



IRVINE COMPANY

Since 1864

May 15, 2019

Honorable Kirk H. Nakamura
Presiding Judge,
Orange County Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Re: **Irvine Company Response to Grand Jury Recommendations
Re-Opening Irvine Lake**

Dear Judge Nakamura:

This letter is provided in response to the Orange County Grand Jury's Recommendation 2 contained in its revised report entitled "Re-Opening Irvine Lake – A Win-Win for Taxpayers and Outdoor Enthusiasts" (the "**Report**"). The revised Report was publicly released on May 13, 2019.

Page 19 of the Report requested that TIC respond to Recommendation 2 of the Report. Recommendation 2 reads as follows:

"If an impasse still exists between SWD and OC Parks on basic terms of water-based recreation rights OC Parks should, by September 30, 2019, request from TIC a separation of those rights described in the IOD from the remaining road parcels, easements and Recreation Land Parcel and a transfer of all but the water recreation rights to OC Parks."

Before responding to Recommendation 2 below, we would like to point out several factual discrepancies that we noted in the Report:

1. The first sentence of the second paragraph on page 7 reads: *"As to the recreation rights to the water, in conjunction with the 29-acre Recreation Parcel and related access roads, TIC did make an IOD to OC Parks for its 75% of the recreation rights."* Although TIC previously provided a draft Irrevocable Offer of Dedication ("**IOD**") to OC Parks on October 11, 2018, OC Parks has yet to approve and accept the form of the IOD. We will refer to that IOD as the "**Draft IOD**" for ease of reference in this letter.
2. The last sentence of the first paragraph at the top of page 8 and the last sentence on page 16 (which continues onto page 17) indicates that a successor agreement to the 2003 MOU is likely to be signed during the first half of 2019. Although a draft successor agreement to the MOU has been drafted, it is still under review and it is difficult to estimate when any such successor agreement will be completed.

3. The opening sentence at the top of page 15 states that land-based recreation has taken place on two parcels near Irvine Lake that are owned by TIC. As noted in the last sentence of the opening paragraph, the “orange parcel” (where a concession agreement is in place) was transferred to OC Parks in 2015 and is no longer owned by TIC. As to the second parcel (the “pink parcel”), this parcel is still owned by TIC. TIC licenses the RV and boat storage operation on that parcel to a private operator -- TIC does not itself operate the RV and boat storage as indicated in the last sentence of the second paragraph on page 15.

Regarding our response to Recommendation 2, TIC is prepared to do the following to implement Recommendation 2, subject to the following conditions:

Within thirty (30) days after TIC’s receipt of a written request from OC Parks (to be provided by no later than September 30, 2019 as set forth in Recommendation 2) that TIC revise the Draft IOD to allow for the separation of TIC’s 75% interest in the water-based recreation rights (the “**Recreation Rights**”) from TIC’s fee interest in the Access Road Parcel and the Recreation Parcel and TIC’s reversionary rights to the fee land beneath Irvine Lake (collectively, the “**Land and Reversionary Rights**”) and OC Parks’ confirmation that OC Parks is ready to accept the Land and Reversionary Rights separately from the Recreation Rights, TIC will revise the Draft IOD as follows:

1. TIC will remove the conditions in the Draft IOD that require the Land and Reversionary Rights to be conveyed to OC Parks with the Recreation Rights.
2. TIC will remove the conditions in the Draft IOD that require the Access Road Easements to be recorded prior to TIC’s transfer to OC Parks of the Land and Reversionary Rights. The term “**Access Road Easements**” in the prior sentence means the access road easements to be exchanged by IRWD, SWD and TIC pursuant to the 2003 MOU (that is, the Access Road Easement to SWD, the Access Road Easement to IRWD, and the Access Road Easement from IRWD and SWD to TIC and OC Parks).
3. TIC will (a) convey the Land and Reversionary Rights to OC Parks unconditionally upon recordation of the revised IOD, and (b) concurrently assign to OC Parks the rights and obligations of TIC under the 2003 MOU to convey the Access Road Easements to IRWD and to SWD and obtain the other Access Road Easement from IRWD and SWD to TIC and OC Parks (collectively, the “**MOU Access Road Obligations**”).
4. OC Parks will assume the MOU Access Road Obligations.

Please note that the ultimate conveyance by TIC of the Recreation Rights to OC Parks would not occur until (a) IRWD consents to TIC’s conveyance of Recreation Rights to OC Parks, and (b) the first to occur of (i) SWD’s execution of an agreement under which it transfers its 25% interest in the Recreation Rights to OC Parks, (ii) the effective date of an agreement

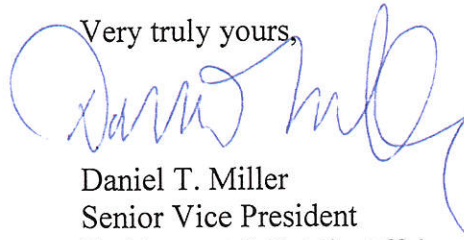
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between SWD and OC Parks regarding the future management of Recreation Rights at Irvine Lake (or OC Parks' waiver of the need for (i) and (ii) under this subsection b). If such conditions related to the transfer of the Recreation Rights are not satisfied by December 31, 2019, TIC retains the right to modify the conditions under which it would transfer the Recreation Rights to OC Parks.

Revision of the Draft IOD to include the above changes would permit OC Parks to receive the Land and Reversionary Rights and the Access Road Easements separately from the ultimate conveyance to OC Parks of TIC's 75% interest in the Recreation Rights. This would achieve the desired goal described in Recommendation 2 of the Report.

Please let us know if you have any questions regarding the above proposal as to the implementation of Recommendation 2 regarding the conveyance of the above interests to OC Parks. I may be reached in writing at the above address or by telephone at (949) 720-2609.

Very truly yours,



Daniel T. Miller
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cc: ✓ Orange County Grand Jury
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