxes of the CFD.

"Building Square Feet/Footage" or "BSF" means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space in a Unit, as determined by reference to the building permit(s) application for such Assessor's Parcel.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

"Certificate of Compliance" means (i) a certificate issued by the School District pursuant to Education Code Section 17620(b) acknowledging that the fact that the recipient thereof has complied with all requirements of the School District for the payment of statutory school fees/alternative school facility fees/mitigation payments and (ii) a certificate issued by the School District acknowledging that adequate provisions have been made for school facilities.

"CFD Parameters" means **Exhibit D** hereto.

"City" where used collectively, means the City of Anaheim and/or the City of Orange.

"City Facilities or Fees" means public facilities or fees of a City authorized to be financed through a CFD.

"Commercial/Industrial Development" means any non-residential property including, but not limited to, any hotel, inn, motel, tourist home, or other lodging for which the maximum term of occupancy for guests does not exceed thirty days, but not including any residential hotel, as defined in paragraph (1) of subdivision (b) of section 50519 of the Health and Safety Code, nor any facility used exclusively for religious purposes that is thereby exempt from property taxation under the laws of California, any facility used exclusively as a private full-time day school as described in Section 48222 of the Education Code, or any facility that is owned and occupied by one or more agencies of federal, state, or local government.

"Community Facilities District" or "CFD" means a community facilities district formed by the School District pursuant to the provisions of the Act encompassing all or any portion of the Property.

"Construction Account" means an account within the Improvement Fund from which all costs of the School Facilities may be funded other than the purchase price of the School Sites.

"County" means the County of Orange.

"Developed Property" means Assessor's Parcels for which building permits are issued prior to June 1 each fiscal year.

"EO/SH CFD" means one or more CFDs encompassing the East Orange Project and the Santiago Hills Project established in accordance with this Mitigation Agreement.

"East Orange Elementary/Middle School Site" shall mean the School Facility described in Section 7.3 hereof in the location depicted in **Exhibit E** hereto.

"Final Map Property" means Assessor's Parcels for which a final subdivision map has been approved creating individual lots for conveyance to homebuyers.

"Goals and Policies" means the "Local Public Agency Goals and Policies for Community Facilities Districts" adopted by the School District on September 9, 2004 pursuant to Resolution No. 09-04-05.

"Improvement Fund" means a fund established for each CFD consisting of a Construction Account, Site Acquisition Account and Other Facilities Account.

"Index" means (i) with respect to the Land Component, the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for all Urban Consumers, Los Angeles – Riverside – Orange County Area Average, all items (1982-1984 = 100), and (ii) with respect to the Non-Land Component, the construction cost index for Class "D" construction used by the

State Office of Public School Construction or, in the event the Office of Public School Construction no longer uses a construction cost index, a comparable index of costs of construction in southern California.

“Interim Facilities” means interim School District capital facilities required to serve Project Students prior to completion of the School Facilities.

“Land Component” means the amount of funding to be reserved for the acquisition of School Sites as set forth in this Mitigation Agreement.

“Mountain Park Elementary Site” shall mean the School Facility described in Section 7.4 hereof in the location depicted in **Exhibit F** hereto.

“MP CFD” means a CFD encompassing the Mountain Park Project established in accordance with this Mitigation Agreement.

“Net Usable Acres” means the gross acres of a School Site less any acreage within a public right of way and acreage of perimeter slopes exceeding a 2% grade.

“Non-Land Component” means the amount of funding to be reserved for Interim Facilities and the construction, furnishing and equipping of School Facilities, other than the acquisition of School Sites, as set forth in this Mitigation Agreement.

“Notice of Availability” means the date that is six (6) months following the date of ICDC’s written notice to the School District that the School Site is in Superpad Condition and available for acquisition

“Other Facilities Account” means an account within the Improvement Fund from which funds may be disbursed to fund City Facilities and Fees.

“Production Unit” means a Unit that is not to be used initially as a model home.

“Project(s)” means the Santiago Hills II Project, the East Orange Project and the Mountain Park Project.

“Project Students” means Grades K-12 students enrolled in the School District and residing within a Project.

“School Facilities” shall mean collectively the school facilities, including school sites, described in Section 7.0 hereto, and “School Facility” shall mean any individual school facility described in Section 7.0 and **Exhibits C-1 and C-2** hereto.

“School Facilities Plan” means the Santiago Hills II/East Orange School Facilities Plan and the Mountain Park School Facilities Plan attached hereto as **Exhibit C-1 and C-2**, respectively, as each may be amended with mutual consent of both parties.

“School Sites” mean the East Orange Elementary/Middle School Site and the Mountain Park Elementary Site.

"Senior Unit" means a Unit within a property developed for senior citizen housing as described in Civil Code Section 51.3 as such section may be amended from time to time and further provided that the residency of any such Unit is limited to persons 55 years of age or older, excluding Assisted Living Units.

"Site Acquisition Account" means an account within the Improvement Fund from which funds may be disbursed to fund the purchase price of School Sites.

"Superintendent" means the Superintendent of the School District, or his or her designee.

"Superpad Condition" means a School Site has been graded to a 2% grade and all utilities have been stubbed to the property line as further specified in the purchase and sale agreement for the School Site.

"Surplus Special Taxes" means annual special taxes of the EO/SH CFD and the MP CFD collected from Developed Property that have been levied to pay directly for School Facilities and Additional School Facilities in any fiscal year in which special taxes are not levied on Final Map Property or Undeveloped Property.

"Undeveloped Property" means taxable property within a CFD that is not classified as Developed Property or Final Map Property.

"Unit" means each separate residential dwelling unit that comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

Section 4.0 Mitigation of School Facilities Impacts

4.1 Purpose and Covenants.

The purpose of this Mitigation Agreement is to augment funding for (a) the School Facilities and (b) Interim Facilities. By entering into this Mitigation Agreement and complying with its terms, Landowner shall be deemed to have fulfilled and mitigated its entire obligation to assist in funding school facilities to house the Project Students. As a result, so long as Landowner is not in breach of this Mitigation Agreement, School District hereby covenants that it will not under any circumstances at any time:

(a) exercise any power or authority (under Section 17620 of the California Education Code or any other provision of applicable law) to levy a fee, charge, dedication, or other form of requirement against any Unit or any development undertaken within the boundaries of the Property for the purpose of providing, funding or financing school facilities or any portion thereof (other than as specifically set forth in this Mitigation Agreement);

(b) require the City, County or any other governmental entity to exercise, or cooperate with the City or any other governmental entity in the exercise of, the power under Title 7, Division 1, Chapter 4.7 of the California Government Code (commencing with Section 65970) or any other provision of applicable law, to require the dedication of land, the payment of fees in

lieu thereof, or both for classroom or related facilities for K-12 schools as a condition to the approval of a Unit or any development within the boundaries of the Property;

(c) oppose development (including but not limited to commercial, industrial or residential development) within the boundaries of the Property on the basis of inadequate school facilities or seek other forms of mitigation with respect to the adequacy of school facilities including, but not limited to, the establishment of developer fees (other than as specifically set forth in this Mitigation Agreement), the payment of money by any landowner, the dedication of land, or the application of an assessment or requirement of any nature against any landowner or any property including commercial, industrial and residential property, currently owned by any landowner within the boundaries of the Property permitted by present or future State law, rulings, regulations and court decisions if the proceeds of such assessment or requirement will be used to finance or fund the School Facilities or any portion thereof.

4.2 Waiver of Right to Protest.

Execution of this Mitigation Agreement is made by Landowner without protest. Landowner knowingly and willingly waives its right of protest as may be afforded by Government Code Sections 66020 or any other substantive or procedural provision of law.

4.3 District Acknowledgement.

School District acknowledges that the compliance with terms in this Mitigation Agreement makes adequate provision for such School Facilities needed to house the Project Students. The School District authorizes the Superintendent or designee to execute letters or other written materials, as reasonably requested by Landowner (subject to School District approval), describing this Mitigation Agreement and stating that adequate provision for school facilities necessary to house the Project Students has been made in connection with development of the Property.

4.4 Mitigation Agreement Unaffected By Changes in Law.

School District and Landowner agree that each party has negotiated in good faith to reach accord on this Mitigation Agreement, and as such, the Mitigation Agreement is a legally binding contract between the parties, enforceable in accordance with its terms. Landowner and District agree that to the maximum extent permitted by law, this Mitigation Agreement shall not be affected, modified, or annulled by any subsequent change in local, state or federal law.

4.5 School Facilities Plans.

The School Facilities Plans constitute the agreed-upon school facilities needs analysis for the School Facilities needed to serve the Property, taking into account the following factors as summarized in the School Facilities Plans: (i) residential unit projections; (ii) projected student generation rates; (iii) projected school construction costs and land values; (iv) the methodology for determining capacity in existing school facilities; and (v) need for interim and permanent school facilities.

Section 5.0 State Funds

5.1 Pursuit of State Funds.

School District agrees that State funding is the primary funding source of the School Facilities and, accordingly, School District covenants to continuously and diligently pursue all legally available State funding for the acquisition of the School Sites and the construction, furnishing and equipping of the School Facilities. The School District shall neither suspend nor willfully fail to pursue with diligence all legally available State funds for the acquisition of the School Sites and the construction, furnishing and equipping of School Facilities. To this end, the District agrees that it shall make reasonable interim use of relocatable classrooms in both existing and new schools serving students from the Project and implement policies so as to maximize State eligibility standards. District agrees to provide copies of State forms for eligibility as well as applications for funding all new construction projects until all School Facilities are constructed. School District agrees that its first priority for use of 100% of its eligibility for State funding for new construction as of and following the date of execution of this Mitigation Agreement shall be the East Orange Elementary/Middle School and the Mountain Park Elementary School. School District shall not be required to use State funding received for other school facilities on the East Orange Elementary/Middle School or the Mountain Park Elementary School.

5.2 Use of State Funds

School District shall maintain a separate accounting of all State funds received with respect to the School Facilities, and shall provide an annual report to Landowner of all State funds received and State funding used to fund School Facilities and Additional School Facilities until all School Facilities are constructed.

One hundred percent (100%) of all State funds received for the Mountain Park Elementary School and one hundred percent (100%) of all State funds received for the East Orange Elementary/Middle School shall be applied first to pay the costs of the construction, furnishing and equipping of the applicable School Facilities not otherwise funded with amounts in the applicable Construction Account and, upon completion of the applicable School Facilities, any remaining State funds may be applied to fund Additional School Facilities. State funds shall not be deposited in the applicable Site Acquisition Account. Notwithstanding the amount of State funds ultimately received by the School District for the School Facilities, however, the School District shall be entitled to receive from the proceeds of the Bonds and Surplus Special Taxes of the EO/SH CFD and MP CFD collected prior to issuance of the last series of Bonds of the applicable CFD not less than \$76,000,000 and \$50,400,000, respectively, for School Facilities subject to adjustment according to the Index and reduction in the event the applicable School Site is not acquired, as further described in Section 7.0 below and **Exhibit D**.

Section 6.0 Interim Facilities and Project Students Projections

6.1 Unhoused Students Projection (One Year and Two Year).

Not later than March 1 of each Calendar Year, commencing March 1, 2005, until buildout of the applicable Project, Landowner shall provide School District with the total number of Single Family Detached Units and Single Family Attached Units for which Certificates of Compliance are projected by the Landowner to be obtained within each Project during the next two twelve (12) month periods from July 1 of that Calendar Year through June 30 of the next two Calendar Years. For purposes of this Section, "Single Family Detached Unit" means a Unit which is not a Single Family Attached Unit, an Assisted Living Unit or a Senior Unit. A "Single Family Attached Unit" means a Unit that is located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit and is not an Assisted Living Unit or a Senior Unit.

The School District shall estimate the number of Project Students expected to be generated within the Project over each of the next two school years based on the number and mix of Units anticipated to be constructed, as provided by Landowner, and the student generation factors in the School Facilities Plan or other student generation factors the School District reasonably demonstrates more accurately reflect the actual student generation from the Project. The School District will compare the number of existing and projected Project Students to the student housing available in the existing school facilities serving Project Students in the next school year to determine whether Interim Facilities are needed to house the Project Students (the "One Year Projection"). School District shall also compare the number of existing and projected Project Students in grades K-8 from the Santiago Hills Project and East Orange Project to the student housing available in existing permanent school facilities listed in the School Facilities Plan for the next two school years (the "Two Year Projection").

6.2 Funding of Interim Facilities.

If the One Year Projection shows existing and projected Project Students will exceed the total capacity of the existing school facilities serving a Project, the required Interim Facilities shall be provided with funds provided from the applicable CFD.

Section 7.0 School Facilities

Landowner agrees to fund through the EO/SH CFD and MP CFD, as described below, costs of the School Facilities and Interim Facilities as summarized below and described in greater detail in the School Facilities Plan.

7.1 *Interim Facilities (Santiago Hills Project and East Orange Project).* The EO/SH CFD shall provide funding for Interim Facilities required to serve Project Students within the Santiago Hills II Project and East Orange Project. Up to \$1,000,000 for Interim Facilities shall be funded from the proceeds of Bonds of the EO/SH CFD following the issuance of a Certificate of Compliance for the first Production Unit within the Santiago Hills Project. At the time of issuance of Bonds to fund the acquisition of the East Orange Elementary/Middle School Site, an additional amount shall be funded from the EO/SH CFD, if necessary, for Interim Facilities reasonably expected to be required to house Project Students prior to completion of the East Orange Elementary/Middle School.

7.2 *Expansion of Chapman Hills Elementary School (Santiago Hills Project and East Orange Project).* Landowner shall advance \$50,000 to the School District following the issuance of a grading permit for the Santiago Hills Project to fund planning and State approval costs for the proposed expansion of Chapman Hills Elementary School. Following the issuance of a Certificate of Compliance for the first Production Unit within the Santiago Hills Project the EO/SH CFD shall provide funding in the amount not to exceed \$3,000,000 to expand Chapman Hills Elementary School from 450 to 650 student capacity in accordance with the School Facilities Plan and to reimburse Landowner for the funds advanced pursuant to this Section 7.2.

7.3 *High School Facilities (Santiago Hills Project and East Orange Project).* The EO/SH CFD shall provide funding in the amount not to exceed \$4,000,000 at the time of issuance of Bonds to fund the acquisition of the East Orange Elementary/Middle School Site to mitigate impacts of the Santiago Hills II Project and the East Orange Project at the high school level.

Following the issuance of a Certificate of Compliance for the first Production Unit within Area 2 of the East Orange Project, the EO/SH CFD shall fund an additional amount to mitigate impacts of the Santiago Hills Project and East Orange Project at the high school level not to exceed \$8,000,000 less the amount previously funded for high school facilities and the amount previously funded for Interim Facilities at all grade levels pursuant to Section 7.1. The funds may be used to fund high school facilities in conformance with the School Facilities Plan.

7.4 *Construction of East Orange Elementary/Middle School (Santiago Hills Project and East Orange Project).*

7.4.1 Reservation of School Site. Landowner shall reserve the East Orange Elementary/Middle School Site for acquisition by the School District until the later of (i) the date that is six (6) months following the date of ICDC's written notice to the School District that the School Site is in Superpad Condition and available for acquisition ("Notice of Availability") and (ii) the date that is six (6) months following the date of deposit of proceeds of the Bonds in the Site Acquisition Account for the EO/SH CFD. The School Site shall be comprised of either 15 Net Usable Acres or 20 Net Usable Acres. If the School District does not acquire the School Site prior to expiration of the reservation period described above in this Section 7.4.1 or acquires only 15 Net Usable Acres, the portion not acquired shall no longer be reserved for acquisition and School District shall not oppose its development. In addition, Landowner shall provide one hundred and eighty (180) days' prior written notice to School District of the date ICDC intends to commence grading of the School Site (the "Grading Commencement Date"). Landowner and School District shall make a good faith effort to enter into a purchase and sale agreement upon reasonable terms and conditions approved by

the Landowner and School District prior to the Grading Commencement Date. The purchase and sale agreement shall provide for the School District's acquisition of 15 Net Usable Acres or 20 Net Usable Acres of the East Orange Elementary/Middle School Site.

7.4.2 Design and Site Approval Funding. The EO/SH CFD shall provide funding in the amount not to exceed \$1,000,000 to cover the actual costs of preliminary site design, site investigation and State approval of the School Site following the issuance of a Certificate of Compliance for the first Production Unit within the Santiago Hills Project.

7.4.3 Timing and Process of Site Delivery. Landowner shall deliver title to the School Site in accordance with the School Facilities Plan. The purchase price for the School Site shall be determined according to the process described below. Landowner acknowledges and agrees the purchase price of fifteen (15) Net Usable Acres of the School Site shall be paid solely from and only to the extent of the proceeds of the Bonds of the EO/SH CFD deposited in the EO/SH CFD Site Acquisition Account. The purchase price for any acreage of the School Site in excess of the first fifteen (15) Net Usable Acres shall be paid from funds in the Site Acquisition Account in excess of the purchase price of 15 Net Usable Acres, if any, and from State funds or other available funds of the School District. The EO/SH CFD shall provide funding for the Site Acquisition Account following the Notice of Availability for the School Site and, in any event, prior to the date specified for close of escrow of the sale of the School Site in the purchase and sale agreement.

The Landowner and the School District shall attempt to agree upon an acceptable MAI appraiser whose report as to the fair market value of the land, as of the agreed appraisal date, shall determine the purchase price of the land. The appraiser shall be instructed to determine the fair market value of the School Site based upon its highest and best use, without regard to the intended ultimate school use of the land, and in Superpad Condition. If the Landowner and the School District cannot agree on a single appraiser, each party shall designate an MAI appraiser to independently appraise the land, as of the agreed appraisal date, and prepare a report of the fair market value of the land. If the opinions of value of the two appraisers differ by 10% or less from each other, the purchase price of the land shall be the average of the two appraisals. If the opinions of the value of the two appraisers differ by more than 10%, the two appraisers shall agree upon a third MAI appraiser, which shall independently assess the land and prepare a letter opinion of the fair market value of the land. In that event, the purchase price of the land shall be deemed to be the average of the two appraisals (from the previous two appraisals reports and the third appraisal letter opinion) having the closest opinions of value.

7.4.4 School Construction (Santiago Hills Project and East Orange Project). The EO/SH CFD shall provide funding for the construction, furnishing and equipping of the East Orange Elementary/Middle School in the total amount not to exceed \$20,000,000, less the amount specified in Section 7.4.2, eighteen (18) months prior to the beginning of the school year in which it has been determined pursuant to a Two-Year Projection for the East Orange Project and Santiago Hills Project that at least 300 grade K-8 Project Students will be unhoused in permanent classrooms at the beginning of the school year assuming completion of the Chapman Hills expansion, if not then completed. School District agrees to make a good faith effort to award the contract for the construction of the East Orange Elementary/Middle School within six (6) months following issuance of the Bonds to fund such construction.

7.5 *Interim Facilities (Mountain Park Project)*. The MP CFD shall provide funding for Interim Facilities required to serve Project Students within the Mountain Park Project. Up to \$600,000 for Interim Facilities shall be funded from the proceeds of Bonds of the MP CFD following the issuance of a Certificate of Compliance for the first Production Unit within the West Village area of the Mountain Park Project. At the time of issuance of Bonds to fund the acquisition of the Mountain Park Elementary School Site, an additional amount shall be funded from the MP CFD, if necessary, for Interim Facilities reasonably expected to be required to house Project Students prior to completion of the Mountain Park Elementary School.

7.6 *Construction of Elementary School (Mountain Park Project)*.

7.6.1 Reservation of School Site. Landowner shall reserve the Mountain Park Elementary School Site for acquisition by the School District, pursuant to a purchase and sale agreement entered into between Landowner and School District upon reasonable terms and conditions approved by both parties, until the later of (i) the date that is six (6) months following the date of ICDC's written notice to the School District that the School Site is in Superpad Condition and available for acquisition ("Notice of Availability") and (ii) the date that is six (6) months following the date of deposit of the proceeds of the Bonds in the Site Acquisition Account for the MP CFD. The School Site shall be comprised of 10 Net Usable Acres. If School District does not acquire the School Site prior to expiration of the reservation period described above in this Section 7.6.1, the School Site shall no longer be reserved for acquisition and School District shall not oppose its development.

7.6.2 Design and Site Approval Funding. The MP CFD shall provide funding in the amount of \$1,000,000 to cover the costs of preliminary site design, site investigation and approval in accordance with the School Facilities Plan following the issuance of a Certificate of Compliance for the first Production Unit within the West Village area of the Mountain Park Project.

7.6.3 Timing and Process of Delivery. Landowner shall deliver title to the School Site in accordance with the School Facilities Plan. The purchase price of the School Site shall be determined according to the process described in Section 7.4.3 above. Landowner acknowledges and agrees the purchase price of the School Site shall be paid solely from and only to the extent of the proceeds of Bonds of the MP CFD deposited in the MP CFD Site Acquisition Account. The MP CFD shall provide funding for the Site Acquisition Account following the issuance of a Certificate of Compliance for the first Production Unit in the portion of the Mountain Park Project East of SR 241, excluding the Red Rock area, and prior to the date specified for close of escrow of the sale of the School Site in the purchase and sale agreement for the School Site.

7.6.4 School Construction. The MP CFD shall fund construction of the Mountain Park Elementary School, in an amount not to exceed \$13,000,000, less the amount of specified in 7.6.2, following the issuance of a Certificate of Compliance for the first Production Unit in the portion of the Mountain Park Project east of SR 241, excluding the Red Rock area. School District agrees to make a good faith effort to award the contract for construction of the East Orange Elementary/Middle School within six (6) months following the issuance of Bonds to fund such construction.

7.7 *Middle School/High School Mitigation (Mountain Park Project).* The MP CFD shall provide funding in the amount not to exceed \$3,400,000 to mitigate impacts of the Mountain Park Project at the middle school level and \$4,000,000, less the amount previously funded for Interim Facilities pursuant to Section 7.5, to mitigate impacts at the high school level following the issuance of a Certificate of Compliance for the first Production Unit in the portion of the Mountain Park Project east of SR 241, excluding the Red Rock area. The middle school funds shall be used to the extent necessary to fund the East Orange Elementary/Middle School and/or to provide grades 7-8 facilities for Project Students. The high school funds shall be used to fund high school facilities at the discretion of the School District in accordance with the School Facilities Plan.

7.8 *Indexing of Land Component and Non-Land Component of Costs.* The portion of the amounts to be funded from the applicable CFDs specified in this Section 7.0 for the Non-Land Component that remains unfunded as of each January 1, commencing January 1, 2005, shall be adjusted by the percentage change in the Index for the preceding calendar year. The portion of the amount to be funded from the applicable CFDs specified in this Section 7.0 for the Land Component that remains unfunded as of each January 1, commencing January 1, 2006, shall be adjusted by the percentage change in the Index for the preceding calendar year.

7.9 *Timing of Bond Issues.* The Parties may mutually agree to the issuance of Bonds of a CFD earlier than the trigger events specified in this Section 7.0 and Exhibit D. If Bonds are not issued in a timely manner following the trigger events

specified in this Section 7.0 and Exhibit D due to Landowner's failure to reasonably cooperate in such issuance, Landowner acknowledges and agrees School District may be required to revise the applicable School Facilities Plan. Under such circumstances, Landowner further agrees not to take actions or cooperate with others in taking actions that would reduce the capacity of the CFDs to fund School Facilities below the amounts specified in this Mitigation Agreement.

7.10 *Surplus Special Taxes Fund.* Surplus Special Taxes collected prior to issuance of all Bonds of a CFD shall be retained in a discrete, special fund of the School District and disbursed to fund School Facilities as set forth in this Section 7.0 and Exhibit D and, when all Student Facilities have been fully funded, Surplus Special Taxes of a CFD may be disbursed to fund Additional School Facilities.

Section 8.0 Statutory School Fees

8.1 Commercial/Industrial Development.

The obligation of any Commercial/Industrial Development and Assisted Living Units within the Projects to pay statutory school fees or otherwise contribute funding for School Facilities shall be deemed satisfied as a result of the funding commitments specified in this Mitigation Agreement and, consequently, Commercial/Industrial Development and Assisted Living Units within the Projects shall be exempt from the payment of statutory school fees and CFD special taxes.

8.2 Senior Units.

Any Senior Units within the Projects shall be exempt from the payment of statutory school fees and CFD special taxes. Should the age restriction of any Senior Units be amended or terminated so as to permit residency by persons under the age of 55, the then Landowner(s) shall be required to pay special taxes or statutory school fees applicable to each such Unit which is in effect when the age restriction is so amended or terminated. Such payment shall be required to be made within thirty (30) days after the age restriction is so amended or terminated. The requirements of this subsection 8.2 shall be memorialized in a mutually agreeable deed restriction that shall be recorded against any parcel on which any such Senior Unit is constructed.

Section 9.0 Community Facilities District

9.1 Formation of CFD.

Landowner shall request that the funding for the School Facilities be provided through the formation of the EO/SH CFD and the MP CFD and the levy of special taxes and sale of Bonds of each CFD in accordance with the Act, the Goals and Policies and this Mitigation Agreement. Upon the receipt of a written petition of the Landowner, School District shall act as the lead agency in undertaking proceedings to consider the formation of each CFD to finance the

School Facilities. The structure, special taxes and bonds of each CFD shall conform to the CFD Parameters set forth in **Exhibit D** hereto, except as such parameters may be modified by mutual agreement of the parties. The parties intend that each CFD shall be formed in a timely manner to comply with the applicable funding trigger events specified in Section 7.0.

In the event a CFD is not formed due to the School District's failure to adopt a resolution of formation with respect to the CFD in accordance with this Mitigation Agreement prior to the occupancy of the first Unit within the applicable Project, this Mitigation Agreement shall terminate with respect to that Project and the Project shall be subject to statutory school fees only. In the event that Landowner fails to petition the School District for the formation of the CFD in accordance with this Section 9.1 or the School District adopts a resolution of formation with respect to, and calls an election to authorize special taxes and bonded indebtedness of a CFD that conforms in all respects to the CFD Parameters set forth in **Exhibit D** hereto, but the Landowner fails to vote in favor of the CFD in such election, the School District may withhold Certificates of Compliance for any Unit within the applicable Project unless Landowner pays to School District an amount equal to \$7.78 per building square foot per Unit, as adjusted each January 1, commencing January 1, 2005, by the annual percentage change in the Index for the Non-Land Component and the parties shall consider in good faith revisions to this Mitigation Agreement made necessary by the failure to form the CFD in order to continue to implement the School Facilities Plan to the extent practicable.

Landowner shall petition the School District to undertake proceedings to form each CFD and shall advance all necessary funds to pay costs incurred by the School District in undertaking such proceedings to consider the formation of the CFD and issuing Bonds. At the time of submittal of the Petition, Landowner shall advance fifty thousand dollars (\$50,000) for such costs and shall make timely later advances for such costs as reasonably requested by School District. School District will advise Landowner as to persons and firms under consideration by School District to render services to School District related to formation of the CFD and sale of the Bonds. After completion of the proceedings and successful sale of the Bonds, funds advanced by the Landowner pursuant to this Section 9.1 shall be reimbursed to Landowner in cash solely from Bond proceeds within thirty (30) days of receipt of the Bond proceeds. If the proceedings to form the CFD are not successful or are abandoned prior to the issuance, sale and delivery of the Bonds, there shall be no obligation whatsoever on the part of School District to reimburse Landowner for any costs and expenses paid from Landowner's advances to School District, except that any unused portion shall be returned to Landowner.

9.2 Reimbursement of Costs of Agreement

Upon the execution of this Agreement, Landowner shall reimburse the School District for the actual costs and fees incurred in the process of developing and negotiating this Mitigation Agreement, including without limitation, consultant fees, engineering and architectural fees, and legal fees and costs, in an amount not to exceed \$175,000. Landowner, in turn, shall be reimbursed for said fees and costs in cash solely from Bond proceeds within thirty (30) days of receipt of the Bond proceeds from the first series of Bonds issued or, at Landowner's election, from later Bonds.

Section 10.0 School Sites

10.1 Location and Number of School Sites.

At this time, Landowner and School District have agreed that two (2) new School Sites are needed to house the Project Students within the Projects. The locations of the School Sites are depicted on **Exhibits E and F**. Landowner warrants and represents that it will be able to deliver and transfer title to the School Sites shown on **Exhibits E and F** to the School District subject to the terms of this Mitigation Agreement and a school site purchase and sales agreement to be entered into between Landowner and the School District with respect to each School Site.

10.2 School Site Approvals.

In addition to any other requirements set forth in this Mitigation Agreement, prior to the transfer of title to a School Site to the School District pursuant to the terms of this Mitigation Agreement, all of the following must occur:

(a) The School Site must have received any and all final approvals from the School District and all agencies having jurisdiction over the School Site, including but not limited to, the City, the California State Department of Education and the Department of Toxic Substance Control. The School Site must have satisfied all conditions required for school sites under the California Environmental Quality Act, the California Education Code, and all other applicable local, state, or federal law, and must either have no identified health hazards as a result of the Preliminary Endangerment Assessment required by the Department of Toxic Substance Control or any health hazards must be able to be satisfactorily remediated.

(b) Any and all remediation, clean-up, or other site work necessary to secure the above referenced approvals for the School Site shall be undertaken at the sole cost of the Landowner.

(c) Landowner agrees to fully and timely cooperate with the School District in the actions necessary to obtain the approvals set forth above.

10.3 Condition of School Sites.

Landowner and School District agree that each of the School Sites shall be delivered in Superpad Condition. In addition, Landowner must be able to deliver title to the School Sites, free and clear of any and all defects and encumbrances that would affect the School District's ability to use the School Site for its intended purposes. School District acknowledges that the East Orange Elementary/Middle School Site lies within the watershed draining into Irvine Lake Reservoir, a source of drinking water managed by the Serrano Water District and the Irvine Ranch Water District and that the use and management of such land will be subject to controls to prevent any harmful runoff to the Reservoir. School District agrees that prior to the conveyance of the School Site to the School District, Landowner will be required to record a covenant requiring that the East Orange Elementary/Middle School Site be managed by the School District in accordance with defined "Best Management Practices" and in compliance with the conditions

of approval applicable to the School Site required by the City of Orange, the Serrano Water District, the Irvine Ranch Water District, the Regional Water Quality Control Board and other agencies with responsibility for water quality control.

Section 11.0 Covenant to Construct School Facilities to Serve Project Students.

At the time sufficient funds are received by the School District pursuant to this Mitigation Agreement to pay for the construction of the required School Facilities on a School Site and such School Site has been provided to the School District pursuant to this Mitigation Agreement, School District covenants for the benefit of Landowner that School District will use its best efforts to immediately commence construction of School Facilities on such School Site sufficient to serve Project Students; provided, however, School District shall not be required to commence construction of the East Orange Elementary/Middle School or the Mountain Park Elementary School, as applicable, pursuant to this Agreement unless there is expected to be at least 300 grade K-8 Project Students and 300 grade K-6 Project Students, respectively, within the attendance area of such School Facilities upon the estimated date of completion and initial occupancy of such School Facilities, as determined by School District. The School District and Landowner intend that the East Orange Elementary/Middle School shall be compatible in architecture and design, including exterior materials, colors, textures, features and landscaping with the residences in the East Orange Project and the Mountain Park Elementary School shall be compatible in architecture and design, including exterior materials, colors, textures, features and landscaping with the residences in the Mountain Park Project. The School District shall consult with the Landowner periodically in the process of developing and selecting the exterior materials, colors, textures, features and landscaping ("Exterior Design") of the School Facilities constructed within the East Orange and Mountain Park communities. At a minimum, this consultation will include the following: (1) prior to commencing design of a facility, the School District architect shall meet with the Landowner to discuss the Exterior Design concepts for the facility and their compatibility with the applicable community, and (2) as and when the School District's architect prepares preliminary plans which includes Exterior Design elements, the Landowner shall be invited to review and provide comments on or suggestions respecting such plans, and (3) the School District shall give due consideration to such comments in the preparation of the final plans. In order that architects selected by the School District to design the school facilities are adequately informed of their responsibilities under this Agreement, the School District will include a description of the design review process substantially similar to the description set forth in Exhibit G hereto in all solicitation for architectural services related to the School Facilities constructed within the East Orange and Mountain Park communities.

Section 12.0 Representations, Warranties and Covenants of the School District

The School District represents and warrants to, and covenants with the Landowner that:

(a) The School District is a school district organized and operating pursuant to the Constitution and laws of the State and has all necessary power and authority to enter into and perform its duties under this Mitigation Agreement and, when executed and delivered by the respective parties hereto, this Mitigation Agreement will constitute the legal, valid and binding obligation of the School District enforceable in accordance with its terms, except as enforcement

hereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally.

(b) The execution and delivery by the School District of this Mitigation Agreement and compliance by the School District with the provisions hereof, will not conflict with, or constitute a violation of or default under, the Constitution of the State or any existing law, charter, ordinance, regulation, decree, order or resolution applicable to the School District, and will not conflict with or result in a violation or breach of, or constitute a default under, any contract, agreement, indenture, mortgage, lease or other instrument to which the School District is subject or by which it is bound.

(c) To the best knowledge of the School District there is no action, suit or proceeding of any court or governmental agency or body pending or threatened against the School District in any way contesting or effecting the validity of this Mitigation Agreement or contesting the powers of the School District to enter into or perform its obligations under this Mitigation Agreement or in which a final adverse decision could materially adversely affect the operations of the School District or the consummation of the transactions contemplated by this Mitigation Agreement.

(d) The School District is not in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the School District is a party or is otherwise subject, which breach or default would materially adversely affect the School District's ability to enter into or perform its obligations under this Mitigation Agreement, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which would materially adversely affect the School District's ability to enter into or perform its obligations under this Mitigation Agreement.

Section 13.0 Representations, Warranties and Covenants of the Landowner

The Landowner represents and warrants to, and covenants with, the School District that:

(a) The Landowner has all necessary corporate power and authority to enter into and perform his duties under this Mitigation Agreement and, when executed and delivered by the respective parties hereto, this Mitigation Agreement will constitute the legal, valid and binding obligation of the Landowner, enforceable in accordance with its terms, except as enforcement hereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally.

(b) The execution and delivery by the Landowner of this Mitigation Agreement and compliance by the Landowner with the provisions hereof, will not conflict with, or constitute a violation of or default under, the Constitution or laws of the State of California or the State of Delaware, or any existing law, charter, ordinance, regulation, decree, order or resolution applicable to such corporation, and will not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which such corporation is subject or by which it is bound.

(c) The Landowner will provide written notice to merchant builders or other successors or assigns of the Landowner and their successors and assigns of the existence of this Mitigation Agreement and their obligation to be bound by its terms.

(d) The Landowner will not, individually or collectively, sue the School District or willfully join in any lawsuit or actively participate in any lawsuit against the School District regarding the validity of a CFD once it has been established; provided, however, nothing herein shall prevent Landowner from challenging in any manner the levy of special taxes, if such levy is not in accordance with the Act or the applicable rate and method of apportionment of special taxes, and the application of proceeds of Bonds, if such proceeds are not applied in accordance with this Mitigation Agreement.

(e) The Landowner will cooperate with the School District in the School District's applications for State funds relating to the School Facilities.

(f) If a CFD is formed pursuant to the provisions of Section 9.0 of this Mitigation Agreement, the Landowner shall not petition, request, support or vote in favor of the levy of any special tax, or any assessment on all or any portion of the Project which would cause or result in the Total Tax Obligation (as defined below) per Unit within a square footage or density category within the CFD to exceed 2.0% of the projected sales price (the "Sales Price") per Unit within such square footage or density category at the time of authorization of such special tax or assessment. The "Total Tax Obligation" shall mean the sum of all annual *ad valorem* property taxes, all special taxes authorized to be levied on a parcel upon which a Unit is constructed including the special taxes authorized to be levied by the CFD, and all assessment installments authorized to be collected. If, prior to the issuance of Bonds for a CFD, the School District determines that the Total Tax Obligation per Unit exceeds 2.0% of the Sales Price per Unit in a square footage or density category, the Landowner shall take one of the following actions: (i) request that the School District reduce by resolution the special taxes authorized to be levied in the square footage or density category to the extent necessary to ensure that the Total Tax Obligation per Unit in the square footage or density category will not exceed 2.0% of the Sales Price per Unit within the CFD, (ii) reduce the other special taxes or assessments authorized, partially prepay any such special taxes or assessments at or prior to the close of escrow or implement other measures acceptable to the School District to ensure that the Total Tax Obligation of a Unit within such square footage or density category will not exceed 2.0% of the Sales Price of the Unit within such square footage or density category. If a reduction in the special taxes of a CFD will cause the School District to receive less than the minimum amount specified for the applicable Project pursuant to this Mitigation Agreement, Landowner shall take the actions described in (ii) of the preceding sentence.

Section 14.0 Miscellaneous

14.1 Successors and Assigns.

All of the covenants, stipulations, promises, and agreements contained in this Mitigation Agreement by or on behalf of, or for the benefit of, either of the parties hereto, shall bind or inure to the benefit of the successors and assigns of the respective parties.

14.2 Amendment.

This Agreement may not be amended except in writing by Landowner and School District, duly executed by their authorized agents. Landowner and School District recognize that it may be necessary to make revisions to this Mitigation Agreement after execution by the parties. Therefore, School District delegates to the Superintendent the authority to approve amendments to this Mitigation Agreement which do not substantially affect the terms contained herein.

14.3 Entire Agreement.

This Mitigation Agreement supersedes and cancels any and all other agreements, either oral or written, between the parties with respect to the subject matter herein. Each party to this Mitigation Agreement acknowledges that no representation by any party which is not embodied herein or in any other agreement, statement, or promise not contained in this Mitigation Agreement shall be valid and binding. The parties hereto agree to act in a manner that will not frustrate the purposes of this Mitigation Agreement.

14.4 Attorney Fees.

In the event of any action or proceeding brought by either party against the other under this Mitigation Agreement, the prevailing party shall be entitled to recover its reasonable attorney fees, costs and expenses incurred in such action or proceeding. In addition to the foregoing, the prevailing party shall be entitled to its reasonable attorney fees and costs and expenses incurred in any post-judgment proceedings to collect or enforce the judgment. This provision is separate and several and shall survive the merger of this Mitigation Agreement into any judgment on this Mitigation Agreement.

14.5 Execution.

This Mitigation Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

14.6 Notices.

All correspondence, notices or certificates required by this Mitigation Agreement shall be sufficiently given and served if delivered by hand directly to the offices named below or sent by United States first-class mail postage prepaid, with return receipt requested, and addressed as follows:

(a) If to Landowner: Irvine Community Development Company LLC
550 Newport Center Drive
Newport Beach, CA 92663
Attn: General Counsel

With a copy to: Hewitt & O'Neil LLP
19900 Macarthur Blvd, Suite 1050
Irvine, CA 92612
Attn: John Yeager

(b) If to School District: Orange Unified School District
1401 N. Handy Street
Orange, CA 92856
Attention: Superintendent

With a copy to: Miller Brown & Dannis
750 B Street, Suite 2310
San Diego, CA 92101
Attention: Janet Mueller

Either party may change its mailing address at any time by giving written notice of such change to the other party in the manner provided herein. All notices under this Mitigation Agreement shall be deemed given, received, made, or communicated on the date personal delivery is effected or, if mail, on the delivery date or attempted delivery date shown on the return receipt.

14.7 Exhibits.

The Exhibits attached hereto are deemed incorporated into this Agreement in their entirety by reference.

14.8 Time.

Time is of the essence in this Mitigation Agreement and in each and every terms, provision and condition hereof.

14.9 Remedies Cumulative.

No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity. The waiver or failure to enforce any provision of this Mitigation Agreement shall not operate as a waiver of any future breach of such provision or of any other provision hereof.

14.10 Construction.

The Parties hereto acknowledge and agree that each has been given the opportunity to review this Mitigation Agreement with legal counsel independently, and/or has the requisite

experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. In the event of an ambiguity in or dispute regarding the interpretation of same, the interpretation of this Agreement shall not be resolved by any rule of interpretation providing for interpretation against the Party who causes the uncertainty to exist or against the draftsman.

14.11 Choice of Law.

This Mitigation Agreement has been negotiated and executed in the State of California and shall be governed and construed by the laws of that state without regard to the conflicts of laws principles.

14.12 Captions.

The captions, headings, and titles to the various articles and paragraphs of this Mitigation Agreement are not a part of this Mitigation Agreement, are for convenience and identification only, and shall have no effect upon the construction or interpretation of any part hereof.

14.13 No Third Party Benefit.

This Mitigation Agreement is by and between the parties named herein, and unless expressly provided in the foregoing provisions no third party shall be benefited hereby. This Mitigation Agreement may not be enforced by anyone other than a party hereto or a successor to such party who has acquired his/her/its interest in a way permitted by the above provisions.

14.14 Force Majeure.

The obligations of any party under this Mitigation Agreement, and all deadlines by which any party's obligations hereunder must be performed, shall be excused or extended for a period of time equal to any prevention, delay or stoppage in performance which is attributable to any strike, lock-out or other labor or industrial disturbance, civil disturbance, act of a public enemy, war, riot, sabotage, blockade, embargo, lightning, earthquake, fire, storm, hurricane, tornado, flood or explosion.

14.15 Recordation, Subordination and School District Certification.

14.15.1 *Recordation.* A memorandum of this Mitigation Agreement may be recorded by the Landowner or the School District. Notwithstanding the recordation of such memorandum and any provision of this Mitigation Agreement, this Mitigation Agreement shall not apply to any parcel or lot which has been finally subdivided and is individually (and not in "bulk") sold or leased to a member of the public or other ultimate user. Notwithstanding any other provisions of this Mitigation Agreement, this Mitigation Agreement shall terminate with respect to any such parcel or lot, and such parcel or lot no longer shall be subject to this Agreement, without the execution or recordation of any further document, upon satisfaction of both of the following conditions:

(a) The parcel or lot has been finally subdivided and individually (and not in "bulk") sold or leased for a period of longer than one year to a member of the public or other ultimate user; and

(b) A certificate of occupancy has been issued for a building on the parcel or lot, and all the fees required by this Mitigation Agreement have been paid.

(c) For purposes of this subsection, a transfer shall be deemed to be "in bulk" if: (i) it involves the conveyance of more than one parcel or lot, and (ii) the transferee will not be the ultimate user of the parcels or lots.

In addition, this Mitigation Agreement shall not apply to any parcel, lot, right-of-way, easement or other property conveyed to a public agency, public utility or property owner's association.

14.15.2 *Subordination.* Any existing monetary encumbrances or options in favor of non-governmental agencies or entities existing prior to the date of recording of this Mitigation Agreement or the notice described in Section 14.15.1 above shall be subordinated to this Mitigation Agreement prior to the issuance of the School District of any Certificate of Compliance as required hereunder.

14.15.3 *Discretion to Encumber.* This Mitigation Agreement shall not prevent or limit Landowner in any manner at Landowner's sole discretion from encumbering the Property, the Projects or any portion of the Property or the Projects by way of any mortgage deed of trust or other security device securing the financing with respect to the Property or the Project or any portion of either or both, and/or the maintenance, development or improvement thereof. School District agrees to consider any reasonable requests of any lenders or bond underwriters providing financing to Landowner.

14.16 Prior Mitigation Agreement Superseded.

The Prior Mitigation Agreement is hereby superseded in its entirety by this Mitigation Agreement. The School District relinquishes any and all right, title and interest in the school site within the Santiago Hills Project described in the Prior Mitigation Agreement and will not oppose its development by Landowner.

14.17 Cooperation Regarding Consultants.

School District and Landowner shall consult with each other regarding and cooperate in the School District's selection of consultants for the formation and issuance of Bonds of the CFDs, the State approvals for the School Sites and the design and construction of the School Facilities.

IN WITNESS WHEREOF, the parties hereto have executed this Mitigation Agreement on the day and year first written.

ORANGE UNIFIED SCHOOL DISTRICT

By *Katherine Maffat*
President, Board of Education

By *[Signature]*
Clerk, Board of Education

IRVINE COMMUNITY DEVELOPMENT COMPANY LLC, a Delaware limited liability company

By: _____
Joseph D. Davis, President

By: _____
Mary K. Westbrook, Vice President

ACKNOWLEDGEMENT AND CONSENT

The Irvine Company hereby consents to the recordation of a memorandum of this Mitigation Agreement with respect to the portion of the Property currently owned by The Irvine Company and acknowledges and consents to ICDC's performance of all obligations under this Mitigation Agreement with respect to such portion of the Property.

THE IRVINE COMPANY

By: _____

Its: _____

By: _____

Its: _____

:::ODMA\PCDOCS\DOCS\17480\10

IN WITNESS WHEREOF, the parties hereto have executed this Mitigation Agreement on the day and year first written.

ORANGE UNIFIED SCHOOL DISTRICT

By _____

President, Board of Education

By _____

Clerk, Board of Education

IRVINE COMMUNITY DEVELOPMENT
COMPANY LLC, a Delaware limited liability
company

By: _____

Joseph D. Davis, President

By: _____

Mary K. Westbrook, Vice President

ACKNOWLEDGEMENT AND CONSENT

The Irvine Company hereby consents to the recordation of a memorandum of this Mitigation Agreement with respect to the portion of the Property currently owned by The Irvine Company and acknowledges and consents to ICDC's performance of all obligations under this Mitigation Agreement with respect to such portion of the Property.

THE IRVINE COMPANY

By: _____

Its: Joseph D. Davis, Executive Vice President

By: _____

Its: Mary K. Westbrook, Vice President

::ODMA\PCDOCS\DOCS\17480\10

**RBF CONSULTING
14725 Alton Parkway
Irvine, California 92618**

**EXHIBIT "A"
SANTIAGO HILLS II /
EAST ORANGE PROJECT**

**December 2, 2004
JN 10-100632
Page 1 of 1**

LEGAL DESCRIPTION

Those certain parcels of land situated in the unincorporated territory of the County of Orange, State of California, being those portions of Blocks 16, 18, 39, 40, 68, 69, 78, 79, 110, 111, 115 and 116 of Irvine's Subdivision as shown on a map thereof filed in Book 1, Page 88, of Miscellaneous Record Maps in the Office of the County Recorder of said Orange County included within Tentative Map No. 16199, Tentative Map No. 16201, Tentative Map No. 16514 and Areas 2 and 3 as shown on the Environmental Impact Report for Santiago Hills II and East Orange Planned Communities on file at the City of Orange, all depicted on EXHIBIT "B" attached and by this reference made a part hereof.



Gregory A. Helmer, L.S. 5134



EXHIBIT "A-1"

LEGAL DESCRIPTION FOR MOUNTAIN PARK

IN THE CITY OF ANAHEIM, COUNTY
OF ORANGE, STATE OF CALIFORNIA

A PORTION OF BLOCKS 23, 24, 25, 26,
27, 28, 29, 30, 34, 35 AND 36 OF IRVINE
COMPANY'S SUBDIVISION, AS
SHOWN ON A MAP RECORDED IN
BOOK 1, PAGE 88 OF
MISCELLANEOUS MAPS IN THE
OFFICE OF THE COUNTY RECORDER
OF SAID COUNTY TOGETHER WITH
PARCEL 2 AS SHOWN ON THE PLAT
ATTACHED TO LOT LINE
ADJUSTMENT NO. 388 RECORDED
SEPTEMBER 14, 1998 AS INSTRUMENT
NO. 1998-0613443 OF OFFICIAL
RECORDS IN THE OFFICE OF SAID
COUNTY RECORDER.

EXHIBITS B AND B-1

MAP OF PROPERTY

EXHIBIT "B-1"

MAP OF PROPERTY

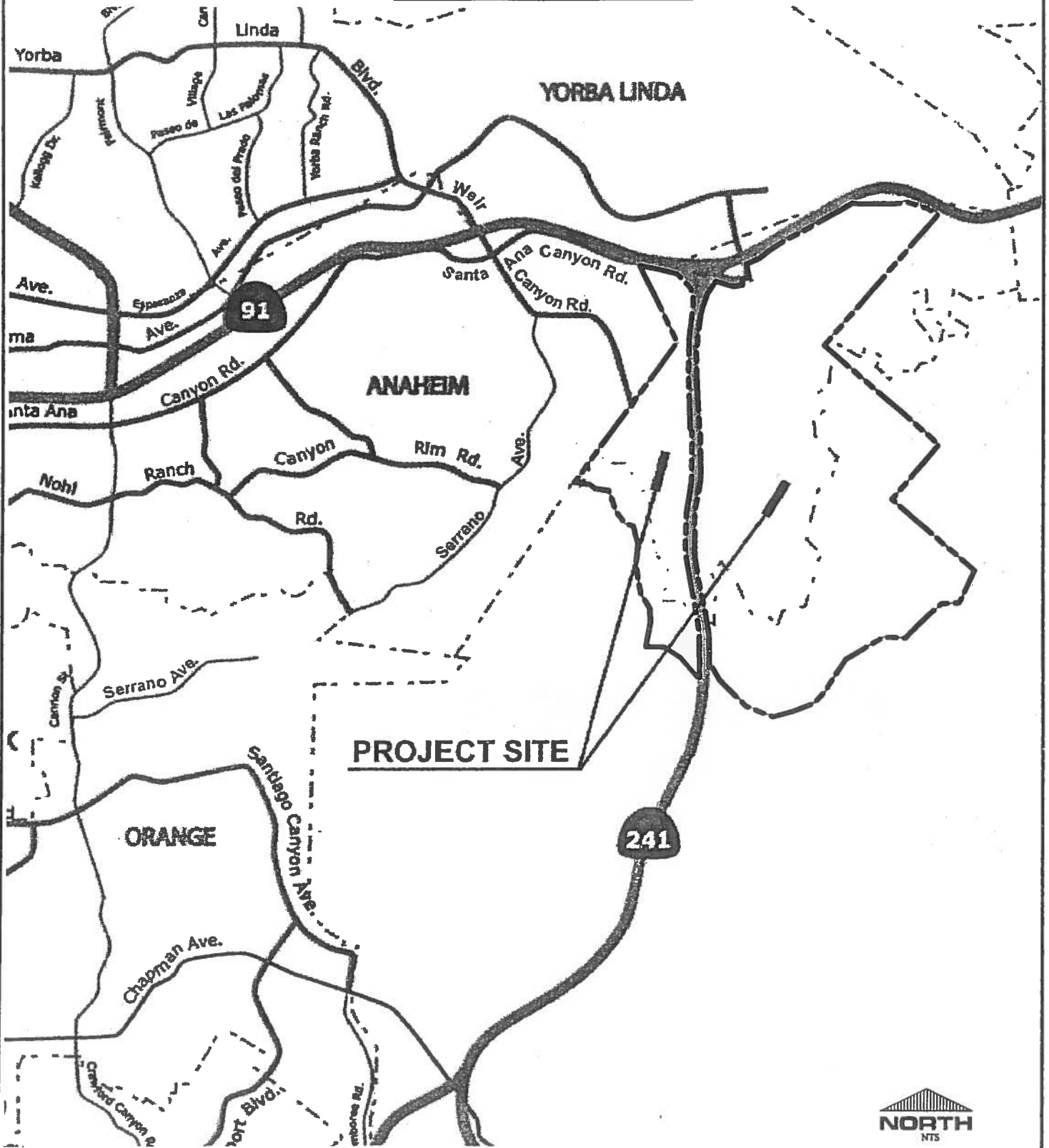


EXHIBIT "C-1"
SANTIAGO HILLS II AND EAST ORANGE SCHOOL
FACILITIES PLAN

I. PURPOSE

This School Facilities Plan ("SFP") sets forth the obligation of Santiago Hills II South and North, and East Orange Areas 1, 2, and 3 (collectively, "the Project") to provide for interim and permanent school facilities to accommodate students generated from new residential units in these communities.

This SFP includes residential unit projections, anticipated student generation, the interim school facilities plan, the permanent school facilities plan, and the estimated costs of the school facilities for the Project. It is the goal of this SFP to provide flexibility to the District and address the need for options in the mitigation of the school facilities impacts.

II. ASSUMPTIONS

A. Future Residential Units

Based upon the current Irvine Company development plans and entitlement request, the SFP assumes construction of 3,866 residential units in the Project (as indicated above, the Project has been separated into five (5) neighborhoods). Residential units have been classified into two (2) land uses: single family detached ("SFD") units and multi-family attached ("MFA") units. Table 1 summarizes the number of anticipated units by land use in each neighborhood, as well as the construction timeline.

TABLE 1

HOUSING SUMMARY

Location	Unit Type	Number of Units	Timeframe
SH II North	SFD	460	2007-2008
SH II North	MFA	725	2007-2008
SH II South	SFD	275	2007-2009
SH II South	MFA	132	2007-2009
<i>SH II Subtotal</i>		<i>1,592</i>	
Area 1	SFD	506	2008-2010
Area 1	MFA	518	2008-2010
Area 2	SFD	990	2007-2015
Area 2	MFA	210	2007-2015
Area 3	SFD	50	2011
Area 3	MFA	0	
<i>East Orange Subtotal</i>		<i>2,274</i>	
<i>Total</i>	<i>NA</i>	<i>3,866</i>	<i>2007-2015</i>

B. Student Generation Rates

In order to project the number of students to be generated by residential units in the Project, it is necessary to utilize student generation rates ("SGRs") for the District. For the SFP, the SGRs calculated by Davis Demographics and Planning in a report dated February 21, 2003, were used (the SGRs were adjusted to reflect a K-5 configuration rather than a K-6 configuration). Table 2 shows the SGRs by school level and unit type.

TABLE 2

STUDENT GENERATION RATES

Residential Product	K-5	6-8	9-12
SFD Units	0.279	0.109	0.123
MFA Units	0.131	0.048	0.044

C. Projected Enrollment

Multiplying the SGRs in Table 2 by the future residential units shown in Table 1 results in a projection of the number of students generated from the Project at build-out. Table 3 shows the number of students generated by the Project.

TABLE 3

**PROJECTED STUDENT ENROLLMENT
FROM SANTIAGO HILLS II AND EAST ORANGE PROJECTS**

School Level	Total Students
Elementary (K-5)	844
Middle (6-8)	325
High School (9-12)	350
Total	1,519

It should be recognized that the student generation analysis assumes peak number of students assuming the maximum number of units that will be built. Also, there may be a lag time between the time each residential unit per community is occupied and students are generated. This means, that several years may pass by before the Project will generate students at rates described above.

III. FACTORS RELATIVE TO CONSTRUCTION

A. Size of Schools: Square Footage Allowance and Site Acreage

The construction square footage allowances standards are identified below:

<u>Level</u>	<u>Square Footage Per Student</u>
K – 6	62
7 – 8	83
9 – 12	92

As outlined in the housing plan below, a 15 to 20-acre K-8 facility is planned for Project students. The square footage standards assume core facilities as well as classrooms are being built. When existing facilities are expanded, the square footage per student should be significantly less.

B. School Construction Costs

The total construction costs include the expenses of building construction, site development, utilities, parking and playground facilities, furniture and equipment, design work, testing and administrative expenses. Enhanced landscaping, exterior materials and extra design elements are included in the costs to meet District and community standards and are included in the estimated construction costs as shown in Table 4.

IV. IMPLEMENTATION

In order to adequately house the students generated from the Project, as identified in the SFP, the District will have to construct additional permanent school facilities and utilize interim measures as described below.

A. Elementary School

- Chapman Hills Elementary School will be expanded by 200 seats to accommodate students from Santiago Hills II South and possibly Santiago Hills II North. In addition, there may be existing capacity at Chapman Hills that will serve the Project. Beginning in school year 2005-06, the District will not approve any new incoming inter- or intra-district transfers into Chapman Hills Elementary School, except for siblings and special needs or if the District provides at its expense adequate capacity for such transfers.

Expansion of permanent facilities will begin at the same time as construction of the first home in the Project.

- An elementary school/middle school will be constructed in Area 1 of East Orange on a 15 or 20 acre site 18 months prior to the expectation of 300 unhoused students in grades K-8 generated from the Project.
 - Assuming that at least 200 students are permanently housed at Chapman Hills Elementary, the K-8 facility will provide adequate capacity for remaining 644 K-5 elementary school and 325 6-8 middle school students.
- B. Middle School
- See above.
- C. High School
- Expand El Modena High School and/or construct a new high school facility at the Peralta site. In either event, Project students will be allowed to attend El Modena High School.
- D. Interim Facilities
- The Irvine Company will provide absorption schedules to the District on an annual basis. The District will then project student enrollment and compare that to existing capacities to determine the interim facility needs of the District. For purposes of determining the number of interim classrooms, the District will use loading standards of 25 students at the elementary school level and 27 students at the middle and high school levels.

V. COSTS

Table 4 shows the estimated costs of the facilities that will serves students generated from new residential units in the Project.

TABLE 4

SCHOOL FACILITIES COSTS

Item	Cost
Elementary School Level	
Expanded Chapman Hills Elementary for 212 K-6 Students	\$3,000,000
Construct elementary school/middle school facility for 631 K-5 Students	\$12,172,621
Middle School Level	
Construct elementary school/middle school facility for 325 6-8 Students	\$7,827,379
Land for elementary school/middle school facility	\$45,000,000
High School Level	
Expand El Modena High School and/or construct high school at Peralta site	\$8,000,000
Total	\$76,000,000

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EXHIBIT "C-2"
MOUNTAIN PARK SCHOOL FACILITIES PLAN

I. PURPOSE

This School Facilities Plan ("SFP") sets forth the obligation of Mountain Park ("Project") to provide for interim and permanent school facilities to accommodate students generated from new residential units in these communities.

This SFP includes residential unit projections, anticipated student generation, the interim school facilities plan, the permanent school facilities plan, and the estimated costs of the school facilities for the Project. It is the goal of this SFP to provide flexibility to the District and address the need for options in the mitigation of the school facilities impacts.

II. ASSUMPTIONS

A. Future Residential Units

Based upon the current Irvine Company development plans and entitlement request, the SFP assumes construction of 2,500 residential units in the Project (as indicated above, the Project has been separated into five (5) neighborhoods). Residential units have been classified into two (2) land uses: single family detached ("SFD") units and multi-family ("MFA") attached units. Table 1 summarizes the number of anticipated units by land use in each neighborhood, as well as the construction timeline.

TABLE 1

HOUSING SUMMARY

Location	Unit Type	Number of Units	Timeframe
West Village	SFD	145	2007-2009
Red Rock	SFD	420	2007-2011
Quarry Village	SFD	791	2009-2011
Quarry Village	SFA	804	2009-2011
Creekside	SFD	130	2008-2009
Canyon	SFD	210	2008-2010
Total	NA	2,500	2007-2011

B. Student Generation Factors

In order to project the number of students to be generated by residential units in the Project, it is necessary to utilize student generation rates ("SGRs") for the District. For the SFP, the SGRs calculated by Davis Demographics and Planning in a report dated February 21, 2003, were used. Table 2 shows the SGRs by school level and unit type.

TABLE 2

STUDENT GENERATION RATES

Residential Product	K-6	7-8	9-12
SFD Units	0.325	0.063	0.123
MFA Units	0.153	0.026	0.044

C. Projected Enrollment

Multiplying the SGRs in Table 2 by the future residential units shown in Table 1 results in a projection of the number of students generated from the Project at build-out. Table 3 shows the number of students generated by the Project.

TABLE 3

**PROJECTED STUDENT ENROLLMENT
FROM SANTIAGO HILLS II AND EAST ORANGE PROJECTS**

School Level	Total Students
Elementary (K-6)	674
Middle (7-8)	128
High School (9-12)	244
Total	1,046

It should be recognized that the student generation analysis assumes peak number of students assuming the maximum number of units that will be built. Also, there may be a lag time between the time each residential unit per community is occupied and students are generated. This means, that several years may pass by before the Project will generate students at rates described above.

III. FACTORS RELATIVE TO CONSTRUCTION

A. Size of Schools: Square Footage Allowance and Site Acreage

The construction square footage allowances standards are identified below:

<u>Level</u>	<u>Square Footage Per Student</u>
K - 6	62
7 - 8	83
9-12	92

As outlined in the housing plan below, a 10-acre K-6 facility is planned for Project students. The square footage standards assume core facilities as well as classrooms are being built. When existing facilities are expanded, the square footage per student should be significantly less.

B. School Construction Costs

The total construction costs include the expenses of building construction, site development, utilities, parking and playground facilities, furniture and equipment, design work, testing and administrative expenses. Enhanced landscaping, exterior materials and extra design elements are included in the costs to meet District and community standards and are included in the estimated construction costs as shown in Table 4.

IV. IMPLEMENTATION

In order to adequately house the students generated from the Project, as identified in the SFP, the District will have to construct additional permanent school facilities and utilize interim measures as described below.

A. Elementary School

- The District will construct either a K-6 elementary school or a K-5 elementary school on a 10 – acre site within the Project. Construction will begin approximately 18 months before the Project is projected to generate 300 students.

B. Middle School

- The Project will fund additional middle school seats at the middle school to be constructed in the East Orange/Santiago Hills II Project and/or at El Rancho Middle School.

C. High School

- Expand Canyon High School and/or construct a new high school facility at the Peralta site. In either event Project students will be allowed to attend Canyon High School.

D. Interim Facilities

- The Irvine Company will provide absorption schedules to the District on an annual basis. The District will then project student enrollment and compare that to existing capacities to determine the interim facility needs of the District. For purposes of determining the number of interim classrooms, the District will use loading standards of 25 students at the elementary school level and 27 students at the middle and high school levels.

V. COSTS

Table 4 shows the estimated costs of the facilities that will serves students generated from new residential units in the Project.

TABLE 4

SCHOOL FACILITIES COSTS

Item	Cost
Elementary School Level	
Construct K- 5 or K- 6 facility	\$13,000,000
Land for facility	\$30,000,000
Middle School Level	
Fund seats at East Orange/Santiago Hills II middle school site and/or expand El Rancho Middle School	\$3,400,000
High School Level	
Expand Canyon High School and/or construct high school at Peralta site	\$4,000,000
Total	\$50,400,000

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EXHIBIT D

CFD PARAMETERS

The CFD structure, Rate and Method of Apportionment of Special Taxes ("RMA") and Bonds of each CFD shall be based upon and conform to the parameters set forth below.

A. CFD Structure.

1. EO/SH CFD.

- The EO/SH CFD shall consist of two improvement areas (each an "Improvement Area") encompassing the Santiago Hills Project and the East Orange Project. Alternatively, the Landowner may elect to establish separate CFDs for the Santiago Hills Project and East Orange Project, provided all references to the EO/SH CFD in the Mitigation Agreement and these CFD Parameters shall include both such CFDs.

- Each Improvement Area will be subject to its own RMA and authorized indebtedness. Bonds may be issued that are secured by the special taxes of both Improvement Areas only with the Landowner's consent.

- Both Improvement Areas will be authorized to finance the School Facilities and Additional School Facilities specified to be financed in the Mitigation Agreement and, at the Landowner's election, City facilities and fees.

2. MP CFD.

- The MP CFD shall be subject to its own RMA and authorized indebtedness.

- The MP CFD will be authorized to finance the School Facilities and Additional School Facilities specified to be financed in the Mitigation Agreement and, at the Landowner's election, City facilities and fees.

B. Rate and Method of Apportionment of Special Taxes.

- Assessors parcels for which a building permit has been issued prior to June 1 each fiscal year shall be classified as "Developed Property." Assessors parcels for which a final subdivision map has been approved prior to January 1 creating individual lots for conveyance to homebuyers (a "B Map") but for which building permits have not been issued prior to June 1 each fiscal year shall be classified as "Final Map Property." All other taxable property shall be classified as "Undeveloped Property".

- The maximum special tax on all classifications of taxable property shall escalate by 2% annually.

- The Developed Property special tax rate may vary based upon house size, density range or residential product type, as determined by the Landowner at the time of establishment of the CFD.

- The special tax rates shall be set in an amount sufficient to fund reasonable CFD administrative expenses per Improvement Area or CFD as a first priority for use of annual special tax collections and to provide 110% coverage of debt service on the Bonds. For purposes of setting the special tax rates, the average interest rate on the Bonds shall be assumed to be 50 basis points higher than the average interest rate on similar bonds at the time of formation of the CFD and the amount of Bonds assumed to be issued shall be sufficient to fund (i) the School Facilities and, if applicable, City facilities and fees, (ii) a reserve fund, (iii) capitalized interest for each series of Bonds equal to 24 months interest with respect to the Bonds, or such lesser amount requested by the Landowner and (iv) costs of formation of the CFD and issuance of each series of bonds, including costs incurred by the Company for legal, financial and engineering services with respect to formation of the CFD and issuance of the Bonds.

- Each RMA shall provide for the levy of Surplus Special Taxes prior to the issuance of all Bonds of the CFD to pay directly for School Facilities and after the issuance of all Bonds to fund Additional School Facilities for the term of the Bonds. The amount of Surplus Special Taxes collected prior to the issuance of all Bonds of the CFD shall reduce by an equal amount the amount required to be deposited in the Construction Account from the proceeds of Bonds as described in Section C below.

- Each RMA shall provide for the levy of special taxes to fund debt service, annual administrative expenses, reserve fund replenishment and, to the extent the CFD is not subject to a Teeter Plan, an amount of anticipated delinquency (the "Special Tax Requirement") according to the following priorities:

- (1) First, special taxes shall be levied on all Developed Property at the assigned annual special tax rate;

- (2) Second, special taxes shall be levied proportionately on all Final Map Property up to 100% of the assigned annual special tax rate as necessary to fund the Special Tax Requirement; and

- (3) Third, special taxes shall be levied proportionately on all Undeveloped Property up to 100% of the assigned annual special tax rate as necessary to satisfy the Special Tax Requirement.

- Full or partial prepayment of special taxes on Developed Property shall be permitted at any time by an individual homeowner and shall be permitted by a merchant builder with respect to all Production Units in the same production phase.

- Commercial/Industrial Development, Assisted Living Units and Senior Units shall be exempt from the levy of special taxes.

C. Bonds.

- Bonds of each CFD, or Improvement Area of a CFD, shall be issued and administered pursuant to a bond indenture, fiscal agent agreement, resolution of issuance or similar agreement (the "Indenture"). The Indenture shall establish an Improvement Fund and separate accounts of the Improvement Fund referred to as the Construction Account, Site Acquisition Account and, if Landowner elects to authorize the CFD to fund City facilities and fees an Other Facilities Account. For purposes of this Mitigation Agreement and the allocation of proceeds of Bonds of the EO/SH CFD, a single Improvement Fund and the respective Accounts shall be established for the EO/SH CFD even if two Improvement Areas or separate CFDs are established for the East Orange Project and Santiago Hills Project.

- The proceeds of each series of Bonds of a CFD not required to fund costs of issuance (including reimbursement of Landowner's advances of Funds to the School District relating to the establishment of the CFD, issuance of the Bonds and drafting of this Mitigation Agreement), a reserve fund and net fund capitalized interest on the Bonds shall be deposited in the Improvement Fund as follows:

SH/EO CFD

(i) the first \$1,000,000 shall be deposited in the Construction Account and earmarked for the Interim Facilities;

(ii) the next \$3,000,000 shall be deposited in the Construction Account and earmarked for the expansion of Chapman Hills Elementary School, of which \$50,000 shall be reimbursement to Landowner;

(iii) the next \$1,000,000 shall be deposited in the Construction Account and earmarked for the costs of preliminary site design and investigation and State approvals for the East Orange Elementary/Middle School;

(iv) the next \$45,000,000 shall be deposited in the Site Acquisition Account;

(v) the next \$4,000,000 shall be deposited in the Construction Account and earmarked for high school facilities;

(vi) at the time of funding the amount specified in (iv) an amount may be deposited in the Construction Account to fund Interim Facilities reasonably expected to be required to house Project Students prior to completion of the East Orange Elementary/Middle School;

(vii) the next \$19,000,000 shall be deposited in the Construction Account and earmarked for the construction of the East Orange Elementary/Middle School;

(viii) the next \$8,000,000, less the amount funded for Interim Facilities and high school facilities pursuant to (i), (v) and (vi) above shall be deposited in the Construction Account and earmarked for high school facilities.

MP CFD

(i) the first \$600,000 shall be deposited in the Construction Account and earmarked for Interim Facilities;

(ii) the next \$1,000,000 shall be deposited in the Construction Account and earmarked for costs of preliminary site design and investigation and State approvals for the Mountain Park Elementary School.

(iii) the next \$30,000,000 shall be deposited in the Site Acquisition Account;

(iv) at the time of funding the amount specified in (iii) an amount may be deposited in the Construction Account to fund Interim Facilities reasonably expected to be required to house Project Students prior to completion of the Mountain Park Elementary School;

(v) the next \$12,000,000 shall be deposited in the Construction Account and earmarked for the construction, furnishing and equipping of the Mountain Park Elementary School;

(vi) the next \$7,400,000 less the amount funded for Interim Facilities pursuant to (i) and (iv) shall be deposited in the Construction Account of which \$3,400,000 shall be earmarked for middle school facilities and the remainder shall be earmarked for high school facilities.

• The amounts specified above to be deposited in the Construction Account relating to the Non-Land Component to be funded through each CFD shall adjust each January 1, commencing January 1, 2005, until fully funded, by the percentage change in the Index for the preceding calendar year.

• The amounts specified above to be deposited in the Site Acquisition Account relating to the Land Component to be funded through each CFD shall adjust each January 1, commencing January 1, 2006, until fully funded, by the percentage change in the Index for the preceding calendar year.

• If a CFD is authorized to finance City Facilities and Fees, Landowner and School District shall determine with the issuance of each series of Bonds the amount of proceeds of the Bonds that are available to be deposited in the Other Facilities Account after funding the Construction Account and Site Acquisition Account.

• Funds deposited in the Site Acquisition Account shall be transferred to the Other Facilities Account or, if City Facilities and Fees are not authorized, to the

bond or redemption fund to be applied to redeem bonds if the applicable School Site is not acquired within the time period required by the Mitigation Agreement.

- Bonds, other than bond or tax anticipation notes or similar short-term borrowings, shall have a term of not less than 30 years.

- Bonds requiring the levy of special taxes on Undeveloped Property shall not be issued without the Landowner's consent.

- At the Landowner's request, the CFD shall issue series of Bonds, variable rate Bonds, bond anticipation notes, tax anticipation notes or other similar short-term borrowing in order to minimize the levy of special taxes on Undeveloped Property and Final Map Property and to fund the School Facilities on a timely basis.

- Bonds shall have escalating debt service matching any escalation in the annual special tax rates.

- Earnings on each Account of the Improvement Fund for each series of Bonds shall remain in the Account of the Improvement Fund until all facilities to be funded from such Account are fully funded. Earnings on the Reserve Fund for each series of Bonds in excess of the Reserve Requirement and not required to replenish the Reserve Fund or make debt service payments shall be transferred annually to the Improvement Fund until all School Facilities and, if applicable, City Facilities and Fees are fully funded.

EXHIBIT E

**MAP SHOWING LOCATION OF
EAST ORANGE ELEMENTARY/MIDDLE SCHOOL SITE**



EXHIBIT "E"

MAP SHOWING LOCATION
OF EAST ORANGE ELEMENTARY
/MIDDLE SCHOOL SITE

NOT TO SCALE

SHEET 1 OF 1 SHEET

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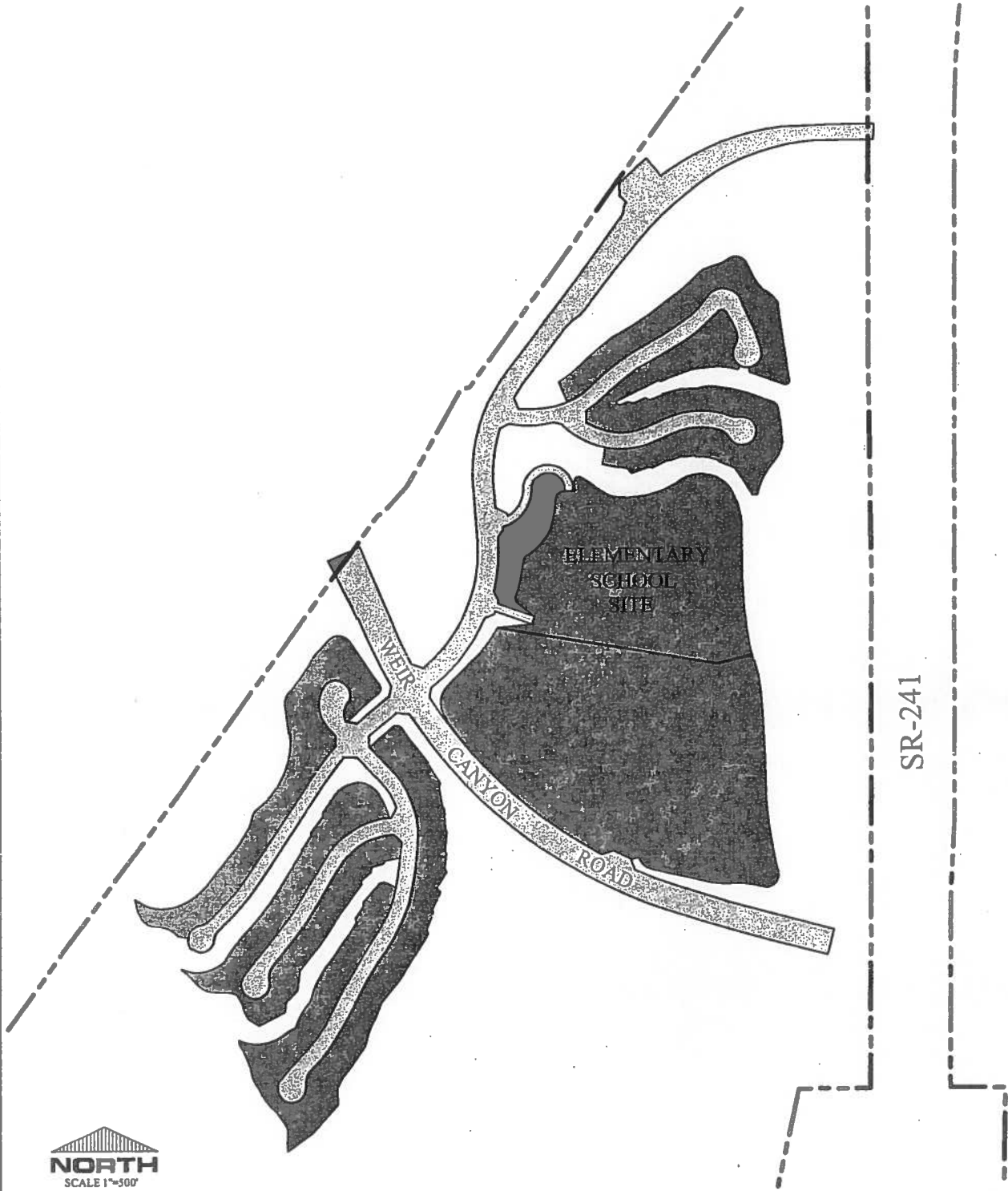
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EXHIBIT F

MAP SHOWING LOCATION OF MOUNTAIN PARK ELEMENTARY SCHOOL

EXHIBIT "F"

LOCATION MAP FOR MOUNTAIN PARK ELEMENTARY SCHOOL



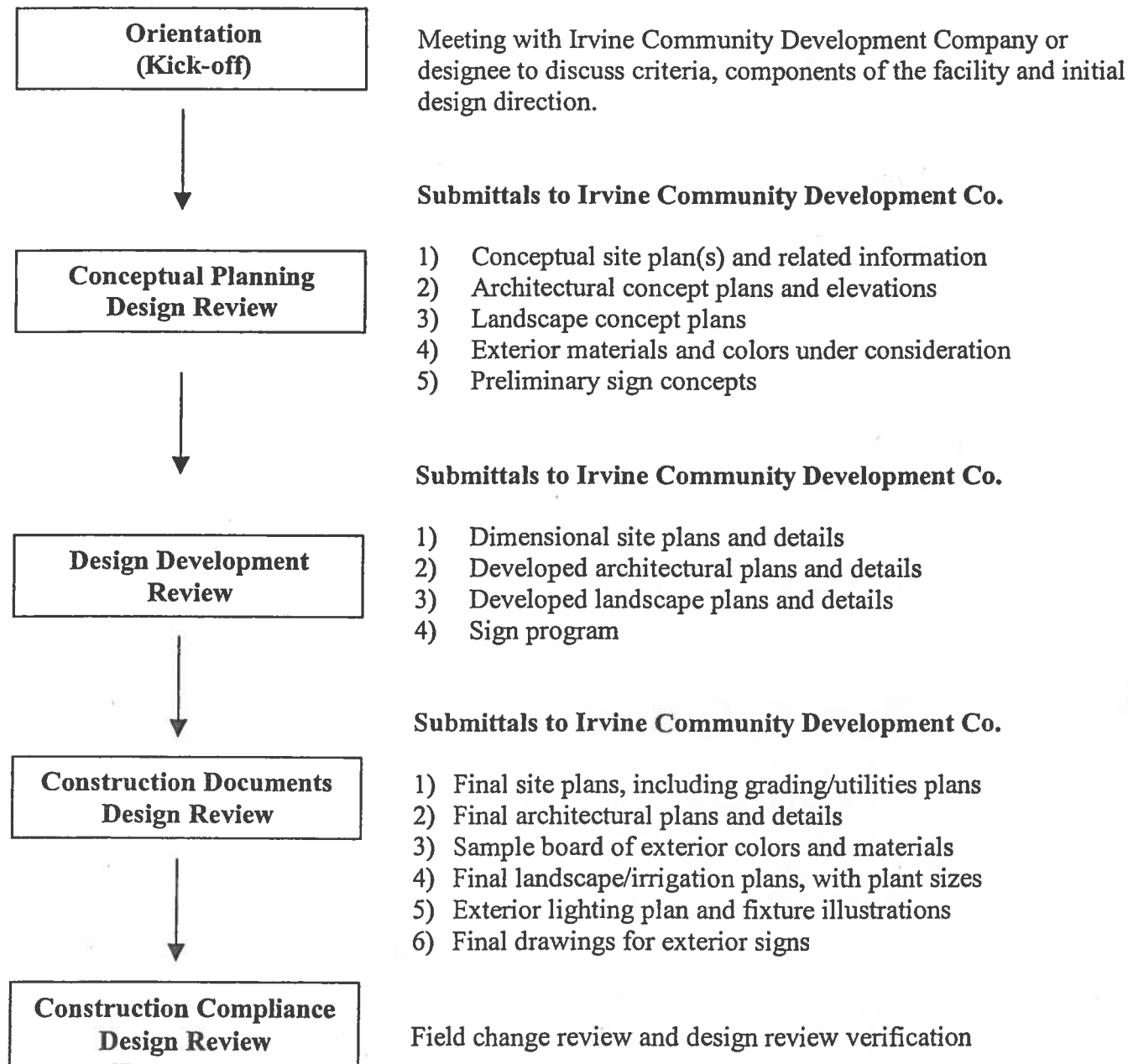
**IRVINE COMMUNITY
DEVELOPMENT COMPANY**
A Subsidiary of The Irvine Company



EXHIBIT G
DESIGN REVIEW PROCESS

Design Review Process

Design review by Irvine Community Development Company, or its designee, follows the process outlined in the diagram below.



Note:

The process for design review by Irvine Community Development Company is independent to the process for design review by the state or other governmental entities. The procedures are not related in any direct way.