Appendix 5.15-B
Gorman Joint School District School Facilities and Funding Agreement
VIA EMAIL AND U.S. MAIL

Gorman School District

c/o Julie Ralphs, Clerk

of the Board of Trustees

49847 Gorman School Road

Gorman, CA 93243

Andreas Chialtas, Esq.
Atkinson, Andelson, Loya, Ruud & Romo
12800 Center Court Drive S., Suite 300
Cerritos, California 90703

July 15, 2009

Carlene Matchniff
Centennial Founders, LLC
28480 Avenue Stanford, Suite 200
Santa Clarita, CA 91355

Re: School Facilities and Funding Agreement by and between Gorman Elementary School District and Centennial Founders, LLC

Dear Ladies and Gentleman:

Enclosed for your records are (i) the executed Resolution No. 07-08-09 adopting Local Goals and Policies concerning District’s formed pursuant to the Mello-Roos Community Facilities Act of 1982, (ii) a copy of the approved Local Goals and Policies, and (iii) an executed original of the School Facilities and Funding Agreement dated as of May 12, 2009 by and between Gorman Elementary School District and Centennial Founders, LLC. I have retained originals of each for my records as well.

I would like to thank all parties involved in this transaction for their patience and hard work over the last year.

Very truly yours,

[Signature]

John P. Yeager

JPY/jah
Enclosure

cc: Forrest McElroy (via email only-w/enclosure)
    Ed Zemla (via email only-w/enclosure)
RESOLUTION OF THE BOARD OF TRUSTEES OF THE GORMAN JOINT ELEMENTARY SCHOOL DISTRICT ADOPTING LOCAL GOALS AND POLICIES CONCERNING DISTRICTS FORMED PURSUANT TO THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982

WHEREAS, the Mello-Roos Community Facilities Act of 1982 ("Act"), Government Code 53311 et seq., empowers school districts to form a Community Facilities District ("CFD") for the purpose of levying special taxes to fund various matters specified in the Act;

WHEREAS, Government Code 53312.7 requires a local agency to consider and adopt local goals and policies prior to the formation of a CFD;

WHEREAS, the Gorman Joint Elementary School District ("District") desires to have the option of forming CFDs, as necessary, to provide special tax revenue to fund school facilities authorized by the Act;

WHEREAS, District staff has developed goals and policies as required by Government Code 53312.7;

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees of the Gorman Joint Elementary School District hereby approves and adopts Board Policy 7212, attached as Exhibit 1, and directs staff to pursue formation of CFD(s) as necessary.

PASSED AND ADOPTED by the Board of Trustees of the Gorman Joint Elementary School District, Los Angeles County, California, on this 14th day of July, 2009, at a duly noticed meeting, by the following vote:

AYES: 
NOS: 
ABSTAIN: 
ABSENT:

I, Gertrude Monro, Interim Superintendent of the Gorman Joint Elementary School District, hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the said Board of Trustees on the 14th day of July, 2009.

Gertrude Monro, Interim Superintendent
LOCAL GOALS AND POLICIES
FOR
COMMUNITY FACILITIES DISTRICTS
FOR
GORMAN ELEMENTARY SCHOOL DISTRICT

I. INTRODUCTION

The Mello-Roos Community Facilities Act (“Act”) (California Government Code Section 53312.7) requires any public agency initiating proceedings to establish a community facilities district (“CFD”) to first consider and adopt local goals and policies related to CFDs. At a minimum, the goals and policies of the public agency must include the following:

1. There must be a statement on the priority that various kinds of public facilities and/or services will have financing through a CFD, including public facilities to be owned and operated by other public agencies.

2. There must be a statement concerning the credit quality which is to be required of CFD bond issues. This statement must include criteria for evaluating credit quality.

3. There must be a statement outlining the steps to be taken to ensure that prospective property purchasers are fully informed about the special taxes imposed on property within any CFD.

4. There must be a statement defining the criteria to be used for evaluating the equity of tax allocation formulas (i.e., special taxes allocated to different land use categories). This statement must include the desirable and maximum special tax levels to be levied against any CFD properties.

5. There must be a statement establishing the criteria for preparing appraisals, including definitions, standards, and assumptions to be used in appraisals.

6. There must be a policy adopted which includes a priority attendance access policy for students residing within a CFD used to finance school facilities.

The goals and policies set forth herein by the Gorman Elementary School District (the “District”) reflect minimum standards under which the District will make use of the Act to finance public improvements. The District may, in its discretion, require additional measures, enhanced security, and higher standards in particular cases. The District reserves the right to consider exceptions or waive any policies stated herein so long as it is acting in accordance with the Act and is making such exceptions or waivers for specified public policy reasons. These goals and policies may be amended at any time by the District.

II. GENERAL POLICY STATEMENT

Generally, the District will act as lead agency to, or a participating agency in, a CFD financing to fund school facilities and/or improvements to be owned and operated by another public agency, only if it is demonstrated that doing so provides significant benefit to the District.
III. PRIORITIES FOR CFD FINANCING

Priority for CFD financing when the District is acting as lead agency shall be as follows: (i) acquisition of land for and construction of classroom facilities; acquisition of furniture, fixtures, and equipment; acquisition of land and construction and expansion of school site support facilities (e.g., multi-purpose rooms, gymnasiums, and recreational/playground equipment); acquisition, construction, and expansion of school district support facilities (e.g., transportation facilities, warehouses, kitchens, buses, and administrative offices); and any other District facilities and improvements eligible under the Act; and, where applicable, (ii) acquisition or construction of qualifying public improvements under the Act by another public agency, but only where the amount of bonds issued for improvements plus the projected surplus special taxes to be collected by the District to fund improvements to be owned by the District is greater than the amount of bonds issued for improvements to be owned by any other single public agency. Surplus special taxes are special taxes available to the District to fund improvements after paying CFD administrative costs and meeting obligations pursuant to a bond indenture of trust, including the payment of principal and interest. It shall generally not be the policy of the District to form CFDs to pay for services.

IV. CREDIT QUALITY REQUIREMENTS FOR CFD BOND ISSUES

Bonds to be issued by a CFD of the District must satisfy certain credit quality requirements. Satisfaction of these requirements would not compel the District to issue bonds. The District may apply other credit criteria in determining whether to issue bonds, and the District may disregard certain of the criteria if it is determined that such action would not imperil the security of the bonds or that the issuance of the bonds would accomplish a specified public policy goal.

A. Value to Debt Ratio

Generally, all CFD bond issues shall require at least a three-to-one property value to public debt ratio (public debt being CFD bonds and other bonds secured by special taxes or special assessments, excluding general obligation bonds secured by ad valorem taxes). However, based upon bond market conditions and the nature and status of development and land ownership within a CFD (or improvement area of a CFD for which bonds are being issued) the District may require a four-to-one property value to public debt ratio. In the event that such property value to public debt ratio cannot be met, the District may consider at its sole discretion structuring measures, including but not limited to increased bond security measures such as described under Subparts D through F herein, but consistent with requirements under Subparts B and C. Property value may be based on either an appraisal or on assessed values as indicated on the county assessor’s tax roll. If property value is determined by an appraisal, the appraiser shall be selected by the District and the appraisal shall be based on criteria as described below under Section VI of these goals and policies. The public debt amount shall be based on the size of the bond issue currently being sold, plus the allocable principal amount of all other outstanding CFD (or improvement area) and assessment district bonds currently existing against the properties in the CFD (or improvement area). Although it is not required that the value to debt ratio be satisfied on a parcel by parcel basis, consideration must be given to this ratio when apportioning special taxes to different parcels, to assure that CFD property owners will accept their responsibilities for paying the special taxes of each parcel.
B. Reserve Fund

In order to enhance the credit quality of a CFD bond issue, the District will generally require that each such bond issue be secured by a reserve fund equal to the least of (i) 10% of the stated principal amount of the bond issue, (ii) the maximum annual debt service on the bond issue, or (iii) 125% of the average annual debt service on the bond issue.

C. Development Feasibility

The District may require a third-party market absorption study for property in the CFD as a condition of the issuance of bonds if the District determines that such objective information is necessary to analyze the development feasibility of the project proposed for the CFD. This study must be prepared by a qualified market absorption consultant within 120 days of the date of the financing. The consultant must be hired by the District and must not have a personal or professional interest in the property within the CFD, and shall be paid from funds advanced by the developer.

D. Credit Enhancement

Based upon bond market conditions and the nature and status of development and land ownership within a CFD (or improvement area of a CFD for which bonds are being issued) at the time bonds are offered for sale, the District may require each person who owns (either individually or in combination with its affiliates) property within the CFD (or improvement area) the maximum special tax applicable to which is more than 25% of the aggregate maximum special tax applicable to all property within such CFD (or improvement area) (a “Major Property Owner”) to provide credit enhancement to increase the credit quality of the bonds. If required, such credit enhancement shall be in a form and amount and issued by an institution satisfactory to the District and shall remain in place for so long as the person or any successor in interest continues to be a Major Property Owner.

E. Capitalized Interest

The amount of capitalized interest funded for a CFD bond issue shall not exceed twenty-four (24) months of interest payments on the bonds.

F. Bond Structure

Generally, the term to the final maturity of any CFD bonds will not exceed 30 years after the first principal payment date, the interest payment dates will be March 1 and September 1 and the principal payment date will be September 1. Generally, CFD bonds will be structured such that, once principal amortization has commenced, debt service will not increase at a level greater than the escalation, if any, in the special tax revenues.
V. DISCLOSURE REQUIREMENTS

A. Disclosure Requirements for Prospective Property Purchasers

The District shall require (to the extent required by law) that prospective purchasers of property in the CFD be informed of the levy and purpose of the special tax. The District shall take such actions as are needed to encourage the compliance of all sellers of property in the CFD with the requirements of the law, including, but not limited to, Sections 53328.3, 53328.5 (including the referenced sections of the California Streets and Highways Code), 53340.2 and 53341.5 of the California Government Code. Builders who are selling new homes and developers or landowners who are selling lots or parcels that are within a CFD shall provide disclosure notice to purchasers of property that complies with all of the requirements of Section 53341.5 of the Government Code, as amended. The disclosure notice must be provided to prospective purchasers of property at or prior to the time the contract or deposit receipt for the purchase of property is executed.

Builders and developers shall be encouraged to develop a program to inform prospective purchasers about a CFD and its related special tax liabilities prior to the date on which a purchase agreement or deposit receipt is executed. The District shall provide a notice of special taxes to sellers of property (other than builders or developers) which will enable them to comply with their notice requirements under Section 1102.6 of the Civil Code. This notice shall be provided by the District within five working days of receiving a request for such notice. A reasonable fee may be charged for providing the notice.

B. Disclosure for Bond Issues

Each owner of property within a CFD that will be responsible for 20% or more of annual debt service on a CFD bond issue will be required to provide for inclusion in the official statement or other public offering materials distributed in connection with the public offering and sale of such bonds such information as may be required for the District to comply with, satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws. Each such owner of property will also be required to provide such information, on an ongoing basis, as may be required for the underwriter of such bonds to satisfy the requirements imposed on it pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

VI. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

Prior to forming a CFD, the District shall determine that (i) the special tax formula is reasonable and equitable and (ii) the total tax burden (defined as the anticipated annual CFD tax, projected ad valorem taxes, any overlapping CFD special taxes and special assessments, and any other governmental taxes, fees and charges payable from and secured by each parcel of land within the CFD) shall not exceed two (2) percent of the estimated sales price of such parcel upon completion of the public and private improvements relating to such parcel. Moreover, under no circumstances shall the special tax levied on any parcel of developed residential property be increased by more than ten (10) percent as a consequence of delinquency or default by the owner of any other parcel.
The special tax formula shall be structured so that the maximum special taxes authorized to be apportioned among the properties in the CFD are sufficient to pay: (i) reasonable and necessary administrative costs of the CFD District; (ii) 110% of projected annual debt service on all CFD bonds; (iii) any amounts required to establish or replenish any reserve fund established for a bond issue, (iv) amounts to pay directly the costs of improvements authorized to be financed by the CFD, (v) the accumulation of funds reasonably required for future debt service on CFD bonds, (vi) amounts equal to projected delinquencies in special tax payments, (vii) remarketing, credit enhancement or liquidity fees, and (viii) any other costs or payments permitted by law. Generally, the special tax formula will be required to include a back-up tax so that changes in development within the CFD would not result in the inability to levy special taxes that would produce special tax revenues in such amounts needed above.

VII. APPRAISAL STANDARDS

Except as provided below, the definitions, standards and assumptions to be used in appraisals required in connection with the issuance of bonds by the District are as set forth in the Appraisal Standards for Land Secured Financings published by the California Debt and Investment Advisory Commission and dated July 2004 (the “CDIAC Guidelines”) and as may be amended or revised from time to time.

If there is a conflict between the definitions, standards or assumptions in the CDIAC Guidelines and the corresponding definitions, standards or assumptions in the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (“USPAP”), USPAP shall govern.

VIII. PRIORITY ATTENDANCE ACCESS POLICIES

To the extent required by California Government Code Section 53312.7, and subject to the limitations in the following paragraph, the District shall give priority attendance access to students residing in a CFD whose residents have paid special taxes that have, in whole or part, financed the construction of school district facilities. The degree of priority shall reflect the proportion of each school’s financing provided through the CFD.

The attendance priority described above is subject to the District’s other attendance policies that include criteria for student assignment such as goals to achieve ethnic, racial, or socioeconomic diversity; federal, state, or court mandates; transportation needs, safe pedestrian routes; grade levels for which facilities were designed; and ensuring that students have continuity of schooling within any single school year.

IX. CONSULTANTS

The District will select all consultants to be retained by the District for a CFD financing, including, but not limited to, the financial advisor, special tax consultant, bond counsel, disclosure counsel, underwriter, market absorption consultant, appraiser and trustee. Providers of letters of credit, bond insurance policies, surety bonds or other credit enhancements are also subject to District approval.
X. APPLICATION AND DEPOSIT

A developer or property owner may request the District to consider acting as lead agency for a CFD financing by sending a letter request to the Superintendent including the following information:

1. Property location;
2. Name of applicant and name of vested property owner (if different than applicant);
3. Improvements proposed to be financed;
4. Current and projected entitlements on the property to be included in the CFD;
5. Description of the development plan including zoning, projected product mix and market prices for the end users of the property (e.g., prospective homeowners).

The Superintendent or is or her designee will review the application for compliance with these goals and policies and will make a recommendation to the School District Board of Trustees (the “Trustees”) as to whether or not to proceed with the proposed CFD.

The cost of proceeding with the CFD will be borne entirely by the applicant and will be subject to a Deposit and Reimbursement Agreement approved by the Trustees. No action will be taken on any application unless and until a deposit of funds is made by the applicant to the District. The deposit must be sufficient to cover the expense of District staff time, the costs of non-contingent outside consultants retained for CFD financing and the costs of recordings, filings, duplication, mailings and deliveries. Generally, the initial deposit will not be less than $25,000, and may be more, as required by the District. The deposit must be increased upon demand of the District if at any time it determines that the remaining amount is not sufficient to cover anticipated remaining expenses and costs. If the additional amount is not paid the District will cease all activities with respect to the CFD financing until the additional amount is paid. The initial deposit and any additional amounts will be held by the District and used only for the expenses and costs incurred in connection with the CFD proceedings. Any balance of such deposit remaining upon completion of the CFD financing, or the abandonment thereof, and not needed to pay expenses and costs relating thereto will be returned to the applicant. The use of the deposit shall in no way be construed as requiring the District to issue CFD bonds or to provide reimbursement from the proceeds thereof for portions of the deposit that are expended. If bonds are issued by a CFD, the applicant will be reimbursed from bond proceeds for the portion of such deposit that has been expended or encumbered.
SCHOOL FACILITIES AND FUNDING AGREEMENT

THIS SCHOOL FACILITIES AND FUNDING AGREEMENT ("Agreement") dated as of May 12, 2009, by and between GORMAN ELEMENTARY SCHOOL DISTRICT of Los Angeles County, California ("School District"), a public school district duly organized and existing under Chapter 1 of Division 3 of Title 2 of the Education Code of the State of California ("State"), and CENTENNIAL FOUNDERS, LLC, a Delaware limited liability company ("Developer").

RE C ITALS

A. Developer is the developer of that real property within the jurisdiction and boundaries of the County of Los Angeles (the "County") depicted on Exhibit "A" (the "Property"). A majority of the Property is located within the boundaries of School District and the remaining portion is within the boundaries of the Westside Union School District ("WUSD"). All of the Property is located within the boundaries of the Antelope Valley Union High School District ("AVUHSD"). The development of the Property may be referred to herein as the "Project."

B. Developer and School District agree that a boundary adjustment between School District and WUSD will be desirable, if possible, when final subdivision maps are approved and recorded for the area along the common border of the two school districts in order to avoid the situation of School District and WUSD boundary splitting individual residential lots and separate single family attached and/or apartment projects. Unless stated otherwise, references in this Agreement to the Property shall mean that portion of the Property included in School District boundaries currently or that is included in such boundaries pursuant to the boundary adjustment process described in Section 13.1 below.

C. School District is responsible for providing school facilities for students in kindergarten through the eighth grade ("K-8") who reside within the Property.

D. Developer is processing entitlements with the County for development of the Property consisting of a general plan amendment, specific plan, rezoning and tentative subdivision maps (the "Entitlements") pursuant to which the Property is projected to be developed with up to 22,998 dwelling units and various non-residential uses. Approximately 18,662 dwelling units are expected to be constructed within the portion of the Property within School District and approximately 4,336 dwelling units are expected to be constructed within the WUSD portion.

E. The development of the Property will generate additional K-8 school students enrolled in School District ("Project Students"), the vast majority of which cannot all be housed in the existing school facilities of School District.

F. School District and Developer agree that additional land and school facilities within the boundaries of the Project (further defined herein as the "School Facilities") will be needed to house the Project Students.
G. School District and Developer acknowledge and agree that both the amount and timing of State funding may be insufficient to fully fund the School Facilities. In the absence of the parties’ mutual agreement as set forth herein, School District would be authorized to collect from Developer only its share of statutory or alternative school fees for the construction, furnishing and equipping of the School Facilities, calculated per square foot of Project development at the applicable statutory or alternative school fee rate in effect at the time building permits are issued for said square footage.

H. School District and Developer have agreed that given the uncertainties of the timing and amount of State funding for the School Facilities, it is in their mutual best interest to enter into this Agreement to provide a local source of funding for the School Facilities that may be in excess of the amount Developer would otherwise be required to provide in connection with the development of the Property.

I. School District acknowledges that it shall make reasonable efforts to pursue funding from the State for the School Facilities (“State Funds”).

J. School District and Developer agree that interim School Facilities described herein (“Interim Facilities”) will also be needed periodically to serve Project Students prior to construction of the permanent School Facilities and that it is in their mutual best interest to address the financing of Interim Facilities in this Agreement.

K. School District and Developer agree that School District has a limited financial capacity to prepare for the opening of the first K-8 school to be constructed to serve Project Students and that it is in their mutual best interest to enter into this Agreement for the purpose of financing such initial operating costs for a period of time prior to School District’s receipt of sufficient State funds for those costs.

L. Provided that the Property is developed in a manner consistent with the Entitlements, Developer’s performance of this Agreement is intended to constitute complete mitigation of the impact of such development upon School District in lieu of any mitigation fees which School District might impose in connection with such development pursuant to Education Code Section 17620 or Government Code Sections 65970, et seq. and 65995, et seq. or any other present or future law and in lieu of any other school facilities requirements which School District, County or other Public Agency might be authorized to impose pursuant to applicable present or future law in order to mitigate the impact of the development of the Property upon School District.

M. School District’s participation in this Agreement is not intended to limit School District from seeking future funding for School District-wide future facilities needs in accordance; provided, however, School District agrees to limit certain actions in accordance with the terms set forth herein.

N. Developer and School District understand that School District will be relying upon the Developer and CFD funding provided for herein in order for School District to make certain irreversible decisions regarding the School Facilities, including without limitation,
applications for State Funds, land acquisition, retaining architects and commencement of construction.

O. Developer and School District desire to enter into this Agreement to set forth Developer’s obligations to mitigate the effects on School District of its development of Property within the boundaries of School District and to set forth the corresponding obligations of School District relating to the provision of the School Facilities for Project Students.

AGREEMENT

Section 1.0 Recitals

The foregoing recitals are true and correct.

Section 2.0 Definitions

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

“Acquisition Deadline” shall have the meaning ascribed to it in Section 8.3 below.

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

“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.

“Bonds” means any obligation of 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.

“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 School District pursuant to Education Code Section 17620(b) acknowledging the fact that the recipient thereof has complied with all requirements of School District for the payment of statutory school fees/alternative school facility fees/mitigation payments and (ii) a certificate issued by School District acknowledging that adequate provisions have been made for school facilities.
“CFD Parameters” means Exhibit “D” attached hereto.

“CFD Proceeds” means (i) the proceeds of Bonds available after funding costs of issuance, a reserve fund for the Bonds and capitalized interest on the Bonds, (ii) CFD special tax prepayments not required to redeem Bonds and (iii) Surplus Special Taxes.

“Commercial/Industrial Development” means any assessable commercial or industrial property as such terms are used in Education Code Section 17620, et seq.

“Community Facilities District” or “CFD” means a community facilities district authorized to finance the School Facilities that is formed by School District or other Public Agency pursuant to the provisions of the Act encompassing all or any portion of the Property.

“Construction Index” means the existing or future construction cost index for Class “B” 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.

“County” means the County of Los Angeles.

“Developed Property” means Assessor’s Parcels for which building permits are issued prior to March 1 of the prior fiscal year.

“Developer” means Centennial Founders, LLC, its successor and assigns.

“Developer Advance” means an advance of funds by the Developer for School Facilities that is reimbursable from, and to the extent of, other available Funding Sources.

“District Student” means a Grades K-8 student enrolled in School District, including a Project Student.

“Dwelling Unit” means each separate residential dwelling unit that comprises an independent facility capable of sale or lease separate from adjacent residential dwelling units, excluding a Senior Unit.

“Entitlements” means the land use entitlements approved by the County or other Public Agency including, without limitation, the County General Plan, the Centennial Specific Plan, zoning, tentative subdivision maps, final subdivision maps and associated environmental approvals permitting development of the Property with up to 19,000 dwelling units and various non-residential uses within School District boundaries.

“Federal Funds” means funds provided by the U.S. Department of Education or other federal agency to School District for the School Facilities.

“Funding Amount” means an amount specified in the School Facilities Plan to be funded from the Funding Sources for specific School Facilities at a Funding Threshold.
“Funding Source” means each of Local Funds, State Funds, Federal Funds, CFD Proceeds, Other Proceeds and Developer Advances available to fund the School Facilities.

“Funding Threshold” means specific conditions relating to each School the satisfaction of which triggers a corresponding Funding Amount, as specified in the School Facilities Plan.

“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 School District as of the date of this Agreement.

“Improvement Fund” means a fund established for a CFD into which the proceeds of Bonds intended to finance the School Facilities and Other Facilities shall be deposited, which shall include a School Facilities Account and, with respect to each Public Agency whose facilities are authorized to be financed through the CFD, an Other Facilities Account.

“Interim Facilities” means interim School District capital facilities, such as modular classrooms, furnishings and equipment.

“JCFA” means a joint community facilities agreement, by and among the Developer, School District or other Public Agency establishing a CFD and a Public Agency whose facilities are to be authorized to be financed through the CFD, which satisfies the requirements of the Act.

“Local Funds” means funds available from the Los Angeles County Office of Education or other local agency for the School Facilities.

“Net Usable Acres” means the gross acres of a School Site less any acreage within a public right of way, acreage of perimeter slopes exceeding a 2% grade or any other acreage otherwise not reasonably useable for a School Site.

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

“Notice of Availability” means Developer’s written notice to School District that a School Site is in Superpad Condition and available for acquisition.

“One Year Projection” shall have the meaning ascribed to it in Section 10.2 below.

“Other Facilities” means public facilities of a Public Agency authorized to be financed through a CFD in addition to School Facilities.

“Other Facilities Account” means an account within an Improvement Fund into which CFD bond proceeds are to be deposited and disbursed to fund Other Facilities in accordance with this Agreement and an applicable JCFA.
“Other Proceeds” means (i) a proportionate amount of proceeds of bonds of a community facilities district, statutory school fees and other mitigation payments received by School District with respect to any development of property other than the Property that will be served by the School Facilities (but only to the extent and proportionate amount that such other property is served by the School Facilities) and (ii) the proceeds of statutory school fees paid to School District by Commercial/Industrial Development and Senior Units within the Property.

“Performance Schedule” means the schedule for School District’s and Developer’s performance and completion of certain tasks, as set forth in Exhibit “E.”

“Phase 1 School Facilities” means the first phase of improvements to a School Site and School, furnishings and equipment, as further described in Exhibit “B.”

“Phase 2 School Facilities” means the second phase of improvements to a School Site and School, furnishings and equipment, as described in Exhibit “B.”

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

“Project Eligibility” means all eligibility for State funds available to School District as a result of, derived from or based upon the Entitlements.

“Project Student” mean a Grades K-8 student enrolled in School District and residing within the Property.

“Public Agency” means the County, any city or other public agency, the boundaries of which include all or any portion of the Property.

“Qualifying District Student” means a District Student that is, or is reasonably expected to be, generated from development within School District but outside the Property, and is attending, or is reasonably expected to attend, one of the Schools and for which no school other than one of the Schools are expected to be constructed.

“School” means the school to be constructed on each School Site in accordance with the site layout and educational specifications set forth in Exhibit “B.”

“School Facilities” shall mean, collectively, the Interim Facilities, the Phase 1 School Facilities and the Phase 2 School Facilities.

“School Facilities Account” means an account within an Improvement Fund into which CFD Proceeds are to be deposited and disbursed to fund School Facilities in accordance with this Agreement.

“School Facilities Plan” means the School Facilities Plan attached hereto as Exhibit “C,” as it may be amended with mutual consent of Developer and School District.

“School Site” means any school site in the approximate locations depicted on Exhibit “F,” the precise location depicted on Exhibit “F-1” or in an alternative location mutually acceptable to Developer and School District.
“Senior Unit” means a dwelling unit within a property developed for senior citizen housing, a residential care facility for the elderly or a multi-level facility for the elderly, as described in Government Code Section 65995.1 as such Section may be amended from time to time.

“Site Purchase Agreement” means a purchase and sale agreement with respect to a School Site.

“Special Fund” means the fund established and administered pursuant to Section 11.1.2 of this Agreement.

“State” means the State of California.

“State Funds” means funds available and obtained from the State based upon Project Eligibility to fund the School Facilities.

“Student Generation Report” shall have the meaning ascribed to it in Section 10.1 below.

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

“Superpad Condition” means (i) the School Site has been graded to a 2% grade or less, and, if required pursuant to Section 8.5 below, to a 1/10th of a foot contour, (ii) all remediation or other site work required by Section 8.2(b) has been completed, (iii) frontage street improvements providing at least three points of access to the School Site have been completed, and (iv) all wet and dry utilities have been stubbed to the School Site property line, as further specified in Section 8.5 below, the Site Purchase Agreement and any site design specifications that are mutually approved by School District and Developer.

“Surplus Special Taxes” means the special taxes of a CFD collected from Developed Property that are not required to pay annual debt service on outstanding Bonds and administrative expenses of the CFD and replenish the reserve fund for the Bonds.

“Three Year Projection” shall have the meaning ascribed to it in Section 10.2 below.

“Undeveloped Property” means taxable property within the CFD that is not classified as Developed Property or Final Map Property

Section 3.0 Mitigation of School Facilities Impacts

3.1 Purpose and Covenants. The purpose of this Agreement is to set forth Developer’s agreement to provide funding for the School Facilities necessary to house Project Students as a result of Developer’s development of the Property, and to set forth the corresponding obligations of School District to use its best efforts to obtain other Funding Sources for the School Facilities and to adequately house Project Students.

3.2 Mutual Considerations. By entering into this Agreement and complying with its terms, Developer shall be deemed to have fulfilled its obligation to mitigate the impact of Project Students resulting from development of the Property, as further described below in this
Agreement, with up to 19,000 Dwelling Units and various non-residential uses. In consideration of Developer’s performance of its obligations pursuant to this Agreement, School District, among other obligations set forth below in this Agreement, agrees to limit its actions as further described in Section 5.0 below.

3.3 Agreement Unaffected By Changes in Law. School District and Developer agree that each party has negotiated in good faith to reach accord on this Agreement, and as such, the Agreement is a legally binding contract between the parties, enforceable in accordance with its terms. Developer and School District agree that to the maximum extent permitted by law, this Agreement shall not be affected, modified, or annulled by any subsequent change in local, state or federal law; provided, however, that if (a) Developer fails to obtain approval of the initial County Entitlements, consisting of a General Plan amendment, Specific Plan and rezoning applicable to the entire property and a tentative subdivision map for the initial phase of the Project (as such Entitlements may be modified with the consent of Developer) within five (5) years following the date of this Agreement, or such longer period mutually acceptable to both parties, or (b) the Property is no longer within the boundaries of School District (other than as a result of the boundary modifications described in Section 13.1 below), then either party shall have the right to terminate this Agreement. In the event of termination by either party as provided by this Section 3.3, Developer shall not be entitled to any refund of any payments or consideration made by Developer to School District at any time.

3.4 School Facilities Plan. This Agreement, including, without limitation, the School Facilities Plan, constitutes the agreed-upon school facilities needs analysis for the School Facilities needed to accommodate the Project Students, subject to modification as provided herein.

3.5 Adjustments for Changed or Unforeseen Circumstances. School District and Developer acknowledge that the Project is expected to be developed over a long period of time and the implementation of this Agreement may be subject to changed or unforeseen circumstances including without limitation, changes in the Project, changes in student generation rates, changes in School District policy or possible adoption of alternative attendance schedules or boundaries or other programs, changes in potential Funding Sources, changes in State requirements with respect to the School Facilities, and changes in State funding of School District operations which materially affect the nature, scope or timing of construction of the School Facilities. Developer shall notify School District of material changes to the Project that would significantly affect the School Facilities Plan. At either party’s request, School District and Developer shall meet and in good faith consider modifications to this Agreement that may be mutually beneficial and necessary to address any changed or unforeseen circumstances.

3.6 Waiver of Right to Protest. Execution of this Agreement and any and all payments, responsibilities, obligations or consideration made by Developer as set forth herein is made by Developer without protest. Developer and School District acknowledge that Government Code Section 66020(d)(1) provides that local agencies, including school districts, shall provide a project applicant notice, in writing, at the time of imposition of fees, dedications, reservations, or other exactions, a statement of the amount of fees, or a description of the dedications, reservations, or exactions and a notification that the 90-day approval period in which the applicant may protest such fees has begun. Developer agrees that it has voluntarily
entered this Agreement and knowingly and willingly waives all rights of protest under Government Code Sections 66020, 66021 or 66022, or any other provision of law with respect to school fees and protest rights. Developer agrees that in the event that a 90-day approval period cannot be waived, this Agreement includes a description of the exactions which have been required of Developer with respect to the Project. Developer further acknowledges that the 90-day approval period approval period described above, in the event that such a waiver cannot be waived, will commence as of the date of this Agreement.

Developer agrees that the payments provided for herein which are in excess of any amounts payable pursuant to California statute, law or regulation, if any, are not fees, charges, dedications or any other requirements within the meanings of such statute, law or regulation, but are completely voluntary payments made by Developer to assist School District in providing the School Facilities and to enhance the School Facilities and the marketability of the Project.

Section 4.0 Developer Obligations

4.1 Community Facilities District. Developer shall request that funding for the School Facilities be provided through the formation of one or more CFDs and the levy of special taxes and sale of Bonds of each CFD in accordance with the Act, the Goals and Policies and this Agreement, including the School Facilities Plan and Performance Schedule. Upon the receipt of a written petition of Developer, School District shall act as the lead agency in undertaking proceedings to consider the formation of each such CFD to finance the School Facilities and Other Facilities, as requested by Developer. To the maximum extent permitted by law and consistent with the Goals and Policies, and subject to prior compliance with all applicable laws, the structure, special taxes and Bonds of each CFD formed by School District 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. Alternatively, Developer may petition another Public Agency to form a CFD to finance Other Facilities of the Public Agency and the School Facilities pursuant to a JCFA with School District. The remaining provisions of this Section 4.0 shall apply to School District if it is the lead agency in formation of a CFD.

In the event the Developer submits a CFD formation petition to School District at the time required by the Performance Schedule and provides necessary information and documents to School District on a timely basis, and the CFD is not formed due to School District’s failure to adopt a resolution of formation with respect to the CFD in accordance with this Agreement prior to the occupancy of the first Dwelling Unit within the portion of Property that was proposed to be included in the CFD, this Agreement shall terminate with respect to any and all remaining funding or performance obligations of the Developer and the remainder of the Property that has not previously been included in a CFD shall be subject to statutory school fees only. In the event of such termination, School District shall remain obligated to repay prior Developer Advances from, and only to the extent of, the available Funding Sources and Developer may elect to receive a credit against statutory school fees otherwise payable in connection with development of the Property up to the amount of all unreimbursed Developer Advances.
Upon Developer’s submittal of a petition to School District to undertake proceedings to form any CFD, Developer shall advance all necessary funds to pay costs incurred by School District in undertaking such proceedings to consider the formation of any such CFD and issuing Bonds. At the time of submittal of the petition, or action by the Board, Developer 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 Developer as to persons and firms under consideration by School District to render services to School District related to formation of the CFD(s) and sale of the Bonds. After completion of the CFD formation proceedings, funds advanced by the Developer pursuant to this Section 4.1 shall be reimbursed without interest to Developer in cash solely from CFD Proceeds within thirty (30) days of receipt of CFD Proceeds. If the proceedings to form the CFD(s) 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 Developer for any costs and expenses paid from Developer’s advances to School District, except that any unused portion shall be returned to Developer.

4.2 Timing of Bond Issues. The Parties agree that, to the maximum extent practicable and legally permitted, Bonds in a principal amount sufficient to fund the unfunded Funding Amount corresponding to each Funding Threshold shall be issued within a reasonable period of time prior to or following each Funding Threshold. In the event School District reasonably determines it is not possible to issue Bonds in a principal amount sufficient to fully fund a Funding Amount, taking into account all Funding Sources then available, Developer shall make a Developer Advance in the amount required to fully fund the Funding Amount.

Section 5.0 School District Obligations

5.1 So long as Developer is not in breach of this Agreement and the development of the Property does not exceed that development permitted by the Entitlements, School District hereby covenants that as to such development, it will not:

(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, tax, assessment, charge, dedication, or other form of requirement against any Dwelling Unit, Senior Unit or any Commercial/Industrial Development undertaken within the Property for the purpose of providing, funding or financing school facilities or any portion thereof required to mitigate the impact of the development of the Property on School District (other than as specifically set forth in this Agreement);

(b) require the County or any Public Agency to exercise or cooperate with the County or any Public Agency 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 Grades K-8 schools as a condition to the approval of any Dwelling Unit, Senior Unit or any Commercial/Industrial Development within the Property other than as specifically set forth in this Agreement; and
(c) oppose development (including but not limited to commercial, industrial or residential development) of the Property in a manner consistent with the Entitlements, 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 Agreement), the payment of money by any developer, the dedication of land, or the application of an assessment or requirement of any nature against any developer of any portion of the Property as may otherwise be permitted by present or future State law, rulings, regulations and court decisions.

Notwithstanding anything in (a), (b), or (c) above to the contrary, School District shall not be prohibited from pursuing any general obligation bond election that it desires on a School District-wide basis provided a fair share (as reasonably determined by the Board of Trustees of School District) of the proceeds of the general obligation bonds issued that are authorized by such election shall be used to provide enhancements to the School Facilities.

The foregoing notwithstanding, the provisions of this Section 5.1 (a) through (c) shall terminate upon issuance of building permits for all development contemplated in the Entitlements.

5.2 School District Acknowledgement. School District acknowledges that, provided the development of the Property takes place consistent with the Entitlements, compliance with terms in this Agreement makes adequate provision for the School Facilities needed to house the Project Students. By execution hereof, the Superintendent is authorized to execute a document from time to time, if requested by Developer, indicating that this Agreement has been approved by School District, that performance of this Agreement by Developer mitigates the school facilities impacts of the development of the Property and that Developer, as reasonably determined by the Superintendent at the time of execution of such document, has performed its obligations as set forth in this Agreement.

5.3 Use of Surplus Special Taxes and Prepayments. School District agrees to levy and collect special taxes from Developed Property and prepayments of special taxes in each CFD in accordance with the RMA (defined in Exhibit “D”). Surplus Special Taxes and the proceeds of prepayments of special taxes not required to redeem Bonds shall be deposited in the Special Fund and disbursed to fund School Facilities and repay Developer Advances as set forth in this Agreement, or, if all School Facilities have been fully funded and all Developer Advances fully repaid, for any lawful purpose.

Section 6.0 Local, State and Federal Funds

6.1 Pursuit and Use of State Funds. School District agrees that State Funds are an integral funding source for the School Facilities. Accordingly, as to all eligibility for State Funds available to School District based upon Project Eligibility, School District covenants to take reasonable steps available to it to pursue and obtain State Funds for the School Facilities. To this end, School District agrees that it shall make reasonable interim use of relocatable classrooms in both existing and new schools to reasonably accommodate Project Students, subject to applicable law. School District agrees also to use reasonable efforts to implement policies as it determines to be in the best interest of School District so as to maximize eligibility for State Funds. School
District agrees to provide Developer copies of the State Funds application forms filed by School District for all new construction projects until all School Facilities are constructed. School District agrees that its first priority for use of its Project Eligibility for State Funds for new construction as of and following the date of execution of this Agreement shall be for the School Facilities. All State Funds received for any costs of the School Facilities shall be considered a Funding Source and applied, to the maximum extent permitted by applicable laws, in accordance with the priorities specified in Section 6.4 below.

6.2 Pursuit and Use of Federal Funds. School District shall take reasonable steps available to it to pursue and obtain Federal Funds for the School Facilities. School District agrees to provide Developer copies of Federal Funds application forms filed by or on behalf of School District and Developer agrees to cooperate with School District with respect to such applications. All Federal Funds received for any costs of the School Facilities shall be considered a Funding Source and applied, to the maximum extent permitted by applicable laws, in accordance with the priorities specified in Section 6.4 below. If, however, such Federal Funds are required by the applicable law to be spent on a specific component of the School Facilities, they shall still be considered a Funding Source, but shall be applied to fund the School Facilities in accordance with such law. Nothing herein shall require School District to utilize eligibility for Federal Funds that is derived from the development of other property in the District in order to obtain Federal Funds for the School Facilities unless, and only to the extent, District Students residing within such other property are Qualifying District Students.

6.3 Pursuit and Use of Local Funds. School District shall take reasonable steps available to it to pursue and obtain Local Funds for the School Facilities. School District agrees to provide Developer copies of Local Funds application forms filed by or on behalf of School District and Developer agrees to cooperate with School District with respect to such applications. All Local Funds received for any costs of the School Facilities shall be considered a Funding Source and applied, to the maximum extent permitted by applicable laws, in accordance with the priorities specified in Section 6.4 below. If, however, such Local Funds are required by the applicable law to be spent on a specific component of the School Facilities, they shall still be considered a Funding Source, but shall be applied to fund the School Facilities in accordance with such law. Nothing herein shall require School District to utilize eligibility for Local Funds that is derived from the development of other property in the District in order to obtain Local Funds for the School Facilities unless, and only to the extent, District Students residing within such other property are Qualifying District Students.

6.4 Use of Local, State and Federal Funds. Local Funds, State Funds and Federal Funds received by School District for the School Facilities pursuant to Sections 6.1, 6.2 and 6.3 above shall be applied, to the maximum extent permitted by applicable laws, according to the following priorities:

(i) first, to fund the full purchase price of the School Site and costs of the construction, furnishing and equipping of the School for which the Local Funds, State Funds and Federal Funds were received;
(ii) second, if Local Funds, State Funds, or Federal Funds remain after fully funding the amounts in subparagraphs (i) above such funds may be used to fund the costs of Interim Facilities for Project Students and Qualifying District Students in such School; and

(iii) third, if Local Funds, State Funds or Federal Funds remain after fully funding the amounts in subparagraphs (i) and (ii) above, such funds shall be used to reimburse prior Developer Advances for School Facilities and, if all prior Developer Advances have been fully reimbursed, to fund the remaining School Facilities, as permitted by applicable law.

Section 7.0 New School Facilities

7.1 School Size. In accordance with the description of School Facilities attached hereto as Exhibit “B” and the School Facilities Plan attached hereto as Exhibit “C”, each School will be designed and constructed to accommodate a minimum of 1248 students in permanent facilities on a traditional, single-track school schedule, with the capacity to add up to eight (8) modular classrooms to house up to an additional 256 students on an interim basis.

7.2 Site Requirements. Each specific School will be built on a site containing approximately 20 net usable acres and delivered to School District in Superpad Condition, subject to the terms of this Agreement and the applicable Site Purchase Agreement.

Section 8.0 School Sites

8.1 Location of School Sites. Developer and School District have agreed that the approximate location of each School Site is depicted on Exhibit “F.” In addition, Developer and School District have agreed that the configuration and precise location of the first two School Sites is depicted in Exhibit “F-1.” The precise location of the other School Sites shall be determined at the time of approval of the tentative subdivision map for the area that includes each other School Site. Developer warrants and represents that it will be able to deliver and transfer title to each School Site to School District subject to the terms of this Agreement and the Site Purchase Agreement and consistent with the Performance Schedule. Notwithstanding anything to the contrary in this Section, Developer acknowledges that all School Sites must be preliminarily approved as potential sites by a representative of the California Department of Education, and must comply with all necessary approval processes as set forth below.

8.2 School Site Approvals. In addition to any other requirements set forth in this Agreement, prior to the transfer of title to each School Site to School District pursuant to the terms of this Agreement and the Site Purchase Agreement, all of the following must occur:

(a) The School Site must have received any and all final approvals from School District and all agencies having jurisdiction over the School Site, including but not limited to, the County, the California State Department of Education and the Department of Toxic Substance Control and any other applicable governmental agencies. 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 or mitigated.

(b) Any and all remediation, mitigation, 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 Developer, provided, however, if Developer determines it would be economically infeasible to complete such work School District and Developer shall identify an alternative School Site that meets all necessary State approvals and is mutually acceptable to both parties.

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

8.3 Reservation of School Site. Developer shall reserve each School Site for acquisition by School District until no later than the date two (2) years following the Funding Threshold for the School Site (“Acquisition Deadline”). If adequate funding is available to School District to acquire a School Site and School District is legally permitted to acquire such School Site, but School District is unwilling to do so by the Acquisition Deadline, Developer shall no longer be required to reserve the School Site for acquisition by School District and may proceed to use or develop the School Site for any overlying or alternative uses permitted by the Entitlements, and/or seek Public Agency approval of new land uses for that School Site without any restriction by School District. The Acquisition Deadline shall be extended, however, if at the time it occurs the parties have entered into the Site Purchase Agreement, the Site Purchase Agreement remains in effect and the School Site has not been acquired because of delays in closing escrow caused by Developer or because School District has not obtained the necessary State approvals, as further described in Section 8.2 above. Such extension shall not exceed the time period of Developer’s delays or the reasonable amount of time still required by School District to obtain the State approvals.

8.4 Timing and Process of Site Delivery. Developer shall deliver title to each School Site in accordance with the Performance Schedule and a Site Purchase Agreement as herein described to be executed by School District and Developer. The purchase price for the School Site shall be determined according to the process described below. Developer acknowledges and agrees the purchase price of each School Site shall be paid solely from the Funding Sources.

With respect to each School Site, Developer and 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 as residential development and assuming the land is in Superpad Condition; provided, however, that the fair market value of the School Site may be adjusted by the appraiser to reflect any restrictions imposed by Developer that may apply to the School Site upon its transfer to School District, including the restriction set forth in Section 8.6 below. If Developer and School District cannot agree on a single appraiser within thirty (30) days following the first party’s written designation of an appraiser, each party shall, within the next thirty (30) days, 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
If the opinions of the value of the two appraisers differ by more than 10%, the two appraisers shall be provided written notice by either party to agree upon a third MAI appraiser within thirty (30) days of such written notice. The third appraiser 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. The appraiser(s) shall be instructed to prepare their reports in accordance with the Office of Public School Construction requirements for such reports. The cost of determining the appraised fair market value of the School Site pursuant to this Section 8.4 shall be funded from the Funding Sources.

8.5 **Condition of School Site.** Developer shall provide to School District for its review draft infrastructure improvement plans for the frontage street improvements and wet and dry utilities serving each School Site prior to approval of such plans by the applicable Public Agency and applicable service provider. Subject to the approval of the applicable Public Agency and/or applicable service provider, Developer shall incorporate in such plans reasonable revisions requested by School District in order to provide service to each School Site. Developer shall also provide to School District for its review draft grading plans for each School Site prior to approval of such plans by the applicable Public Agency. The grading plans shall provide for grading of at least 20 acres of the School Site to not more than a 2% grade. In addition, if School District (i) provides to Developer site design specifications for a School Site to a 1/10 of a foot contour in a timely manner prior to approval of the grading plans and (ii) has entered into a Site Purchase Agreement for the School Site which provides for School District’s acquisition of the School Site within 90 days following completion of the School Site in Superpad Condition, Developer agrees to grade the School Site to such contour. Otherwise, such grading work will be conducted by School District. The costs of the frontage street improvements and wet and dry utilities to a School Site, any remediation work required by Section 8.2(b) and grading of the School Site provided by Developer pursuant to this Section 8.5 shall be considered the Superpad Condition in which a School Site is to be delivered and shall be reflected in the fair market value of the School Site.

Developer and School District agree that each School Site shall be delivered in Superpad Condition and Developer shall provide a Notice of Availability with respect to each School Site upon satisfaction of the Superpad Condition for the School Site. In addition, Developer must be able to deliver title to the School Site, free and clear of any and all defects, encumbrances and liens that would materially affect School District’s ability to use the School Site for its intended purposes. Should all of the improvements required to deliver the School Site in Superpad Condition not be completed prior to close of escrow, prevailing wages for all labor required to complete the work and performance bonds equal to 100% of the reasonably estimated cost of such incomplete improvements shall be provided by Developer at no cost to School District to guarantee completion of such improvements. School District shall release such performance bonds upon completion of such improvements.

8.6 **Use of School Sites.** Each School Site shall be conveyed to School District subject to the condition that it not sell the applicable School Site for at least 20 years. Developer may waive the condition set forth in this Section 8.6 with respect to any School Site at any time.
Section 9.0 Alternative Design, Phasing and Bidding of Schools

9.1 Alternative Design and Phasing. School District and Developer agree that the Schools shall be designed so that the Phase I School Facilities can be bid, if applicable, and constructed prior to and separate from the Phase 2 School Facilities. In addition, School District and Developer may mutually agree that any of the Schools may be constructed in more than two phases.

9.2 Bidding and Award of Construction Contracts. The bids solicited by School District, if applicable, shall be obtained in the alternative for each School for the Phase 1 School Facilities and Phase 2 School Facilities. If sufficient State Funds are received for a School, including for acquisition of the School Site, at the time the Funding Threshold is reached for the Phase 1 Facilities, School District shall award contracts for both the Phase 1 School Facilities and Phase 2 School Facilities. If the associated Funding Amount is not sufficient to fund acquisition of the School Site and the construction, furnishing and equipping of the School, based on all of the alternative bids solicited by School District for the School, such bids may be rejected and the School redesigned so as to meet the herein described student capacity requirements, to the extent feasible on the basis of the funding available. Thereafter, the redesigned School shall be bid and constructed. Alternatively, Developer may, in its sole discretion, augment the herein provided funding, on terms acceptable to Developer, so as to allow the School to be constructed on the basis of the bids originally received.

Section 10.0 Project Students Projections, Interim Facilities and School Facilities

10.1 Actual Project Students. On January 31 and July 31 of each Calendar Year, commencing with the first such date to occur following the effective date of the first Entitlements, School District shall provide Developer with a written statement, as of the preceding December 31 and June 30, respectively, of the number of Qualifying District Students and Project Students in each School in permanent and Interim Facilities (each report, a “Student Generation Report”). For purposes of this Agreement, the “effective date of the first Entitlements” shall mean the date the first Entitlements, which shall consist of at least an amendment of the County General Plan, the Centennial Specific Plan and any related environmental approvals are effective after the expiration of any and all limitation and referendum periods applicable to such Entitlements and final resolution of all litigation, legislative and administrative actions relating to such Entitlements and any applicable appeal periods.

10.2 Unhoused Students Projection. Not later than January 31st of each Calendar Year, commencing the January 31 following the effective date of the first Entitlements, until buildout of the Property, Developer shall provide School District with the total number of Dwelling Units for which Certificates of Compliance are projected by Developer to be obtained within the Property during each of the next three (3) twelve (12) month periods from July 1 of that Calendar Year through June 30 of the next three (3) Calendar Years. School District and Developer shall estimate the number of Project Students expected to be generated over each of the next three (3) school years based on the number and mix of Dwelling Units anticipated to be constructed, as provided by Developer, and the estimated student generation of Project Students based (i) initially, upon the estimated student generation rates of 0.4778 K-8 students per single
family detached Dwelling Unit, 0.1453 K-8 students per single family attached Dwelling Unit and 0.1227 K-8 students per apartment Dwelling Unit and (ii) upon the occupancy of 500 Dwelling Units within the Property, upon actual student generation rates from such occupied Dwelling Units or other mutually acceptable student generation rates. School District shall also reasonably estimate the number of Qualifying District Students expected to reside within the attendance areas of the Schools serving Project Students over each of the next three (3) school years. School District will compare the number of existing and projected Project Students and Qualifying District Students to the student housing available in those Schools in the next school year, based upon the capacity of such School Facilities, to determine whether Interim Facilities are needed to house the Project Students and Qualifying District Students (“One Year Projection”). If the One Year Projection shows such existing and projected Project Students and Qualifying District Students, will exceed the total capacity of the Schools, Developer’s share of the required Interim Facilities shall be paid from the Funding Sources.

Developer’s share of the required Interim Facilities shall be based upon the amount by which the number of Project Students exceeds the total capacity of the Schools that have been constructed at that time and financed pursuant to this Agreement. For example, if the existing Schools have a seating capacity for 2,500 students and the One Year Projection shows 2,550 Project Students, Developer would be responsible for funding Interim Facilities for 50 Project Students. School District shall be responsible for the funding of Interim Facilities for Qualifying District Students. Developer agrees that the first priority for use of Other Proceeds from development generating Qualifying District Students shall be to fund Interim Facilities for Qualifying District Students.

School District shall also compare the number of such existing and projected Project Students and Qualifying District Students to the student housing available in existing permanent School Facilities for the next three (3) school years (the “Three Year Projection”). The Three Year Projection shall be used by the parties in planning for future School Facilities and considering modifications to the Funding Thresholds in the School Facilities Plan.

A Qualifying District Student shall be included in an One Year Projection and Three Year Projection and in the calculation of a Funding Threshold only if and to the extent the development generating such Qualifying District Student has paid Other Proceeds. The per student amount of Other Proceeds provided by the development generating the Qualifying District Student shall be divided by the per student amount of funding provided by the Project pursuant to this Agreement and the result shall be multiplied by the number of Qualifying District Students for purposes of determining the total number of Qualifying District Students to include in the One Year Projection and Three Year Projection and in the calculation of the Funding Thresholds. For example, if it is determined the Project is providing funding equivalent to $10,000 per student and a development generating Qualifying District Students is providing funding for the School Facilities equivalent to $8,000 per student and such development generates 100 students, only 80 such students ($8,000/$10,000 x 100 = 80) shall be considered Qualifying District Students for purposes of making the One Year Projection and Three Year Projection and calculating the Funding Thresholds.
Section 11.0 School Facilities Funding

11.1 Funding Sources

11.1.1 Funding Thresholds and Amounts. School District and Developer agree that in order to adequately house the Project Students both Interim Facilities and permanent School Facilities must be funded and constructed at certain times relative to the development of the Property and the generation of Project Students and Qualifying District Students. Therefore, School District and Developer agree to the Funding Thresholds and corresponding Funding Amounts set forth in the School Facilities Plan and agree that the Funding Amounts are to be satisfied from the following Funding Sources, in order of priority:

(a) Local Funds, State Funds and Federal Funds;
(b) Other Proceeds;
(c) CFD Proceeds deposited in the Special Fund and School Facilities Account; and
(d) Developer Advances.

As a Funding Threshold is reached, the corresponding Funding Amount shall be funded according to the following priority: first, from available Local Funds, State Funds and Federal Funds; second, from Other Proceeds, to the extent necessary; third, from CFD Proceeds, to the extent necessary; and fourth, from Developer Advances, to the extent necessary. Developer acknowledges that Local Funds, State Funds, and Federal Funds, Other Proceeds and/or CFD Proceeds may be available later than School District will need them in order to construct the School Facilities and, therefore, may serve as a source of reimbursement of Developer Advances. Notwithstanding anything in this Agreement to the contrary, as provided in Section 10.2 above, the first priority for use of Other Proceeds from development generating Qualifying District Students shall be to fund Interim Facilities required for Qualifying District Students.

11.1.2 Other Proceeds. Other Proceeds consisting of statutory school fees or mitigation payments paid (i) in a proportionate amount as set forth in the definition of “Other Proceeds” with respect to other developments that will be generating Qualifying District Students (ii) by Commercial/Industrial Development or (iii) by Senior Units within the Property shall be deposited in a discrete, interest-bearing special fund maintained and administered by School District (the “Special Fund”) and disbursed only to fund costs of the School Facilities and to reimburse Developer Advances, provided that, after all School Facilities have been fully funded and all Developer Advances fully repaid, such Other Proceeds may be used for any lawful purpose. Earnings on the investment of funds in the Special Fund shall remain in the Special Fund and disbursed to pay for School Facilities and reimburse Developer Advances. Other Proceeds consisting of the proceeds of bonds of a community facilities district encompassing all or any portion of other developments that will generate Qualifying District Students shall be disbursed to fund the School Facilities.

The School Facilities contemplated by this Agreement are not planned with capacity to house Qualifying District Students and are intended to be neighborhood schools serving Project Students. This Agreement is not intended to and does not mitigate the impacts of development outside of the Property on School District. However, this Agreement addresses the
possibility of Qualifying District Students attending the Schools given the lack of existing school facilities and the very limited development in School District at the time of execution of this Agreement. School District acknowledges that it will use reasonable efforts to plan for and construct one or more school facilities outside of the Property boundaries to house Qualifying District Students, should the number of existing Qualifying District Students warrant such facilities, as part of its ongoing planning processes. School District also agrees to maximize, in accordance with applicable law, any and all school facilities mitigation payments from new development occurring outside the Property that will be generating Qualifying District Students. If and to the extent Other Proceeds from developments generating up to eight hundred (800) Qualifying District Students are disbursed as a Funding Source for the School Facilities in accordance with this Agreement, Developer agrees that School District may utilize an equal amount of CFD Proceeds and Other Proceeds to fund the construction of a school outside the Property in order to serve such Qualifying District Students and create seating capacity in the Schools for Project Students.

11.1.3 CFD Proceeds. CFD Proceeds consisting of Surplus Special Taxes shall be deposited in the Special Fund and disbursed only to fund costs of the School Facilities and to reimburse Developer Advances. CFD Proceeds consisting of the portion of the proceeds of Bonds earmarked for School Facilities shall be deposited in a School Facilities Account and disbursed only to fund costs of the School Facilities and to reimburse Developer Advances. After all School Facilities have been fully funded and all Developer Advances have been fully reimbursed, CFD Proceeds may be applied for any lawful purpose.

11.1.4 Developer Advances. If, at the time a Funding Threshold is reached, the funds then available from all of Funding Sources described in Sections 11.1.2, 11.1.3 and 11.1.4 are less than the corresponding Funding Amount, Developer shall advance funds to School District in an amount equal to the shortfall (a “Developer Advance”). If the Funding Threshold relates to the acquisition of a School Site, Developer may elect, in its sole discretion, to accept payment of less than the full fair market value of the School Site at the close of escrow or accept terms for payment as mutually agreed by the parties. Developer Advances shall be repaid from other Funding Sources as they become available provided sufficient funds are available from such Funding Sources to complete the School Facilities for which such prior Developer Advances were made.

11.1.5 Accounting. On or before January 1 of each year, School District shall provide Developer with its unaudited, prior fiscal year accounting of all Funding Sources received on a cumulative basis and since the last accounting, the amount and specific nature of the expenditures of Funding Sources and the balance of all Funding Sources.

11.2 Interim Facilities.

11.2.1 Prior to Completion of First School. School District’s and Developer’s first preference is to construct the Phase 1 School Facilities for the first School (or a smaller phase mutually acceptable to School District and Developer) so that it will open in the first school year following occupancy of the first Production Unit within the Property. If School District reasonably determines that the construction of the first School at such time is infeasible, School District and Developer agree that Project Students shall attend the existing Gorman
Elementary School until the Phase 1 School Facilities for the first School can be completed and Developer shall fund the cost of Interim Facilities at Gorman Elementary School required to house such Project Students. In addition, Developer has requested that School District and AVUHSD consider joint operation of the first K-8 School on an interim basis as a K-12 School, prior to completion of the first high school within the Project. Regardless of whether the first school is a K-8 School or K-12 School, Developer agrees to fund for a period of up to four years any shortfall between the State funding apportionment School District receives for operation of the first K-8 School or the K-12 School, based upon the number of District Students attending such School, (the “Collected Apportionment”) and School District’s actual staffing and maintenance costs (the “Operations Costs”) for such School based on the following staff needs and staff/student ratios and as set forth below:

<table>
<thead>
<tr>
<th>POSITION</th>
<th>POSITIONS REQUIRED</th>
<th>NUMBER OF GRADE K-8 STUDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>1 (share with AVUHSD, if applicable)</td>
<td>≥1</td>
</tr>
<tr>
<td>Asst. Principal/Counselor</td>
<td>1 (share with AVUHSD if applicable)</td>
<td>≥1</td>
</tr>
<tr>
<td>Admin. Assistant</td>
<td>1</td>
<td>0-200</td>
</tr>
<tr>
<td></td>
<td>1 (share with AVUHSD if applicable)</td>
<td>200-300</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>&gt;300</td>
</tr>
<tr>
<td>Data Technician</td>
<td>1 (share with AVUHSD if applicable)</td>
<td>≥1</td>
</tr>
<tr>
<td>Account Technician</td>
<td>1 (share with AVUHSD if applicable)</td>
<td>≥1</td>
</tr>
<tr>
<td>Custodian</td>
<td>1 (share with AVUHSD if applicable)</td>
<td>0-400</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>&gt;400</td>
</tr>
<tr>
<td>Maintenance</td>
<td>1</td>
<td>≥1</td>
</tr>
<tr>
<td>Child Nutrition Assistant</td>
<td>1</td>
<td>0-300</td>
</tr>
<tr>
<td></td>
<td>1 (share with AVUHSD if applicable)</td>
<td>&gt;300</td>
</tr>
<tr>
<td>Noon Duty/Crossing Guard/Security</td>
<td>1</td>
<td>≥400</td>
</tr>
<tr>
<td>Teacher</td>
<td>1</td>
<td>Per 32 K-8 students</td>
</tr>
</tbody>
</table>

All staff positions noted above shall be fully-credentialed individuals, as determined by School District. The salaries for the staff positions described above shall not exceed the salaries paid for the same staff position School District-wide. Where a staff position is shown as to be shared with AVUHSD, if applicable, the allocation of the costs of such position between School District and AVUHSD shall be determined by School District and AVUHSD.
At the time School District and AVUHSD agree on the joint operation of the K-12 School, or at the time of commencement of construction of the first K-8 School, whichever occurs first, School District and Developer shall agree on a schedule for, and a process for determining the amount of, any required advances by Developer of any actual shortfall between the Collected Apportionment and the Operations Costs described above for a minimum of the first three school years that the first K-8 School or K-12 School, as applicable, is in operation, but not more than the first four years of operations. Developer shall advance funds to School District in accordance with such schedule, subject to reimbursement from State funding when received by School District, if such funding is available for reimbursement. Developer also agrees to cooperate with School District and AVUHSD in the design of the first School in order to accommodate such K-12 usage.

11.2.2 Following Completion of First School. Each School shall be designed to allow for the addition of up to eight (8) portable classrooms of thirty-two (32) students each as Interim Facilities in order to allow for additional capacity to house Project Students and Qualifying District Students, if necessary, prior to completion of the next School. A determination as to whether such Interim Facilities are required shall be based on a One Year Projection and Developer’s share of the cost of required Interim Facilities shall be determined in accordance with Section 10.2 above.

11.3 Planning, Design, Engineering and State Approval. Upon the occurrence of the applicable Funding Threshold for each School, the corresponding Funding Amount shall be funded from the Funding Sources for planning, design, engineering and State approval costs for the School Site and School.

11.4 School Sites. Upon the occurrence of the applicable Funding Threshold for the acquisition of each School Site, the fair market value of the School Site shall be funded from the Funding Sources, unless the parties mutually agree to an alternative payment to Developer.

11.5 School Construction, Furnishing and Equipping. Upon the occurrence of the applicable Funding Threshold for the funding of the construction, furnishing and equipping of each School, the corresponding Funding Amount shall be funded from the Funding Sources and School District shall proceed with best efforts to complete construction of and open the corresponding Phase of each School all in strict accordance with the Performance Schedule.

11.6 Indexing and Adjustment of Funding Amounts. The Funding Amounts specified in the School Facilities Plan for the Non-Land Components that remain unfunded as of each January 1, commencing January 1, 2010, shall be adjusted by the percentage change in the Construction Index for the preceding Calendar Year.

Section 12.0 Design and Construction of School Facilities.

At the time sufficient funds are received by School District to pay for the construction of each Phase of a School on a School Site and the School Site has been provided to School District pursuant to this Agreement and the Site Purchase Agreement, School District will use best efforts to commence and complete construction of, and open the applicable School or Phase. School District and Developer intend, if at no extra cost to School District and Developer, that
each School shall be reasonably compatible in architecture and design, including exterior materials, colors, textures, features and landscaping with the residences expected to be constructed within the Property. School District and Developer shall consult with one another periodically in the process of (i) Developer’s preparation of the grading plans for, and infrastructure improvement plans relating to, each School Site, (ii) School District’s preparation of each School Site layout, (iii) School District’s engineering and preparation of plans and specifications for each School or Phase, (iv) developing and selecting the exterior materials, colors, textures, features and landscaping (“Exterior Design”) of each School and (v) naming of each School, all as further described in Exhibit “G” hereto. At a minimum, this consultation will include the following: (1) prior to commencing design of a School, School District’s architect shall meet with Developer to discuss the Exterior Design concepts for the facility and their compatibility with the applicable community, and (2) as and when School District’s architect prepares preliminary plans which includes Exterior Design elements, Developer shall be invited to review and provide comments on or suggestions respecting such plans, and (3) School District shall give due consideration to such comments in the preparation of the final plans. In order that architects and engineers selected by School District to design the School Facilities are adequately informed of their responsibilities under this Agreement, School District will include a description of the engineering and design review process substantially similar to the description set forth in Exhibit “G” hereto in all solicitation for engineering and architectural services related to each School. The parties expressly understand and agree that while School District shall consult Developer related to the matters set forth in this Section, School District shall make any and all final determinations as to such matters, and shall be bound by all applicable laws related thereto.

Section 13.0 Miscellaneous

13.1 Boundary Modification. School District will use best efforts to support and to submit to the Los Angeles County Committee on School District Boundaries the necessary applications for a boundary modification between School District and WUSD for the purpose of ensuring that at least any individual residential lots and separate single-family attached and/or apartment projects within the Property shall be located entirely within School District or WUSD. School District and Developer shall exercise best efforts to accomplish the proposed boundary modification, with WUSD’s cooperation and subject to the requirements of applicable law, at the earliest possible time that a new boundary can be identified within the Property (i) that will result in all approved or proposed residential lots and separate single-family attached or apartment projects being located entirely within School District or WUSD, and (ii) that will allow all residential lots and separate single-family attached or apartment projects located entirely within School District to be included in a CFD prior to sale of such lots or individual Dwelling Units to individual homebuyers. School District agrees that an Assessor’s Parcel that is deemed to be located in a CFD and in WUSD shall not be subject to both special taxes of the CFD and school fees imposed by WUSD. Any Assessor’s Parcel within a CFD that is subsequently included entirely within the WUSD boundaries as a result of the boundary modification process shall be deemed, pursuant to the CFD RMA, to have prepaid the special taxes of the CFD and School District agrees to record a “Notice of Cancellation of Special Tax and Extinguishment of Lien” with respect to such Assessor’s Parcel.
13.2 **Developer-Build Option.** With the mutual agreement of Developer and School District, Developer may provide directly for the construction of any School in accordance with applicable State law and the following essential terms:

(a) the plans and specifications for the School shall be approved by School District;

(b) at Developer’s election, the School Site shall be acquired from Developer with available Funding Sources prior to the commencement of construction of the School;

(c) Developer shall be entitled to progress payments for the costs of the School from available Funding Sources;

(d) School District shall designate and employ a consultant to monitor construction in order to ensure the School is constructed in accordance with the plans and specifications, the costs of whom shall be paid from Funding Sources; and

(e) School District shall accept ownership of the first School immediately upon its completion in accordance with the plans and specifications and open such School the first school year after its completion. With respect to each subsequent School, each shall be opened in the first school year after its completion by Developer, provided School District has sufficient operational resources at its disposal.

13.3 **Priority Attendance.** The Property shall be included in the attendance areas of the Schools. While School District makes all decisions with regard to determining school attendance areas, in its sole discretion and according to State and federal law, including Government Code Section 53312.7, which requires School District to adopt and implement a priority access policy that gives priority attendance access to the Project Students residing within a CFD, School District agrees to use best efforts to give Project Students priority attendance at the Interim Facilities and permanent School Facilities. School District agrees to provide Developer prior written notice of any Board actions regarding the adoption or modification of attendance boundaries for each School constructed and to meet and confer with Developer prior to such actions. School District also agrees to use reasonable efforts to ensure there is capacity for all Project Students at the Schools.

13.4 **Binding on CFD.** Upon formation of each CFD, the CFD shall automatically become a party to this Agreement and all provisions that apply to School District shall apply to the CFD as well. The Board, acting as the legislative body of the CFD, shall perform all obligations of this Agreement that require performance on the part of the CFD.

13.5 **Successors and Assigns.** All of the covenants, stipulations, promises, and agreements contained in this 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. The owners of any completed commercial, industrial or residential development within the Property shall not be deemed to be successors and assigns of Developer for purposes of this Agreement, and shall have no right to enforce any provisions of this Agreement.

13.6 **Amendment.** This Agreement may not be amended except in writing by Developer and School District, duly executed by their authorized agents.
13.7 **Entire Agreement.** This 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 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 Agreement shall be valid and binding. The parties hereto agree to act in a manner that will not frustrate the purposes of this Agreement.

13.8 **Attorney Fees.** In the event of any action or proceeding brought by either party against the other under this 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 Agreement into any judgment on this Agreement.

13.9 **Execution.** This 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.

13.10 **Notices.** All correspondence, notices or certificates required by this 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:

If to Developer:  
Centennial Founders, LLC  
c/o Pardee Homes  
10800 Wilshire Blvd, Suite 1900  
Los Angeles, CA 90024  
Attention: General Counsel and Project Manager

With a copy to:  
Hewitt & O’Neil LLP  
19900 MacArthur Blvd., Suite 1050  
Irvine, CA 92612  
Attention: John Yeager, Esq.

If to School District:  
Gorman Elementary School District  
P. O. Box 104  
Gorman, CA 93243  
Attention: Superintendent

With a copy to:  
Atkinson, Andelson, Loya, Ruud & Romo  
17871 Park Plaza Drive  
Cerritos, CA 90703  
Attention: Andreas Chialtas, Esq.

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 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.

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

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

13.13 **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 Agreement shall not operate as a waiver of any future breach of such provision or of any other provision hereof.

13.14 **Construction.** The parties hereto acknowledge and agree that each has been given the opportunity to review this 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.

13.15 **Choice of Law.** This 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.

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

13.17 **No Third Party Benefit.** This 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 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.

13.18 **Force Majeure.** The obligations of any party under this 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.

13.19 **Consultation Regarding Consultants.** School District and Developer shall consult with each other regarding School District’s ultimate selection of consultants for the formation of the CFD(s) and issuance of Bonds, the State approvals for the School Facilities and the design and construction of the School Facilities.
13.20 District CEQA Compliance. The obligations of School District as to acquiring or constructing the School Facilities are subject to School District complying with the California Environmental Quality Act.

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

GORMAN ELEMENTARY SCHOOL DISTRICT
By: [Signature]
President, Board of Education
By: [Signature]
Clerk, Board of Education

CENTENNIAL FOUNDERS, LLC,
a Delaware limited liability company

By: [Signature]
Gregory P. Medeiros, Vice President
## EXHIBIT B

### PROTOTYPICAL K-8 SCHOOL

#### Phase I School Facilities (864 students)

**Building A – Administration Building 11,453sf**
- Entry/Reception
- Counseling Offices (3)
- Principal Office
- Secretary Office
- Archive Storage
- Mail Room
- Attendance Office
- Faculty Workroom/Custodial
- Faculty Lounge
- Health Room/Nurse Office/Toilet
- Men/Women Toilets

Communications Room
- Electrical Room
- Main MDF Room
- Library/Entry/Circulation Desk
- Research Room
- Technical Support Room
- Workroom/Office

- Computer Lab/Classroom

**Building B – Classroom Building 9,735sf**
- Classrooms/Science Labs (6)

**Building C – Gymnasium Building 17,611sf**
- Gymnasium w/ Bleachers
- Platform w/ Sound
- Comm. Room/Storage
- Boys Toilets
- Girls Toilets
- Table & Chair Storage
- Kitchen w/ Prep & Service
- Roll-in Freezer/Refrigerator/Dry Storage
- Office Custodial
- Toilet
Service Delivery Yard / Trash Storage

Boys Toilets/Boys Locker/Shower Room
Boys Coaches Office w/ Toilet
Girls Toilets/Girls Locker/Shower Room
Girls Coaches Office w/ Toilet P.E. Equipment/Storage

**Building D – Classroom Building  8,740sf**
- Classrooms (8)
- Small Computer Labs (2)
- Staff Toilet

**Building E – Classroom Building  6,192sf**
- Classrooms (4)
- Small Computer Labs (1)
- Boys Toilets
- Girls Toilets
- Workroom Storage/Elec.

**Building G – Classroom Building  6,192sf**
- Classrooms (4)
- Small Computer Labs (1)
- Boys Toilets
- Girls Toilets
- Workroom Storage/Elec.

**Building I – Kindergarten Classroom Building  8,740sf**
- Classrooms (3)
- Small Workrooms (3)
- Boys Toilets
- Girls Toilets
- Staff Toilet
- Comm./Elec. Storage
- Custodial

**Exterior Athletic Facilities**
- Softball Field  67,600 sf
- Football Field  225,000 sf
- Soccer Fields  72,000 sf
- Basketball/Volleyball Courts (Combined)  5,500 sf
- Tennis Courts  6,000 sf
- Handball Court  400 sf
Phase 2 School Facilities (384 students)

Building F – Classroom Building  9,289sf
Classrooms (8)
Small Computer Labs (2)
Staff Toilet

Building H – Classroom Building  5,292sf
Classrooms (4)
Small Computer Labs (1)
Boys Toilets
Girls Toilets
Workroom Storage/Elec.
## EXHIBIT C

### K-8 SCHOOL FACILITIES PLAN

<table>
<thead>
<tr>
<th>School</th>
<th>Funding Purpose</th>
<th>Funding Amount</th>
<th>Funding Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. K-8 School No. 1</td>
<td>(a) Planning, design, architecture, engineering, state approval, inspections,</td>
<td>$3,848,951</td>
<td>(i) tentative maps for 5,833 DUs; and</td>
</tr>
<tr>
<td></td>
<td>labor compliance, connection fees (Phase I)</td>
<td></td>
<td>(ii) final map for 500 DUs.</td>
</tr>
<tr>
<td></td>
<td>(b) Site acquisition</td>
<td>Fair market value</td>
<td>(i) Completion of superpad improvements; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(ii) the earlier of (x) building permits issued for 200 DUs or (y) 100 Project</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Students generated</td>
</tr>
<tr>
<td></td>
<td>(c) Start Construction (Phase 1)</td>
<td>$21,481,877</td>
<td>(i) Acquisition of school site; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(ii) six (6) months prior to issuance of building permit for First Production Unit</td>
</tr>
<tr>
<td></td>
<td>(d) Furnishing and equipping (Phase 1)</td>
<td>$1,225,000</td>
<td>6 months prior to completion of construction</td>
</tr>
<tr>
<td></td>
<td>(e) Architecture, engineering, permits (Phase 2)</td>
<td>$997,375</td>
<td>300 Project Students&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>(f) Start Construction (Phase 2)</td>
<td>$4,767,975</td>
<td>400 Project Students&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>(g) Furnishing and equipping (Phase 2)</td>
<td>$525,000</td>
<td>6 months prior to completion of construction</td>
</tr>
<tr>
<td></td>
<td>(h) Interim Facilities (up to 8 portable classrooms)</td>
<td>$75,000</td>
<td>As needed</td>
</tr>
<tr>
<td>2. Each Additional School</td>
<td>(a) Planning, design, architecture, engineering, state approval, inspections,</td>
<td>$3,848,951</td>
<td>School No. 2 = 500 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>labor compliance, connection fees</td>
<td></td>
<td>School No. 3 = 1,750 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>School No. 4 = 3,000 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>School No. 5 = 4,250 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>School No. 6 = 5,500 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td>School</td>
<td>Funding Purpose</td>
<td>Funding Amount</td>
<td>Funding Threshold</td>
</tr>
<tr>
<td>--------</td>
<td>----------------</td>
<td>----------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>(b) Site acquisition</td>
<td>Fair market value</td>
<td>Completion of super pad improvements; and School No. 2 = 850 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 3 = 2,100 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 4 = 3,250 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 5 = 4,100 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 6 = 5,850 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>(c) Start Construction (Phase 1)</td>
<td>$21,481,877</td>
<td>Acquisition of school site; and School No. 2 = 850 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 3 = 2,100 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 4 = 3,250 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 5 = 4,100 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 6 = 5,850 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>(d) Furnishing and equipping (Phase 1)</td>
<td>$1,225,000</td>
<td>6 months prior to completion of construction</td>
<td></td>
</tr>
<tr>
<td>(e) Architecture, engineering, permits (Phase 2)</td>
<td>$997,335</td>
<td>School No. 2 = 1,150 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 3 = 2,400 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 4 = 3,550 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 5 = 4,400 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 6 = 6,150 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>(f) Start Construction (Phase 2)</td>
<td>$4,767,975</td>
<td>School No. 2 = 1,250 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 3 = 2,500 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 4 = 3,650 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 5 = 4,500 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt; School No. 6 = 6,250 Project Students and Qualifying District Students&lt;sup&gt;c&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>(g) Furnishing and equipping (Phase 2)</td>
<td>$525,000</td>
<td>6 months prior to completion at construction</td>
<td></td>
</tr>
<tr>
<td>(h) Interim Facilities (up to 8 portable classrooms)</td>
<td>$75,000 per classroom</td>
<td>As needed</td>
<td></td>
</tr>
</tbody>
</table>
a/ Funding amounts shall adjust according to the Construction Index referenced in Section 11.6.
b/ References to DUs means Production units and excludes model homes and Senior Units.
c/ Cumulative number of Project Students and Qualifying District Students (as adjusted) generated as identified in a Student Generation Report. As provided in Section 10.2, a Qualifying District Student shall be included in the calculation of a Funding Threshold only if and to the extent the development generating such Qualifying District Student has paid Other Proceeds. The per student amount of Other Proceeds provided by the development generating the Qualifying District Student shall be divided by the per student amount of funding provided by the Project pursuant to this Agreement and the result shall be multiplied by the number of Qualifying District Students for purposes of calculating the Funding Thresholds. For example, if it is determined, the Project is providing funding equivalent to $10,000 per student and a development generating Qualifying District Students is providing funding for the School Facilities equivalent to $8,000 per student and such development generates 100 students, only 80 such students ($8,000/$10,000 x 100 = 80) shall be considered Qualifying District Students for purposes of calculating the Funding Thresholds.
EXHIBIT D

CFD PARAMETERS

I. CFD Established by School District

To the maximum extent permitted by law and consistent with the Goals and Policies, and subject to compliance with all applicable laws, the CFD structure, Rate and Method of Apportionment of Special Taxes (“RMA”) and Bonds of each CFD established by School District following Developer’s submittal of a petition shall be based upon and conform to the parameters set forth below.

A. CFD Structure

• One or more CFDs, or two or more Improvement Areas within a single CFD, shall be established encompassing the Property.

• Each CFD or Improvement Area will be subject to its own RMA and authorized indebtedness.

• Each CFD shall be authorized to finance School Facilities and, at Developer’s request and subject to a JCFA with the applicable Public Agency(ies) with terms acceptable to the parties, Other Facilities; provided, however, the CFD Proceeds of a CFD available to fund Other Facilities of a Public Agency shall not exceed $1.00 less than the total CFD Proceeds reasonably expected at the time of formation of the CFD to be generated by the CFD for School Facilities.

B. Rate and Method of Apportionment of Special Taxes.

• Assessors Parcels for which a building permit for residential use has been issued prior to March 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 March 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, at Developer’s election.

• The Developed Property special tax rate may vary based upon house size, density range or residential product type.

• The maximum special tax rates shall be established in an amount required 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 establishing the maximum special tax rates, the average interest rate on the Bonds shall be assumed to be 50 basis points higher (or more at Developer’s election) than the average interest rate on similar bonds at the time of formation of the CFD (as reasonably
determined by School District) and the amount of Bonds assumed to be issued to fund (i) the costs of the School Facilities that are not reasonably expected to be funded from Local, State and Federal Funds and Other Proceeds, (ii) Other Facilities, (iii) a reserve fund, (iv) capitalized interest for each series of Bonds in the maximum amount permitted under State and federal law, or such lesser amount requested by Developer, consistent with the timely and sufficient funding of the School Facilities pursuant to this Agreement and (v) costs of formation of the CFD and issuance of each series of bonds.

- Each RMA shall provide for the levy of Special Taxes on Developed Property at the maximum, assigned special tax rate in each fiscal year at least until all School Facilities have been fully funded and all Developer Advances have been fully repaid.

- 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 prepayment of special taxes on Developed Property shall be permitted at any time.

- A partial prepayment of special taxes shall be permitted by a merchant builder with respect to all units within a marketing phase of Final Map Property prior to the close of escrow of each lot within the marketing phase to an individual homebuyer. For purposes of each RMA, a “marketing phase” shall mean a phase of homes being constructed and sold at approximately the same time consisting of not less than ten (10) homes.

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

C. Bonds

- No Bonds shall be issued without the Developer’s consent if the annual special tax applicable to Developed Property in each fiscal year is or will be less than the sum of (a) one hundred percent (100%) of the principal of and interest on Bonds coming due in the bond year which ends in the next subsequent fiscal year (except to the extent such principal or interest is expected to be paid from proceeds from the sale of Bonds or other amounts then available in
the applicable debt service fund for such purpose) plus (b) a priority amount for estimated
administrative expenses not to exceed $50,000, subject to increase by up to 2% per year, per
Improvement Area for the bond year referred to in clause (a). Developer understands and agrees
that if it does not provide such consent, it may be required to make a Developer Advance in
order to provide the funding that would have been provided from such 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 School Facilities Account and,
  with respect to each Public Agency that has entered into a JCFA, an Other Facilities Account.

- CFD Proceeds shall be deposited in the Special Fund and School Facilities
  Account and disbursed at Funding Thresholds to fund Funding Amounts to the extent and as
  required in Section 11.1.1 of this Agreement.

- Subject to bond market conditions at the time, Bonds, other than bond or
tax anticipation notes or similar short-term borrowings, shall have a final maturity of not less
  than 30 years.

- At the Developer’s request, the CFD(s) may issue series of bonds, variable
  rate bonds, capital appreciation 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. Subject to
  acceptable commitments by Developer in accordance with municipal finance industry practices,
  and specifically subject to the availability of credit and liquidity facilities reasonably acceptable
  to School District, will not unreasonable refuse to issue variable rate bonds.

- Subject to bond market conditions at the time, in order to maximize the
  principal amount of Bonds that may be issued, Bonds may have escalating debt service that on
  average matches any escalation in the annual special tax rates.

II. CFD Establishment by Other Public Agency

- At Developer’s request, School District shall enter into a JCFA, in a form
  acceptable to School District, Developer and the Public Agency that is establishing a CFD, to
  authorize the CFD to finance the School Facilities. The formation of such CFD and School
  District’s execution of the JCFA shall not relieve Developer of its obligation to provide
  Developer Advances pursuant to the terms of this Agreement.
## EXHIBIT E

**PERFORMANCE SCHEDULE FOR EACH SCHOOL AND CFD**

<table>
<thead>
<tr>
<th>Item</th>
<th>Completion</th>
<th>Party Required to Perform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hire architect for School</td>
<td>90 days from Phase 1 Funding Threshold for planning, etc.</td>
<td>School District</td>
</tr>
<tr>
<td>School Site studies commence</td>
<td>120 days from Phase 1 Funding Threshold for planning, etc.</td>
<td>School District</td>
</tr>
<tr>
<td>DTSC no further action letter</td>
<td>300 days from Phase 1 Funding Threshold for planning, etc.</td>
<td>School District</td>
</tr>
<tr>
<td>CDE site package submission</td>
<td>300 days from Phase 1 Funding Threshold for planning, etc.</td>
<td>School District</td>
</tr>
<tr>
<td>DSA School construction plans submission</td>
<td>420 days from Phase 1 Funding Threshold for planning, etc.</td>
<td>School District</td>
</tr>
<tr>
<td>CDE approval</td>
<td>3 months following submission of plans</td>
<td>School District</td>
</tr>
<tr>
<td>DSA approval</td>
<td>3 months following submission of plans</td>
<td>School District</td>
</tr>
<tr>
<td>OPSC application submission</td>
<td>Within two weeks of CDE and DSA approvals</td>
<td>School District</td>
</tr>
<tr>
<td>School Site Notice of Availability</td>
<td>Satisfaction of Superpad Construction</td>
<td>Developer</td>
</tr>
<tr>
<td>School Site acquisition</td>
<td>Within 90 days of Notice of Availability</td>
<td>School District</td>
</tr>
<tr>
<td>SAB Approval</td>
<td>Within 60 days of submitting application</td>
<td>School District</td>
</tr>
<tr>
<td>School Construction bidding</td>
<td>Within 60 days of SAB approval                                                                                            School District</td>
<td></td>
</tr>
<tr>
<td>Phase 1 Construction completed</td>
<td>Within 60 days or later of (i) receipt of construction bids and (ii) Phase 1 Funding Threshold for construction</td>
<td>School District</td>
</tr>
<tr>
<td>Phase 1 Construction commenced</td>
<td>Within 540 days of commencement</td>
<td>School District</td>
</tr>
<tr>
<td>School Opened</td>
<td>First school year after completion of Phase 1 School Facilities</td>
<td>School District</td>
</tr>
<tr>
<td>Petition to form CFD</td>
<td>Prior to approval of first final map within proposed CFD boundary</td>
<td>Developer</td>
</tr>
<tr>
<td>CFD formation</td>
<td>120 days following submittal of petition</td>
<td>School District</td>
</tr>
<tr>
<td>CFD Bond sales:</td>
<td>As required based on applicable Funding Thresholds                                                                               School District</td>
<td></td>
</tr>
<tr>
<td>(1) Site acquisition*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) School construction*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*The Bonds issued to fund Site acquisition may be concurrent with Bonds issued for construction or later at Developer’s request.*
### EXHIBIT G

**GRADING, INFRASTRUCTURE, ENGINEERING AND DESIGN REVIEW PROCESS**

<table>
<thead>
<tr>
<th>Orientation (Kick-off)</th>
<th>Meeting with Developer or designee to discuss site layout, infrastructure criteria and location, educational specifications of School and initial design direction.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grading and Infrastructure Planning</strong></td>
<td>Submittals to School District by Developer:</td>
</tr>
<tr>
<td>1) Grading plans</td>
<td>2) Wet and dry utility infrastructure plans to School Site boundary</td>
</tr>
<tr>
<td><strong>Geo-Hazard Investigation and Report</strong></td>
<td>Prepared by School District to determine Site layout</td>
</tr>
<tr>
<td><strong>Conceptual Planning Design Review</strong></td>
<td>Submittals to Developer:</td>
</tr>
<tr>
<td>1) Conceptual site plan(s) and related information</td>
<td>2) Architectural concept plans and elevations</td>
</tr>
<tr>
<td>3) Landscape concept plans</td>
<td><strong>Engineering and Design Review</strong></td>
</tr>
<tr>
<td>1) Dimensional site plans and details</td>
<td>2) Developed architectural plans and details</td>
</tr>
<tr>
<td>3) Developed landscape plans and details</td>
<td>4) Exterior materials and colors under consideration</td>
</tr>
<tr>
<td>5) Preliminary sign and naming concepts</td>
<td>6) Sign program</td>
</tr>
<tr>
<td>7) Preliminary engineering</td>
<td><strong>Construction Documents Design Review</strong></td>
</tr>
<tr>
<td>1) Final site plans, including grading/utilities plans</td>
<td>2) Final architectural plans and details</td>
</tr>
<tr>
<td>3) Sample board of exterior colors and materials</td>
<td>4) Final landscape/irrigation plans, with plant sizes</td>
</tr>
<tr>
<td>5) Exterior lighting plan and fixture illustrations</td>
<td>6) Final drawings for exterior signs</td>
</tr>
<tr>
<td><strong>Construction Compliance Design Review</strong></td>
<td>Submittals to Developer: Field change order review and design review verification</td>
</tr>
</tbody>
</table>

**Note:** The process for design review by Developer is independent to the process for design review by the state or other governmental entities. The procedures are not related in any direct way.