APPENDIX A

(PUBLIC FACILITIES FINANCING & PHASING PLAN)

PORTOLA CENTER

PUBLIC FACILITIES FINANCING & PHASING PLAN

Prepared By:

BALDWIN & SONS

Building Quality Communities for Three Generations

SEPTEMBER 2013

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I. Executive Summary

The Portola Center Public Facilities Financing and Phasing Plan ("PFFP Plan") outlines the grading and construction phasing for the Project and the major infrastructure improvements and facilities associated with each development phase of the Project. This Plan also identifies the triggers and timing of delivering key project facilities such as the 5-acre Community Park. Finally, the plan identifies the financing mechanisms available to ensure the construction and long-term maintenance of these facilities. This PFFP Plan comports with the Portola Center Development Agreement ("DA"), the Portola Center Area Plan ("Area Plan"), and Tentative Tract Maps 15353 and 17300.

Section VII of this PFFP Plan outlines the four major phases of development for Portola Center. Section VIII describes an alternative phasing scenario for the Project, Sections IX and X provide details on financing mechanisms available to fund the construction of the Project's improvements and facilities and the long-term maintenance responsibilities for the Project's improvements and facilities, respectively, and Section XI identifies the Financial Security Requirements to ensure that improvements are funded and ultimately constructed. Finally, this report adheres to the requirements and provisions of California Government Code Section 65451 by establishing a program of financing mechanisms necessary to provide the Project with the required backbone improvements and other public facilities and services.

II. Background

The Portola Center Project includes a Development Agreement with the City of Lake Forest that controls the ultimate number of homes in the Project, identifies the approvals required for the Project, specifies the timing and payment of developer fees and contributions, and outlines the minimum requirements for the Project's neighborhood park facilities. The Public Financing & Phasing Plan identifies the phasing necessary to achieve the delivery of those facilities required by the Development Agreement and those backbone and major improvements necessary to implement the Project consistent with the Project Description, Tentative Tract Maps, and Project Conditions of Approval.

III. Plan Overview

The purpose of this PFFP Plan is to describe the phasing of the Project's grading and backbone improvements and public and private facilities, identify financing strategies for the construction of these improvements and facilities, and outline the long-term maintenance responsibilities for the Project area. The specific purposes of the PFFP Plan are:

- To depict the Project's grading and backbone improvements
- To describe the Project's four major phases of development and identify the improvements necessary to serve each phase;
- To identify viable financing strategies for the construction of these improvements and public facilities;

- To identify the long-term maintenance responsibilities of the project's backbone improvements and public and private facilities, such as public parks, landscape corridors, private recreational facilities, MSE retaining walls, and other improvements.

IV. Project Description

The Portola Center Project encompasses approximately 196 gross acres in the northeastern portion of the City of Lake Forest ("City"). The Project is within the boundaries of a larger master-planned community, Portola Hills, which was approved by the County of Orange in 1986. Prior to being annexed into the City of Lake Forest, the Project site was approved for approximately 150-acres of commercial and industrial uses as part of the Portola Hills Planned Community. The City approved new land uses for the Project site as part of a General Plan Amendment (GPA) and Development Agreement (DA) in June of 2008. The GPA and DA allow for development of 930 residential dwelling units and 10,000 square feet of commercial uses.

The Project includes three Planning Areas, "Portola South," "Portola Northwest," and "Portola Northeast," comprising two Tentative Tract Maps, TTM 15353 (Portola South), and TTM 17300 (Portola Northwest and Portola Northeast). The Project is comprised of six single family residential neighborhoods (R-1-R-6), a multi-family residential neighborhood (MF-R-7), a Mixed Use Center (MU-1), and various park and recreational facilities.

At build-out, the Project will include 617 single family homes, 256 multifamily townhomes, a 2.1-acre Mixed Use Center with 57 affordable housing units and 10,000 square feet of commercial uses, a 5-acre Community Park, 5.5 acres of private parks, approximately 1.5 acres of new public use trails, and approximately 44 acres of onsite open space and green space. The Project also includes significant backbone infrastructure, including both underground and above-ground stormwater and flood control detention facilities, "Mechanically Stabilized Earth" (MSE) Retaining Walls both internally and along the Project's perimeter, approximately 29 acres of private streets, alleys and courtyards, and improvements to existing public roads, including intersection, median, and sidewalk improvements.

More detailed information about the project design and characteristics as well as exhibits depicting the project's various improvements and facilities are contained in the Area Plan. Figure 1 below shows the general location of the Project, Figure 2 shows the neighborhoods, and Figure 3 and 4 show the backbone improvements for the Project.

FIGURE 1: PORTOLA CENTER VICINITY MAP

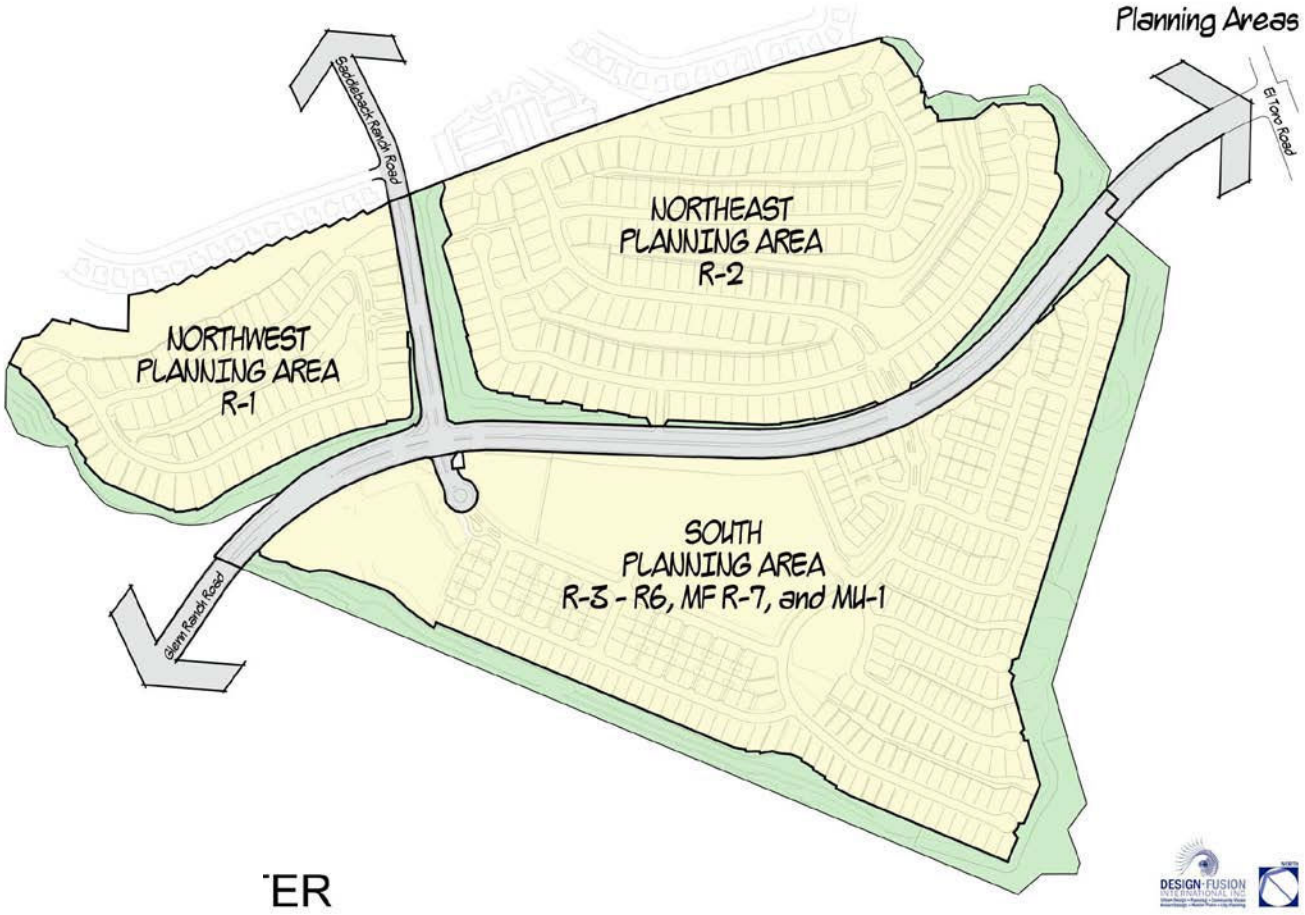

FIGURE 2: PORTOLA CENTER PLANNING AREAS & NEIGHBORHOODS

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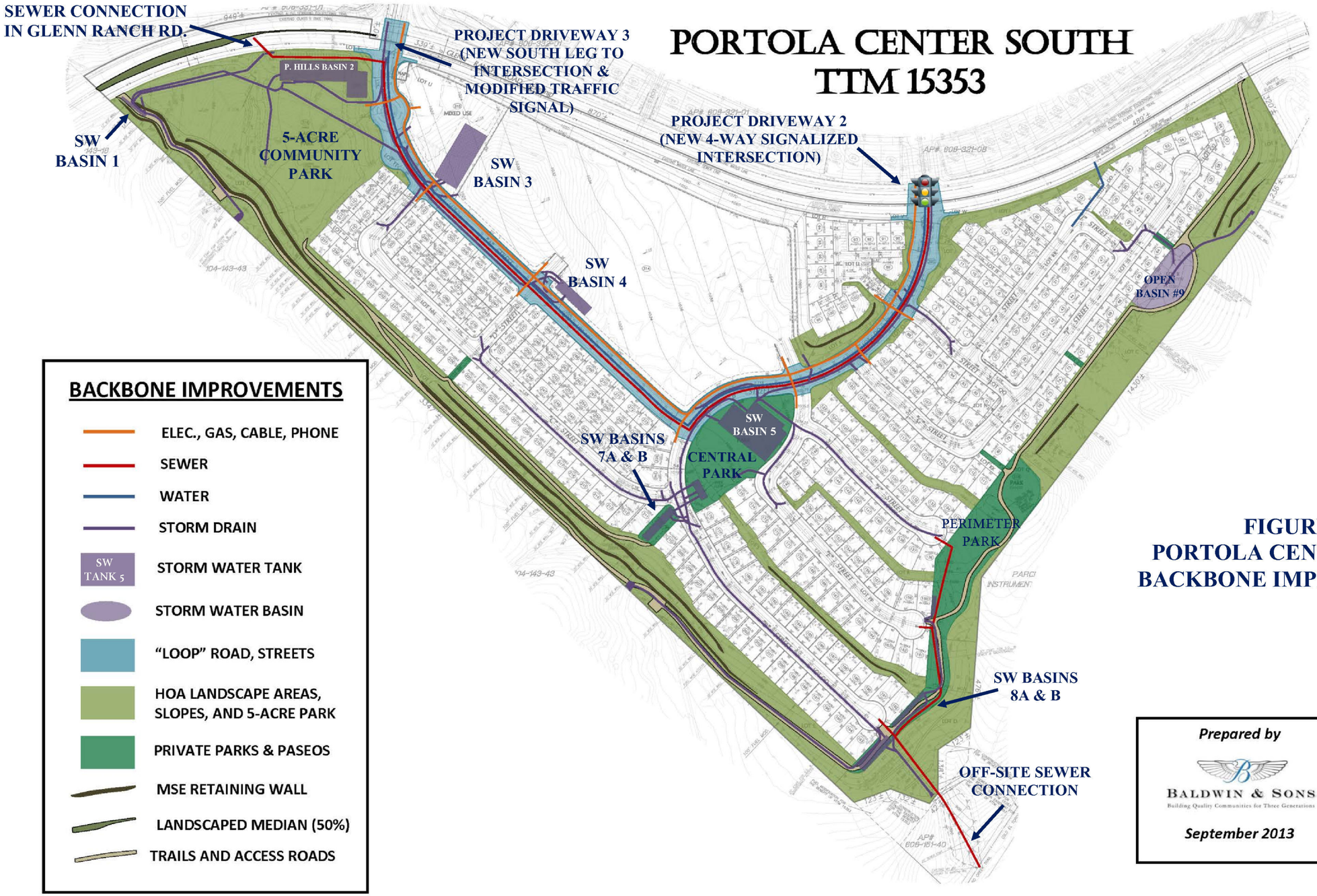

PORTOLA CENTER SOUTH
TTM 15353

FIGURE 3:
PORTOLA CENTER SOUTH
BACKBONE IMPROVEMENTS

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PORTOLA CENTER NORTH
TTM 17300

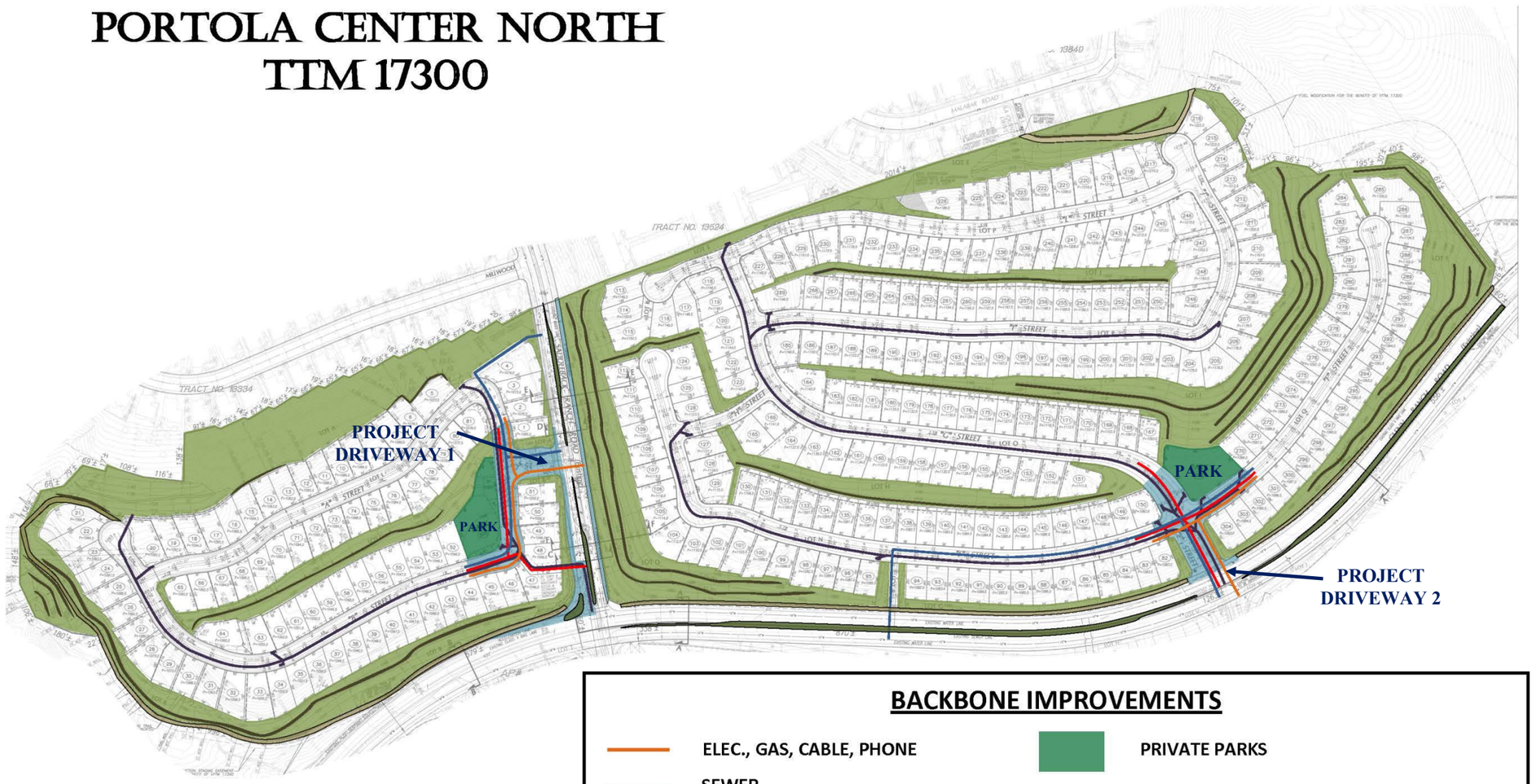

FIGURE 4:
PORTOLA CENTER NORTH
BACKBONE IMPROVEMENTS

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V. Overview of Project Phasing Approach

The Portola Center Project includes various backbone improvements and public and private facilities, including site grading and construction of Mechanically Stabilized Earth (MSE) and conventional retaining walls, backbone streets, sewer, water, and drainage/storm water facilities, slope and common area landscaping, community walls and fences, offsite road and infrastructure improvements, median improvements along Glenn Ranch Road and Saddleback Ranch Road, and park and trail facilities. These major improvements are illustrated in Figures 3 and 4 above for Portola Center North Planning Areas and South Planning Areas, respectively.

The Project's construction process will begin with the mass grading operation and the construction of MSE retaining walls and conventional retaining walls. As the mass grading and retaining wall construction process is concluding for a given phase of development, the storm water facilities will be installed to receive site runoff and provide drainage. Following completion of grading for a given phase of development, backbone utilities such as sewer, water, electric, gas, and communication services will be installed and stubbed to the Project's individual neighborhoods included with that phase. Following installation of backbone utilities, the Project entries and backbone road segments will be constructed.

Once these major backbone improvements are completed, access to individual neighborhoods (intracts) can begin. The process of extending utilities and building streets to individual neighborhoods will follow much the same process as building these types of improvements at the backbone level, however the start of construction of individual neighborhoods may be more market driven rather than necessarily driven by their proximity to project entries or their backbone connections.

As part of the construction of intract utilities and streets, the opening up of individual neighborhoods will first begin with the construction of the model complex for that neighborhood. The model complex typically consists of three to four floor plans for that home type and a small sales office (typically inside one of the models) with customer parking. All-weather access as well as sewer, water, electric, and gas services will be required for the model complex. As the model complex is becoming operational, intract improvements and home construction will proceed based on market conditions.

Certain major improvements like park facilities and other project amenities will be constructed as the Project reaches certain milestones for home construction. For example, it would be infeasible to construct an HOA recreation facility for the Project before the Project had a significant number of homes constructed and occupied to generate revenue to support the facility. Therefore, with the exception of facilities that are required by the Development Agreement, the timing and delivery of major project amenities in Portola Center will be driven by a combination of feasibility and marketing considerations.

VI. Project Grading

The Portola Center grading operation will involve the reconfiguration of several million cubic yards of dirt within the site boundaries, the construction of MSE and conventional retaining walls, and the exchange of approximately 550,000 cubic yards of material internal to the Project site but between planning areas. The grading operation for the Portola South Planning Area involves a total amount of approximately 2.25 million cubic yards of cut and fill; the Portola Northwest Planning Area involves a total amount of approximately 370,000 cubic yards of cut and fill; and the Portola Northeast Planning Area involves a total amount of approximately 1.5 million cubic yards of cut and fill. In combination, the Project's total grading operation involves over 4 million cubic yards of cut and fill, including remedial grading and minor losses.

The Project's MSE retaining walls are segmented precast concrete block retaining walls that are reinforced with layered horizontal mats (geosynthetics) fixed at their ends that are integrated into the compacted fill slope behind the walls. The compacted fill and layered mats form a "geogrid" that provides added internal shear resistance beyond that of traditional retaining wall structures. MSE retaining walls are the preferred solution in a variety of applications, including support of roadbeds for heavy vehicles, freeways, building pads, and, in general, large fill slopes. Individual sections of the MSE retaining walls and their associated "geogrids" will be built such that grading and construction of these individual sections can occur as a single coordinated process with the grading operation.

The Project's MSE retaining wall systems will require a total of approximately 920,000 cubic yards of backfill material that has high permeability and low expansivity rates (i.e., soil with a low clay content that drains well). Fill material fitting this definition is a sandy or sandy loam material ("select fill"). The Portola South Planning Area contains two significant geologic formations harboring select fill material, one on the west portion of the site near the intersection of Glenn Ranch Road and Saddleback Ranch Road, and a second formation in the central eastern portion of the site. Combined, the two areas support over 1.6 million cubic yards of the select fill material, roughly twice the amount required for construction of the MSE retaining walls in the Project. As part of the construction of the MSE retaining walls, approximately 550,000 cubic yards of select fill material will be transported to the Portola North Planning Areas and exchanged for an equal amount of fill material from those Planning Areas. The Portola Northwest site will exchange approximately 110,000 cubic yards with the South and the Northeast site will exchange approximately 440,000 cubic yards with the South.

The Portola Center Project currently involves two property owners, an owner of the North Planning Areas (Northeast and Northwest) and a separate owner of the South Planning Area. The two property owners and all future property owners for whom the agreement is assigned will be subject to a recorded agreement which runs with the land providing for certain development obligations of the Project. The agreement will provide for the ability to exchange dirt between the sites, including allowing the property owner of the North to access and remove select fill material required for the construction of MSE retaining walls on the North sites.

The exchange of fill material between the Northwest and South Planning Areas will involve the transport of fill by dump truck via Saddleback Ranch Road through the two project entries (the

new entry along Saddleback Ranch Road to the Northwest site, Project Driveway 1, and the new south leg of the Glenn Ranch Road/Saddleback Ranch Road intersection, Project Driveway 3). The process of exchanging 110,000 cubic yards of fill between these two sites is estimated to involve approximately 14,000 16-cubic yard truck trips during the hours of 9:00 a.m. and 3:00 pm and expected to last two months (40 work days). Soil material will be transported in both directions as part of the soil exchange process between the two sites. The new traffic signal at Saddleback Ranch Road/Glenn Ranch Road intersection will be installed in advance of any hauling activity, and traffic control measures, including the use of flaggers, will be employed.

The exchange of fill material between the Northeast and South Planning Areas will involve the transport of fill material by truck or scrapers across Glenn Ranch Road through the new intersection along Glenn Ranch Road (Project Driveway 2). The process is estimated to involve approximately 37,000 24-cubic yard scraper trips (or roughly 55,000 trips if 16-cubic yard trucks are used) during the hours of 9:00 a.m. and 3:00 pm and expected to last approximately 5 to 6 months with the use of scrapers (or 8 months if trucks are used). Soil material will be transported in both directions as part of the soil exchange process between the two sites. In the event that scrapers are used, an evaluation of the strength of the road and any potential impacts to underground utilities will need to occur before these substantially heavier earth moving vehicles can be used. If necessary, a new concrete section at the Project's new intersection can be paved or steel plates can be placed over the section of roadway that will support the weight of the scrapers. Traffic control measures, including the use of flaggers, will be employed for all truck and/or scraper trips across Glenn Ranch Road.

Soil hauling along Saddleback Ranch Road will be limited to the off-peak traffic hours to minimize the disruption of the commute of Portola Hills residents. Soil hauling trips out and across the Project's new intersection along Glenn Ranch Road and the new leg of the Glenn Ranch Road/Saddleback Ranch Road intersection will be controlled by traffic signals and flaggers to ensure controlled access at the Project Driveways, thereby minimizing disruption of traffic flow along those streets.

It is possible that select fill material transported to the North Planning Areas will be stockpiled on those sites until such time as grading activities commence on those sites, which are planned to start after grading activities commence on the South, as further detailed in this report. The Portola Northwest and Northeast site both contain large previously graded "superpads" where stockpile material can be placed. Stockpile material will be covered to prevent dust and the California Storm Water Quality Association (CASQA) BMPs or other equivalent BMPs for stockpiles will be implemented to prevent erosion and water quality impacts.

Grading activities on the Northeast site will occur in proximity to existing residents and buildings along the Project's northeast property boundary. Due the sensitivity of noise and vibration, the grading and construction operation within 25 feet of existing homes or residential buildings will use lighter-weight grading equipment and static compaction equipment (e.g., a sheep's foot) in these areas that are immediately adjacent to the project site. Prior to commencement of grading activities within these areas, the project will conduct a video survey of the building foundations of those buildings and install vibration monitoring equipment inside the property boundary for each building within 25 feet of grading activities.

VII. Portola Center Phases of Development

For purposes of this PFFP Plan, Portola Center is broken into four major phases of development, as shown in Figure 5. The South Planning Area supports two phases (Phase 1, Portola Southwest, and Phase 2, Portola Southeast), and the Northwest and Northeast Planning Areas constituting one phase each (Phase 3, Portola Northwest, and Phase 4, Portola Northeast). The South Planning Area contains sewer and storm drain improvements that support the North Phases. The South Planning Area also contains select fill material needed for the construction of MSE retaining walls in the North Planning Areas such that approximately 550,000 cubic yards of fill material will be exchanged between the North and South Planning Areas. For these reasons, this PFFP Plan is structured around the South Phases proceeding in advance of the North Phases.

For the purposes of this PFFP Plan, a preferred phasing plan is established and the timing of delivery of various project improvements and facilities is structured around that plan. The following sections provide an overview of the grading and construction process for each phase and identify the various improvements and facilities associated with each phase.

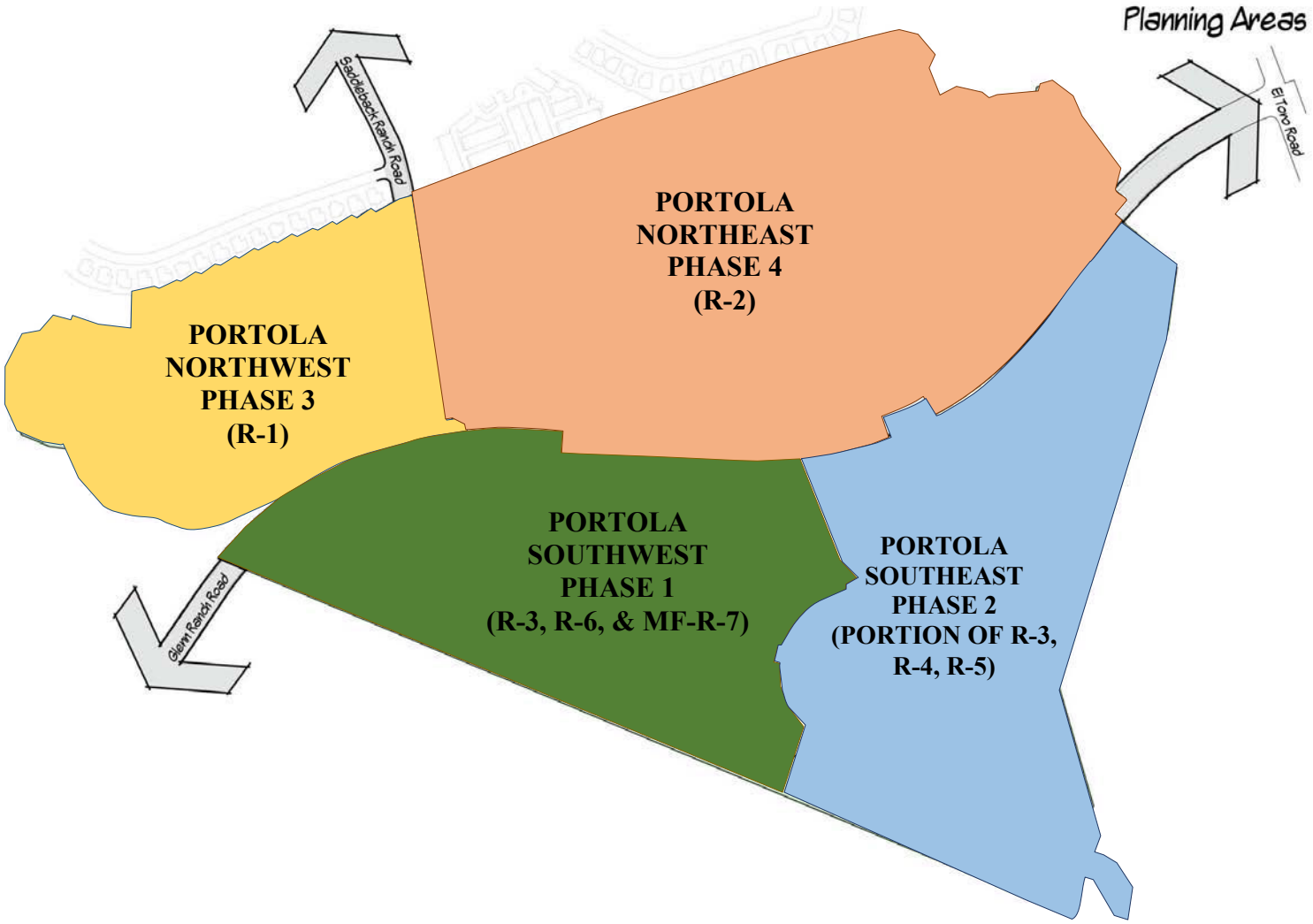

FIGURE 5: PORTOLA CENTER DEVELOPMENT PHASES

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A. Phase 1 (Portola Southwest)

The first phase of grading and construction in Portola Center will begin in the west half of the Portola South Planning Area (Phase 1). Phase 1 includes residential neighborhoods R-6, MF-R-7, a portion of R-3, and the Mixed Use Center (MU-1). Phase 1 will include approximately half of the Portola South Planning Area and construction of the majority of the MSE retaining wall systems on the South site. It will include the installation of a new underground detention basin to accommodate storm water runoff entering the site from Portola Hills and other storm drain infrastructure and detention and water quality facilities. It will also include the grading of the multi-family building site and 5-Acre Public Community Park site and the exchange of approximately 550,000 cubic yards of fill material with the Portola Northwest and Northeast Planning Areas (Phases 3 & 4). Prior to any grading activity on the site, the traffic signal at Glenn Ranch Road/Saddleback Ranch Road intersection will be modified to accommodate controlled access in and out of the South and driveway access will be installed for construction vehicles to enter and exit both the South and Northwest sites.

As part of the replacement of the existing Portola Hills earthen detention basin, a temporary basin will be constructed so that the existing basin can be taken out of service and the park site can be graded. The grading of the 5-acre Community Park site will include the construction of the MSE retaining wall system along the southwestern perimeter of the site and the installation of storm water facilities, including storm drains lines underneath the park site, storm water basin #1, and the storm drain outfall below the park site. Following completion of the park site grading, the new underground Portola Hills detention basin (Basin #2) will be installed and made operational in the northeastern portion of the new park site and the temporary basin will be removed. The Community Park will be offered for dedication to the City prior to the recordation of the first Final Map in the Project and delivered to the City in superpad condition prior to issuance of the 1st building permit in the Portola South Planning Area.

Storm drain infrastructure will be installed as part of the grading operation. Following completion of the grading and retaining wall construction, construction of the backbone infrastructure, including sewer, water, and electric and gas utilities and the west leg of the Project's Promenade Street ("A" Street) will occur to serve this phase of the Project. Phase 1 includes the construction of the Project's primary community entry (the south leg of the Glenn Ranch Road/Saddleback Ranch Road Intersection), Portola Hills Community Monumentation on the northeast corner of Glenn Ranch Road and Saddleback Ranch Road, and associated intersection improvements including pedestrian crossings, sidewalk, and lane striping. Phase 1 will also include the construction of the new landscaped median within Glenn Ranch Road west of the Glenn Ranch Road/Saddleback Ranch Road Intersection.

Following completion of the Primary Project Entry and the Promenade Street, construction of model complexes and intract improvements will occur. Prior to recordation of the first final map of the Project, an irrevocable offer to dedicate the 5-acre Community Park site will be made to the City of Lake Forest. Consistent with the requirements of the Portola Center Development Agreement and Affordable Housing Implementation Plan, the Mixed Use Center and the 57 affordable homes will be permitted and construction will have commenced prior to pulling building permits beyond 50% + 1 of the total number of dwelling units in the Project. Finally, as

part of Phase 1, portions of the Perimeter Trail, the Enhanced Pedestrian Pathway along "A" Street, and the pedestrian paseos connecting the neighborhoods to the Project's Perimeter Trail System will be constructed in sequence with the residential neighborhood construction in Phase 1. Figure 6 below shows the grading and development area associated with Phase 1 and below are lists of the major improvements associated with the grading and construction of Phase 1. Figure 3 contains a detailed depiction of these improvements.

PHASE 1 GRADING:

- Traffic Signal Modification at Glenn Ranch Road/Saddleback Ranch Road & Striping of left Turn Lane into Portola South (prior to grading)
- Left Turn Lane Striping along Saddleback Ranch Road into Portola Northwest Site (prior to grading)
- Exchange of Fill Material with Northwest Site: 110,000 cubic yards
- Exchange of Fill Material with Northeast Site: 440,000 cubic yards
- Stockpiling of Select Fill Material on Northwest Site (or integration of fill into grading operation of the Northwest Phase if Grading on the NW has already Commenced)
- Temporary Portola Hills Detention Basin
- Grading of 5-Acre Community Park Site, West End, MF Pad, & Construction of MSE Retaining Walls
- Construction and Activation of Permanent Portola Hills Basin (Basin #2) and Removal of Temporary Portola Hills Basin
- Storm Water Facilities (Basin #'s 1, 3, &4, Storm Drain Inlets, Pipes, & Outlets)

PHASE 1 IMPROVEMENTS:

- Backbone Sewer, Water, & Dry Utilities
- West, East, and South Legs of Glenn Ranch Road/Saddleback Ranch Road Intersection Improvements (Sidewalks, Crosswalks, Lane Restriping)
- South Leg of Saddleback Ranch Road to location of future connection with "A" Street
- Glenn Ranch Road Median Improvements (western project boundary to "B" Street)
- Project Driveway 3 (South Leg of GRR/SRR Intersection) with Sidewalk, Median, Landscaping, Community Signage, & Internal Round-About at Community Park Entrance
- Portola Hills Community Monumentation (Northeast Side of GRR/SRR Intersection)
- "A" Street and Enhanced Pedestrian Pathway
- Model Complexes
- Irrevocable Offer of Dedication (IOD) of 5-Acre Community Park Site to LF
- Recordation of Final "A" Map or 1st Final Map
- Intract improvements (Sewer, Water, Electric/Gas, Streets, & Parkways)
- Community walls & Landscaping
- Delivery of 5-Acre Community Park Site as a Superpad to the City of Lake Forest
- Issuance of 1st Building Permit in Portola South
- Permit issuance for 57 Affordable Units and Mixed Use Site at 50%+1 of the Total Number of Dwelling Units in the Project
- Western half of the Perimeter Trail System with Neighborhood Paseos & Trail Stations

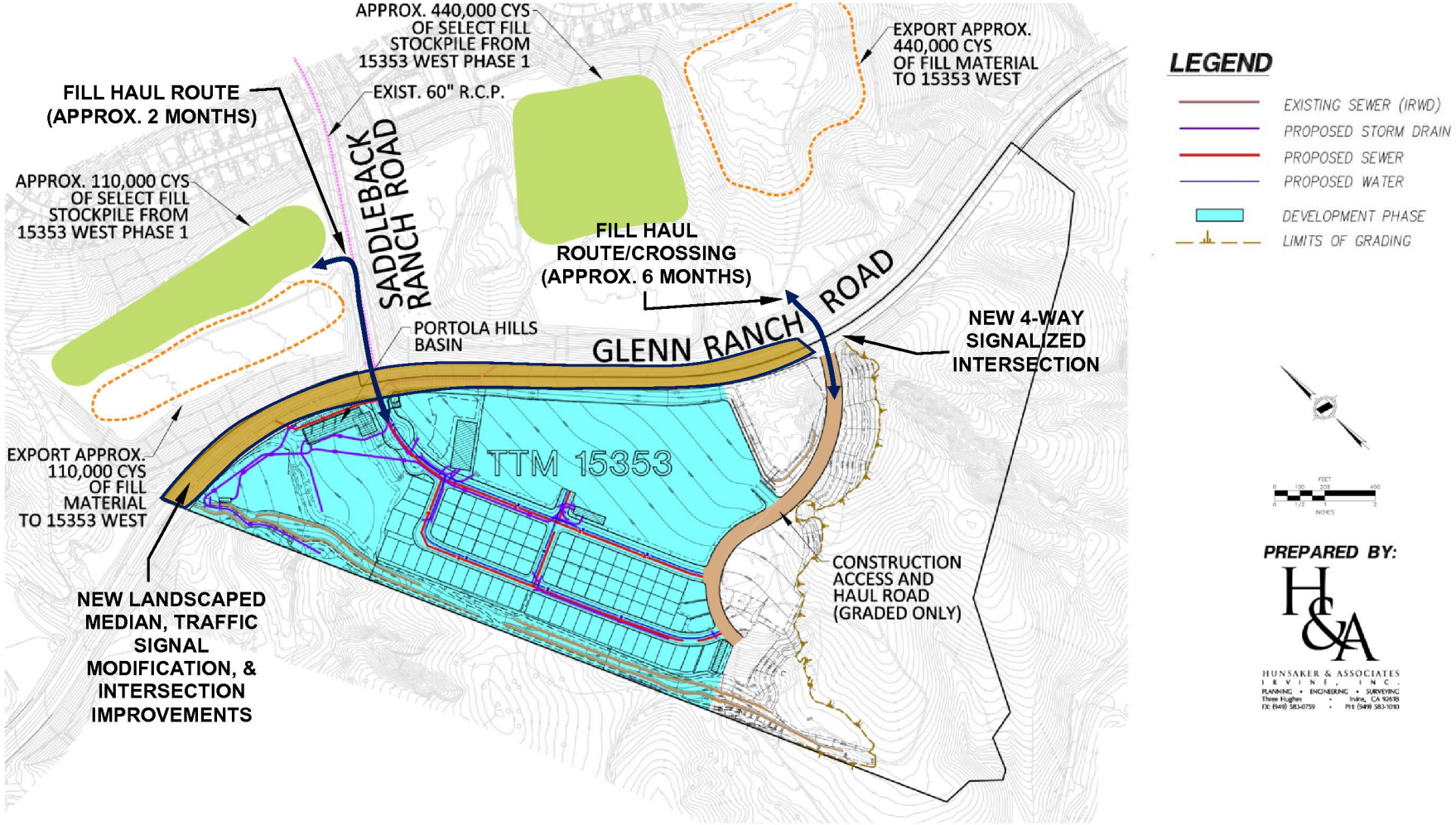

FIGURE 6: PHASE 1—PORTOLA SOUTHWEST

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B. Phase 2 (Portola Southeast)

The grading and construction of Phase 2 will begin in the east half of the Portola South Planning Area. Phase 2 includes residential neighborhoods R-4, R-5, and a portion of the R-3 neighborhood. Phase 2 will include grading of approximately half of the Portola South site and construction of MSE and conventional retaining walls along the eastern edge and internal to the site. Major improvements include the construction of sewer, water, electric, gas, and communication lines, including the construction of an offsite sewer connection to El Toro Road to service the southeast portion of this phase, sewer and storm drain improvements across Glenn Ranch Road necessary to serve Phase 4 (Portola Northeast), a new four-way intersection along Glenn Ranch Road, the Project Entry and the east leg of the Project's Promenade Street ("B" Street), storm water facilities necessary to serve Phase 2 and Phase 4, the Portola Center Central Park and HOA Recreation Center, the Perimeter Park and the completion of the Perimeter Trail.

Storm drain infrastructure will be installed with the grading operation and the sewer, water, and electric and gas utilities will follow the grading operation. The eastern entrance to the South Planning Area, the south leg of Project Driveway 2, will be constructed following the installation of these underground utilities. Prior to issuance of the Certificate of Occupancy for the 150th residential unit in the Portola South Planning Area, "B" Street will be constructed from Project Driveway 2 to its connection with "A" Street. The Enhanced Pedestrian Pathway along "B" Street will be completed with the connection of "B" Street through to "A" Street. Figure 3 contains a detailed depiction of these improvements.

Figure 6 below shows the grading and development area associated with Phase 1 and below are lists of the major improvements associated with the grading and construction of Phase 2.

PHASE 2 GRADING:

- Traffic Signals at new 4-way Intersection/Project Driveway 2 along Glenn Ranch Road (prior to grading)
- Driveway Access to Portola South and Portola Northeast Site (prior to grading)
- Stockpiling of Select Fill Material on the Northeast Site (or integration of fill into grading operation of the Northeast Phase if Grading on the Northwest Site has already Commenced)
- Grading of East End of Portola South & Construction of MSE Retaining Walls
- Storm Water Facilities (Underground Basin #s 5, 7, & 8, Open Water Quality/Detention Basin #9, Storm Drain Inlets, Pipes, & Outlets)

PHASE 2 IMPROVEMENTS:

- Backbone Sewer, Water, Electric, & Gas Utilities
- Offsite Project sewer main connection to El Toro Sewer Main
- New 4-way Intersection Improvements at Project Driveway 2 (Left Turn Pockets, Sidewalk Improvements, & Pedestrian Crossings)
- Project Driveway 2 Project Entry Landscaping & Median Improvements
- Completion of Glenn Ranch Road Median improvements ("B" Street to project eastern boundary)
- Construction of Model Complexes
- "B" Street from Project Driveway 2 to "A" Street (prior to Certificate of Occupancy for the 150th residential unit in the Portola South Planning Area)
- Completion of Enhanced Pedestrian Pathway on Portola South site
- Intract improvements (Sewer, Water, Electric/Gas, Streets, & Parkways)
- Community walls & Landscaping
- Construction of Central Park & HOA Recreation Center
- Construction of Perimeter Park
- Completion of the Perimeter Trail System, Neighborhood Paseos, & Trail Stations

C. Phase 3 (Portola Northwest)

Phase 3 of Portola Center is the Portola Northwest Planning Area, located on the northwest corner of the Glenn Ranch Road/Saddleback Ranch Road Intersection. Phase 3 includes the residential neighborhood R-1. Driveway access for construction vehicles to the Northwest site will be constructed as part of Phase 1. The development of Phase 3 will begin with mass grading of the site and construction of the MSE and conventional retaining wall systems. A stockpile of approximately 110,000 cubic yards of select fill material from Phase 1 of Portola South will be used as backfill material behind the MSE retaining walls as the walls are constructed. Storm drain inlets and pipe will be installed and connected to the storm water system in Phase 1 as part of the grading operation.

Following completion of grading activities, sewer and water main connections and dry utility connections to the existing mains and gas and electric utilities in Saddleback Ranch Road will also be constructed. Once services have been established to the site, Project Driveway 1 sidewalk, landscaping, and median improvements, the median improvements along Saddleback Ranch Road, and the free right turn and island along the southbound lane of Saddleback Ranch Road will be constructed. Construction of the project entry will be followed by intract improvements, home construction, and completion of project amenities in Phase 3, including the 0.6-acre neighborhood park, the fence, wall, and landscaping enhancements to the Aliso Serrano Riding & Hiking Trail between the Project's western boundary and the Glenn Ranch Road/Saddleback Ranch Road intersection, and the completion of the realigned portion of the Whiting Ranch Coyote Brush Trail and associated project neighborhood paseo to the trail and exercise stations. Figure 8 below shows the grading and development area associated with Phase 3 and below are lists of the major improvements associated with the grading and construction of Phase 3. Figure 4 contains a detailed depiction of these improvements.

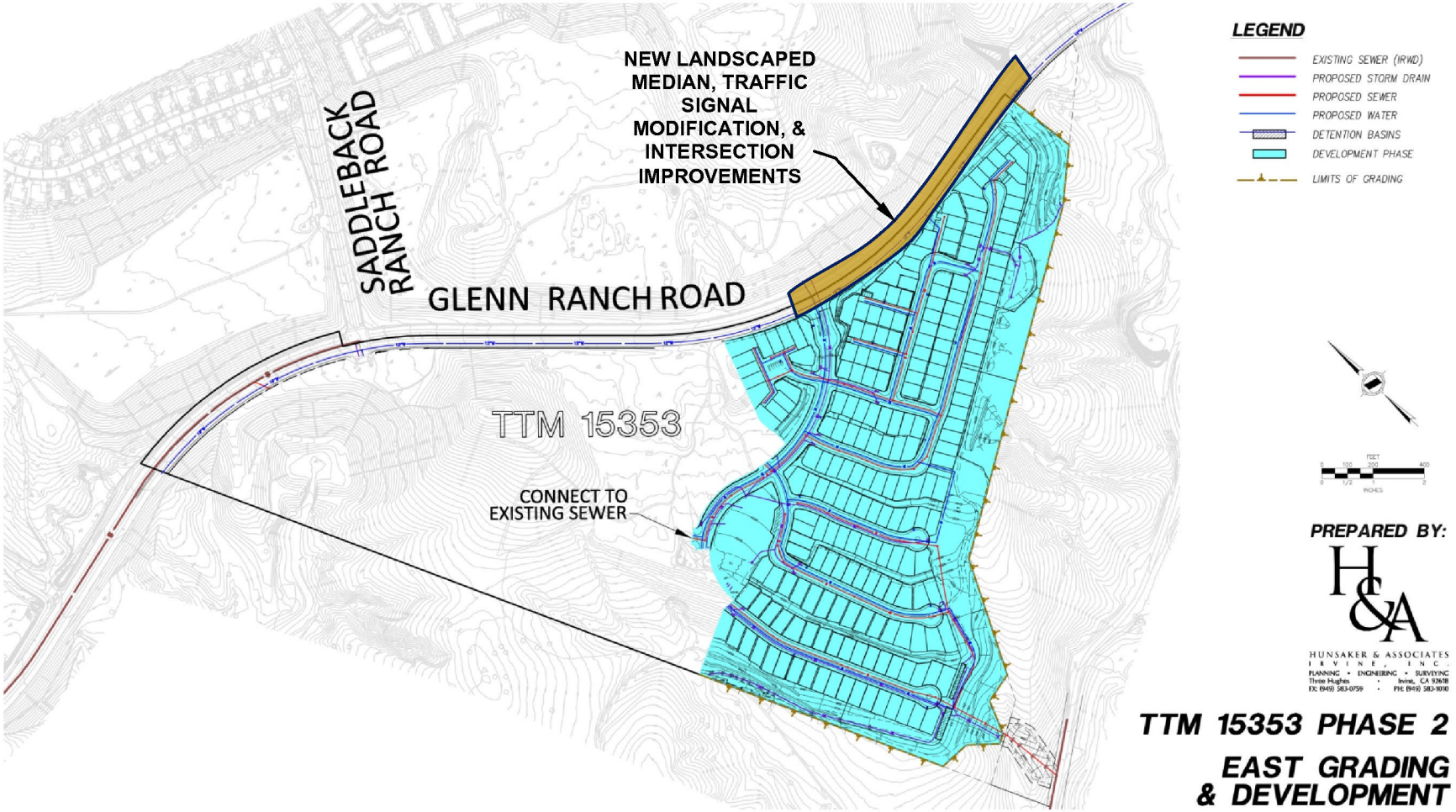

FIGURE 7: PHASE 2—PORTOLA SOUTHEAST

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PHASE 3 GRADING:

- Mass Grading & MSE & Conventional Retaining Walls
- Storm Water Facilities (Storm Drain Inlets & Connection to Portola South Phase 1 Storm Water Facilities)

PHASE 3 IMPROVEMENTS:

- Backbone Sewer, Water, Electric, & Gas Utilities
- Project Driveway 1 Sidewalk, Landscaping, Community Signage, & Median Improvements
- Model Complex
- Saddleback Ranch Median Improvements
- "Free Right" Turn with island at Saddleback Ranch Road & Glenn Ranch Road
- Pedestrian/Equestrian Crossing along North side of Saddleback Ranch Rd/Glenn Ranch Rd. Intersection (Buttons, Striping)
- Intract improvements (Sewer, Water, Electric/Gas, Streets, & Parkways)
- 0.6-Acre Neighborhood Park
- Realigned portion of Whiting Ranch Coyote Brush Trail Within the Project Boundaries, Neighborhood Paseo, & Trail Stations
- Wall, Fencing, & Landscaping Enhancements to Aliso Serrano Riding & Hiking Trail Between Project's Western Boundary and the Saddleback Ranch Road/Glenn Ranch Road Intersection

D. Phase 4 (Portola Northeast)

Phase 4 of Portola Center is the Portola Northeast Planning Area, located on the northeast corner of the Glenn Ranch Road/Saddleback Ranch Road Intersection and extending to the Project boundary to the east. Phase 4 includes the residential neighborhood R-2. The development of Phase 4 will begin with mass grading of the site and construction of the MSE retaining wall systems. Driveway access for construction vehicles will be constructed as part of Phase 2. A stockpile of approximately 440,000 cubic yards of select fill material from Phase 2 of Portola South will be used as backfill material behind the MSE retaining walls as the walls are constructed. Storm drain inlets and pipe will be installed and connected to the storm water system in Phase 2 as part of the grading operation.

In order to provide sewer service to the Portola Northeast Planning Area, Phase 4 will include a connection to the sewer line in Phase 2 of Portola South which extends underneath Glenn Ranch Road to the boundary of the Northeast Site. Water main connections and electric and gas utility connections to the existing facilities in Glenn Ranch Road will also be constructed. Following the installation of underground utilities, the project site entry (north leg of Project Driveway 2) with landscaping and median improvements will be constructed. Construction of the project entry will be followed by intract improvements, home construction, and completion of project amenities in Phase 4, including the 0.5-acre neighborhood park, and the fence, wall, and landscaping enhancements to the Aliso Serrano Riding & Hiking Trail. Median improvements along Glenn Ranch Road east of the Glenn Ranch Road/Saddleback Ranch Road intersection to

the Project's eastern boundary and the 8-foot-wide Enhanced Pedestrian Pathway along the east side of Saddleback Ranch Road will also be constructed as part of Phase 4. As the highest elevations of the Northeast Planning Area are built out, the pedestrian connection to Malabar and the Portola Hills Community to the north will be constructed.

Figure 9 below shows the grading and development area associated with Phase 4 and below are lists of the major improvements associated with the grading and construction of Phase 4. Figure 4 contains a detailed depiction of these improvements.

PHASE 4 GRADING:

- Mass Grading & MSE & Conventional Retaining Walls
- Storm Water Facilities (Storm Drain Inlets & Connection to Portola South Phase 2 Storm Water Facilities)

PHASE 4 IMPROVEMENTS:

- Backbone Sewer, Water, & Dry Utilities
- Project Site Entrance/Project Driveway 2 North Leg Sidewalk, Landscaping, Community Signage, & Median Improvements
- Model Complex
- Intract improvements (Sewer, Water, Electric, & Gas Utilities, Streets, Landscaping)
- Construction of 0.5-Acre Neighborhood Park
- Enhanced Pedestrian Pathway (8' Sidewalk) along the East Side of Saddleback Ranch Road within the Project Boundaries
- Completion of Glenn Ranch Road Median ("A" Street to project eastern boundary)
- Wall, Fencing, & Landscaping Enhancements to Aliso Serrano Riding & Hiking Trail Between Saddleback Ranch Road/Glenn Ranch Road Intersection & Eastern Project Boundary
- Pedestrian Pathway to Malabar

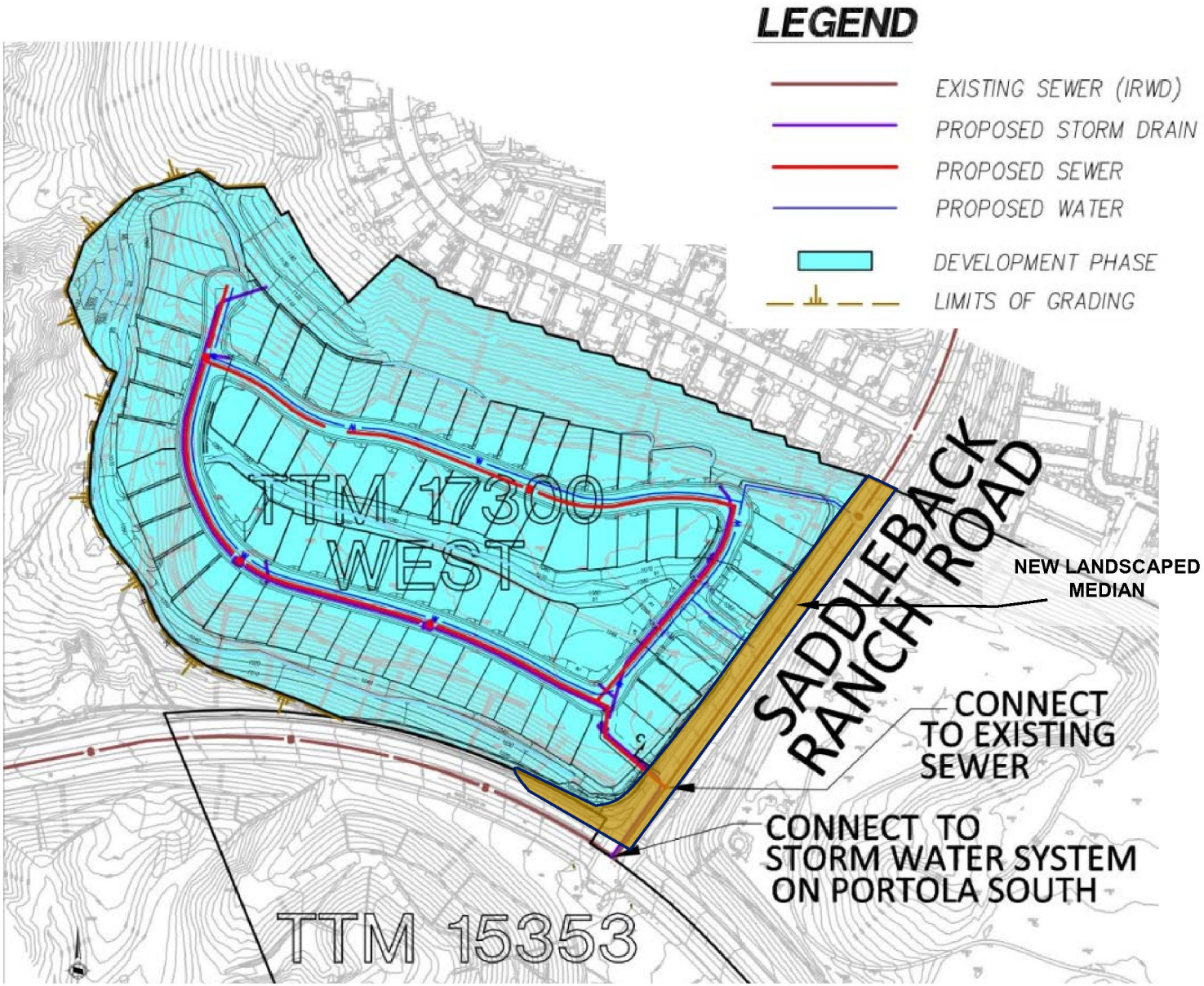

FIGURE 8: PHASE 3—PORTOLA NORTHWEST

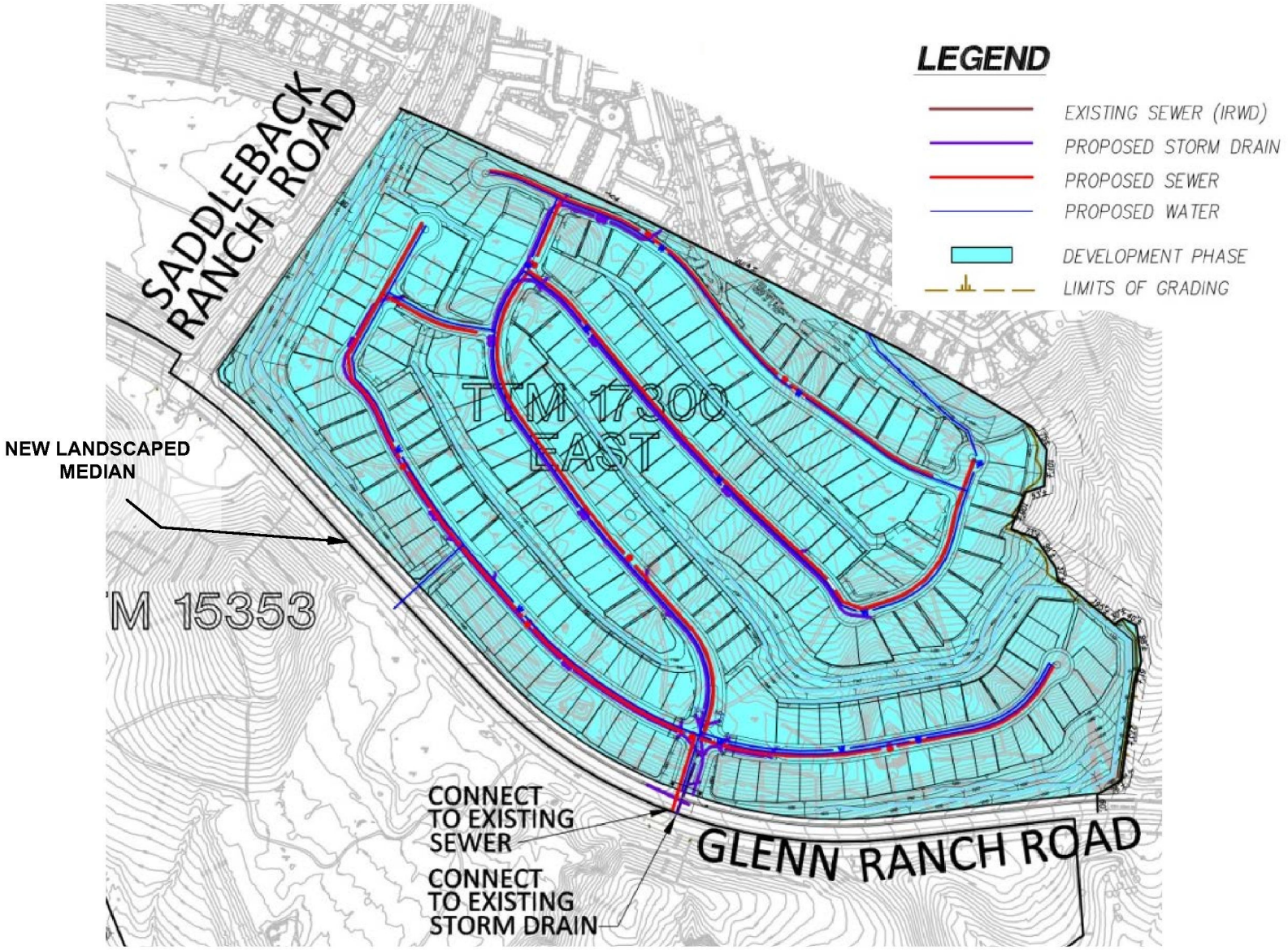

FIGURE 9: PHASE 4—PORTOLA NORTHEAST

VIII. Development Phasing Alternative

The Portola Center Development Agreement and Project Conditions of Approval specify the requirements under which certain Project improvements and developer payments are required as part of the ultimate development of the Project. This Phasing Plan envisions the Portola Center South Phases (Phases 1 and 2) occurring in advance of the Portola Center North Phases (Phase 3 and 4), however it is conceivable and physically possible for the Northwest Phase to precede Phase 1 (west half of Portola South). In the event that the Northwest Phase preceded the Portola South Phase 1, the Northwest Phase would be required to exchange the required amount of dirt to construct the MSE retaining walls on the Northwest site, to construct required utility connections in Glenn Ranch Road and Saddleback Ranch Road, including sewer, water, gas, and electricity, and to construct storm water improvements on Portola South necessary to accommodate the storm water runoff from the Northwest site, either through a temporary detention and water quality basin or through the permanent Basin #3. The Project developer would also be required to fulfill those obligations specified in the Development Agreement and any Conditions of Approval that would be triggered by actions occurring either directly related to that site or within the Project area as a whole.

Figure 10 below shows the grading and development, exchange of dirt between the sites, and the soil stockpiles on the Portola South site associated with development starting on the Northwest site first. Under this alternative phasing approach, the storm water facilities required for the Northwest site may be constructed on the South as temporary detention and water quality facilities designed to meet the water and detention objectives for the Northwest site. The layout, design, construction timing, and expected operational lifespan of these temporary facilities would require City review and approval as part of the grading permit process for the Northwest site.

The process of grading and developing the Northwest site as Phase 1 (Phase 1 Alternative) of the project would occur in the same manner as if it were Phase 3 of the Project. Please refer to the discussion above for more specific details about that process. The only additional work associated with the Northwest Phase as the first phase in the project is the extension of the storm drain line from the Northwest site across Glenn Ranch Road and into the South site and the construction of a water quality and detention basin on the South to accommodate the runoff from the Northwest site, which can be either a temporary basin or the permanent Basin #3.

Under the Phase 1 Alternative, the various improvements and facilities tied to each Project phase as described in Section VI would remain connected to that phase. Only those actions triggered by the DA or Project Conditions of Approval, such as the dedication of the 5-acre Community Park site with the first Final Map in the Project, any fees triggered at first building permit, etc., would be occur as part of that Phase 1 Alternative. Figure 10 below shows the grading and development area associated with Phase 1 Alternative, including the improvements that would be required on Portola South. Below are lists of the major improvements associated with the grading and construction of Phase 1 Alternative.

PHASE 1 ALTERNATIVE GRADING:

- Exchange of 110,000 Cubic Yards of Fill Material with South Site with Limited Grading to Remove Select Fill Material on Portola South
- Stockpiling of 100,000 Cubic Yards Fill Material on South Site (or Integration of the Fill Material into the Grading Operation of the South Site if Grading on the South has already Commenced)
- Mass Grading & MSE & Conventional Retaining Walls
- Storm Drain Inlets & Storm Drain Line across Glenn Ranch Road into Portola South
- Limited Grading on Portola South to construct Temporary or Permanent Detention Basin

PHASE 1 ALTERNATIVE IMPROVEMENTS:

- Backbone Sewer, Water, Electric, & Gas Utilities
- Project Driveway 1 Sidewalk, Landscaping, Community Signage, & Median Improvements
- Model Complex
- Saddleback Ranch Median Improvements
- "Free Right" Turn with Island at Saddleback Ranch Road & Glenn Ranch Road
- Pedestrian/Equestrian Crossing along North side of Saddleback Ranch Rd/Glenn Ranch Rd. Intersection (Buttons, Striping)
- Intract improvements (Sewer, Water, Electric/Gas, Streets, & Parkways)
- 0.6-Acre Neighborhood Park
- Realigned Whiting Ranch Coyote Brush Trail, Neighborhood Paseo, & Exercise Stations
- Wall, Fencing, & Landscaping Enhancements to Aliso Serrano Riding & Hiking Trail Between Project's Western Boundary and the Saddleback Ranch Road/Glenn Ranch Road Intersection

The remaining three phases (west half of Portola South, east half of Portola South, and Portola Northeast) would proceed in the same order and involve all the same improvements as proposed with the preferred Project Phasing discussed in Section VII. The Portola South West Phase would follow the Northwest Phase, The South East Phase would follow the South West, and the Northeast Phase would follow South East Phase.

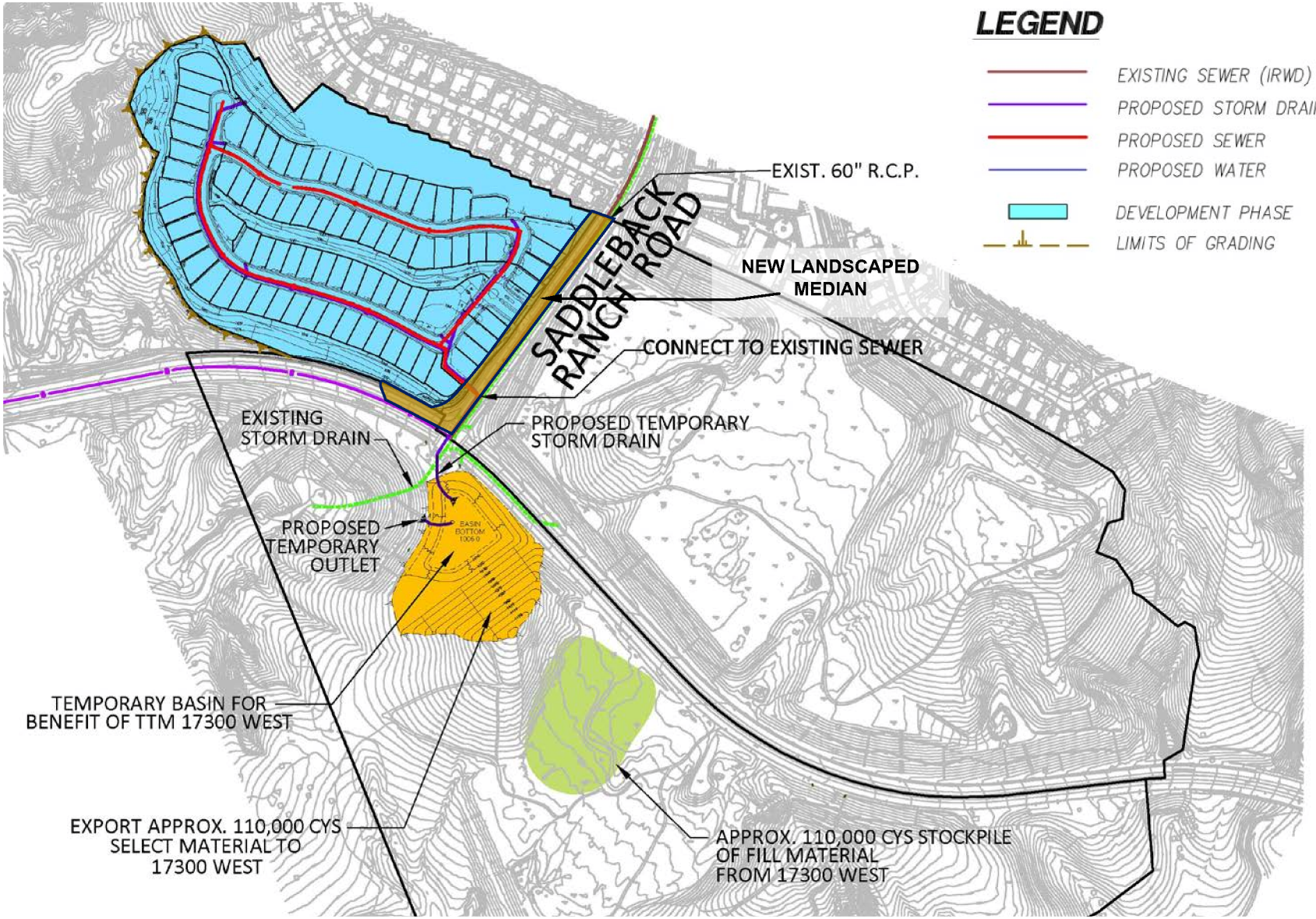

FIGURE 10: PHASE 1 ALTERNATIVE—PORTOLA NORTHWEST

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IX. Development Financing Mechanisms

There are a number of funding mechanisms available to the Project to fund project grading and the construction of backbone infrastructure and project facilities. The Portola Center Development Agreement includes provisions for the creation of Community Facilities Districts (CFDs) to fund the City Facilities Fees as well as the Saddleback Valley Unified School District Mitigation Agreement payments and fees. The ultimate type of financing mechanisms will be determined by the master developer based on an analysis of infrastructure and grading costs for each phase of development, financing requirements, the duration of funding, reimbursement requirements, absorption rates, desired property tax rate levels, and other market strategies and considerations.

This section describes the basic types of funding mechanisms available to the master developer. The mechanisms discussed in this section include the following categories:

1. Formation of land-secured financing districts (i.e. a Community Facilities District)
2. Developer equity & conventional financing

A. Land Secured Public Financing (CFDs)

Land-secured financing for public facilities generally involves either Assessment Districts ("AD") or Community Facilities Districts ("CFD"). Given the flexibility that would be required to meet the unique needs within the Development, a CFD would likely be the selected form of land-secured financing, although AD's remain an alternative mechanism.

The Mello-Roos Community Facilities District Act of 1982 established a means to finance certain public facilities through the sale of CFD bonds and public services directly through annual special tax collections. Generally, a Mello-Roos special tax can be used to finance the purchase, construction, expansion, improvement or rehabilitation of real property with a useful life of five years or more. It can pay for capital facilities including, but not limited to:

- local park, recreation, and open-space facilities;
- parkway facilities;
- street improvements;
- storm drain improvements;
- fire stations;
- water and sewer systems;
- libraries;
- the under grounding of utilities;
- public school facilities;
- any governmental facilities which the legislative body creating the CFD is authorized by law to contribute revenue to, own, construct, or operate;

Preliminary community facilities district bond capacity analysis indicates that financing to complete the backbone improvements is feasible with a tax rate of 1.5 to 2%. A more detailed analysis would account for the home types, unit counts, home pricing and sizes, and include existing and anticipated taxes and assessments for the Project. Commercial land uses can also be included in such an analysis. Should a CFD be pursued as part of or the preferred financing approach for the Project, the actual amount of CFD bond financing that could be made available for the Project would be determined at that time and will consider City policy guidelines, market constraints and conditions, and the business plan for the Project.

B. Developer Equity & Conventional Financing

The conventional option for the construction of backbone infrastructure, the grading of the 5-acre Community Park, and other improvements is developer equity, conventional financing, and other forms of private financing. This form of more traditional financing would entail the Master Developer receiving a private loan to construct these improvements, posting a bond with the City to guarantee their ultimate construction, and then potentially structuring individual arrangements with future builders who purchases lots or development phases from the Master Developer.

It is difficult to speculate on the viability of the various funding options for the project. The purpose of this Plan is to identify potential acceptable funding strategies and demonstrate how they would work.

X. Facilities Maintenance Responsibilities

Development of the Project will create maintenance demands associated with various improvements and facilities necessary for the Project which can be broken into four major categories: City of Lake Forest Maintained Facilities, County or Orange Maintained Facilities, HOA Maintained Facilities, and Public Utility Maintained Facilities. Figure 11 below depicts the Maintenance Responsibility Areas for the Project. The bulk of the improvements associated with the Project will be maintained by the Project's future Homeowners Associations (HOAs). These improvements generally include all the roads, storm water facilities, landscaping, parks, and common area improvements among other privately owned and maintained improvements which are effectively internal to or on the perimeter of the Portola Center Community (i.e., inside the Project's gated entrances, including slopes and walls along the perimeter). The Project includes certain public improvements such as the 5-acre Community Park and associated improvements, new landscaped medians, and storm water facilities handling runoff from public streets that will be owned and maintained by the City of Lake Forest. Finally, there are certain public utilities (sewer, water, gas, electricity, and communication services) internal and external to the Project neighborhoods that will be maintained by their respective utility or service provider (e.g., Southern California Edison, AT&T, IRWD, etc.).

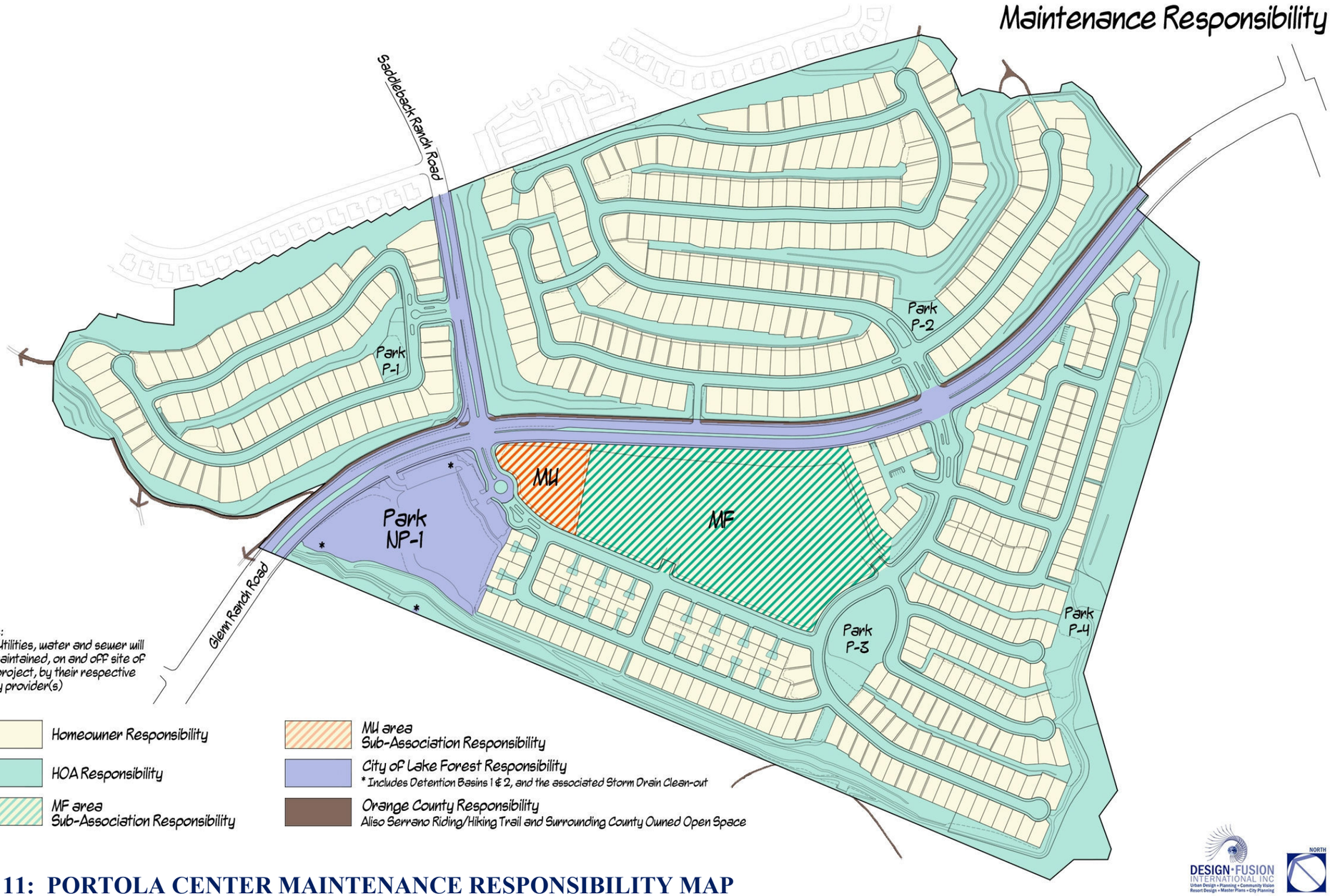

FIGURE 11: PORTOLA CENTER MAINTENANCE RESPONSIBILITY MAP

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The funding to maintain these three categories of facilities will come from three primary funding sources: HOA Dues for HOA Maintained Facilities; Lake Forest General Fund Revenue and potentially Maintenance Community Facilities District (CFD) assessments for City Maintained Facilities; and user fees (e.g., sewer & water charges, monthly service fees, etc.) for Public Utility Maintained Facilities. Following is a breakdown of the different facilities and improvements associated with the Project specific to the three categories of maintenance entities described above. Table 1 below contains a list of the various types of improvements and facilities in the Project area and identifies the responsible party.

A. City of Lake Forest Maintained Facilities

The facilities and improvements to be maintained by the City of Lake Forest include the following:

- 5-Acre Community Park and Associated Parking Area
- Portion of the Entrance to Portola South Providing Access to the 5-Acre Community Park to the Round-About
- Portola Hills Detention Basin #2
- Detention Basin #1, Storm Drain Infrastructure inside 5-Acre Park and Outfall at Base of Park
- Street and Sidewalk Improvements along Glenn Ranch Road & Saddleback Ranch Road, including but not limited to the "Free Right" Turn Island, Crosswalks, and New and Existing Traffic Signals

B. County of Orange Maintained Facilities

The facilities and improvements to be maintained by the County of Orange include the following:

- Aliso Serrano Riding & Hiking Trail, equestrian fence, and landscape buffer adjacent to Glenn Ranch Road sidewalk
- The Whiting Ranch Coyote Brush Trail (with the exception of that portion of the trail within the boundaries of the Northwest Site)

C. Homeowners Association Maintained Facilities

The facilities and improvements to be maintained by the Project Homeowners Associations include the following:

- Project Entries, Monuments/Signage, Gates, Private Streets, Driveways, & Courtyards
- Project Landscaping and Open Space Areas (Slopes, MSE Walls, Fuel Modification Zones, Medians, & Parkways)
- All Neighborhood Parks (with the exception of the 5-Acre Public Community Park)
- Private Recreational Facilities (e.g., Rec. Center in Central Park)

- Neighborhood Paseos, Enhanced Pedestrian Pathways, the Perimeter Trail, Trail Stations, & the portion of the Whiting Ranch Trail that is inside the Northwest Site
- Storm Water System including Detention & Water Quality Treatment Basins & Storm Drain Outfalls (with the exception of those facilities in the 5-Acre Community Park)
- Mixed Use & Multifamily Sites (HOA Sub-Association Maintained)
- Other Common Interest Ownership Amenities including Community Walls, Non-Public Utility Based Street Furniture
- Glenn Ranch Road & Saddleback Ranch Road Landscaped Medians within the Project Boundaries

D. Public Utility Maintained Facilities

The sewer, water, electric, gas, and communication facilities necessary to support the Project, whether within the public Right-of-Way or on private streets and property, will be maintained by their respective utility provider. The Irvine Ranch Water District will maintain the sewer and water service facilities, including sewer and water mains, pump stations, and other associated facilities. Southern California Edison (SCE) will maintain the electrical transmission and distribution service facilities, including underground lines, transformers, and street lights. The Southern California Gas Company (SCGC) will maintain the gas transmission and distribution service facilities, and AT&T and Cox Cable will maintain their respective communication facilities. Utility providers have different cut-off points for what is their responsibility to maintain versus the homeowner. Electric, gas, and water providers typically maintain their facilities all the way to the private meter or connection point to the property. Sewer service providers generally maintain the sewer mains however the laterals are typically the responsibility of the homeowner or property owner.

TABLE 1: PORTOLA CENTER MAINTENANCE RESPONSIBILITIES MATRIX

IMPROVEMENT/ MAINTENANCE AREA	HOA	CITY OF LAKE FOREST	IRWD	SCE, SCGC, AT&T, & Cox	COUNTY OF ORANGE
Fuel Modification Zones/Exterior Slopes	X				
Interior Slopes & MSE Walls	X				
Community Walls, Fencing, & Street Furniture	X				
Paseos, Pathways, & Access Roads	X				
Aliso Serrano Riding & Hiking Trail & Whiting Ranch Coyote Brush Trail					X
Whiting Ranch Coyote Brush Trail & Stations (Internal to Northwest Site)	X				
Perimeter Trail System & Trail Stations	X				
Neighborhood Parks	X				
Central Park/HOA Rec. Center	X				
5-Acre Community Park		X			
Private Streets & Parkways	X				
Project Entries	X				
Community Monumentation	X				
Portola Hills Detention Basin #2		X			
Detention Basin #1, Storm Water Facilities & Storm Drain Outlet in 5-Acre Park		X			
Portola Center Storm Water Detention & WQ Basins	X				
Storm Drain System	X				
Sewer Facilities			X		
Water Facilities			X		
Electric, Gas, Phone, Internet, Cable				X	
Project Street Lights				X	
Glenn Ranch Rd. & Saddleback Ranch Rd. Landscaped Median	X				
Mixed Use & Multifamily Sites	X				

XI. Financial Security Requirements

Final Subdivision Maps for the Project are anticipated to correspond to the four development phases of Portola Center. At the time each Final Map is recorded, the developer will be required to secure the installation and completion of all improvements required by the City as part of the Tentative Map conditions in accordance with the Subdivision Map Act of the State of California and City Municipal Code (Chapter 7.12). This is accomplished through a Subdivision Improvement Agreement entered into between the City and the developer. Under the Subdivision Improvement Agreement, the developer will be required to provide sufficient security for the purposes and in the amounts as follows:

- To assure faithful performance with respect to installation and completion of all public improvements in accordance with the approved improvement plans in an amount of 100% of the estimated cost of the improvements;
- To secure payment to any contractor, subcontractor, persons renting equipment, or furnishing labor or materials for the public improvements required to be constructed or installed in the additional amount of 100% of the estimated cost of the improvements;
- To guarantee or warranty the work done for a period of one year following acceptance thereof by the City against any defective work or labor done or defective materials furnished in the additional amount of 10% of the estimated cost of the improvements; and
- To provide sufficient security for the installation of required monumentation in the amount of 100% of the estimated cost of setting subdivision monuments.

As contemplated in the City's standard form Subdivision Improvement Agreement, the above financial security requirements are anticipated to be met by posting surety bonds in favor of the City for all those improvements shown on the improvement plans with the exception of dry utilities and certain other improvements such as project entry monuments and private park amenities and facilities typically handled through the building permit process.

XII. Project Phasing Standards

1. Prior to issuance of grading permits, grading and erosion control plans for the respective development phase shall be submitted to and approved by the City Public Works Department.

2. Each development phase shall include development of the immediately adjacent common area slopes, parkways, and other landscape development areas, including fuel modification zones.

3. Construction of the neighborhoods identified in this PFFP Plan may be completed progressively in stages in any phasing order, provided vehicular access, public facilities, and infrastructure are constructed to adequately service the dwelling units or as needed for public health and safety within each development phase.

4. The development phasing sequence described in this PFFP Plan is conceptual based on current market demand. Certain areas may be developed out of the expected sequence, or in smaller increments, provided the required infrastructure and services are available to service the development phase and the Project Conditions of Approval are met.

5. To the extent feasible, phasing will be planned to separate construction traffic from the completed residential phases of the project.