NEW ISSUE – BOOK-ENTRY ONLY

RATINGS
S&P: "AA"
Fitch: "AA"
See "RATINGS" herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$152,400,000
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
LEASE REVENUE BONDS, SERIES 2017A
(ORANGE COUNTY CIVIC CENTER
INFRASTRUCTURE IMPROVEMENT PROGRAM – PHASE I)

Dated: Date of Delivery **Due: June 1, as shown on inside cover**

The $152,400,000 aggregate principal amount of California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program – Phase I) (the "Bonds") are being issued by the California Municipal Finance Authority (the "Authority") pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "JPA Act"), and an Indenture, dated as of June 1, 2017 (the "Indenture"), by and between the Authority and Zions Bank, A Division of ZB, National Association, as trustee (the "Trustee").

The Authority will loan the proceeds of the Bonds to the Capital Facilities Development Corporation (the "Corporation") pursuant to a Loan Agreement, dated as of June 1, 2017 (the "Loan Agreement"), by and between the Authority and the Corporation, which the Corporation will use to (i) finance the acquisition, construction and equipping of an office building, public serving counter, and events center containing approximately 250,000 square feet and a 350 stall subterranean parking structure for the County of Orange (the "County"), as Phase I of the County's Civic Center Infrastructure Improvement Program, all as further described herein (the "Project"), (ii) fund capitalized interest accruing on the Bonds, and (iii) pay costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE PROJECT" herein.

Payments under the Loan Agreement will be made from amounts received by the Corporation from the County pursuant to the Facility Lease (Phase I), dated June 1, 2017 (the "Facility Lease"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2017. The Bonds are being issued as fully registered bonds and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds, if issued, will be issued in denominations of $5,000 or any integral multiple thereof. DTC will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only. Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. See APPENDIX F – "BOOK-ENTRY SYSTEM" hereto.

The Bonds are subject to extraordinary, optional and mandatory sinking fund redemption prior to their stated maturities, as described herein. See "THE BONDS – Redemption" herein.

The Bonds do not constitute a debt or liability of the State of California (the "State"), or of any political subdivision thereof, including the County, other than the Authority, but shall be payable solely from the funds provided therefor in the Indenture. The Authority shall not be obligated to pay the principal of the Bonds, or the redemption premium or interest thereon, except from the funds provided therefor under the Indenture and neither the faith and credit nor the taxing power of the Authority, the State or of any political subdivision thereof, including the County, is pledged to the payment of the principal of or the redemption premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof, including the County, to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Corporation by Orrick, Herrington & Sutcliffe LLP, for the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, for the County by County Counsel and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery through the book-entry facilities of DTC on or about June 22, 2017.

Citigroup

June 13, 2017

$152,400,000
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
LEASE REVENUE BONDS, SERIES 2017A
(ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE
IMPROVEMENT PROGRAM – PHASE I)

MATURITY SCHEDULE

Maturity (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (Base13049U)
2021	$2,805,000	5.000%	1.220%	114.503	CF4
2022	2,945,000	5.000	1.340	117.443	CG2
2023	3,090,000	5.000	1.470	120.012	CH0
2024	3,245,000	5.000	1.600	122.253	CJ6
2025	3,410,000	5.000	1.780	123.747	CK3
2026	3,580,000	5.000	1.980	124.635	CL1
2027	3,760,000	5.000	2.110	125.794	CM9
2028	3,945,000	5.000	2.280	124.072*	CN7
2029	4,145,000	5.000	2.410	122.773*	CP2
2030	4,350,000	5.000	2.500	121.884*	CQ0
2031	4,570,000	5.000	2.580	121.100*	CR8
2032	4,795,000	5.000	2.650	120.419*	CS6
2033	5,035,000	5.000	2.740	119.549*	CT4
2034	5,290,000	5.000	2.800	118.974*	CU1
2035	5,550,000	5.000	2.850	118.497*	CV9
2036	5,830,000	5.000	2.890	118.117*	CW7
2037	6,120,000	5.000	2.930	117.739*	CX5

$35,510,000 5.000% Term Bonds due June 1, 2042 Yield: 3.010%; Price: 116.986* CUSIP†: 13049UCY3

$44,425,000 4.000% Term Bonds due June 1, 2047 Yield: 3.450%; Price: 104.593* CUSIP†: 13049UCZ0

---

* Priced to the first optional redemption date of June 1, 2027.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2017 CUSIP Global Services. All rights reserved. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Corporation and the County and are included solely for the convenience of the registered owners of the Bonds. None of the Authority, the Corporation, the County, Bond Counsel, Underwriter's Counsel or the Municipal Advisor are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

GENERAL INFORMATION

Use of Official Statement. This Official Statement is submitted in connection with the issuance and delivery of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. No dealer, broker, salesperson or other person has been authorized by the Authority, the Corporation or the County to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the Corporation, the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access system.

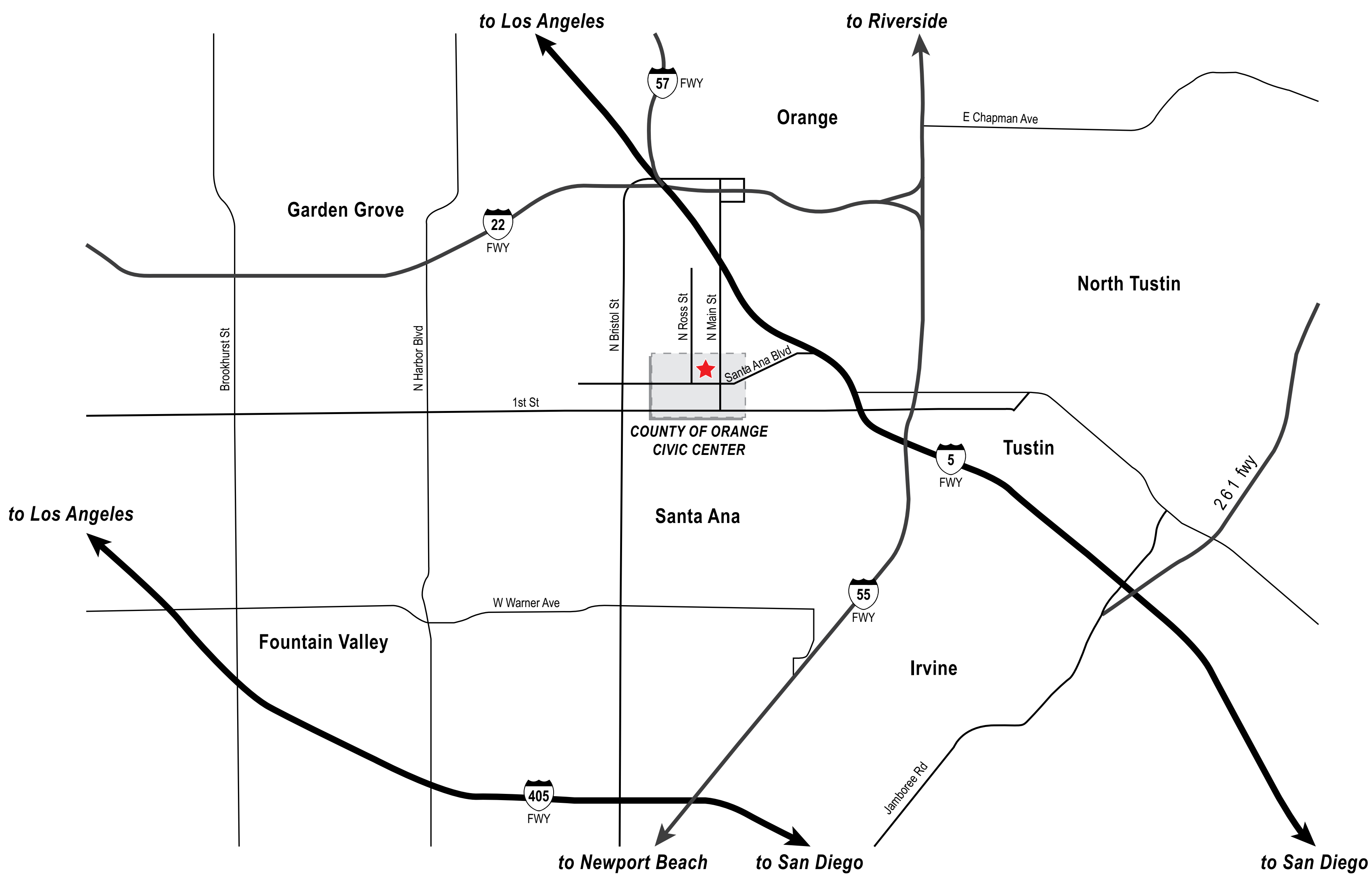
The County maintains a website with information pertaining to the County. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

Forward-looking Statements. Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Involvement of Underwriter. The Underwriter has submitted the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Information Subject to Change. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Corporation or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

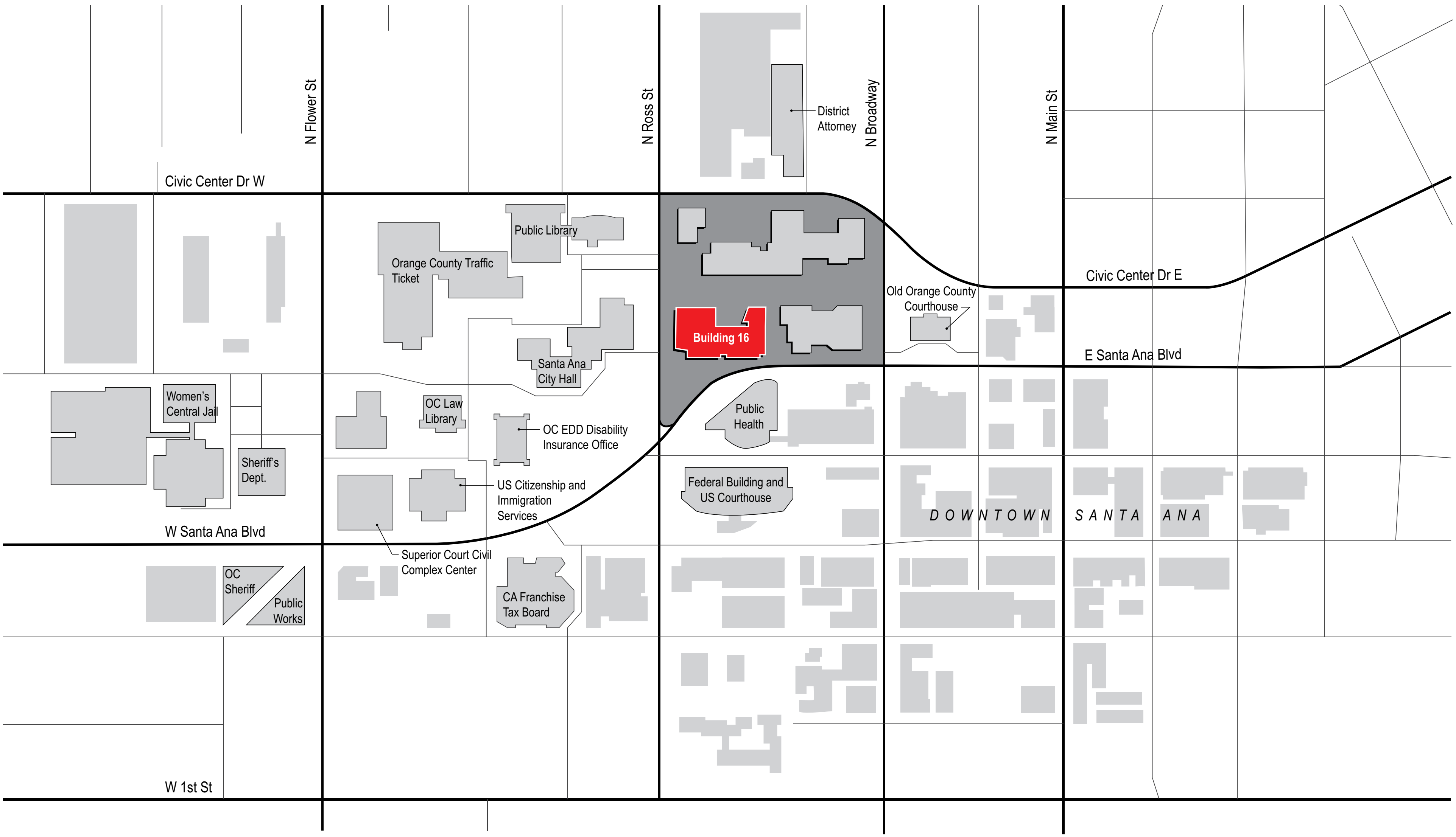
Stabilization of Prices. The Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.



BUILDING 16

PROJECT SITE LOCATION MAP

GRIFFIN STRUCTURES, INC. | LPA | SWINERTON BUILDERS



BUILDING 16

SITE CONTEXT MAP

GRIFFIN STRUCTURES, INC. | LPA | SWINERTON BUILDERS

BUILDING 16

AERIAL VIEW

GRIFFIN STRUCTURES, INC.

LPA

SWINERTON BUILDERS

BUILDING 16

VIEW FROM SANTA ANA BOULEVARD

GRIFFIN STRUCTURES, INC. | LPA | SWINERTON BUILDERS

BUILDING 16

VIEW FROM CIVIC CENTER PROMENADE

GRIFFIN STRUCTURES, INC. | LPA | SWINERTON BUILDERS

CAPITAL FACILITIES DEVELOPMENT CORPORATION
Orange County, California

BOARD OF DIRECTORS

Frank Kim - *Board Member/County Executive Officer*
Scott D. Mayer - *Board Member/County Chief Real Estate Officer*
Shane Silsby - *Board Member/County Director of OC Public Works*

DEVELOPER

Griffin Structures, Inc.
Irvine, California

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

County Municipal Advisor

KNN Public Finance
A Limited Liability Company
Oakland, California

Special Counsel

Stradling Yocca Carlson & Rauth, P.C.
Newport Beach, California

Trustee

Zions Bank, A Division of ZB, National Association
Los Angeles, California

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

OFFICIAL STATEMENT

$152,400,000
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
LEASE REVENUE BONDS, SERIES 2017A
(ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE IMPROVEMENT PROGRAM – PHASE I)

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement, which includes the cover page, the inside cover page and appendices hereto (the "Official Statement") and the issuance and delivery of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

General

The $152,400,000 aggregate principal amount of California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program – Phase I) (the "Bonds") are being issued by the California Municipal Finance Authority (the "Authority") pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "JPA Act"), and an Indenture, dated as of June 1, 2017 (the "Indenture"), by and between the Authority and Zions Bank, A Division of ZB, National Association, as trustee (the "Trustee"). The Board of Directors of the Authority approved the issuance of the Bonds pursuant to Resolution No. 17-054, adopted on May 19, 2017.

The Authority will loan the proceeds of the Bonds to the Capital Facilities Development Corporation (the "Corporation") pursuant to a Loan Agreement, dated as of June 1, 2017 (the "Loan Agreement"), by and between the Authority and the Corporation, which the Corporation will use to (i) finance the acquisition, construction and equipping of an office building, public serving counter, and events center containing approximately 250,000 square feet and a 350 stall subterranean parking structure for the County of Orange (the "County"), as Phase I of the County's Civic Center Infrastructure Improvement Program, all as further described herein (the "Project"), (ii) fund capitalized interest accruing on the Bonds through July 15, 2020, and (iii) pay costs of issuance of the Bonds. Interest on the Bonds is expected to be paid from capitalized interest amounts prior to the delivery of a Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE PROJECT" herein.

Payments under the Loan Agreement will be made from amounts received by the Corporation from the County pursuant to the Facility Lease (Phase I), dated June 1, 2017, by and between the Corporation and County (the "Facility Lease"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Authority

Under the JPA Act, certain California cities, counties (including the County) and special districts have entered into a joint exercise of powers agreement (the "JPA Agreement") forming the Authority for the purpose of exercising to powers common to the members and exercising the additional powers granted to the Authority by the JPA Act and any other applicable provisions of State law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law. See "THE AUTHORITY." The Authority does not and will not in the future monitor the financial condition of the County or the Corporation or otherwise monitor payment of the Bonds or compliance with the documents relating thereto.

The Corporation

The Corporation is a nonprofit public-benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public purposes. The Corporation was formed for the benefit of the County by helping to facilitate financings or other transactions for the benefit of the County, or otherwise assist the County, and thereby lessen the burdens of government within the meaning of Section 1.501(c)(3)-1(d)(2) of the Treasury Regulations of the United States of America. In addition, the Corporation is organized exclusively for the promotion of social welfare within the meaning of Section 501(c)(4) of the Internal Revenue Code, specifically by engaging in the public and charitable purpose of lessening the burdens of government of the County. The Corporation is currently governed by a three member Board of Directors consisting of the County's Executive Officer, Chief Real Estate Officer, and Director of OC Public Works.

The County

The County, incorporated in 1889 and located in the southern part of the State of California (the "State"), is one of the major metropolitan areas in the State and nation. It occupies a land area of 789 square miles with a coastline of 42 miles serving a population of over 3 million. The County is the third most populous county in the State, and ranks sixth in the nation. The County is governed by a five-member Board of Supervisors, who each serve four-year terms and represent districts that are approximately equal in population. The County's organizational structure consists of six Elected Officers, five positions appointed by and reporting to the Board of Supervisors, six Officers appointed by and reporting to the CEO and nine department heads selected by the Board of Supervisors and reporting to the Chief Operating Officer.

Additional information with respect to the County, including financial information and certain economic and demographic information relating to the County is provided in APPENDIX A – "THE COUNTY" hereto. A copy of the County's "Comprehensive Annual Financial Report for the Year Ended June 30, 2016" is attached hereto as APPENDIX B.

The Project

The Project is Phase I of the County's Civic Center Infrastructure Improvement Program. The Project will consist of the acquisition, construction and equipping of an office building, public serving counter, and events center containing approximately 254,000 gross square feet and a 350 stall subterranean parking structure. Upon its expected substantial completion in January of 2020, the Project is expected to house various essential governmental functions of the County, including Public Works, Waste & Recycling, Real Estate and Treasurer – Tax Collector. For a more detailed description of the Project, see "THE PROJECT" herein.

The County has completed demolition of an existing building, on the Project site, that has been vacant since 1990, when it was closed due to infrastructure issues, aging facilities and lack of off-street parking. The Project is expected to provide a state of the art office building that will improve the long-term operating and maintenance costs for the County and assist with the County's planned Civic Center Master Plan to relocate core functions in nearby facilities.

Security for the Bonds

The Bonds will be secured by Payments pursuant to the Indenture. "Payments" means (i) all moneys, if any, received by the Trustee directly from, or on behalf of, the Corporation, pursuant to the Loan Agreement (excluding Additional Payments), consisting primarily of Base Rental Payments under the Facility Lease, and (ii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture.

Under the Ground Lease (Phase I), dated as of June 1, 2017 (the "Ground Lease"), by and between the County and the Corporation, the Corporation has agreed to lease the Leased Property from the County. "Leased Property" means the real property on which the Project will be constructed and the Project itself. Under the Facility Lease, the County has agreed to lease the Leased Property from the Corporation. Payments to be made under the Loan Agreement primarily consist of Base Rental Payments to be made by the County to the Corporation under the Facility Lease for the County's beneficial use and occupancy of the Project. Base Rental Payments are due under the Facility Lease on the 15th day of the month proceeding each debt service payment on the Bonds, scheduled for each June 1 and December 1, commencing on December 1, 2017 (each an "Interest Payment Date"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

No reserve fund or account is established for the Bonds under the Indenture.

Availability of Legal Documents

The summaries and references contained herein with respect to the Bonds, the Indenture, the Loan Agreement, the Ground Lease, the Facility Lease, the Development Agreement, statutes, agreements and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available from the County's Public Finance Director, 333 W. Santa Ana Boulevard, Santa Ana, California 92701.

PLAN OF FINANCE

The Bonds are being issued to (i) finance the costs of the Project, which consists of the acquisition, construction and equipping of an office building, public serving counter, and events center containing approximately 250,000 square feet and a 350 stall subterranean parking structure, as Phase I of the County's Civic Center Infrastructure Improvement Program, all as further described herein under the caption "THE PROJECT," (ii) fund capitalized interest accruing on the Bonds through July 15, 2020, and (iii) pay costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are summarized as follows.

Sources:	
Principal Amount	$152,400,000.00
Premium	22,940,059.55
Total Sources	$175,340,059.55
Uses:	
Project Fund	$152,488,780.86
Capitalized Interest Account[1]	21,452,843.15
Costs of Issuance Fund[2]	1,398,435.54
Total Uses	$175,340,059.55

(1) Represents capitalized interest accruing on the Bonds through July 15, 2020. Interest on the Bonds is expected to be paid from capitalized interest amounts for that period prior to the delivery of a Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement.

(2) Costs of Issuance include Underwriter's discount, fees and expenses for Bond Counsel, Underwriter's Counsel, Municipal Advisor, and Trustee, printing expenses, rating fee and other costs related to the issuance of the Bonds.

DEBT SERVICE REQUIREMENTS

The following table shows the annual debt service requirements on the Bonds, assuming no optional redemptions.

Fiscal Year Ending (June 30)	Principal	Interest	Total
2018	-	$ 6,757,164.58[1]	$ 6,757,164.58
2019	-	7,175,750.00[1]	7,175,750.00
2020	-	7,175,750.00[1]	7,175,750.00
2021	$ 2,805,000	7,175,750.00	9,980,750.00
2022	2,945,000	7,035,500.00	9,980,500.00
2023	3,090,000	6,888,250.00	9,978,250.00
2024	3,245,000	6,733,750.00	9,978,750.00
2025	3,410,000	6,571,500.00	9,981,500.00
2026	3,580,000	6,401,000.00	9,981,000.00
2027	3,760,000	6,222,000.00	9,982,000.00
2028	3,945,000	6,034,000.00	9,979,000.00
2029	4,145,000	5,836,750.00	9,981,750.00
2030	4,350,000	5,629,500.00	9,979,500.00
2031	4,570,000	5,412,000.00	9,982,000.00
2032	4,795,000	5,183,500.00	9,978,500.00
2033	5,035,000	4,943,750.00	9,978,750.00
2034	5,290,000	4,692,000.00	9,982,000.00
2035	5,550,000	4,427,500.00	9,977,500.00
2036	5,830,000	4,150,000.00	9,980,000.00
2037	6,120,000	3,858,500.00	9,978,500.00
2038	6,425,000	3,552,500.00	9,977,500.00
2039	6,750,000	3,231,250.00	9,981,250.00
2040	7,085,000	2,893,750.00	9,978,750.00
2041	7,440,000	2,539,500.00	9,979,500.00
2042	7,810,000	2,167,500.00	9,977,500.00
2043	8,205,000	1,777,000.00	9,982,000.00
2044	8,530,000	1,448,800.00	9,978,800.00
2045	8,870,000	1,107,600.00	9,977,600.00
2046	9,225,000	752,800.00	9,977,800.00
2047	9,595,000	383,800.00	9,978,800.00
TOTAL	$152,400,000	$138,158,414.58	$290,558,414.58

(1) Represents capitalized interest accruing on the Bonds through July 15, 2020.

THE BONDS

General

The Bonds will be dated the date of their delivery and mature on June 1 in the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30 day months and will be payable in arrears on each Interest Payment Date. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America upon surrender at the Principal Corporate Trust Office. So long as the registered owner of the Bonds are Cede & Co., payment of principal and redemption shall be made without presentment.

The interest on any Bond shall be payable to the person whose name appears on the registration books of the Trustee as the registered owner thereof as of the close of business on the Record Date for the Interest Payment Date, such interest to be paid by check mailed by first class mail, postage prepaid, on the Interest Payment Date, to the registered owner at his or her address as it appears on such registration books. Notwithstanding the foregoing, however, any Holder of $1,000,000 or more in an aggregate principal amount of the Bonds shall be entitled to receive payments of interest on the Bonds held by it by wire transfer of immediately available funds to such bank or trust company located within the United States of America as such other Holder shall designate in writing to the Trustee by the first Record Date for such payment. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable in same day funds by the Trustee to Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest. "Record Date" means, with respect to the Interest Payment Date for the Bonds, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day. A Special Record Date may be fixed by the Trustee, notice thereof being given to the Bondholders not less than 10 days prior to such Special Record Date. "Special Record Date" means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on Bonds.

Redemption

Extraordinary Optional Redemption from Insurance and Condemnation Proceeds. The Bonds are subject to redemption prior to their stated maturity, at the option of the Corporation, as a whole or in part on any date from moneys required to be transferred from the Insurance Proceeds and Condemnation Awards Fund to the Special Redemption Account at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Optional Redemption. At the option of the Corporation, the Bonds are subject to optional redemption prior to their respective stated maturities, from any amounts in the Redemption Fund, in whole or in part on any date on or after June 1, 2027, at a redemption price of par plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The Bonds maturing on June 1, 2042 are also subject to redemption prior to their respective stated maturities in part, by lot, from Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Redemption Date	Principal Amount
2038	$6,425,000
2039	6,750,000
2040	7,085,000
2041	7,440,000
2042*	7,810,000

* Final maturity.

The Bonds maturing on June 1, 2047 are also subject to redemption prior to their respective stated maturities in part, by lot, from Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Redemption Date	Principal Amount
2043	$8,205,000
2044	8,530,000
2045	8,870,000
2046	9,225,000
2047*	9,595,000

* Final maturity.

Notice of Redemption. Notice of any redemption of Bonds shall be mailed postage prepaid, or by any other acceptable electronic means selected by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date by first class mail to the respective Holders thereof at the addresses appearing on the bond registration books. Each notice of redemption shall contain all of the following information: (a) the date of such notice; (b) the name of the Bonds and the date of issue of the Bonds; (c) the redemption date; (d) the redemption price; (e) the dates of maturity of the Bonds to be redeemed; (f) if less than all of the Bonds of any maturity are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed; (g) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (h) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (i) a statement that such Bonds must be surrendered by the Holders at the Principal Corporate Trust Office of the Trustee, or at such other place or places designated by the Trustee; (j) a statement that such redemption is conditioned upon the receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the redemption price or upon the happening of such other event as shall be specified therein, and if such moneys shall not have been so received, said notice shall be rescinded and the redemption shall be cancelled; (k) a statement that any such redemption notice can be rescinded as provided in the Indenture; and (l) notice that further interest on such Bonds, if any, will not accrue from and after the designated redemption date.

If money is not received, the Trustee shall give notice on or prior to such redemption date to the persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of the Bonds pursuant to the notice of redemption. Failure of the Trustee to give such notice or any defect therein shall not in any way impair or affect the validity of the proceedings for redemption.

Selection of Bonds for Redemption. When any redemption is made pursuant to any of the provisions of the Indenture and less than all of the Outstanding Bonds are to be redeemed, the Trustee shall select the Bonds to be redeemed from the Outstanding Bonds not previously called for redemption, by lot within a maturity and, if from more than one maturity, in such other order of maturity as shall be specified in a Request of the Corporation. In no event shall Bonds be redeemed in amounts other than whole multiples of Authorized Denominations. The Trustee shall promptly notify the Authority and the Corporation in writing of the numbers of the Bonds selected for redemption.

Effect of Notice; Redemption. The actual receipt by the Holder of any Bond or any other party of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest, if any, on the date fixed for redemption.

Notice of redemption having been given, and the redemption price of the Bonds called for redemption being on deposit or otherwise available to the Trustee, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest, if any, shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Holders of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium thereon, if any, only to the fund established for such purpose. All Bonds redeemed shall be cancelled forthwith by the Trustee and shall not be reissued.

Additional Bonds

At the written request of the Corporation, the Authority and the Trustee may, by execution of a Supplemental Indenture without the consent of the Owners, provide for the execution and delivery of Additional Bonds payable from additional Payments, as provided in the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” hereto.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are limited obligations of the Authority secured and payable from all of the Payments and any other amounts (excluding proceeds of the sale of Bonds) held in any fund or account (other than the Rebate Fund) established pursuant to the Indenture. “Payments” means (i) all moneys, if any, received by the Trustee directly from, or on behalf of, the Corporation, pursuant to the Loan Agreement (excluding Additional Payments), and (ii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture. The Payments primarily consist of Base Rental Payments to be made by the County to the Corporation under the Facility Lease. See “– Facility Lease; Annual Appropriation” below. Information with respect to the County, including financial information and certain economic and demographic information relating to the County is provided in APPENDIX A – “THE COUNTY” hereto. A copy of the County’s “Comprehensive Annual Financial Report for the Year Ended June 30, 2016” is attached hereto as APPENDIX B.

Under the Indenture, the Authority will assign to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Payments and other amounts pledged in the preceding paragraph and all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the Retained Rights). The Trustee shall be entitled to and shall receive all of such assigned Payments, and any such Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also will be entitled to and shall (subject to the provisions of the Indenture) take all steps, actions and proceedings following any event of default under the Loan Agreement reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Corporation under the Loan Agreement.

Limited Obligation

The Bonds do not constitute a debt or liability of the State, the County or of any political subdivision thereof, other than the Authority, but shall be payable solely from the funds provided therefor in the Indenture. The Authority shall not be obligated to pay the principal of the Bonds, or the redemption premium or interest thereon, except from the funds provided therefor under the Indenture and neither the faith and credit nor the taxing power of the Authority, the State, or of any political subdivision thereof, including the County, is pledged to the payment of the principal of or the redemption premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State, the County or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

Moreover, neither the Authority nor the County shall be liable for any other costs, expenses, losses, damages, claims or actions, in connection with the Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement.

Facility Lease; Annual Appropriation

Base Rental Payments. Under the Ground Lease, the Corporation has agreed to lease certain Leased Property from the County. Under the Facility Lease, the Corporation has agreed to lease such Leased Property back to the County in consideration for the Base Rental Payments. Capitalized interest will be funded during the expected construction period for the Project to make Base Rental Payments. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. Base Rental Payments will commence under the Facility Lease when the Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement has been delivered to the Trustee.

Assignment by the Corporation. As security for the payment of the Bonds, the Corporation will assign to the Trustee pursuant to the Facility Lease certain of the Corporation's rights under the Facility Lease and under the Ground Lease, including the right to receive Base Rental Payments; and the County will assent to such assignment and agree to make all payments due under the Facility Lease from Gross Revenues, including from Base Rental Payments or other funds of the County, directly to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Trustee under the Indenture, without defense or set off by reason of any dispute between the County and the Corporation, the Authority or the Trustee. "Gross Revenues" means, for any Fiscal Year, all of the revenues, income, cash receipts and other money received by the Corporation, or received by the Trustee on behalf of the Corporation pursuant to the Indenture, that are legally available for payment of the obligations of the Corporation under the Loan Agreement. By virtue of such assignment, the Trustee will be a third party beneficiary of the Facility Lease and shall have the right to enforce the obligations of the County under the Facility Lease, subject to the limitations set forth in the Facility Lease.

Additional Payments. In addition to Base Rental Payments, the County has agreed under the Facility Lease to pay Additional Payments in such amounts in each year as are required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Facility Lease, including, but not limited to, all taxes and assessments of any type or character charged to the Corporation, the Authority or to the Trustee affecting the amount available to the Corporation, the Authority or the Trustee from payments to be received or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding any taxes based upon the capital and/or income of the Trustee, the Corporation or any other person other than the County; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority, the Corporation or the Trustee, as the case may be, at the County's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Authority, the Corporation or the Trustee.

Covenant to Budget and Appropriate. The County will covenant in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year and to make all necessary appropriations for such Base Rental Payments and Additional Payments. See, however, "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rental Abatement" herein.

Flow of Funds Under Indenture

All Payments, the proceeds of rental interruption insurance, liquidated damages, if any, and any payments made under of the Development Agreement to the Trustee as loss payee shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee is directed under the Indenture to establish, maintain and hold in trust. All Payments shall be held in trust for the benefit of the Holders from time to time of the Bonds under the Indenture but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture; provided, however, and notwithstanding the foregoing, if the Trustee receives Payments in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date or Principal Payment Date, as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose under the Indenture, then amounts in the Revenue Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the Corporation, for any other purpose.

Except as otherwise provided in the Indenture, the Trustee shall deposit the Payments in the Revenue Fund at the time and in the priority and manner provided in the Indenture in the following respective accounts, each of which the Trustee agrees to establish and maintain and hold in trust until all required Payments are paid in full or until such date as the Bonds are no longer Outstanding, and the moneys in each of such accounts shall be disbursed only for the purposes and uses authorized in the Indenture. The Trustee shall establish and maintain the Capitalized Interest Account within the Interest Account until the date all amounts are transferred therefrom in accordance with the Indenture.

(1) The Trustee, on each Interest Payment Date, shall transfer to the Interest Account, the aggregate amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding; provided, however, that on each Interest Payment Date occurring on or before the later of July 15, 2020 or the delivery to the Trustee of the Certificate of Substantial Completion, before making said deposit, if and to the extent available in the

Capitalized Interest Account within the Interest Account, an amount equal to the aggregate amount of interest coming due on such Interest Payment Date, shall be transferred from the Capitalized Interest Account within the Interest Account to the Interest Account. Upon the later of July 15, 2020 or the delivery to the Trustee of the Certificate of Substantial Completion, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Account to the Interest Account; and

(2) The Trustee, on each Principal Payment Date, shall transfer to the Principal Account, a sufficient amount of money such that the aggregate of amounts therein equal the principal or Mandatory Sinking Account Payment coming due on such Principal Payment Date.

No Reserve

No reserve fund or account is established for the Bonds under the Indenture.

Insurance

Prior to Substantial Completion. Prior to delivery to the Trustee of the Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement, insurance shall be obtained for the Project pursuant to the Development Agreement. See "THE PROJECT – Project Development – *Insurance During Construction*" herein.

After Substantial Completion. From and after the delivery to the Trustee of the Certificate of Substantial Completion, the County will secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by the Facility Lease. Such insurance shall consist of:

(1) Fire and Extended Coverage Insurance; Insurance Proceeds. The County will procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease and commencing with the County's beneficial use and occupancy of the Leased Property, all-risk property insurance including, without limitation earthquake coverage if determined by the County in its discretion to be available at a commercially reasonable price. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of the Leased Property, except that such insurance may be subject to deductible clauses for any one loss of not to exceed five hundred thousand dollars ($500,000) (or a comparable deductible adjusted for inflation as determined by the County in its reasonable discretion), or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to prepay all outstanding principal components of Base Rental Payments due. Such insurance may be part of a joint-purchase insurance program. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

In the event that such coverage is not included in paragraph (1) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than $75,000,000 per accident; provided, however, that the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to $75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County which may be limited in amount to $75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (1) may provide that amounts payable as coverage under this paragraph (1) may be reduced by amounts payable under paragraph (2) for the same occurrence, and vice versa.

In the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by such insurance, the County, except as provided in the Facility Lease, will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the net proceeds, if any, of the insurance policy described in this paragraph (1) shall be payable to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund, to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The County shall permit withdrawals of said proceeds from time to time for the purpose of repair, reconstruction or replacement only in the event-that the Base Rental Payments payable in each year following such repair, reconstruction or replacement shall equal the amount of Base Rental Payments payable in such year as set forth in the Base Rental Payment Schedule. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be applied by the County as Base Rental Payments. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount of Base Rental Payments equal to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion that the acquisition cost of such portion of the Leased Property bears to the acquisition cost of the Leased Property), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Base Rental Payments.

The Authority and the County will promptly apply for Federal disaster aid or State disaster aid in the event that the Leased Property is damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Property, or, at the option of the County; to prepay all outstanding principal components of Base Rental Payments due under the Facility Lease if such use of such disaster aid is permitted.

(2) Liability Insurance. Except as hereinafter provided, the County will procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease commencing with the County's beneficial use and occupancy of the Leased Property, a commercial general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees, indemnifying said parties against all direct or contingent loss or liability for damages for bodily injury, death or property damage occasioned by reason of the operation of the Leased Property, with minimum liability limits of two million dollars ($2,000,000) for bodily injury or death of each person in each accident or event, and in a minimum amount of five hundred thousand dollars ($500,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks. Such liability insurance may be part of a joint-purchase insurance program. Such insurance may be maintained by the County in the form of self-insurance.

(3) Rental Interruption Insurance. The County shall maintain insurance issued by a responsible carrier against rental interruption or loss of use and possession of the Leased Property or, as an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance shall be maintained by the County in an amount sufficient to pay the maximum annual Base Rental Payments for any two-year period, except that such insurance may be subject to a deductible clause of not to exceed $500,000 (or a comparable deductible adjusted for inflation as determined by the County in its reasonable discretion) and such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (1) or (2) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (3) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (1) or (2) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (3) may provide that amounts payable as coverage under this paragraph (3) may be reduced by amounts payable under paragraph (1) or (2), as the case may be, for the same occurrence, and vice versa.

(4) Workers' Compensation Insurance. The County shall maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance may be maintained by the County in the form of self-insurance.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (1) and (2) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided herein or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance herein required. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Any insurance policy issued pursuant to paragraph (1) or (2) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (1) or (2) above shall be applied pursuant to the Facility Lease. The net proceeds, if any, of the insurance policy described in paragraphs (1) and (2) above shall be payable to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (3) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

All insurance required by the Facility Lease will provide that the Trustee shall be given 30 days written notice of each lapse or a reduction of the coverage below the minimum requirements stated in paragraphs (1), (2) and (4) above. Neither the Trustee nor the Authority will be responsible for the sufficiency of any insurance herein required and both the Trustee and the Authority shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Authority. The County will pay when due the premiums for all insurance policies required by the Facility Lease, and shall promptly furnish evidence of such payments to the Trustee, upon its written request.

The Authority, the Corporation and the County make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Facility Lease. In addition, certain risks may not be covered by such property insurance.

Earthquake Insurance. The County currently maintains $125 million of earthquake insurance on certain County properties, subject to a deductible of 5% of the total insured value for the building with a minimum payment of $100,000. Such insurance is expected to cover the Project once a Certificate of Substantial Completion signed by the Architect. Earthquake insurance is required to be obtained and maintained, however, under the Facility Lease only if determined by the County in its discretion to be available at a commercially reasonable price. No assurance can be provided that the County will maintain any earthquake insurance for the Leased Property or any part of the Project. See "RISK FACTORS – Risk of Uninsured Loss" herein.

Rental Abatement

Until such time as a Certificate of Substantial Completion has been delivered to the Trustee, the County's obligation to pay Base Rental Payments will be limited solely to amounts on deposit in the Revenue Fund (including, without limitation, the Capitalized Interest Account established pursuant to the Indenture), and, if, any rental payments with respect to the Leased Property will be at any time abated in full, and the County will have no obligation to make any Base Rental Payments from any other source. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or any account thereof, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference.

Any abatement of rental payments pursuant to the Facility Lease will not be considered an Event of Default under the Facility Lease. The County waives all rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and, with respect to damage to or destruction of the Leased Property, ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed, and with respect to a title defect interfering with the use and possession by the County of any portion of the Leased Property, ending with the interference with the use and possession caused by such title defect.

If rental is abated, in whole or in part, pursuant to the Facility Lease due to material damage or destruction of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Re-letting of the Leased Property

Upon an Event of Default under the Facility Lease, and in the event the Authority, the Corporation or the Trustee elects not to terminate the Facility Lease, the Corporation will have the right and the County irrevocably appoints the Corporation as its agent and attorney-in-fact under the Facility Lease for such purpose to attempt to re-let the Leased Property at such rent, upon such conditions and for such term, and to do all other acts to maintain or preserve the Leased Property, including the removal of persons or property therefrom or taking possession thereof, as the Corporation or the Authority deems desirable or necessary, and the County hereby waives any and all claims for any damages that may result to the Leased Property thereby; provided, that no such actions shall be deemed to terminate the Facility Lease and the County will continue to remain liable for any deficiency that may arise out of such re-letting, taking into account expenses incurred by the Corporation or the Authority due to such re-letting, payable at the same time and manner as provided for Base Rental in the Facility Lease.

Substitution or Removal of Leased Property

The County may amend the Facility Lease and the Ground Lease in writing from time to time by mutual agreement of the parties to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property upon compliance with all of the conditions set forth below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Ground Lease. No Substitution or Removal shall take place under the Facility Lease until the County delivers to the Corporation and the Trustee the following:

(1) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal (which commercially reasonable evidence may include, but not necessitate, appraisals undertaken by appraisers who are employed by the County or independent of the County, or other information provided to or maintained by the County), which determination shall be final and conclusive; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(3) An Opinion of the County Counsel of the County to the effect that the amendments to the Facility Lease and to the Ground Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms;

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease multiplied by a fraction, the numerator of which is that portion of the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease attributable to the Substituted Property and the denominator of which is the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(5) In the event of a Substitution, the Corporation and the County shall consent in writing and certify to the Trustee that such exceptions and Permitted Encumbrances, if any, contained in the title insurance policy referred to in (4) above will not materially impair the leasehold interests of the Corporation or the beneficial use and occupancy of the Substituted Property described in such policy by the County and will not result in an abatement of Base Rental Payments payable by the County under the Facility Lease;

(6) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Holders thereof for federal income tax purposes; and

(7) Evidence that the County has complied with the insurance covenants contained in the Facility Lease with respect to the Substituted Property.

Encumbrances

The County and the Corporation will agree under the Facility Lease that they will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances. The County and the Corporation will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, the County may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Corporation under the Facility Lease, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations under the Facility Lease, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other section of the Facility Lease, and (d) no such assignment, transfer or sublease will confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted under the Facility Lease by an amendment to the Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" hereto.

THE PROJECT

Project Summary

The Project is located at 601 Ross Street in Santa Ana, California, in the Civic Center Plaza. The Project consists of the acquisition, construction and equipping of an office building, that includes a serving counter for County services to the public, a meeting and events center, and two levels of below-grade secured employee parking for up to 350 vehicles. The County Departments scheduled to occupy the Project are Public Works, Waste & Recycling, CEO Real Estate and Treasurer – Tax Collector. The Project will be constructed for a guaranteed maximum price of $155,253,422.

The site is fully entitled and all environmental requirements for the Project will be satisfied by the mitigation measures identified in the Certified EIR (described below). No hazardous substances that would impair the Project have been identified on the site. Substantial completion of the Project and beneficial use and occupancy by the County is expected to occur by January 2020, subject to unexpected delays. Upon substantial completion, the County will maintain and operate the Project. See "RISK FACTORS – Construction and Completion Risk" herein.

Project Description

Office Building. The office building will be Type II-B (generally noncombustible materials) construction and consist of 6 efficient floors achieving an overall space utilization efficiency of approximately 240 gross square feet per person, with flexibility to easily accommodate future changes in program or departmental needs. Approximately 80% of the floor plan for the building is open space. The building is being structurally and seismically designed enhanced to meet 150% of building code requirements. The Project site is adjacent to two primary stations of the future OC Streetcar system and takes advantage of proximate bike lanes. Special accommodation will be provided for taxi, 'Uber,' 'Lyft' and private vehicle drop-off and pick-up of visitors.

Meeting and Events Center. The meeting and events center will be Type V-B (generally unprotected materials) construction and contain space for 240 people. The center is intended for use by both the County and the public, and may be available for scheduling during off-business hours by public groups. In times of crisis, the center may also serve as the County's Emergency Administration Center.

One Stop Public Serving Counter. The public serving counter within the office building will provide 32 counter positions and 6 information/referral desk positions to accommodate the delivery of public services for all 13 County agencies during regular business hours. This feature of the Project is designed to provide efficient public service in one convenient and centralized facility of the County.

Sustainable Design Attributes. Sustainable design attributes of the Project include the following:

- Designed to meet LEED NC Silver Certification.
- Designed to satisfy Green Building Code and Water Quality regulations.
- Building aligned on the site for enhanced energy efficiency.
- Cost-effective, durable, low-maintenance materials include precast concrete panels at the exterior and terrazzo flooring at the ground floor interior high traffic areas.
- Glazing to be dual-glazed with low-E coating for higher energy efficiency.
- Lighting to be LED for long life, low maintenance, and high energy efficiency.
- Charging stations are being provided for electric vehicles.

Project Team

The Project will be designed and constructed by the Project Team comprised of Griffin Structures Inc. (the "Developer"), LPA, Inc. (the "Architect") and Swinerton Builders (the "Construction Manager"). See APPENDIX G – "DEVELOPMENT AGREEMENT" hereto. Following are brief descriptions of the Project Team. The Developer and the Architect have successfully collaborated on 25 public-sector projects over the past 18 years. The Developer and the Construction Manager have successfully collaborated on 9 projects over the last 11 years, including delivery of the Quartz Hill Library public private partnership project for the County of Los Angeles.

Developer. Griffin Structures, Inc. is the developer for the Project. The Developer's website is: *www.griffinholdings.net*. Information set forth on such website is not incorporated herein by reference. The Developer is a California-based, award-winning, development, program, design and construction management organization providing strategic project delivery solutions to public, non-profit, and private sector clients since 1981. Headquartered in Irvine, California, the Developer also maintains a Northern California office in Santa Clara. For more than three decades Griffin has worked with counties and cities to plan, design, build, and finance facilities needed to serve their communities. The Developer provides a team of experienced professionals in the design, development, and construction fields. The firm's professionals deliver complex projects-managing projects from planning, design, development, and construction, to entitlements through post-occupancy. Several of the firm's professionals are certified construction managers and/or LEED certified. The Developer has provided services in connection with a wide range of project delivery methods, including: public-private partnerships, design-build, and project financing.

The Developer has successfully completed over 150 projects for the public sector. The Developer's experience includes administration complexes, police, fire and public safety facilities, city halls, libraries, community/senior centers, parking structures, corporation yards, parks and trail systems, zoos, non-profit facilities, commercial buildings, and related infrastructure.

In addition to its current portfolio of public projects (e.g. San Bernardino County Civic Center, Lake Gregory Dam Restoration, Buena Park main police facility, $180 million Anaheim convention center expansion) the Developer recently completed the Quartz Hill Library, the first public private partnership project delivered for the County of Los Angeles. The Developer is also serving as development manager and owner's representative for the Anaheim NHL Ducks for a new $103 million facility, presently under construction at the Great Park in Irvine, California. LPA, Inc., the architect for the Project, is serving as the architect for the Anaheim NHL Ducks project and Swinerton Builders, the construction manager for the Project, is the construction manager for the Anaheim NHL Ducks project.

Examples of projects that have received awards include: government campuses for the County of San Bernardino, the City of Hesperia and the City of Fullerton, city hall projects for Rancho Santa Margarita, San Dimas and Santa Ana, community centers for Cypress, Delhi, Fullerton (LEED NC), Huntington Beach, Laguna Beach, Lawndale (LEED Silver), Rancho Santa Margarita and San Dimas, and educational facilities for the Environmental Nature Center in Newport Beach (LEED Platinum), the Fullerton Main Library (LEED NC), the Hesperia Public Library and the Tustin Main Library.

Construction Manager. Swinerton Builders, the construction manager for the Project, was founded in 1888 and undertakes construction projects throughout California and other states. The Construction Manager's website is: *www.swinerton.com*. Information set forth on such website is not incorporated herein by reference. Swinerton currently has the oldest active California General Contractor's License, #92. For the last three years the Construction Manager has been ranked as the largest general contractor in California by the Engineering News Record. The Construction Manager completed approximately $4.3 billion "put in place" construction in 2016. The firm currently employs approximately 2,400 professionals throughout 18 offices across the nation including Irvine, Los Angeles, San Diego, San Francisco, Sacramento, Santa Clara, Denver, Austin, Hawaii, Portland, Bend, Seattle, and Atlanta. The Construction Manager has an aggregate bonding limit of over $2.5 billion, available bonding capacity of $1.6 billion, and a maximum bonding limit of $500 million per project. For a description of the payment and performance bond requirements applicable to the Project under the Development Agreement, see "- Payment and Performance Bonds" below.

Representative Southern California projects completed by the Construction Manager include the following: Delta Airlines Sky Club, Bank of New York Mellon, High Desert Health System Multi-Service Ambulatory Care Center, Turner Riverwalk, UCSD Charles David Keeling Apartments, the Carlyle, Sunroad Centrum, a LEED certified office structure, and NASA Jet Propulsion Laboratory Flight Projects Center. The Construction Manager has completed more than 200 LEED projects, valued at more than $4.2 billion. The firm's experience includes civic infrastructure projects, many of them in collaboration with the Developer.

Architect. LPA, Inc. (the "Architect"), the architect for the Project has been in business for more than fifty years. Architect's website is: *www.lpainc.com*. Information set forth on such website is not incorporated herein by reference. The Architect has approximately 400 employees: 70% LEED Accredited Professionals and 47% licensed professionals (Architect, PE, CID, etc.). As one of the largest integrated design firms in California and Texas, the Architect provides architecture, planning, landscape architecture, interior design, engineering, and graphic/signage services from early program development to project closeout. Representative projects completed by the Architect include the following: NASA Jet Propulsion Laboratory Flight Projects Center, Capital Group Companies, Premier Automotive Group, 200 Spectrum Center, 520 Newport Center, Santa Clara Gateway, Edwards Lifescience, Brentwood Civic Center, Hesperia Civic Center and San Bernardino County Public Safety Operations Center. The Architect has won more than 700 major design awards, and completed over 50 LEED certified projects in California.

Project Development

Development Agreement and CMAR Contract. The Corporation and the Developer have entered into a Development Agreement in connection with the Project; see Appendix G hereto (the "Development Agreement"). The Development Agreement is the primary document governing development and construction management services in connection with the construction of the Project. The Developer will not personally perform any design or construction services, but has or will contract directly and separately with (i) the Construction Manager who is to be engaged to construct the Project, (ii) the Architect and engineers and related design consultants designing the Project, and (iii) such other contractors or consultants who may be engaged to perform discrete elements of design or construction work on the Project to the extent not covered by the construction management contract for the Project (the "CMAR Contract") between the Corporation and the Construction Manager or the Architect Agreement, between the Developer and the Architect.

As of the date hereof, Construction Contracts have been bid by the Developer, representing approximately 42% of the total construction budget for the Project, including Shoring, Architectural Precast, Structural Steel, Exterior Glazing, Elevators, Mechanical, Plumbing, Fire Sprinklers, and Electrical/Low Voltage. Pursuant to the Development Agreement, the Developer will require that the Construction Manager to include in all Construction Contracts recitations or provisions requiring the following:

Labor Code §1700: Provisions requiring all Contractors employed on the Project to be responsible to pay the prevailing rate of wages as defined in California Labor Code Sections 1700 et seq. (but expressly excluding the Davis-Bacon Act and any rules and regulations promulgated thereunder), and to indemnify the Corporation, the County, the Developer and the Trustee for claims arising out of failure to pay proper wages;

Safety: Provisions for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Project;

Indemnity: Provisions for indemnifying the Corporation, the County, the Developer and Trustee for claims arising out of the negligence or willful misconduct of such Contractor and its employees and agents; and

Assignment: Provisions for assignment to the Trustee upon an Event of Default under the Indenture for which the Developer has received written notice from the Trustee.

Liquidated Damages. As the Corporation's sole remedy for delay, the Developer agrees to forfeit and pay to the Corporation the sum of $45,000 per day as liquidated damages, and not as a penalty ("Liquidated Damages"), for each calendar day that Substantial Completion of the Project is delayed beyond the Developer Obligation Date, as that date may be adjusted pursuant to the terms of the Development Agreement. The Corporation may deduct such sum from any payments due to or to become due to the Developer. See APPENDIX G – "DEVELOPMENT AGREEMENT" hereto. Developer will have a claim for (and be able to deduct from amounts owing the Construction Manager or otherwise collect from the Construction Manager) the actual damages that the Developer suffers as a result of the Construction Manager's failure to achieve Substantial Completion as provided in the CMAR Contract, including Liquidated Damages. Pursuant to the Facility Lease, the Corporation will assign and transfer to the Authority all right, title, and interest in, to, and under any payments received pursuant to the Liquidated Damages provisions of the Development Agreement for deposit in the Revenue Fund.

Payment and Performance Bonds. Under the CMAR Contract, the Developer will require the Construction Manager to furnish a payment bond for 100% of the amount of the construction portion of the Guaranteed Maximum Construction Price, in accordance with Civil Code Section 9554, and a performance bond for 100% of the amount of the construction portion of the Guaranteed Maximum Construction Price, guaranteeing the faithful performance of the CMAR Contract.

Environmental Review. A Geotechnical Exploration Report, Orange County Building 16, dated March 6, 2017, was prepared by Leighton Consulting, Inc. and a Phase I Environmental Site Assessment and Subsurface Baseline Screening Report, Building 16, dated December 13, 2016, was Prepared by Leighton Consulting Inc. Various other reports were prepared in connection with the environment review for the Project. No report recommended significant mitigation measures in connection with the Project that would potentially delay construction or impair occupancy by the County. No hazardous substances that would impair the Project have been identified on the site. Further, the final certified Environmental Impact Report, dated April 25, 2017, prepared by PlaceWorks (the "Certified EIR") identified no environmental impacts that would impair the construction of the Project or occupancy by the County following substantial completion of the Project.

Insurance During Construction. During construction of the Project, the Developer will be required to procure and maintain, at a minimum, for the duration of the Development Agreement the insurance coverages set forth in Exhibit G to the Development Agreement. See APPENDIX G – "DEVELOPMENT AGREEMENT" hereto.

Insurance Following Construction. Following delivery of the Certificate of Substantial Completion pursuant to the Facility Lease, the Corporation or the County will maintain the insurance coverages described in the Facility Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Insurance" herein.

Assignment of Documents on Event of Default. Upon written notice from the Trustee to the Developer of the occurrence of an Event of Default under the Indenture, the Developer will assign the Development Agreement, the Architect's Agreement and the CMAR Contract, together with such other Construction Contracts as the Trustee may request, to Trustee for such time as the Event of Default in the sole judgment of the Trustee remains uncured.

RISK FACTORS

Purchase of the Bonds will constitute an investment subject to certain risks, including the risk of nonpayment of principal and interest. Before purchasing any of the Bonds, prospective investors should carefully consider, among other things, the risk factors described below. However, the following is not meant to be an exhaustive listing of all the risks associated with the purchase of the Bonds. Moreover, the order of presentation of the risk factors does not necessarily reflect the order of their importance.

Construction and Completion Risk

The Project may be subject to Unavoidable Delays for a variety of reasons. "Unavoidable Delays" under the Development Agreement mean any delay in the performance by Developer or the Construction Manager of its obligations with respect to construction of the Project caused by strikes or labor disputes (other than those caused by Developer's acts, omissions or failure to negotiate in good faith), acts of God, unavoidable casualties, adverse weather conditions which prevent or delay Critical Path construction activities as and when scheduled by the Contractors, acts of terrorists, delays by an agency having jurisdiction over the Project (including, but not limited to, unanticipated delays in providing inspections or approvals by such agency), delays caused by the County which is not intended to include any period of time provided in the Facility Lease, the Project Schedule, or the Development Agreement for the County to review and respond to any submission, governmental embargo restrictions, Differing Site Conditions not reasonably identified by the Developer prior to the date of the Development Agreement in the exercise of its commercially reasonable due diligence (which the parties have agreed that the Developer's due diligence was reasonable), or other causes beyond the reasonable control of the Developer or the Construction Manager, which, after the exercise of due diligence to mitigate the effects thereof, delay construction of the Project. Unavoidable Delays will entitle the Developer and the Construction Manager to an extension of the Developer Obligation Date, but will in no way entitle the Developer to additional compensation. See APPENDIX G – "DEVELOPMENT AGREEMENT" hereto.

Pursuant to the Development Agreement, the Developer will procure and maintain, or will direct the Construction Manager to procure and maintain, for the duration of the Development Agreement, builder's risk insurance, which will provide funds for reconstruction costs and the payment of Base Rental Payments under the Facility Lease during any period of reconstruction required by an insured peril. The Construction Manager is required to obtain payment and performance bonds to insure its performance under the CMAR Contract. Interest on the Bonds is expected to be paid from capitalized interest amounts prior to the delivery of a Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement.

Abatement

In the event of the loss of, damage to or destruction or condemnation of, or title defect with respect to the Leased Property that causes substantial interference with the use by the County of the Leased Property or any portion thereof, the County's obligation to make the Base Rental Payments due under the Facility Lease will be abated and, notwithstanding: (i) the provisions of the Facility Lease specifying the extent of such abatement and (ii) rental interruption insurance covering loss of use of the Leased Property in an amount adequate to cover 24 months of Base Rental Payments, the resulting Base Rental Payments (and such other funds) may not be sufficient to pay all of the remaining principal and interest due with respect to the Bonds. A delay in completion of the Project could result in an event of abatement under the Facility Lease. No reserve fund or account is established for the Bonds under the Indenture.

Substitution or Removal of Leased Property

Pursuant to the Facility Lease, the County will have, so long as the Facility Lease is in effect, the option, but not the obligation, at any time and from time to time, to substitute other real property and/or improvements for any portion of the Leased Property under the Facility Lease or remove any identifiable real property and/or improvements constituting the Leased Property provided that the County satisfies certain requirements set forth in the Facility Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Substitution or Removal of Leased Property" herein.

Limited Obligation

The Bonds do not constitute a debt or liability of the State, the County or of any political subdivision thereof, other than the Authority, but shall be payable solely from the funds provided therefor in the Indenture. The Authority shall not be obligated to pay the principal of the Bonds, or the redemption premium or interest thereon, except from the funds provided therefor under the Indenture and neither the faith and credit nor the taxing power of the Authority, the State or of any political subdivision thereof, including the County, is pledged to the payment of the principal of or the redemption premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof, including the County, to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

Risk of Uninsured Loss

The County covenants under the Facility Lease to maintain certain insurance policies on the Leased Property. These insurance policies do not cover all types of risk. For example, the County is not required to maintain earthquake insurance with respect to the Project, unless in its discretion the County determines such insurance to be available at a commercially reasonable price. In the case of a circumstance not covered by insurance, an abatement of Base Rental Payments could occur and could continue indefinitely. In cases where the casualty is covered by insurance, there can be no assurance that the County's insurance carriers will in all events be able or willing to make payments under their respective policies should a claim be made. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Leased Property will be sufficient to repair or replace the Leased Property or to redeem the Bonds.

No Limitation on Incurring Additional Obligations

Neither the Facility Lease nor the Indenture contains any limitations on the ability of the County to enter into other obligations that may constitute additional claims against its General Fund revenues. To the extent that the County incurs additional obligations, the funds available to make Base Rental Payments may be decreased. The County is currently liable on other obligations payable from General Fund revenues.

Hazardous Substances

The activities of the County may, from time to time, result in the use of hazardous substances on the facilities owned and operated by the County, including, but not limited, to the Leased Property. Accordingly, it is possible that spills, discharges or other adverse environmental consequences of such use in the future could cause an adverse effect on the fair rental value of the Leased Property and lead, in an extreme case, to abatement, in whole or in part, of Base Rental Payments. See "– Abatement" above.

Earthquake and Seismic Conditions

The areas in and surrounding the Leased Property, like those in much of California, may be subject to unpredictable seismic activity. An occurrence of severe seismic activity in the area of the Leased Property may result in substantial damage to and/or interference with the County's right to use and occupy all or a portion of the Leased Property, leading to the abatement of Base Rental Payments.

The County currently maintains $125 million of earthquake insurance on certain County properties, subject to a deductible of 5% of the total insured value for the building with a minimum payment of $100,000. This insurance is expected to cover the Project once a Certificate of Substantial Completion is signed by the Architect. However, earthquake insurance is required to be obtained and maintained under the Facility Lease only if determined by the County in its discretion to be available at a commercially reasonable price. No assurance can be provided that the County will maintain any earthquake insurance for the Leased Property or any part of the Project.

The County relies on a combination of insurance and general reserves as well as the expectation that some disaster relief funds will be available from the Federal Emergency Management Agency ("FEMA") to address any resulting damage from seismic activity. There is no assurance that, in the event of a significant seismic event FEMA assistance and other sources would be available or sufficient for the repair or replacement of the Leased Property.

Limited Recourse on Default

If the County defaults on its obligations to make Base Rental Payments under the Facility Lease with respect to the Leased Property or any portion thereof, the Trustee may have limited ability to re-let the Leased Property or portions of the Leased Property to provide a source of payments sufficient to make Base Rental Payments in amounts sufficient to pay the principal of and interest on the Bonds. Further, no assurance can be given that the Trustee will be able to re-let the Leased Property or portions thereof so as to provide Base Rental sufficient to pay principal and interest on the Bonds in a timely manner. **In the event of a default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Facility Lease.** The County will only be liable for Base Rental Payments on an annual basis under the Facility Lease, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against public entities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture, the Loan Agreement, the Facility Lease or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture, the Loan Agreement and the Facility Lease are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally. See "– Bankruptcy" below.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Facility Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. The County is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the County is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Bonds; and (iv) the possibility of the adoption of a plan (a "Plan") for the adjustment of the County's debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is "fair and equitable" and in the best interests of creditors.

In addition, the County could either reject the Ground Lease or Facility Lease or assume the Ground Lease or Facility Lease despite any provision of the Ground Lease or Facility Lease that makes the bankruptcy or insolvency of the County an event of default thereunder. If the County rejects the Facility Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Facility Lease and the County's obligations to make payments thereunder. The County may also be permitted to assign the Facility Lease (or the Ground Lease) to a third party, regardless of the terms of the transaction documents. If the County rejects the Ground Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate both the Ground Lease and the Facility Lease and the obligations of the County to make payments thereunder.

The Authority is a public agency and, like the County, cannot be the subject of an involuntary case under the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. If the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a Plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

In addition, in a bankruptcy of the Authority, the assignment by the Authority to the Trustee of the Ground Lease and the Facility Lease could be characterized as a pledge rather than an absolute assignment. Under such circumstances, the Authority may be able to either reject the Ground Lease or Facility Lease or assume the Ground Lease or Facility Lease despite any provision of the Ground Lease or Facility Lease that makes the bankruptcy or insolvency of the Authority an event of default thereunder. If the Authority rejects the Ground Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate both the Ground Lease and the Facility Lease and the obligations of the County to make payments thereunder. If the Authority rejects the Facility Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate the Facility Lease and the County's obligations to make payments thereunder. The Authority may also be permitted to assign the Ground Lease or Facility Lease to a third party, regardless of the terms of the transaction documents.

Loss of Tax Exemption

To maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority and the County have covenanted to comply with each applicable requirement of Section 103 and Sections 141 and 150 of the Internal Revenue Code of 1986, as amended. The interest on the Bonds could become includable gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds as a result of acts or omissions of the Authority and/or the County in violation of this or other covenants in the Indenture and/or the Facility Lease. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Base Rental payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Facility Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

STATE OF CALIFORNIA FINANCIAL INFORMATION

The State is a significant source of revenue for the County, comprising approximately 37.4% of the County's budgeted General Fund revenues in fiscal year 2016-17. See APPENDIX A – "THE COUNTY" hereto. A copy of the County's "Comprehensive Annual Financial Report for the Year Ended June 30, 2016" is attached hereto as APPENDIX B.

The following information concerning the State's budget for fiscal year 2017-18 has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance at *http://www.dof.ca.gov*, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office at *http://www.lao.ca.gov*. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on counties in the State, may be found at the website of the State Treasurer at *http://www.treasurer.ca.gov*. The information referred to is prepared by the respective State agency maintaining each website and not by Authority, the Corporation, the County or the Underwriter, and none of the Authority, the Corporation, the County or the Underwriter take any responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2017-18 Proposed State Budget. On January 10, 2017 Governor Brown released his 2017-18 Proposed State Budget (the "2017-18 Proposed Budget.") which sets forth a $179.5-billion spending plan and seeks to resolve a projected $1.6-billion deficit resulting from slower-than-expected growth in public school funding and the rolling back of a series of one-time expenses. The 2017-18 Proposed Budget, however, does not take into account the possible repeal of the Affordable Care Act (the "ACA") which could have a significant impact on the State which currently receives federal subsidies to Medi-Cal in excess of $16 billion. The 2017-18 Proposed Budget allocates $154.6 billion for all health and human services programs, approximately the same amount as in the 2016-17 Fiscal Year; approximately $18.1 billion on the State's roads and highways and transit agencies; and includes a transportation funding package that would generate a further $1.8 billion in the first year, with revenues ultimately rising to about $4.2 billion annually. Under the 2017-18 Proposed Budget, the State would allocate $178 million in drought relief and $2.2 billion from cap-and-trade auctions on high-speed rail, light rail systems and other energy efficiency programs. The 2017-18 Proposed Budget also allocates $14.6 billion from the State's General Fund to higher education, including financial aid, so that California community colleges would receive a total of approximately $121 million in excess of the amount received in the 2016-17 Fiscal Year. The 2017-18 Proposed Budget also provides that K-12 schools would receive $73.5 billion in the 2017-18 Fiscal Year under the State's minimum funding guarantee, an increase of approximately 3 percent from the 2016-17 Fiscal Year, and provides for an amount spent per K-12 student averaging $15,216, an increase of $394 per student from the 2016-17 Fiscal Year.

Significant features of the 2017-18 Proposed Budget pertaining to counties also include the following:

- *CalWORKs* — The 2017-18 Proposed Budget recognizes that, as a result of the Affordable Care Act, county costs and responsibilities for indigent health care continue to decrease as indigent care costs previously paid by counties shift to the state. Due to the realignment of distributions to capture and redirect savings counties are experiencing due to the implementation of federal health care reform, net savings are being redirected for county CalWORKs expenditures, which reduce General Fund spending on the CalWORKs program. County savings are estimated to be $585.9 million in fiscal year 2016‑17 and $546.2 million in fiscal year 2017‑18.

- *Coordinated Care Initiative ("CCI")* — This program allows persons eligible for both Medicare and Medi‑Cal to receive medical supports and home and community‑based services through a single health plan. The pilot program was implemented through a federal demonstration project and currently operates in seven California counties — Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo and Santa Clara. As part of CCI, the state assumed bargaining responsibilities for In‑Home Supportive Services ("IHSS") in these seven counties. The 2017-18 Proposed Budget estimates that the CCI will no longer be cost‑effective, even with the recent enactment of an allowable managed care tax. Therefore, pursuant to the provisions of current law, the program will be discontinued in fiscal year 2017‑18. The Administration is prepared to work with counties to mitigate, to the extent possible, the impact of returning a share of the fiscal responsibility for IHSS to counties.

- *County Medi‑Cal Administration* — County workers conduct Medi‑Cal eligibility work on behalf of the State and Medi‑Cal caseload continues to grow. The 2017-18 Proposed Budget maintains the augmentation to counties of $655.3 million ($217.1 million General Fund) in fiscal year 2017‑18, as was provided in fiscal year 2016‑17, to administer the program. As the eligibility system continues to achieve greater stabilization, the State is in the initial process of developing a new Medi‑Cal county administration budgeting methodology. The 2017-18 Proposed Budget continues to include $1.5 million ($731,000 General Fund) to make recommendations for a new methodology.

- *Drug Medi‑Cal Organized Delivery System*— In August 2015, the federal Centers for Medicare and Medicaid Services approved the waiver necessary to begin implementation of the Drug Medi‑Cal Organized Delivery System pilot program. The 2017-18 Proposed Budget includes $661.9 million ($141.6 million General Fund) in fiscal year 2017‑18 for increased services for the pilot program.

- *Child Welfare Digital Services* — The 2017-17 Proposed Budget includes $175.9 million ($88 million General Fund) to support an increase in activity for the Child Welfare Services New System case management project, including increased funding for county engagement as individual digital services are designed, developed, and implemented.

- *Statewide Automated Welfare Systems* — The 2017-18 Proposed Budget includes $38.5 million ($7.5 million General Fund) for migration of 39 counties using the Consortium IV system to the LEADER Replacement System. The first year of funding for migration activities will be available after the county consortia negotiations are complete and the Department of Finance and the Department of Technology have reviewed and approved detailed project documents.

- *County Indigent Health Savings* — The 2017-18 Proposed Budget includes a one‑time General Fund decrease of $265.9 million resulting from additional county savings related to federal health care reform. Actual statewide indigent health savings in 2014‑15 were higher than previously estimated. Pursuant to current law, these additional county savings are redirected to the CalWORKs program to offset General Fund costs.

- *Post Release Community Supervision* — The 2017-18 Proposed Budget includes $11 million General Fund for county probation departments to supervise the temporary increase in the average daily population of offenders on Post Release Community Supervision as a result of the implementation of court‑ordered measures and Proposition 57.

- *Traffic Safety*. The 2017-18 Proposed Budget includes total funding of $18.1 billion for all programs administered within the Traffic Safety Administration Agency. In addition, the shared revenues budget in the General Government area allocates over $1.6 billion in fuel excise tax to cities and counties for local streets and roads (including $200 million from the Governor's transportation package).

- *Local Streets and Roads*— Approximately $11.4 billion in revenues to be allocated by the State Controller to cities and counties for local road maintenance according to existing statutory formulas, and over $2.2 billion in state‑local partnership grants. In addition, the 2017-18 Proposed Budget includes $52.7 million General Fund for the Office of Emergency Services to provide assistance to counties through the California Disaster Assistance Act, which can be used to aid local agencies in the removal of dead or dying trees that threaten public safety.

2017-18 May Revision

On May 11, 2017, Governor Brown released the May Revision to the Proposed 2017-18 Budget (the "May Revision"). Under the May Revision, the $5.8 billion revenue shortfall forecast in the Proposed 2017-18 Budget is reflected as a $3.3 billion shortfall, based primarily on higher capital gains. The State's modestly improved fiscal outlook allows the May Revision to advance several key priorities, including increasing funding for schools – a total funding of $92.3 billion ($54.2 billion General Fund and $38.1 billion other funds) for all K-12 education programs and $1.4 billion in fiscal year 2017-18 to continue implementation of the Local Control Funding Formula to 97 percent complete. This increased funding eliminates the deferral of funding that was included in the Proposed 2017-18 Budget. For K-12 schools, funding levels will increase by about $4,058 per student in 2017-18 over 2011-12 levels, an increase designed to correct historical inequities in school district funding, with $1.4 billion in new funding to continue implementation of the Local Control Funding Formula. While the Proposed 2017-18 State Budget proposed almost $290 million in discretionary one-time Proposition 98 funding for school districts, charter schools, and county offices of education, the May Revision proposes almost $750 million in additional funds, providing more than $1 billion in one-time discretionary funding to schools in fiscal year 2017-18. For higher education, the May Revision continues to provide each university system and the community colleges with annual General Fund growth and while the Proposed 2017-18 Budget called for a one-year delay in providing rate increases to child care providers that were reflected in the 2016-17 Budget, the May Revision proposes to restore this funding and maintain the $500 million child care package from the 2016 Budget.

The May Revision also includes funding for (i) the rising State minimum wage, which is scheduled to increase to $11 per hour in 2018 and to $15 per hour over time; (ii) the expansion of health care coverage to undocumented children and the millions of Californians covered under the federal Affordable Care Act (iii) the provision of preventative dental benefits to adults covered by Medi-Cal; (iii) a cost-of-living adjustment for Supplemental Security Income/State Supplementary Payment recipients; (iv) the repeal of the maximum family grant rule in CalWORKs. which denied aid to children who were born while their parents were receiving aid; (iv) an Earned Income Tax Credit to assist working families. The May Revision also recognizes that the State must continue to plan and save for tougher budget times ahead as a result of the Federal government contemplating actions such as defunding health care for millions of Californians, eliminating the deductibility of state taxes and zeroing out funding for organizations like Planned Parenthood that could create budget challenges for the State.

In addition, Proposition 2 establishes a constitutional goal of having 10 percent of tax revenues in the Rainy Day Fund. The May Revision recognizes that by the end of fiscal year 2017-18, the State's Rainy Day Fund will have a total balance of $8.5 billion (66 percent of the constitutional target). While a full Rainy Day Fund might not eliminate the need for further spending reductions in case of a recession or major federal policy changes that trigger a budget crisis, saving now will allow the state to spend from its Rainy Day Fund later to soften the magnitude and length of any necessary cuts.

Significant features of the May Revision affecting counties include:

- *Maintaining County Fiscal Health* – Under current law, with the end of the Coordinated Care Initiative, counties would experience an increase in annual IHSS costs. See Page A-21 of Appendix A hereto.

- *Improving California's Transportation System* – In the spring of 2017, the State Legislature and the Governor agreed on a transportation funding package known as the Road Repair and Accountability Act of 2017 (SB 1) which returns the gas tax's purchasing power to 1994 levels and will provide $54 billion in new funding over the next decade, split evenly between state and local funding. The May Revision enhances oversight of Caltrans and allows the state and local governments to implement the SB 1 plan in a cost-effective manner without delay. Additional transportation features include (i) focusing on "fix-it-first" investments to repair neighborhood roads and state highways and bridges; making key investments in trade and commute corridors to support continued economic growth and implement a sustainable freight strategy; (iii) matching locally generated funds for high-priority transportation projects; and (iv) investing in passenger rail and public transit modernization and improvement.

- *Reducing Pension Liabilities* – The May Revision proposes a $6 billion supplemental payment to CalPERS with a loan from the Surplus Money Investment Fund – a step that will save the state $11 billion over the next two decades while continuing to reduce unfunded liabilities and stabilize state contribution rates. The General Fund share of the repayment will come from Proposition 2's revenues dedicated to reducing debts and long-term liabilities.

- *County Savings from Implementation of Health Care Reforms* – County Savings are estimated to be $585 million in fiscal year 2016-17, and $688 million in fiscal year 2017-18, higher than the estimates in the Proposed 2017-18 Budget. A portion of these additional General Fund savings will be directed to offset increased county IHSS savings.

- *Post-release Community Supervision* – The May revision includes $15.4 million General Fund for county probation departments to supervise the temporary increase in the average daily population of offenders on Post release Community Supervision as a result of the implementation of court-ordered measures and Proposition 57.

- *Community Based Transitional Housing Program* – The May Revision broadens the purposes for which funds allocated to this program under the 2016-17 Budget ($25 million) may be used to support transitional housing in furtherance of the programs goals.

Current and future State budgets will be affected by national and State economic conditions and other factors over which the County has no control. The County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on County finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that the State will not significantly reduce revenues to local governments (including the County) or shift financial responsibility for programs to local governments as part of its efforts to address State financial conditions. There can be no assurance that State actions to respond to State financial conditions or difficulties will not materially adversely affect the financial condition of the County.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING COUNTY REVENUES AND EXPENDITURES

Property Tax Rate Limitations – Article XIIIA

Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Appropriations Limitations – Article XIIIB

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB, the State and each local governmental entity has an annual "appropriations limit" and is not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriations of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

"Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service," but "proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on appropriations of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Not included in the Article XIIIB limit are appropriations for the debt service costs of bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government and appropriations for qualified capital outlay projects. The appropriations limit may also be exceeded in certain cases of emergency.

The appropriations limit for the County in each year is based on the County's limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (1) the percentage change in State per capita personal income, or (2) the percentage change in the local assessment roll on nonresidential property. Either test is likely to be greater than the change in the cost of living index, which was used prior to Proposition 111.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by a County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. As originally enacted in 1979, the County's appropriations limit was based on 1978-79 authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111). Starting with Fiscal Year 1990-91, the County's appropriations limit was recalculated by taking the actual Fiscal Year 1986-87 limit, and applying the annual adjustments as if Proposition 111 had been in effect. The County's appropriations limit for Fiscal Year 2016-17 is $11,106,606,858, an increase of 6.4% compared with Fiscal Year 2015-16. Estimated appropriations for Fiscal Year 2016-17 subject to the limitations total $899,489,312.

Articles XIIIC and XIIID of California Constitution – Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California constitution, which contains a number of provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIIC requires that all new local taxes or increases in existing local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. The voter-approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet any increased expenditure requirements.

Article XIIID contains provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIIID also contains several provisions affecting "property-related fees" and "charges," defined for purposes of Article XIIID to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property-related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property-related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property-related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Fees for electrical and gas service are explicitly exempted from the definition of "property-related" under Article XIIID. Property-related fees or charges for services other than sewer, water and refuse collection services may not be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. In addition to the provisions described above, Proposition 218 removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge.

Proposition 218 continues to be interpreted by California courts. The State Supreme Court's 2006 decision in *Bighorn-Desert View Water Agency* found that metered charges for consumption of water by a public agency fell within the "property-related" fees subject to Proposition 218. Fees for sewer and refuse collection could also be found to be within the definition of property-related fees. If such charges are property-related charges, rate increases would be subject to notice, hearing and majority protest, but not prior voter approval, and rates and charges could be reduced by referendum.

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. By adding Section 25.5 to Article XIII of the State Constitution, Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature.

Proposition 1A provides, however, that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

By amending Section 15 of Article XI of the State Constitution, Proposition 1A also provides that if the State reduces the Vehicle License Fee rate currently in effect, which is 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, by amending Section 6 of Article XIIIB of the State Constitution, Proposition 1A required the State, beginning on July 1, 2005, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Proposition 22

On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for state-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26

On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not expect the provisions of Proposition 26 to materially and adversely affect its ability to pay Base Rental Payments when due.

Proposition 30

The passage of the Governor's November Tax Initiative ("Proposition 30") placed on the November 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and will be in effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The quarter-cent sales-tax component expired on December 31, 2016. The passage of the Tax Extension to Fund Education and Healthcare ("Proposition 55") in November 2016 extends the income tax increase on high-income taxpayers for an additional 12 years through 2030. The LAO estimates that, as a result of Proposition 55, increased state tax revenues of about $4 billion to $9 billion annually from fiscal years 2019– through 2030 depending on the economy and stock market. These additional monies will be available to fund programs in the 2012-13 State Budget as described above and prevent the "trigger cuts" included in the 2012-13 State Budget going into effect, avoiding spending reductions of about $6 billion in fiscal year 2012–13, mainly to education programs. Proposition 30 also adds to the State Constitution certain requirements related to the transfer of specified State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees and providing substance abuse treatment services.

Future Initiatives

Article XIIIA, Article XIIIB and the other Propositions referenced above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other State or local initiative measures could be adopted, which may place further limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expend its revenues.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority, the Corporation and the County have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, the Corporation or the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority, the Corporation and the County have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Corporation, the County or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Corporation, the County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority, the County or the Corporation legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the Corporation, the County or the Beneficial Owners to incur significant expense.

THE AUTHORITY

The Authority was formed pursuant to the JPA Act and the JPA Agreement for the purpose of exercising to powers common to the members and exercising the additional powers granted to the Authority by the JPA Act and any other applicable provisions of State law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law.

None of the Authority, any Authority member or any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds do not constitute a debt or liability of the State, the County or of any political subdivision thereof, other than the Authority, but shall be payable solely from the funds provided therefor in the Indenture. The Authority shall not be obligated to pay the principal of the Bonds, or the redemption premium or interest thereon, except from the funds provided therefor under the Indenture and neither the faith and credit nor the taxing power of the Authority, the State or of any political subdivision thereof, including the County, is pledged to the payment of the principal of or the redemption premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof, including the County, to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power

The Authority will not be required to advance any moneys derived from any source other than the Revenues and certain other moneys and securities held by the Trustee as provided in the Indenture, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture.

The Authority may sell and deliver obligations other than the Bonds. These obligations will be secured by instruments separate and apart from the Facility Lease, the Loan Agreement and the Indenture, and the holders of such other obligations of the Authority will have no claim on the security for the Bonds. Likewise, the Owners of the Bonds will have no claim on the security for such other obligations that may be issued by the Authority.

Neither the Authority nor its independent contractors has furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section and the section entitled "LITIGATION – The Authority." The Authority does not and will not in the future monitor the financial condition of the County or the Corporation or otherwise monitor payment of the Bonds or compliance with the documents relating thereto. Any commitment or obligation for continuing disclosure with respect to the Bonds or the County or the Corporation has been undertaken by the County. See "CONTINUING DISCLOSURE" herein.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information.

The County has covenanted for the benefit of the holders and beneficial owners of the Bonds pursuant to a Continuing Disclosure Certificate, dated June 22, 2017 (the "Continuing Disclosure Certificate") to provide certain financial information and operating data relating to the County (the "Annual Report") no later than February 25 after the end of each fiscal year, commencing with the report for Fiscal Year 2016-17, and to provide notices of the occurrence of certain enumerated events through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (the "EMMA System"). The specific nature of the information to be contained in the Annual Report and the enumerated events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto.

During the last five years, the County failed to comply in certain respects with continuing disclosure undertakings related to outstanding bond indebtedness. The failure to comply fell into five general categories: (i) failure to provide event notices with respect to changes in the ratings of outstanding bonds, primarily related to changes in the ratings of various bond insurers insuring the bonds of the County or its related entities, which notices of rating changes were subsequently provided between 54 days and 1,344 days after the occurrence of the related event; (ii) omission of required financial and operating data required to be included in certain annual reports and late filing of annual reports with respect to a number of the bond issues, which submissions were made between 296 days to 1,027 days after the applicable deadline therefor; (iii) failure to file audited financial statements as a part of certain annual reports, which submissions were made between one day to 997 days after the deadline therefor, although copies of the County's audited financial statements were available to investors from other sources; (iv) failure to file annual reports with respect to certain bonds after they were economically (but not legally) defeased and (v) failure to provide event notices with respect to late filings described in (ii), (iii) and (iv) above.

The County and various related entities have made additional filings to provide certain of the previously omitted information; provided that with respect to ratings changes, notice has been provided only of the existing rating or ratings applicable to each outstanding series of bonds. Each of these filings may be accessed through EMMA.

The County has adopted policies and procedures, and has contracted with Applied Best Practices, LLC, to enforce compliance with its continuing disclosure undertakings.

FINANCIAL STATEMENTS

The basic financial statements of the County for the Fiscal Year ended June 30, 2016, included in APPENDIX B of this Official Statement, have been audited by Macias Gini & O'Connell LLP, certified public accountants, as stated in their report therein dated December 15, 2016. Macias Gini & O'Connell LLP has agreed to the inclusion of its report in APPENDIX B. Macias Gini & O'Connell LLP has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias Gini & O'Connell LLP with respect to any event subsequent to the date of its report. See APPENDIX B – "Comprehensive Annual Financial Report for the Year Ended June 30, 2016" attached hereto.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Fitch Ratings ("Fitch") have assigned a rating of "AA" and "AA," respectively, to the Bonds. Such ratings reflect only the views of S&P and Fitch and any desired explanation of the significance of such ratings should be obtained from S&P or Fitch. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely, if in the judgment of S&P or Fitch, circumstances so warrant. Any downward revision or withdrawal of a rating by S&P or Fitch may have an adverse effect on the market price of the Bonds.

NO LITIGATION

The Authority

To the knowledge of the Authority, there is no litigation pending or threatened against the Authority concerning the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance thereof.

The Corporation and the County

No litigation is pending or threatened against the Corporation or the County seeking to restrain or enjoin the sale, issuance, delivery or validity of the Bonds or contesting or enjoining the execution of the Development Agreement, the Ground Lease, the Facility Lease, the Loan Agreement or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Corporation or the County taken with respect to any of the foregoing.

Other than as otherwise addressed in this Official Statement, the aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments of judgments which may result from suits and claims will not materially affect the County's ability to repay the Bonds. See APPENDIX A – "COUNTY FINANCIAL INFORMATION – Litigation Management" hereto.

UNDERWRITING

Citigroup Global Markets Inc. (the "Underwriter") has agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds from the Authority a price equal to $174,567,356.54, which represents the principal amount of the Bonds of $152,400,000, plus a premium of $22,940,059.55, and less an underwriting discount of $772,703.01. The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

Citigroup Global Markets Inc., has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the Bonds.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of opinion of Bond Counsel is attached as Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for the Corporation by Orrick, Herrington & Sutcliffe LLP, for the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, for the County by County Counsel and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. Compensation paid to Bond Counsel and Underwriter's Counsel is contingent on the successful issuance of the Bonds.

MUNICIPAL ADVISOR

KNN Public Finance, A Limited Liability Company, has served as municipal advisor (the "Municipal Advisor") to the County in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

ADDITIONAL INFORMATION

The summaries and references contained herein with respect to the Indenture, the Loan Agreement, the Facility Lease, the Bonds, the statutes, agreements and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the forms thereof. Copies of the documents referenced in this paragraph are available for inspection during the period of initial offering on the Bonds at the offices of the Municipal Advisor.

The execution of this Official Statement by the undersigned Board Member of the Corporation has been duly authorized by the Corporation.

CAPITAL FACILITIES DEVELOPMENT CORPORATION

By: Scott J. May
Board Member

APPENDIX A

THE COUNTY

General

The County is bordered on the north by Los Angeles and San Bernardino Counties, on the east by Riverside County, on the southeast by San Diego County, and on the west and southwest by the Pacific Ocean. The County encompasses 789 square miles, has a population of over 3 million, and approximately 42 miles of ocean shoreline provide beaches, marinas, and other recreational areas for use by residents and visitors.

County Government

The County is a charter county divided into five supervisorial districts on the basis of population. The County is governed by an elected five-member Board of Supervisors (the "Board of Supervisors") with each Supervisor serving a four-year term. A Supervisor cannot serve more than two consecutive terms, however, there is no limitation on the total number of terms. The Chairman and Vice Chairman positions are elected annually by and from the members of the Board of Supervisors.

The County's organizational structure consists of six Elected Officers, five positions appointed by and reporting to the Board of Supervisors, six Officers appointed by and reporting to the County Executive Officer ("CEO") and nine department heads selected by the Board of Supervisors and reporting to the Chief Operating Officer. The Elected Officers are elected by a countywide vote to four-year terms: the Assessor, Auditor-Controller, Clerk-Recorder, District Attorney-Public Administrator, Sheriff-Coroner, and the Treasurer-Tax Collector (the "Treasurer"). The positions appointed by and reporting to the Board of Supervisors are the Clerk of the Board, County Counsel, Office of the Performance Audit Director, Executive Director of the Office of Independent Review, and CEO. The Board of Supervisors appoint all department heads including the Chief Probation Officer. The Presiding Judge of the Orange County Superior Court must concur with the appointment of the Chief Probation Officer. The positions appointed by and reporting to the CEO are the Human Resources Officer, Chief Information Officer, Chief Financial Officer ("CFO"), Chief Real Estate Officer, Registrar of Voters, and Chief Operating Officer. The remaining eight positions are department heads within the infrastructure, public services, and community services areas.

County Services

The County provides a wide range of services to its residents, including police, medical and health services, senior citizen assistance, library services, airport service, roads, solid waste management, harbors, beaches and parks, lifeguard services, and a variety of public assistance programs.

California counties administer numerous health and social service programs as the administrative agent of the State and pursuant to State law. Many of these programs have been either wholly or partially funded with State and federal funds. Under State law, the County is required to administer State and federal health programs and to provide for a portion of their costs with local revenues. The County is also responsible for all indigent medical care in the County pursuant to State law. The County does not operate its own hospital, but contracts for such services with private facilities. Certain municipal services are provided by the County to unincorporated communities and, on a contract basis, to some of the 34 incorporated cities within its boundaries. This arrangement is designed to allow cities to contract with the County for municipal services without incurring the cost of creating numerous city departments and facilities. Under the plan, the County provides any or all services to a city at the same level as provided in the unincorporated areas, or at any higher level for which the city may contract. Services are generally provided at cost.

Effective June 2016, the Board of Supervisors approved the reorganization of OC Dana Point Harbor Department into OC Community Resources – OC Parks.

There are two special districts, separate legal entities from the County, which provide services to County residents: the Orange County Flood Control District and the Orange County Housing Authority. The Board of Supervisors, sitting as each district's legislative body, governs these districts.

Regional fire protection services are provided by the Orange County Fire Authority, a joint powers authority with its own Board of Directors.

County Employment

As of May 10, 2017, the number of permanent filled employee positions of the County was 16,399. The following table sets forth the total number of County employees for each of the last ten years:

TABLE A-1

COUNTY OF ORANGE
Employment Positions[1]

2008	17,482
2009	16,855
2010	16,239
2011	15,965
2012	15,771
2013	15,852
2014	16,108
2015	16,144
2016	16,341
2017	16,399

[1] Employment Positions represent the number of filled positions at fiscal year-end except for 2017, which is as of May 10, 2017.

Source: County of Orange, County Budget Office.

[Remainder of Page Intentionally Left Blank]

Most County employees are represented by one of 17 bargaining units within eight labor organizations, the principal labor organization being the Orange County Employees Association ("OCEA"), which consists of the Community Services, County General, Office Services, Probation Services, Probation Supervisory Management, Sheriff Special Officers & Deputy Coroner, Supervisory Management, and Health Care Professional Units. Represented County employees and their appropriate bargaining agents are shown in the following table. County employees in the bargaining unit currently in the process of negotiations have historically continued to work under the terms of their previous contract with no interruption.

TABLE A-2

COUNTY OF ORANGE
Employee Bargaining Representation
and Number of Positions[1]

Bargaining Agents	Number of Positions	Contract Term
Orange County Employees Association	12,029	June 26, 2015 to June 22, 2018
Association of Orange County Deputy Sheriffs	2,049	July 1, 2016 to June 30, 2019
American Federation of State, County and Municipal Employees	1,570	June 24, 2016 to June 23, 2019
Orange County Managers Association	1,224	January 10, 2014 to December 31, 2017
Orange County Attorneys Association	521	May 15, 2015 to June 30, 2019
Teamsters Local 952	483	December 13, 2016 to June 20, 2019
International Union of Operating Engineers	142	June 26, 2015 to June 22, 2018
Association of County Law Enforcement Managers	77	June 23, 2015 to June 21, 2018
Unrepresented	169	N/A

(1) Position data includes filled and vacant positions as of May 10, 2017.

Source: County of Orange, County Budget Office.

[Remainder of Page Intentionally Left Blank]

COUNTY FINANCIAL INFORMATION

Financial Statements

The County's accounting policies and audited basic financial statements conform with generally accepted accounting principles for financial reporting established by the Governmental Accounting Standards Board (the "GASB").

The basic financial statements include both the government-wide and fund financial statements. The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements report long-term liabilities and deferred outflows and inflows, including those related to pension and other retirement benefits, and capital assets, including intangible assets. Depreciation expense and accumulated depreciation are included in the government-wide financial statements for equipment, buildings, and infrastructure. Amortization expense and accumulated amortization are included in the government-wide financial statements for intangible assets. The fund financial statements for the governmental funds are prepared under the modified accrual basis of accounting and the current financial resources measurement focus with revenues being recorded when available and measurable and expenditures recorded when related fund liabilities are incurred, with all current unpaid liabilities being accrued at year end. Fund financial statements are shown separately for specific major governmental funds, and in total for all other governmental funds. Fund financial statements for proprietary funds are reported under the accrual basis of accounting and the economic resources measurement focus.

The Auditor-Controller maintains the accounting system and records of account for all County funds. The Internal Audit Division, which reports to the Auditor-Controller, continually monitors internal controls. Legal compliance audits of State programs are conducted by State Controller auditors.

All of the County funds can be divided into three major categories of funds: governmental, proprietary, and fiduciary. Governmental funds include most of the County's basic services and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Proprietary funds consist of two types of funds: enterprise funds (which the County uses to account for its airport, waste management operations, and compressed natural gas facility) and internal service funds (which are used to accumulate and allocate costs internally among the County's various functions, such as insurance services, transportation, publishing and information technology). Fiduciary funds are used to account for assets held on behalf of outside parties.

The major governmental funds include the following funds: the County's General Fund; Flood Control District; Other Public Protection; and Mental Health Services Act. Financial data for nonmajor governmental funds are aggregated and reported under the "Other Governmental Funds" column in the fund financial statements. The major governmental funds associated with general government activities are briefly described below:

- The General Fund accounts for resources traditionally associated with government and all other resources, which are not required legally, or by sound financial management, to be accounted for in another fund. Revenues deposited to the General Fund are primarily derived from intergovernmental revenues, many of which are for restricted purposes such as public health and public assistance, and property taxes, but also include other taxes, charges for services, and other revenues. General Fund moneys are primarily expended for functions of public protection, public ways and facilities, health and sanitation, public assistance and general government. "General Purpose Revenues" describes that portion of the General Fund over which the County has discretion as to its expenditure, consisting primarily of property taxes. For discussion of General Purpose Revenues see "County General Fund Budget" herein.

- The Other Public Protection Fund accounts for certain safety and law enforcement activities such as the child support program, automated fingerprint identification systems, and investigation team. Revenues consist primarily of federal grants, state grants, fines, use of money and property, and charges for services.

- The Mental Health Services Act Fund became a major fund in Fiscal Year 2015-16. The Fund accounts for the County's mental health programs for children, transition age youth, adults, older adults and families pursuant to the State of California Mental Health Services Act. Revenues are derived primarily from a one percent income tax on personal income in excess of one million levied by the State.

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net changes in fund balances for the governmental funds for the Fiscal Years ended June 30, 2013 through June 30, 2016.

[Remainder of Page Intentionally Left Blank]

TABLE A-3

COUNTY OF ORANGE
GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES[1]
Fiscal Years Ended June 30, 2013 through June 30, 2016 (In Thousands)

	2013	2014	2015[2]	2016
REVENUES AND OTHER FINANCING SOURCES				
General Fund	$2,865,893	$2,879,856	$3,001,243	$3,038,491
Roads	59,444	109,937	--	--
Flood Control District	134,978	169,260	163,096	128,929
Other Public Protection	63,559	49,261	66,846	63,506
Teeter Plan Notes	73,641	50,786	--	--
Mental Health Services Act	--	--	141,713	116,978
Other Governmental	621,950	600,011	641,234	904,098
Total	$3,819,465	$3,859,111	$4,014,132	$4,252,002
EXPENDITURES AND OTHER FINANCING USES				
General Fund	$2,744,670	$2,808,016	$2,853,121	$2,975,161
Roads	80,652	107,694	--	--
Flood Control District	160,101	154,993	121,287	116,206
Other Public Protection	44,059	48,203	66,747	63,656
Teeter Plan Notes	15,808	43,959	--	--
Mental Health Services Act	--	--	104,115	115,244
Other Governmental	592,923	615,209	649,795	810,900
Total	$3,638,213	$3,778,074	$3,795,065	$4,081,167
NET CHANGES IN FUND BALANCES				
General Fund	$ 121,223	$ 71,840	$ 148,122	$63,330
Roads	(21,208)	2,243	--	--
Flood Control District	(25,123)	14,267	41,809	12,723
Other Public Protection	19,500	1,058	99	(150)
Teeter Plan Notes	57,833	6,827	--	--
Mental Health Services Act	--	--	37,598	1,734
Other Governmental	29,027	(15,198)	(8,561)	93,198
Total	$ 181,252	$ 81,037	$ 219,067	$ 170,835

(1) This statement is a summary statement only. The complete Orange County Comprehensive Annual Financial Reports dated June 30, 2016, including the Notes to the Basic Financial Statements therein, is an integral part of this statement. For Fiscal Year 2015-16 results, see APPENDIX B – "COUNTY OF ORANGE, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016."

(2) There was a change in major governmental funds in Fiscal Year 2015-2016 in which Mental Health Services Act became identified as a major fund and Roads and Teeter Plan Notes are no longer identified as major funds. For comparative purposes, the balances shown in Fiscal Year 2014-15 reflect the change of major funds in Fiscal Year 2015-16.

Source: Orange County Comprehensive Annual Financial Reports dated June 30, 2014 and June 30, 2016.

The following table sets forth the audited General Fund Balance Sheet as of June 30, 2013 through June 30, 2016. The largest single source of funding in the General Fund portion of the County Budget is intergovernmental revenue. Budgeted intergovernmental revenue accounted for 48.0%, 46.2%, and 51.7% of all General Fund revenue sources for Fiscal Years 2014-15, 2015-16, and 2016-17 respectively. Approximately 37.11% of the County's Fiscal Year 2016-17 Modified Budget total revenues are from the state. See "STATE OF CALIFORNIA FINANCIAL INFORMATION" in the forepart of this Official Statement.

TABLE A-4

COUNTY OF ORANGE
GENERAL FUND BALANCE SHEET[1]
June 30, 2013 through June 30, 2016
(In Thousands)

	2013	2014	2015	2016
ASSETS				
Pooled Cash/Investments	$351,100	$425,057	$441,060	$419,457
Imprest Cash Funds	1,864	1,864	1,862	1,834
Restricted Cash and Investments with Trustee	1,574	1,536	9	15
Investments[2]	--	--	118,940	221,772
Receivables				
Accounts	9,747	18,909	10,420	10,486
Taxes	8,942	11,900	7,035	10,367
Interest/Dividends	431	533	2,600	1,454
Deposits	491	492	460	562
Advances	30	30	33	30
Allowance for Uncollectible Receivables	(4,036)	(4,399)	(6,237)	(4,844)
Due from Other Funds	50,495	63,956	89,278	78,793
Due from Component Unit	366	455	201	375
Due from Other Governmental Agencies	335,970	350,784	353,350	353,668
Inventory of Materials and Supplies	655	902	867	891
Prepaid Costs	260,291	316,320	331,939	327,198
Advances to Other Funds	2,500	3,800	3,800	3,800
Total Assets	$1,020,420	$1,192,139	$1,355,617	$1,425,858
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$36,223	$65,154	$49,300	$56,689
Salaries and Employee Benefits Payable	66,906	57,182	83,350	103,724
Retainage Payable	1,696	2,044	1,395	1,495
Interest Payable	--	1,135	1,084	1,671
Deposits from Others	1,335	1,553	1,654	1,615
Due to Other Funds	43,601	35,780	31,311	35,954
Due to Component Unit	--	--	3	--
Due to Other Governmental Agencies	10,903	27,847	13,822	20,410
Deferred Revenue	123,290	--	--	--
Unearned Revenue	19,642	19,410	44,410	25,450
Bonds Payable	268,360	325,405	339,625	334,275
Advances from Other Funds	3,918	3,134	2,351	1,567
Total Liabilities	$575,874	$538,644	$568,305	$582,850
DEFERRED INFLOWS OF RESOURCES[3]				
Unavailable Revenue- Intergovernmental Revenues	--	73,769	72,172	68,501
Unavailable Revenue- SB 90 Mandated Claims, Net	--	47,926	39,653	28,404
Unavailable Revenue- Property Taxes	--	9,485	9,078	8,878
Unavailable Revenue- Others	--	5,929	1,901	9,387
Total Deferred Inflows of Resources	$--	$137,109	$122,804	$115,170
FUND BALANCES				
Nonspendable[4]	263,446	321,022	336,606	331,889
Restricted	34,679	42,028	31,486	49,230
Assigned	68,157	153,336	269,529	321,064
Unassigned	78,264	--	26,887	25,655
Total Fund Balances	$444,546	$516,386	$664,508	$727,838
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$1,020,420	$1,192,139	$1,355,617	$1,425,858

(footnotes on next page)

(1) This Statement is a summary statement only. The complete Orange County Comprehensive Annual Financial Reports dated June 30, 2016, including the Notes to the Basic Financial Statements therein is an integral part of this statement. For Fiscal Year 2015-16 results, see APPENDIX B – "COUNTY OF ORANGE, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016."

(2) Non-pooled investments with the Treasurer for General Fund Tax Exempt Non AMT securities for any excess cash over the 5% reasonable working capital reserve.

(3) GASB Statement No. 65 established new accounting and financial reporting standards that, among other things, reclassify certain items of unavailable revenue that were previously reported as liabilities as deferred inflows of resources. See Note 1 the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2016" in Appendix B of this Official Statement.

(4) Includes an amount equal to pension obligation bonds sold to prepay the subsequent year's pension obligations, which are reserved as nonspendable as a "prepaid cost". Pension prepayments represent $260 million for Fiscal Year 2013, $316 million for Fiscal Year 2014, $332 million for Fiscal Year 2015, and $327 million for Fiscal Year 2016. As a result, GASB 54 presentation does not represent the County's budgetary and financial planning allocation of fund balance. See "County General Fund Budget-Strategic Financial Plan and Reserves," herein.

Sources: Orange County Comprehensive Annual Financial Reports dated June 30, 2013 through June 30, 2016.

[Remainder of Page Intentionally Left Blank]

The following table presents a more detailed summary of revenues, expenditures and changes in fund balances for the General Fund for Fiscal Years 2012-13 through 2015-16.

TABLE A-5

COUNTY OF ORANGE
COMPARISON OF STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE[1]
Fiscal Years Ended June 30
(In Thousands)

	2013	2014	2015	2016
REVENUES				
Taxes[2]	$ 668,819	$ 599,366	$ 629,603	$ 671,363
Licenses, Permits & Franchises	13,190	22,595	22,929	25,154
Fines, Forfeitures & Penalties	36,562	33,039	82,063	44,375
Use of Money and Property	3,510	5,260	5,272	18,318
Intergovernmental Revenues	1,551,407	1,593,107	1,602,817	1,626,855
Charges for Services	389,367	410,108	408,872	386,117
Other Revenues	18,147	13,124	15,601	18,648
TOTAL REVENUES	$2,681,002	$2,676,599	$2,767,157	$2,790,830
EXPENDITURES				
General Government	$ 169,625	$ 140,816	$ 177,280	$ 176,002
Public Protection	1,047,148	1,082,961	1,126,878	1,182,458
Public Ways and Facilities	36,614	35,570	32,192	30,792
Health and Sanitation	609,572	620,256	514,371	526,216
Public Assistance	749,128	795,582	851,488	881,261
Capital Outlay	12,459	12,454	18,901	20,794
Principal Retirement	20,252	21,622	21,568	4,530
Interest	9,204	9,844	8,172	7,451
Debt Issuance Costs	--	200	--	--
TOTAL EXPENDITURES	$2,654,002	$2,719,305	$2,750,850	$2,829,504
Excess (Deficit) of Revenues Over Expenditures	$ 27,000	$ (42,706)	$ 16,307	$ (38,674)
Other Financing Sources (Uses)				
Transfers In[3]	184,891	203,257	234,086	247,661
Transfers Out[3]	(90,668)	(88,711)	(102,271)	(145,657)
Total Other Fin. Sources (Uses)	94,223	114,546	131,815	102,004
Net Change in Fund Balances	$ 121,223	$ 71,840	$ 148,122	$ 63,330
Fund Balances – Beginning of Year	353,234	444,546	516,386	664,508
Adjustments[4]	(29,911)	--	--	--
Fund Balances – Beginning of Year as Restated	323,323	--	--	--
FUND BALANCES – End of Year	$ 444,546	$ 516,386	$ 664,508	$ 727,838

(1) This Statement is a summary statement only. The complete Orange County Comprehensive Annual Financial Reports dated June 30, 2016, including the Notes to the Basic Financial Statements therein is an integral part of this statement. For Fiscal Year 2015-16 results, see APPENDIX B – "COUNTY OF ORANGE, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016."

(2) Primarily property taxes, as well as local sales and other taxes.

(3) Interfund transfers reflect the flow of assets between funds and component units of the County. See Note 8 in the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2016" in Appendix B of this Official Statement.

(4) 2013 adjustment due to a prior period adjustment.

Sources: Orange County Comprehensive Annual Financial Reports dated June 30, 2013 through June 30, 2016.

County General Fund Budget

Budget Process. The County's annual budget process begins in late December. The CEO's County Budget Office (the "Budget Office") prepares budget policy and detailed budget instructions for County departments. County departments then prepare their budget requests and submit them to the Budget Office. The Budget Office reviews and analyzes the departments' budget requests and makes recommendations to the CEO. The Budget Office will also, in coordination with the Auditor-Controller's office, establish the level of non-departmental, County-wide revenues that will be available to the County. The budget is compiled, balanced, and reviewed with the CFO and CEO.

The main focus of the budget is the "Discretionary General Fund," a component of the General Fund, which represents the County programs that are funded by General Purpose Revenue. General Purpose Revenue is revenue received in the General Fund that is not specific to a program or service, and consists primarily of property taxes. General Purpose Revenue is available to meet lease revenue and pension bond debt service requirements, match or maintain requirements in State and federal programs and can otherwise be allocated at the discretion of the Board of Supervisors. General Purpose Revenue totals $736.8 million or about 11.5% of the total Fiscal Year 2016-17 Modified Budget as of April 25, 2017 and approximately 22.0% of the General Fund Budget. In comparison, General Purpose Revenue totaled $692.2 million or about 11.4% of the total Fiscal Year 2015-16 final Modified Budget and approximately 21.4% of the General Fund Budget. The General Fund Net County Cost ("NCC") totals $768.1 million and is approximately 11.9% of the total Fiscal Year 2016-17 Modified Budget as of April 25, 2017 and approximately 22.9% of the General Fund Budget.

The Board of Supervisors annually holds budget hearings and adopts a final budget for the County in June. The Board of Supervisors adopted a final budget for Fiscal Year 2016-17 on June 28, 2016. After budget adoption there are budget adjustments that occur throughout the fiscal year which are primarily presented in Quarterly Budget Reports to the Board of Supervisors. On November 22, 2016, January 24, 2017, and April 25, 2017, the Board of Supervisors approved various adjustments as part of the Quarterly Budget process. The adopted budget and adjustments are referred to as the Modified Budget.

The Fiscal Year 2017-18 Proposed Budget, as recommended by the CEO, was publicly released on May 10, 2017. The Proposed Budget is presented to the Board of Supervisors at the annual budget hearings scheduled for June 13-14, 2017 with final adoption on June 27, 2017.

Strategic Financial Plan. In 1997, the County initiated a strategic financial planning process to establish strategic priorities. The process is a management tool and provides a structure to help the County face both short-term and long-term operational decisions. The Strategic Financial Plan contains a baseline revenue and expense forecast a five-year horizon. A ten-year horizon is used to estimate the ability of the County to fund new initiatives, programs, or facilities, which are reported as strategic priorities. The most recent Strategic Financial Plan was released in December 2016 and will be used in the development of the Fiscal Year 2017-18 Budget.

Reserves. As of May 9, 2017, the County had $614.5 million budgetary reserves within the General Fund which had the following balances: assigned reserve target $336.0 million; assigned for operations $110.0 million (which includes $105.0 million allocated for future repayment to the State of Vehicle License Fee Adjustment Amounts; see "General Fund Revenues—Vehicle License Fee Revenue Reallocation and Repayment" herein); $46.7 million Teeter loss reserves fund excess; maintenance and construction reserve $11.6 million; capital project reserve $47.9 million, and a contingency reserve of $62.3 million. These reserve balances, at fiscal year-end, would be included in the Basic Financial Statement for Governmental Funds in the County's Comprehensive Annual Financial Report. The General Fund reserve balance for assigned reserve target would be reported as Nonspendable Fund Balance (see Note 4 on Table A-4 herein). The reserve balances for operations, Teeter loss reserve fund excess, maintenance and construction, capital projects, and contingencies would be reported as Assigned Fund Balance. These reserve balances are not legally restricted for any specific purpose; however, they are reserved by Board action and require a four-fifths vote to appropriate.

Certain other funds held outside the County General Fund have also been established including program reserves in the amount of approximately $66.3 million as of April 30, 2017 for sheriff and law enforcement, child support, social services, and the health care agency.

In addition, the County maintains an account (the "Investment Account"), originally funded with proceeds of the County's 1994 Pension Obligation Bonds in the Orange County Employees Retirement System ("OCERS") which is commingled with the OCERS pool for investment purposes. Pursuant to an agreement between the County and OCERS, the County may direct the expenditure of any portion of the Investment Account to offset County contributions to OCERS. The monies in the Investment Account may not be withdrawn by the County or used for expenditures other than OCERS contributions. The balance in the Investment Account as of March 31, 2017 was $122.5 million. For recent expenditures from the Investment Account, see "Table A-18, Orange County Employee Retirement System County Contribution."

Comparative Budgets for Fiscal Years 2014-15 through 2017-18

The following table sets forth the County's Final Budgets (which include all budget adjustments made after budget adoption) for Fiscal Year 2014-15 through Fiscal Year 2015-16, the Modified Budget (which includes budget adjustments through April 25, 2017) for Fiscal Year 2016-17, and the Proposed Budget for Fiscal Year 2017-18. The Proposed Budget is the Recommended Budget publicly released on May 10, 2017 and will be presented to the Board of Supervisors on June 13-14, 2017 with final adoption on June 27, 2017.

TABLE A-6

COMPARISON OF GENERAL FUND
FINAL OR MODIFIED BUDGETS FOR FISCAL YEARS 2014-15 TO 2017-18

	2014-15[1] Final Budget	2015-16[1] Final Budget	2016-17[1] Modified Budget	2017-18[1] Proposed Budget
REQUIREMENTS:				
Public Protection	$1,095,457,994	$1,154,900,802	$1,206,883,287	$1,237,104,872
Health & Community & Social Services	1,603,879,802	1,635,346,756	1,677,616,903	1,695,599,732
Infrastructure & Environmental Resources	97,689,963	96,542,552	98,866,233	98,738,642
General Government & Services	159,856,258	175,633,084	175,235,341	176,872,476
Capital Improvements[2]	49,278,986	57,832,307	68,552,374	54,532,747
Debt Service[3]	435,142,002	58,359,689	28,475,719	16,373,655
Insurance, Reserves & Miscellaneous[4]	17,815,868	42,970,044	92,723,778	73,447,973
Total Requirements	**$3,459,120,873**	**$3,221,585,234**	**$3,348,353,635**	**$3,352,670,097**
AVAILABLE FUNDS:				
Property Taxes	$604,033,335	$643,583,419	$661,433,000	$691,127,000
Sales and Other Taxes	8,482,000	9,173,000	9,923,000	10,685,000
Licenses, Permits & Franchises	21,174,181	24,801,856	26,087,788	26,541,617
Fines, Forfeitures & Penalties[5]	35,630,513	33,973,817	61,358,028	32,279,708
Use of Money & Property[6]	4,730,568	15,960,550	6,837,144	8,783,507
Intergovernmental Revenues[7]	1,587,478,976	1,648,932,484	1,651,208,663	1,651,815,856
Charges for Services[8]	438,726,367	441,372,018	477,080,272	483,101,617
Miscellaneous Revenues[9]	22,901,548	25,629,773	21,131,389	28,433,724
Other Financing Sources[10]	714,351,859	345,247,026	402,054,952	417,902,068
Decreases to Reserves[11]	21,611,526	32,911,291	31,239,399	2,000,000
Total Available Funds	**$3,459,120,873**	**$3,221,585,234**	**$3,348,353,635**	**$3,352,670,097**

(footnotes on next page)

[1] Final Budgets include all budget adjustments throughout the year after budget adoption. Modified Budget include all adjustments up to April 25, 2017. Proposed Budget is the Recommended Budget publicly released on May 10, 2017 which includes CEO recommended augmentations.

[2] Fiscal Years 2015-16, 2016-17, and 2017-18 include one-time additional funding for planned capital projects.

[3] Fiscal Years 2016-17 and 2017-18 decrease is due to the Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005 reduction in debt service payments.

[4] Fiscal Years 2015-16, 2016-17, and 2017-18 includes AB 701 Vehicle License Fee Revenue Allocation ("VLFAA") settlement payments to the State, $15 million, $25 million, and $50 million respectively, contingency funds for mid-year adjustments, and one-time capital projects. See "Vehicle License Fee Revenue Reallocation and Repayment" herein.

[5] Fiscal Year 2016-17 increase is due to one-time $26 million litigation settlement revenue from Property Tax Management System (PTMS) development vendor.

[6] Changes in Use of Money & Property is due to changes in interest earnings from increases of cash balances and increase in investment pool performance.

[7] This funding is comprised of federal and State grants and reimbursements, matching funds and State‑distributed revenues. The overall changes are due to changes in caseload and additional revenues from the State for the 2011 Realignment of various public safety, social services, and health programs.

[8] Fiscal Years 2016-17 and 2017-18 increase is due to an increase in billings for cost of services to cities which contract for Sheriff security services, increase in correctional medical services, and charges from Health Care Agency for Mental Health Services.

[9] Fiscal Years 2016-17 and FY 2017-18 changes in Miscellaneous Revenues is due to increases and decreases in excess revenue distribution from Bankruptcy Plan of Adjustment.

[10] Includes operating transfers from other funds within the County including departmental transfers from Non‑General Funds for the reimbursement of program expenditures. Starting in Fiscal Year 2015‑16 there was a change to record the Taxable Pension Obligation Bonds as a balance sheet transaction.

[11] County budget policy requires all year-end Fund Balance Available ("FBA") be reclassified and transferred to reserves. Although budgeted as a decrease, Fiscal Years 2015-16, and 2016-17 actual year-end FBA reclassified and transferred to reserves were $128,135,436, and $53,809,835 respectively.

Source: County of Orange, County Budget Office.

[Remainder of Page Intentionally Left Blank]

Comparative General Purpose Revenue and Net County Cost for Fiscal Years 2014-15 through 2017-18

The following table sets forth the County's Final Budgets (which include all budget adjustments made after budget adoption) for Fiscal Year 2014-15 through Fiscal Year 2015-16, the Modified Budget (which includes budget adjustments through April 25, 2017) for Fiscal Year 2016-17, and the Proposed Budget for Fiscal Year 2017-18. The Proposed Budget is the Recommended Budget publicly released on May 10, 2017 and will be presented to the Board of Supervisors on June 13-14, 2017 with final adoption on June 27, 2017.

TABLE A-7

COMPARISON OF GENERAL PURPOSE REVENUE AND NET COUNTY COST FINAL OR MODIFIED BUDGETS FOR FISCAL YEARS 2013-14 TO 2016-17

	2014-15[1] Final Budget	2015-16[1] Final Budget	2016-17[1] Modified Budget	2017-18[1] Proposed Budget
NET COUNTY COST:				
Public Protection [2]	$359,646,791	$406,034,712	$427,606,757	$453,847,062
Health & Community & Social Services	123,866,847	125,775,607	132,332,350	128,767,869
Infrastructure & Environmental Resources	32,392,090	21,031,559	21,930,934	22,268,354
General Government & Services [3]	112,895,040	130,244,596	118,317,744	123,842,835
Capital Improvements [4]	37,218,199	30,324,060	27,326,273	15,742,934
Debt Service	19,293,479	872,229	872,229	871,929
Insurance, Reserves & Miscellaneous [5]	(5,227,683)	10,869,682	39,716,695	51,561,674
Total Requirements	**$680,084,763**	**$725,152,445**	**$768,102,982**	**$796,902,657**
AVAILABLE FUNDS/ GENERAL PURPOSE REVENUE (GPR):				
Property Taxes	$580,466,000	$621,087,000	$661,433,000	$691,127,000
Sales and Other Taxes	10,162,000	9,173,000	9,923,000	10,685,000
Licenses, Permits & Franchises	2,631,293	2,758,368	2,809,743	2,657,824
Fines, Forfeitures & Penalties	17,906,000	18,571,000	19,773,000	19,083,000
Use of Money & Property [6]	1,388,000	1,600,000	2,775,000	4,600,000
Intergovernmental Revenues	2,990,000	2,808,000	2,810,000	3,659,000
Charges for Services [7]	21,378,115	21,783,000	16,449,406	21,371,000
Miscellaneous Revenues [8]	2,006,000	2,486,000	1,560,000	2,525,000
Other Financing Sources [9]	23,415,800	11,974,786	19,330,434	39,194,833
Decreases to Reserves [10]	17,741,555	32,911,291	31,239399	2,000,000
Total Available Funds	**$680,084,763**	**$725,152,445**	**$768,102,982**	**$796,902,657**

(1) Final Budgets include all budget adjustments throughout the year after budget adoption. Modified Budget include all adjustments up to April 25, 2017. Proposed Budget is the Recommended Budget publicly released on May 10, 2017 which includes CEO recommended augmentations.

(2) Fiscal Year 2016-17 Net County Cost increase for Public Safety for: (a) additional $23 million funding to maintain the current level of service and (b) additional $4 million funding to expand level of service for District Attorney, Sheriff-Coroner, and Public Administrator. Fiscal Year 2017-18 Net County Cost increase for Public Safety for: (a) additional $33 million funding to maintain the current level of service and (b) additional $7.5 million funding to expand level of service for District Attorney, Sheriff-Coroner, Public Defender, and Public Administrator.

(3) Fiscal Year 2016-17 Net County Cost decrease for General Government & Services for: (a) decrease in one-time funding for CAPS+ Upgrade by $6.5 million, outside legal counsel services by $3 million, and 2015 primary election services by $4.5 million offset by increases in $2.4 million funding to maintain the current level of service for Assessor, Auditor-Controller, Clerk of the Board, and Treasurer-Tax Collector and $0.5 million funding to expand level of services for newly created Campaign Finance and Ethics Commission. Fiscal Year 2017-18 Net County Cost increase for additional $0.8 million funding for Assessor, Auditor-Controller, and Clerk of the Board.

(4) Fiscal Years 2016-17 and 2017-18 Net County Cost decrease due to decrease in one-time funding for capital projects.

(5) Fiscal Years 2015-16, 2016-17, and 2017-18 increase in Net County Cost is mainly from Miscellaneous Fund budget for increase in VLFAA appropriations and other one-time appropriations for capital projects.

(6) Changes in Use of Money & Property is due to changes in interest earnings from increases of cash balances.

(7) Fiscal Year 2016-17 decrease in due to one-time decline in Assessment and Tax Collection Fees (PTAC) revenue.

(8) Fiscal Years 2016-17 and FY 2017-18 changes in Miscellaneous Revenues is due to increases and decreases in excess revenue distribution from Bankruptcy Plan of Adjustment.

(9) Fiscal Years 2016-17 and FY 2017-18 increase in Other Financing Sources is due to an increase of a one-time transfer amount from the Teeter Fund and transfer of excess reserves funding from 2005 lease revenue refunding bonds.

(10) The draw from reserves is primarily related to the use of prior year fund balance for one-time planned capital projects and changes approved by the Board.

Source: County of Orange, County Budget Office.

Revenue Assumptions Incorporated into the Fiscal Year 2016-17 Budget

The following additional assumptions were incorporated into the Fiscal Year 2016-17 County Budget:

- The Fiscal Year 2015-16 Assessed Roll of Values was up by 5.89%. The change in assessed values for Fiscal Year 2016-17 is projected to increase an additional 4.0%.

- Revenue from property taxes is assumed to grow in Fiscal Year 2016-17 based on a projection of 4.0% growth.

- The intergovernmental revenue from Public Safety Sales Tax (Proposition 172) is assumed to increase by 2.4%.

- The 1991 Health & Welfare Realignment revenue from the State allocated to Health, Mental Health, Social Services and Probation is projected to be $196.8 million.

- State Realignment revenue projections included $85.7 million in 2011 Public Safety Realignment, AB 109, which was a $2.4 million decrease due to one-time stabilization and transition funding in Fiscal Year 2015-16 for Orange County. Subsequent to budget adoption, the California Department of Finance revised their estimated statewide totals and the County of Orange's projected revenue for Fiscal Year 2016-17 is anticipated to be $77 million.

Revenue Assumptions Incorporated into the Fiscal Year 2017-18 Budget

The following assumptions were incorporated into the Proposed Fiscal Year 2017-18 County Budget:

- The Fiscal Year 2016-17 Assessed Roll of Values increased by 5.44%. The change in assessed values for Fiscal Year 2017-18 is conservatively projected at 4.0%.

- The 1991 Health & Welfare Realignment revenue from the State allocated to Health, Mental Health, Social Services and Probation is projected to be $192.4 million.

- Public Safety Sales Tax (Proposition 172) is assumed to increase 2.5% ($7.6 million) for a total Fiscal Year 2017-18 budget of $313.4 million.

- The Statewide allocation of 2011 Public Safety Realignment (AB 109) revenue is budgeted with an increase of approximately $3.7 million combined in base and growth revenue for Orange County, a 4.8% increase.

General Fund Revenues

The largest single source of funding in the General Fund portion of the County Budget is intergovernmental revenue. Budgeted intergovernmental revenue accounted for 48.0%, 46.2% and 51.7% of all General Fund revenue sources for Fiscal Years 2014-15, 2015-16, and 2016-17 respectively. Budgeted intergovernmental revenue is comprised primarily of State and federal funds, and is dedicated substantially to mandated programs in the public safety, health, and welfare areas. Approximately 37.11% of the County's Fiscal Year 2016-17 Modified Budget total revenues are from the State. See "STATE OF CALIFORNIA FINANCIAL INFORMATION" in the forepart of this Official Statement.

Ad Valorem Property Taxation

The largest source of discretionary General Fund revenues is derived from property taxes. Taxes are levied by the County for each fiscal year on taxable real and personal property that is situated in the County based on the owner of record as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property on which a lien on real property is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." In addition to regular secured taxes, supplemental taxes may also be levied by accelerating property reassessment when a change of ownership or completion of new construction has occurred. Supplemental tax bills representing the taxes on the changes in assessed value are prorated from the date of completion or change in ownership to the end of the fiscal year.

Secured Property Roll. Annual property taxes on the secured roll are due in two installments: November 1 and February 1 of each fiscal year. Property taxes are collected by the Treasurer in accordance with the California Revenue and Taxation Code. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty accrues with respect to any delinquent payment. If such taxes remain unpaid as of July 1 of the fiscal year for which the tax was levied, the property securing the taxes is considered tax defaulted and may only be redeemed by payment of the delinquent tax, ten percent delinquency penalty, redemption fee, collection cost, and an additional penalty of 1½ % per calendar month beginning July 1 of the year the property became tax defaulted. Delinquent taxes may be paid under an installment plan by paying current taxes plus all delinquent taxes over a five-year period. If *ad valorem* taxes are unpaid for a period of five years or more and an installment plan is not active, such properties may thereafter be sold by the Treasurer as provided by law unless paid in full by the day before the tax auction.

Teeter Plan. On June 29, 1993, the Board of Supervisors adopted the Teeter Plan pursuant to Sections 4701 through 4717 of the California Revenue and Taxation Code (the "Teeter Plan"). The taxing agencies in the County which participate in the Teeter Plan annually receive from the County the full amount of their share of taxes from the secured property tax roll, whether or not these taxes have been collected. The Teeter Plan provides these participating agencies with stable and timely cash flow without the collection risk, and the County receives the delinquency and redemption penalty amounts when the taxes are paid.

The County has used a combination of internal resources and external borrowing to finance its advances under the Teeter Plan. The County issued its Teeter Plan Series B Notes (the "Teeter Notes") in 2013 for the purpose of financing its then current Teeter Plan distribution to taxing agencies participating in the Teeter Plan (the "Participating Agencies"). The Teeter Notes were purchased by Wells Fargo Bank, National Association through a direct placement pursuant to a Note Purchase and Reimbursement Agreement and replaced a commercial paper program. In July of each year, the County issues additional Teeter Notes to fund the distribution to Participating Agencies under the Teeter Plan. Throughout the year, the County retires portions of the Teeter Notes using delinquent tax revenues associated with the Teeter Plan. The Teeter Notes mature on July 31, 2018.

As of December 31, 2016, $37.3 million in Teeter Notes were outstanding. The County expects to apply all revenues associated with Teeter Plan collections for the remainder of the fiscal year to pay down a portion of the Teeter Notes by June 30, 2017 and plans to issue additional Teeter Notes in July 2017 to make the Teeter Plan distribution to Participating Agencies.

The penalties and interest associated with delinquent taxes, along with interest earnings on program cash and investment balances constitute General Purpose Revenue once the Tax Losses Reserve Fund is funded to its requirement (equal to 25% of delinquencies) and expenses of the program have been paid.

Unsecured Property Roll. Property taxes on the unsecured roll are due as of August 1 and become delinquent after August 31. A 10% penalty attaches to delinquent properties on the unsecured roll, and an additional penalty of 1½% per month begins to accrue on November 1. The Treasurer has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the Office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interest belonging or assessed to the delinquent taxpayer.

Allocation of Property Taxes. Property taxes are allocated to local governments pursuant to legislation implementing Article XIII A of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII A of the State Constitution" in the forepart of this Official Statement. Due to legislation enacted as part of the Fiscal Year 2004-05 State Budget and effective for Fiscal Year 2004-05 and thereafter, counties, including the County, and cities received property taxes from the schools' Educational Revenue Augmentation Fund ("ERAF") allocation to replace local sales taxes and vehicle license fees transferred to the State. The County has historically received approximately 11% of property tax revenues collected in the County for general revenue purposes. Legislation enacted with the Fiscal Year 2009-10 State Budget Act (SB 8 X3) increased property tax revenue allocations to the County by $35 million annually in Fiscal Year 2009-10 and Fiscal Year 2010-11 and by $50 million annually thereafter. With the Adoption of Assembly Bill 701 ("AB 701") on September 27, 2013, these revenues are no longer allocated to the County. For additional information regarding these revenues, see "Vehicle License Fee Revenue Reallocation and Repayment" herein.

Assessed Valuation. The Assessor assesses all property within the County except state-assessed properties (i.e., utility property, regulated railroads) which are assessed by the State Board of Equalization.

Since Fiscal Year 1981-82, property in California has been assessed at 100% of full cash value. Under Proposition 13, Article XIII A of the California Constitution, the maximum *ad valorem* tax on real property is limited to 1% of the full cash value, to be collected by counties and apportioned according to law. The full cash value may be adjusted upward annually to account for inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. When property is transferred or new construction occurs it is assessed at its cash value at the time of such transfer or new construction. Due to the changes in assessment methodology under Article XIII A of the California Constitution, the County assessment roll is no longer proportional to market value. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII A of the State Constitution" in the forepart of this Official Statement.

The following table shows a history of assessed valuations in the County since Fiscal Year 2007-08.

TABLE A-8

COUNTY OF ORANGE
DETAIL OF ASSESSED VALUATION[(1)]

Fiscal Year	Secured	Unsecured	Total	% Change
2007-08	$393,203,962,346	$19,465,816,713	$412,669,779,059	8.31%
2008-09	408,491,848,742	20,317,375,534	428,809,224,276	3.91
2009-10	402,572,097,312	20,393,498,698	422,965,596,010	-1.36
2010-11	400,814,188,871	19,937,386,517	420,751,575,388	-0.52
2011-12	405,588,977,572	19,180,663,956	424,769,641,528	0.95
2012-13	414,121,659,108	18,780,614,687	432,902,273,795	1.92
2013-14	429,070,697,346	18,678,458,709	447,749,156,055	3.43
2014-15	455,733,167,806	20,570,122,070	476,303,289,876	6.38
2015-16	485,007,445,623	19,642,914,061	504,650,359,684	5.95
2016-17	511,774,616,621	19,277,541,199	531,052,157,820	5.23

(1) Figures in table include incremental value for redevelopment agencies. Property is assessed at taxable full cash value, pursuant to California Revenue and Taxation Code Section 135(a).

Sources: Orange County Office of Auditor-Controller, Assessed Valuation Reports.

Largest Secured and Unsecured Taxpayers. Table A-9 provides a list of the twenty largest secured taxpayers in the County for Fiscal Year 2016-17. For purposes of this table, multiple properties may be consolidated into a single entry.

TABLE A-9

COUNTY OF ORANGE
TOP 20 SECURED TAXPAYERS
FISCAL YEAR 2016-17

	Taxpayers[(1)]	Secured Tax Charge	% of Taxes[(2)]
1.	Irvine Company	$ 106,205,861	1.75%
2.	Walt Disney Parks & Resorts US	52,961,148	0.87
3.	Southern California Edison Company	38,592,264	0.63
4.	Five Points Holdings, LLC	17,220,833	0.28
5.	Pacific Bell Telephone Company (AT&T)	10,180,801	0.17
6.	United Laguna Hills Mutual (Laguna Woods)	9,144,928	0.15
7.	Essex Property Trust, Inc.	7,304,900	0.12
8.	Southern California Gas Company	6,776,834	0.11
9.	Bella Terra Associates, LLC	5,739,578	0.09
10.	BEX Portfolio, Inc.	4,998,717	0.08
11.	Marblehead Development Partner	4,856,828	0.08
12.	Olen Properties Corporation	4,417,224	0.07
13.	South Coast Plaza	4,208,343	0.07
14.	B. Braun Medical, Inc.	3,956,165	0.07
15.	Knott's Berry Farm	3,863,917	0.06
16.	MMB Management, LLC	3,733,589	0.06
17.	SHR MLB, LLC (Montage Laguna Beach)	3,622,353	0.06
18.	Standard Pacific Corporation	3,302,789	0.05
19.	Sempra Energy (SDG&E)	3,152,326	0.05
20.	Monroe MBR LLC	3,130,413	0.05
	TOTAL	$297,369,811	4.89%

(1) Taxpayers are grouped under a parent company, if identifiable.
(2) Total Secured Taxes as of September 30, 2016 were $6,082,465,343.

Source: Orange County Treasurer-Tax Collector.

[Remainder of Page Intentionally Left Blank]

Table A-10 provides a list of the ten largest unsecured taxpayers in the County for Fiscal Year 2016-17.

TABLE A-10

COUNTY OF ORANGE
TOP 10 UNSECURED TAXPAYERS
FISCAL YEAR 2016-17

	Taxpayers[1]	Unsecured Tax Charge	% of Taxes[2][3]
1.	Charter Communications, Inc.	$3,814,174	0.98%
2.	Cox Communications	2,587,139	0.67
3.	Boeing Company	2,504,102	0.64
4.	Broadcom Corporation	1,894,309	0.49
5.	Southwest Airlines Company	1,673,460	0.43
6.	Allergan	1,534,949	0.39
7.	Applied Medical	1,284,456	0.33
8.	Jazz Semiconductor, Inc.	1,259,164	0.32
9.	Panasonic Avionics Corporation	1,255,602	0.32
10.	Kimberly-Clark Worldwide, Inc.	1,235,039	0.32
	TOTAL	$19,042,394	4.90%

(1) Taxpayers are grouped under a parent company, if identifiable.
(2) Total Unsecured Taxes as of September 30, 2016 were $388,901,693.
(3) Amounts may not add due to rounding.

Source: Orange County Treasurer-Tax Collector.

Vehicle License Fee Revenue Reallocation and Repayment

All counties in California receive property taxes in lieu of Vehicle License Fee ("VLF") pursuant to Section 97.70 of the Revenue and Taxation Code. This system of property taxes in lieu of VLF started in 2004 when the Legislature enacted the so-called "VLF swap" pursuant to which the State took VLF revenues that were previously allocated to cities and counties through the Motor Vehicle License Fees Account ("MVLFA") and replaced these revenues with property tax revenues that were drawn from the Educational Revenue Augmentation Fund ("ERAF") and paid to the counties and cities through the Vehicle License Fee Adjustment Amount ("VLFAA").

In recognition of the County's pledge of VLF revenues to secure the repayment of certain County bankruptcy debt, the Legislature enacted Assembly Bill 2115 ("AB 2115") in 1995. AB 2115's provisions allocated to the County, at the time of the VLF swap beginning in the 2004-2005 fiscal year, $54 million in VLF each year. Both the VLFAA and the amount of actual VLF received by the County under AB 2115 were adjusted to reflect growth or losses in property taxes for VLFAA and VLF receipts.

On June 30, 2011, the Governor signed Senate Bill 89 ("SB 89"), which terminated the County's annual receipt of approximately $49.5 million (adjusted from $54 million) in VLF under AB 2115. The County believed the action by the State in eliminating the VLF to the County required the County's Auditor-Controller, consistent with other counties, to recalculate the property taxes that must be allocated to the County as part of the VLFAA under Revenue & Taxation Code Section 97.70. The Auditor-Controller's calculation of the VLFAA for Fiscal Year 2011-12 determined that the County should receive approximately $73.5 million more in VLFAA compared to the prior year and the Auditor-Controller allocated such additional amounts to the County. On April 5, 2012, the California Department of Finance ("DOF") and the Chancellor of the California Community Colleges filed a lawsuit against the County contending that the County incorrectly computed the amount of property taxes to be allocated to the County under Revenue and Taxation Code Section 97.70 as a part of the VLFAA. On August 30, 2013, the Orange County Superior Court issued a judgment that required the Auditor-Controller to calculate future VLFAA without the additional $73.5 million adjustment in VLFAA. The judgment further required the County to repay $148.6 million (plus interest) in VLFAA previously allocated to the County under the disputed calculation method used in Fiscal Years 2011-12 and 2012-13. On September 27, 2013, Assembly Bill 701 ("AB 701") was signed by the Governor as a legislative resolution to the dispute between the State and the County. AB 701 provides for $53 million in annual VLFAA in lieu of the $50 million previously provided by SB 8 X3. For additional information regarding SB 8 X3, see "General Fund Revenues - Allocation of Property Taxes" herein. AB 701 also sets forth the repayment schedule by fiscal year shown in the following table. The Board of Supervisors took action to reserve the repayment amount in the County's strategic priority reserves. The VLFAA reserve is reported in the Basic Financial Statement for Governmental Funds in the County's Comprehensive Annual Financial Report as a portion of the General Fund Assigned Fund Balance (Assigned to General Services: Operations). In June 2015 the County made the first $5 million repayment and the second $15 million repayment was made in June 2016. The $25 million payment in Fiscal Year 2016-17 will be paid in June 2017.

TABLE A-11

COUNTY OF ORANGE
REMAINING REPAYMENT OF VLFAA ALLOCATION UNDER AB 701 BY FISCAL YEAR

2016-17	2017-18	2018-19	Total
$25,000,000	$50,000,000	$55,000,000	$130,000,000

2011 Realignment

The Fiscal Year 2011-12 State Budget Act included a Realignment Plan which transferred authority and funding responsibility for certain State programs to local governments including: court security, adult offender and parolees, public safety grants, mental health services, substance abuse treatment, child welfare programs, adult protective programs, and California Work Opportunity and Responsibility to Kids (CalWORKs). The realignment of these Public Safety and Health and Human Services programs went into effect July 1, 2011, with the exception of the funding for the realignment of adult offender and parolee populations (which is referred to as Assembly Bill 109 ("AB 109")), which went into effect October 1, 2011. AB 109 is funded by a dedicated portion of sales tax revenue and vehicle license fees per SB 89 and Assembly Bill 118 ("AB 118"). SB 89 provided revenue to counties for local public safety programs and AB 118 established a Local Revenue Fund 2011 for counties to receive revenues and appropriate funding for AB 109. The Schools and Local Public Safety Protection Act ("Proposition 30") approved by voters on November 7, 2012, among other things, guarantees the ongoing revenues redirected to counties in 2011 to fully fund public safety programs transferred as part of the Realignment Plan. The realignment of these programs was expected to have a minimal financial impact on the County as long as the programs remained fully funded by the State.

However, from implementation through Fiscal Year 2013-14 realignment revenue associated with AB 109 was insufficient to cover associated costs. On November 4, 2014 voters passed Proposition 47, "The Safe Neighborhood and Schools Act", which reduced the classification of most non-serious, non-violent property and drug crimes from felonies to misdemeanors. This change reduced the number of new felony cases and permitted re-sentencing for anyone currently serving a sentence for those offenses, ultimately reducing the AB 109 and general jail populations. As a result of this change beginning in Fiscal Year 2014-15, AB 109 realignment revenue has been sufficient to fully fund AB 109 activities.

The Fiscal Year 2014-15 AB 109 allocation received by the County was $69 million. The Fiscal Year 2015-16 AB 109 allocation received increased by $19 million to $88 million primarily due to the one-time disbursement of $9.2 million in stabilization and transition funding. The Fiscal Year 2016-17 AB 109 allocation is projected to be $77 million based on revised information received from the California Department of Finance.

Dissolution of Redevelopment Agencies

Pursuant to Assembly Bill x1 26 ("AB x1 26") (a companion bill to the Fiscal Year 2011-12 State Budget Act), redevelopment agencies were dissolved, and any net tax increment revenues remaining after payment of redevelopment bonds debt service, other enforceable obligations and administrative costs will be distributed to cities, counties, special districts and school districts. Another companion bill, Assembly Bill x1 27 ("AB x1 27"), authorized redevelopment agencies to continue operations provided their establishing cities or counties agreed to make a specified payment to school districts and county offices of education, totaling $1.7 billion statewide. As a result, the County Development Agency was dissolved effective February 1, 2012 and the County became the successor agency to the County Development Agency. The County is in the process of winding down the operations of the County Development Agency in accordance with the requirements of AB x1 26. The County estimates that it will receive approximately $25.0 million in additional property tax revenue in Fiscal Year 2016-17 from the dissolution of redevelopment agencies and expects the additional revenue to continue at least at this level on an annual basis.

Sales Tax

A sales tax is imposed upon retailers for the privilege of selling tangible personal property in California. Most retail sales and leases are subject to the tax. However, exemptions have been provided for certain essentials such as food for home consumption, prescription drugs, gas delivered through main gas lines and electricity. Other exemptions provide relief for a variety of sales ranging from custom computer software to aircraft.

Currently the total state and local sales tax rate of 7.75% is imposed in the County. The breakdown of the state and local sales tax rate is as follows:

- 3.9375% imposed as a State General Fund tax;
- 0.5% dedicated to local governments (including the County) for health and welfare program realignment;
- 0.5% dedicated to local governments (including the County) for public safety services ("Proposition 172 Funds");
- 1.25% local tax imposed under the Uniform Local Sales and Use Tax Law (known as the "Bradley-Burns Act"), with 0.25% dedicated to county transportation purposes and 1% for city and county general purpose use (the County receives the 1% portion of the tax for sales that occur in unincorporated areas);
- 0.5% Optional Local Sales Tax for transportation improvements ("Measure M Sales Tax"); and
- 1.0625% to fund the Local Revenue Fund 2011 for AB 109.

Additional Revenue to the County from Recovery Statutes

In December, 1994, the County filed for bankruptcy protection under Chapter 9 of the US Bankruptcy Code, following certain collateral calls in connection with County investments. Legislation enacted by the State in 1995 as part of the County's recovery plan (Chapters 745, 746, 747, and 748 of the 1995 Statutes, collectively the "Recovery Statutes") diverted certain revenue to the County from other public agencies or from funds within the County, and dedicated such revenue to the payment of obligations arising out of the County's bankruptcy plan of adjustment. With the exception of out-of-County solid waste importation net revenue, the mandatory transfer of the other sources of revenue have now expired and are no longer dedicated to the payment of obligations stemming from the plan of adjustment.

In accordance with the requirements of the County's bankruptcy plan of adjustment, the excess (if any) of certain net revenues paid into the County General Fund on account of importation of out-of-County solid waste (estimated at $25 million for Fiscal Year 2016-17), over the debt service and other costs payable on a fiscal year basis on the 2005 Lease Revenue Bonds (which were issued to refund the 1996 Bankruptcy Recovery Bonds and will be paid in full in July 2017) will be applied no later than 90 days following the end of each Fiscal Year, to restore losses in certain County administered accounts under the County's bankruptcy plan of adjustment.

The importation of out-of-County solid waste was included in the Waste Disposal Agreements ("WDA") with cities and set to terminate by June 30, 2016 with the WDA terminating in 2020. The County obtained approval with the cities amending the WDA extending their terms to 2025 and removed importation restrictions. This will provide the revenue to fully repay the remaining $19.7 million balance to the County administered accounts under the County's bankruptcy plan of adjustment.

Recent State Impacts to the County

Fiscal Year 2016-17 Public Safety Sales Tax (Proposition 172) Impacts. The Office of the District Attorney and Sheriff's Department include both Proposition 172 public safety sales tax and AB 109 2011 public safety realignment revenue projections for State intergovernmental revenues in their annual budgets. Proposition 172 revenue is based on State-wide sales tax and is received monthly. AB 109 revenues, which are derived from a dedicated portion of sales tax revenue and vehicle license fees, are projected in the State's Proposed Budget and May Revise with actual allocations determined after the State budget adoption (See "2011 Realignment" and "Sales Tax," herein). In Fiscal Year 2016-17, the Proposition 172 shortfall is expected to be offset by an increase in AB 109 revenue, since the amount of AB 109 revenue allocated to these two agencies totals $10.6 million over budget and the Proposition 172 shortfall is projected to be under $10 million. Furthermore, the May Revision also proposes that any amounts counties may owe the state through 2015-16 because of the Board of Equalization's miscalculations of sales tax revenue allocations will not have to be repaid.

Fiscal Year 2017-18 In-Home Support Services Program. In the January Proposed State Budget, the State has proposed shifting costs associated with the In-Home Support Services (IHSS) program to counties (see "***2017-18 Proposed State Budget--****Coordinated Care Initiative ("CCI")"* in the front part of this Official Statement). The May Revision updated the IHSS proposal to include directing State General Fund dollars - $400 million in the first year and $1.1 billion over four years – toward IHSS program costs. Additionally, a new county IHSS maintenance of effort (MOE) is proposed. There is an expectation that the counties will work with the legislature and the Governor on addressing out-year impacts. With the release of the January Proposed State Budget, the County implemented a Budget Management Action Plan on February 17, 2017. This plan includes an immediate hiring freeze; a freeze on discretionary expenditures; development of department program inventories of mandated/non-mandated programs; and, the development of department plans to deploy if IHSS reductions are required. County impacts will be monitored with the adoption of the State Budget.

[Remainder of Page Intentionally Left Blank]

Outstanding Long Term Debt and Lease Obligations

The County's outstanding long-term debt as of April 2, 2017 is shown in the following table.

TABLE A-12

COUNTY OF ORANGE
OUTSTANDING LONG-TERM DEBT AND LEASE OBLIGATIONS

Description	Source of Repayment	Outstanding Principal Balance (April 2, 2017)	Final Maturity Date
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	General Fund	$810,389	2018
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005	General Fund	5,590,000	2017
County of Orange Taxable Refunding Pension Obligation Bonds, Series 1997 A[(1)]	General Fund	11,222,539	2021
Orange County Public Financing Authority Lease Revenue Bond, Series 2006	General Fund	7,810,000	2018
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	General Fund	15,480,000	2019
County of Orange Teeter Plan Obligation Notes, Series B	Series A Taxes	37,363,000	2018
South Orange County Public Financing Authority, Central Utility Facility Lease Revenue Bonds, Series 2016	General Fund	54,345,000	2036
SUBTOTAL- GENERAL FUND OBLIGATIONS		**$132,620,928**	
County of Orange, Airport Revenue Bonds, Series 2009A	Airport Revenues	$59,155,000	2039
County of Orange, Airport Revenue Bonds, Series 2009B	Airport Revenues	130,385,000	2039
Successor Agency to the Orange County Development Agency (Neighborhood Development and Preservation Project) Tax Allocation Refunding Bonds, Issue of 2014	Redevelopment Property Tax Trust Fund	9,895,000	2022
Successor Agency to the Orange County Development Agency (Santa Ana Heights Project Area) Tax Allocation Refunding Bonds, Issue of 2014	Redevelopment Property Tax Trust Fund	14,895,000	2023
TOTAL		**$346,950,928**	

(1) The outstanding Taxable Refunding Pension Obligation Bonds, Series 1997A were economically defeased on June 22, 2000, through the deposit with the trustee of $175.492 million principal amount of AAA-rated debt securities issued by Fannie Mae, together with irrevocable instructions that these securities and other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature.

Source: County of Orange, CEO Public Finance Unit.

[Remainder of Page Intentionally Left Blank]

The County's General Fund debt service payments (excluding the economically defeased Pension Obligation Bonds, Series 1997) for Fiscal Years 2016-17 through 2020-21 is shown in the following table.

TABLE A-13

COUNTY OF ORANGE
GENERAL FUND DEBT SERVICE

Description	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	$2,607,339	$2,598,461	$2,600,000	$0	$0
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005	38,621,844	5,725,391	0	0	0
Orange County Public Financing Authority Lease Revenue Bond, Series 2006	4,200,500	4,200,000	0	0	0
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	5,823,963	5,826,575	5,281,500	0	0
County of Orange Teeter Plan Obligation Notes, Series B[1]	0	0	37,363,000	0	0
South Orange County Public Financing Authority, Central Utility Facility Lease Revenue Bonds, Series 2016	4,484,759	4,490,200	4,487,000	4,486,000	4,487,000
TOTAL GENERAL FUND DEBT SERVICE	**$55,738,405**	**$22,840,627**	**$49,731,500**	**$4,486,000**	**$4,487,000**

(1) Represents scheduled debt service. Historically, the County has voluntarily retired portions of the Teeter Notes throughout the year using delinquent tax revenues associated with the Teeter Plan. In July of each year, the County has issued additional Teeter Notes to fund the distribution to Participating Agencies under the Teeter Plan. The Teeter Notes mature on July 31, 2018. For additional information, see "Teeter Plan Notes" herein.

Source: County of Orange, CEO Public Finance Unit.

Short Term Debt

For the past several years, the County has issued 18-month pension obligation bonds to finance the pre-payment of its contributions to its retirement system in order to secure a discount. On January 13, 2016, the County issued its Taxable Pension Obligation Bonds, 2016 Series A (the "2016 Series A Bonds") in the amount of $334.275 million. The outstanding balance as of May 2, 2017 was $39.275 million. The 2016 Series A Bonds will mature on June 30, 2017. The 2016 Series A Bond proceeds were combined with $23.106 million in contributions from County departments to prepay the County's Fiscal Year 2016-17 pension obligation. The OCERS Board of Retirement approved a discount rate of 5.8% for the pension prepayment in connection with the issuance of the 2016 Series A Bonds. The discount, combined with the interest and issuance costs, resulted in a net savings of $16.2 million to the County.

On January 13, 2017, the County issued its Taxable Pension Obligation Bonds, 2017 Series A (the "2017 Series A Bonds") in the amount of $375.54 million. The 2017 Series A Bonds were purchased by the Treasurer on behalf of the Orange County Investment Fund. The outstanding balance as of January 31, 2017 is $375.54 million. The 2017 Series A Bonds will mature on June 29, 2018. The 2017 Series A Bond proceeds were combined with $24.363 million in contributions from County departments to prepay the County's Fiscal Year 2017-18 pension obligation. The OCERS Board of Retirement approved a discount rate of 4.5% for the pension prepayment in connection with the issuance of the 2017 Series A Bonds. The discount, combined with the interest and issuance costs, resulted in a net savings of $12.014 million to the County.

In Fiscal Year 2012-13, $3.9 million was borrowed from the OC Waste & Recycling Department's solid waste enterprise fund for costs associated with the upgrade of various information technology projects. The amount borrowed is being repaid over five years in equal principal installments including interest at the Treasurer commingled pool rate. The amount outstanding as of December 31, 2016 is $1.6 million. The Fiscal Year 2016-17 County budget includes $36.6 million in additional internal borrowing for information technology, animal shelter, and jail projects. However, the actual projected borrowing need is estimated at $25.4 million for the animal shelter and jail projects. The repayment of these projects is required over a three year period.

The County has not issued Tax and Revenue Anticipation Notes since 2011 as sufficient cash is available due to an increased General Fund reserve balance.

Capital and Operating Lease Obligations

The County is the lessee under a number of capital leases in effect with respect to real property and equipment used by the County. For additional information, see Note 12 in the Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2016 in Appendix B of this Official Statement.

Civic Center Master Plan

On April 25, 2017 the Board of Supervisors approved the County of Orange Civic Center Facilities Strategic Plan. The Facilities Strategic Plan involves the +/- 11 acre County "superblock" (bounded by Ross Street, Civic Center Drive, Broadway and Santa Ana Boulevard), as well as County satellite buildings within the vicinity of the Civic Center. Key goals of the plan are to improve the delivery of County services to the community by grouping similar and related services; to improve efficiencies through these departmental adjacencies; reduce energy costs by capitalizing on the Central Utilities Facility; and to improve space usage which are projected to result in lower long-term operating and maintenance costs for the County. To accomplish these goals, the plan anticipates the renovation of several existing facilities and the replacement of several facilities with new construction. These activities would result in a net increase of 390,000 square feet of government office uses within the Facilities Strategic Plan area. Implementation would occur in four phases over approximately 18 years. There are no contracts yet in place for future phases beyond Phase I. See "THE PROJECT" in this Official Statement for Phase I.

Overlapping Debt and Debt Ratios

The County contains numerous municipalities, school districts, and special purpose districts such as water and sanitation districts, which have issued indebtedness that is repaid out of tax revenues. Set forth in the following table is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of January 31, 2017. The Debt Report is included for general information purposes only. Neither the County nor the underwriter makes any representations as to its completeness or accuracy. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property and other taxes.

[Remainder of Page Intentionally Left Blank]

TABLE A-14

COUNTY OF ORANGE
DIRECT AND OVERLAPPING DEBT
As of January 31, 2017

2016-17 Assessed Valuation: $531,052,157,820 (includes unitary utility valuation)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/31/17
Metropolitan Water District	100. %	$ 92,865,000
Coast Community College District	99.999	505,839,446
North Orange County Joint Community College District	97.711	234,783,900
Rancho Santiago Community College District and School Facilities Improvement District No. 1	100.	315,121,533
Unified School Districts	0.149-100.	1,514,200,038
Anaheim Union High School District	100.	130,663,955
Fullerton Joint Union High School District	91.666	79,600,839
Huntington Beach Union High School District	100.	193,134,998
School Districts	100.	465,429,839
Irvine Ranch Water District Improvement Districts	100.	583,300,000
Moulton-Niguel Water District Improvement Districts	100.	4,105,000
Santa Margarita Water District Improvement Districts	100.	91,825,000
South Coast Water District	100.	220,000
Cities	100.	26,900,000
Orange County Community Facilities Districts	100.	436,833,300
Other Community Facilities Districts	100.	1,990,656,811
City and Special District Special Assessment Bonds	100.	850,291,157
County 1915 Act Bonds	100.	57,890,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$7,573,660,816
OTHER DIRECT AND OVERLAPPING DEBT:		
Orange County General Fund Obligations (1)	**100. %**	**$ 86,261,000**
Orange County Pension Obligation Bonds (2)	**100.**	**616,037,539**
Orange County Office of Education Certificates of Participation	100.	14,840,000
Coast Community College District Certificates of Participation	99.999	3,764,962
Unified School District Certificates of Participation	0.149-100.	352,600,680
High School District Certificates of Participation	91.666-100.	87,220,957
School District Certificates of Participation	100.	99,408,853
City of Anaheim General Fund Obligations	100.	634,127,465
Other City General Fund Obligations	100.	428,630,274
Moulton-Niguel Water District Certificates of Participation	100.	74,190,000
TOTAL GROSS OTHER DIRECT AND OVERLAPPING DEBT		$2,397,081,730
Less: City of Anaheim supported obligations		634,127,465
TOTAL NET OTHER DIRECT AND OVERLAPPING DEBT		$1,762,954,265
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		
Anaheim Redevelopment Agency	100. %	$ 199,765,000
Brea Redevelopment Agency	100.	144,298,516
Westminster Redevelopment Agency	100.	120,375,000
Fullerton Redevelopment Agency	100.	84,930,000
Buena Park Redevelopment Agency	100.	76,110,000
Other Redevelopment Agencies	100.	478,248,712
TOTAL OVERLAPPING TAX INCREMENT DEBT		$1,103,727,228
GROSS COMBINED TOTAL DEBT		$11,074,469,774 (3)
NET COMBINED TOTAL DEBT		$10,440,342,309

(1) Excludes Teeter Obligation Notes; see Table A-12.
(2) Excludes 18-month Pension Obligation Bonds; see Short-Term Debt.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2016-17 Assessed Valuation:
Total Direct and Overlapping Tax and Assessment Debt................................1.43%
Combined Direct Debt ($702,298,539) 0.13%
Gross Combined Total Debt..2.09%
Net Combined Total Debt 1.97%

Ratios to Redevelopment Successor Agencies Incremental Valuation ($55,762,447,084):
Total Overlapping Tax Increment Debt 1.98%

Source: California Municipal Statistics, Inc.

COUNTY RETIREMENT SYSTEM

General

The County contributes to OCERS, which was established in 1945 pursuant to the County Employees Retirement Law of 1937 (California Government Code § 31450 et seq.) (the "Retirement Law"). OCERS is an independent, defined-benefit retirement plan in which member employees of the County, Orange County Superior Court, and certain cities and special districts within the County participate. Participating entities, including the County, share proportionally in all risks and costs, including benefit costs. OCERS is governed by the Board of Retirement (the "Retirement Board"), which is independent of the Board of Supervisors, although the Board of Supervisors appoints four members of the nine-member Retirement Board. In addition, the Treasurer sits as an ex-officio member of the Retirement Board, as required by the Retirement Law. The California Constitution vests the Retirement Board with sole and exclusive responsibility over OCERS, including without limitation, the assets of OCERS, the administration of OCERS and the actuarial services provided to OCERS. Members of the Retirement Board must discharge their duties solely in the interest of and for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer contributions, and ensuring reasonable expenses of OCERS. The Retirement Board's duty to OCERS participants and their beneficiaries takes precedence over any other duty. The Retirement Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS.

OCERS practice has been to determine contribution rates by conducting an actuarial valuation on an annual basis as of each December 31. The County and other participating entities begin making contributions attributable to each annual valuation eighteen months after the respective valuation date. County payments represent approximately 74% of the payments into OCERS. The Retirement Law requires the Board of Supervisors to annually make budgetary appropriations for the purpose of making required County contributions to OCERS.

OCERS provides a "defined benefit" pension to eligible members (all regular full-time employees or part-time employees scheduled to work 20 hours or more per week) upon retirement (OCERS also provides certain disability and death benefits). Benefits formulas authorized under the Retirement Law are typically adopted through labor contracts negotiated between the County and employee bargaining units. Members' annual benefits are determined by multiplying a specified percentage of pay times years of service. The product constitutes the member's retirement benefit. In addition, benefit formulas include an age at which the member can retire and begin to receive the full amount of his benefit. There are various benefit formulas depending on the employee's hire date and bargaining unit. The majority of General members hired prior to January 1, 2013 are enrolled in a 2.7% at age 55 retirement formula. Due to the passage of the Public Employees' Pension Reform Act ("PEPRA") of 2013, most new General members hired on or after January 1, 2013 are enrolled in a 1.62% at age 65 retirement formula. The majority of Safety members hired prior to January 1, 2013 are enrolled in a 3% at age 50 retirement formula. As a result of PEPRA, new Safety members hired on or after January 1, 2013 are enrolled in a 2.7% at age 57 retirement formula.

Actuarial Valuation and Funding Methodology

OCERS' actuarial valuations determine, as of the date of the calculation (e.g., December 31, 2015), the funding (contributions) required for the Fiscal Year commencing eighteen months from the valuation date, based substantially upon analysis of the prior year's plan experience. OCERS uses the Entry Age Normal Actuarial Costs Method for funding. The actuary employs a series of economic and demographic assumptions including expected return on invested assets, the assumed future pay increases for current employees, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries, contributions to OCERS, inflation, and other factors. All OCERS actuarial assumptions are subject to change at the direction of the Retirement Board. See "Recent Changes to Actuarial Assumptions" below. Assumptions used in the December 31, 2015 actuarial valuation include:

Investment Rate of Return	7.25%
Inflation Rate	3.00% per annum
Cost of Living Adjustments	3.00% per annum with any excess banked for future year adjustments
Real Across the Board Salary Increase	0.50%
Projected Salary Increases	4.25% to 13.50% for General Members; 5.0% to 17.50% for Safety Members based on Service

The valuation determines annual contribution requirements, which are expressed as a percentage of pay for each benefit formula. Employer contribution rates are comprised of both normal cost and an amount to amortize the outstanding balance of the unfunded actuarial accrued liability ("UAAL"). The "normal cost" represents the amount of contributions required to fund the cost associated to the current year of service, plus a cost of living factor. Member employees also pay a normal contribution, based on formulas specified in the Retirement Law. Additionally, certain bargaining agreements require employees to pay a portion of the UAAL on behalf of the County.

The UAAL represents the amount by which the actuarial accrued liability (the present value of projected future benefits earned by employees as of the respective valuation date) of OCERS exceeds the Actuarial Value of Assets. The Actuarial Value of Assets means the market value of assets exclusive of the unrecognized gains and losses from investment over the previous five years. The unrecognized return is equal to the difference between the actual return and the assumed return on a market value basis. The difference each year is "smoothed" by separately recognizing the difference in 20% increments over the subsequent five (5) years. The "smoothing" technique is intended to recognize market value gains and losses over time to reduce volatility in resulting contribution rates. The UAAL is owed to OCERS by all participating agencies, including the County, amortized over a period of years and once a UAAL is determined, in order to calculate required contributions, OCERS uses differing amortization periods for gains and losses depending upon the reason for such gain or loss.

In 2013, OCERS reset the UAAL amortization period combining and re-amortizing the entire outstanding balance of the December 31, 2012 UAAL over a single 20-year period. Any future changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in plan amendments will be amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years.

December 31, 2015 Actuarial Valuation

OCERS' December 31, 2015 actuarial valuation (the "2015 Valuation") calculated UAAL as of December 31, 2015 as $4.822 billion (County's portion is approximately $3.835 billion), a decrease of $140.865 million from OCERS' December 31, 2014 valuation (the "2014 Valuation"). The primary contributing factor for the UAAL decrease is actual salary increases being lower than assumed. In addition, additional UAAL payments made by certain employers and lower than expected cost of living increases contributed to a UAAL decrease. The ratio of the Valuation Value of Assets (the Actuarial Value of Assets less certain non-valuation reserves) to Actuarial Accrued Liabilities in the 2015 Valuation increased to 71.72% from 69.76% in the 2014 Valuation. The aggregate employer contribution rate has increased from 36.14% of payroll to 37.25% of payroll in the 2015 Valuation. For more information regarding the funding progress of OCERS, see table A-16 herein. The County begins making contribution payments attributable to the 2015 Valuation on July 1, 2017.

Significant Changes to Actuarial Assumptions

On December 5, 2012, the Retirement Board voted to reduce the assumed investment rate of return from 7.75% to 7.25%. The assumed rate of return reduction had the impact of increasing the County's UAAL and contribution rates. The cost impact of reducing the assumed rate of return on employer contributions rates was phased in over a two-year period beginning July 2014. The estimated increase to OCERS' UAAL due to the assumption changes was $935 million.

OCERS' rate of return on an actuarial and market basis for the last ten years is shown in the following table.

TABLE A-15

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM INVESTMENT RETURNS

Year Ended December 31	Actuarial Value Investment Return	Market Value Investment Return
2006	9.71%	13.17%
2007	10.49	11.18
2008	4.23	(20.76)
2009	3.60	17.32
2010	5.02	10.47
2011	3.28	0.04
2012	3.49	11.92
2013	9.11	10.73
2014	7.34	4.52
2015	5.26	(0.45)
5-Year Average Return	5.67	5.22
10-Year Average Return	6.12	5.24

Source: Orange County Employees Retirement System Actuarial Valuation and Review December 31, 2015.

[Remainder of Page Intentionally Left Blank]

Table A-16 shows the present value of retirement benefits, the Actuarial Value of Assets available for retirement benefits, and two indicators of funding progress for OCERS: the funding ratio and the ratio of UAAL to annual payroll. OCERS's Actuarial Value of Assets recognizes each year's asset gains or losses over a five year period, one fifth per year.

TABLE A-16

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(Dollars in Thousands)

Actuarial Valuation December 31	Actuarial Value of Assets(1)	Market Value of Assets	Actuarial Accrued Liability (AAL)	Total Unfunded Actuarial Accrued Liability (UAAL)(2)	Actuarial Funded Ratio(3)	Market Funded Ratio(4)	Covered Payroll(5)	UAAL as a Percentage of Covered Payroll(6)
2006	$6,466,085	$6,987,000	$8,765,045	$2,298,960	73.77%	79.71%	$1,322,952	173.78%
2007	7,288,900	7,894,000	9,838,686	2,549,786	74.08	80.23	1,457,159	174.98
2008	7,748,380	6,457,000	10,860,715	3,112,335	71.34	59.45	1,569,764	198.27
2009	8,154,687	7,615,000	11,858,578	3,703,891	68.77	64.22	1,618,491	228.85
2010	8,672,592	8,564,000	12,425,873	3,753,281	69.79	68.92	1,579,239	237.66
2011	9,064,355	8,693,000	13,522,978	4,458,623	67.03	64.28	1,619,474	275.31
2012	9,469,208	9,750,989	15,144,888	5,675,680	62.52	64.38	1,609,600	352.55
2013	10,417,125	11,011,261	15,785,042	5,367,917	65.99	69.76	1,604,496	334.55
2014	11,449,911	11,770,076	16,413,124	4,963,213	69.76	71.71	1,648,160	301.14
2015	12,228,009	11,548,529	17,050,357	4,822,348	71.72	67.73	1,633,112	295.29

(1) The Actuarial Value of Assets exclude assets held in the Investment Account and prepaid employer contributions. See "County General Fund Budget – Reserves" herein.
(2) Actuarial Accrued Liability minus Actuarial Value of Assets, County's December 31, 2015 portion is approx. $3.835 billion.
(3) Actuarial Value of Assets divided by Actuarial Accrued Liability.
(4) Market Value of Assets divided by Actuarial Accrued Liability.
(5) Annual payroll against which UAAL is amortized.
(6) UAAL divided by Covered Payroll.

Source: Data for 2006 through 2014 is from OCERS Comprehensive Annual Financial Reports and data for 2015 is from OCERS unaudited financial information presented in the Orange County Employees Retirement System Actuarial Valuation and Review December 31, 2015.

[Remainder of Page Intentionally Left Blank]

TABLE A-17

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
CHANGES IN FIDUCIARY NET POSITION
(In Thousands)

	Years Ended December 31		
	2013	**2014**	**2015**
Contributions Received[1]	$ 720,802	$ 925,695	$ 859,750
Net Investment Income (Loss)	1,166,858	506,717	(12,700)
Net Securities Lending Income	1,478	1,465	1,051
Participant's Benefits	(607,263)	(651,385)	(697,661)
Withdrawals and Refunds	(9,864)	(11,730)	(11,857)
Administrative Expenses	(11,739)	(11,947)	(12,565)
Increases in Net Position Restricted for Pension and OPEB	$ 1,260,272	$ 758,815	$ 126,018

(1) Includes employer and employee pension and retiree health care contributions to OCERS (See "Post Employment Health Care Benefits" section herein for information regarding the Retiree Medical Trust held at OCERS).

Sources: OCERS Comprehensive Annual Financial Reports.

Table A-18 below shows the County's required contributions and the percentage contributed for Fiscal Years 2006-07 to 2015-16.

TABLE A-18

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
COUNTY CONTRIBUTIONS
(Dollars in Thousands)

Year Ended June 30	County Cash Contribution	Investment Account Contribution[1]	Total Annual Required Contribution	Percentage Contributed
2007	$223,505	$11,000	$234,505	100%
2008	253,620	11,000	264,620	100
2009	256,531	36,500	293,031	100
2010	279,574	11,000	290,574	100
2011	296,084	11,000	307,084	100
2012	310,736	11,000	321,736	100
2013	328,953	0	328,953	100
2014	348,597	10,000	358,597	100
2015	371,810	0	371,810	100
2016	384,133	0	384,133	100

(1) See "County General Fund Budget – Reserves" herein.

Sources: Orange County Office of Auditor-Controller.

The UAAL, the funded ratio, calculations of normal cost as reported by OCERS and the resulting amounts of required contributions by the County are "forward looking" information. Such "forward looking" information reflects the judgment of the Retirement Board and its actuaries as to the amount of assets which OCERS will be required to accumulate to fund its liabilities for future benefits over the lives of the currently active employees, vested terminated employees and existing retired employees. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or may be changed in the future.

For additional information, see Note 17 in the "Notes to the Basic Financial Statements Fiscal Year Ended June 30, 2016," which appears in Appendix B of this Official Statement. Various reports for OCERS including the OCERS Comprehensive Annual Financial Report are posted from time to time on the OCERS's website, www.ocers.org. Such reports are not incorporated as part of this Official Statement.

[Remainder of Page Intentionally Left Blank]

Post Employment Health Care Benefits

Plan Description. The County of Orange Third Amended Retiree Medical Plan (the "Retiree Medical Plan") is an Other Post Employment Benefit plan ("OPEB"), intended to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan was established by the Board of Supervisors. The Board of Supervisors is also the authority for amending the Retiree Medical Plan. The Retiree Medical Plan is not required by the Retirement Law. Eligible retired County employees receive a monthly grant (the "Grant"), which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The Retiree Medical Plan does not create any vested right to the benefits.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and receive a monthly benefit payment from the OCERS. To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2016 is $21.45 (absolute dollars) per year of County service, and the maximum monthly Grant is $536.25 (absolute dollars).The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. In no case shall the Grant exceed the actual cost to a retiree for the Qualified Health Plan and Medicare premiums.

The Grant is reduced by 50% once the retiree becomes Medicare Parts A and B eligible. Retirees who were age 65 and/or Medicare Parts A and B eligible on the date the Board of Supervisors approved the restructuring of the Retiree Medical Plan for each labor agreement are not subject to the Medicare reduction. The Grant is also reduced by 7.5% for each year of age prior to age 60 and increased by 7.5% for each year of age after age 60 up to age 70 for current employees retiring after the effective date. The effective date varies by the date the Board of Supervisors approved each labor agreement. Safety employees and disability retirements are exempt from the age adjustment.

The base number for the Grant is adjusted annually based on a formula defined in the Retiree Medical Plan document with a maximum increase/decrease of 3%. Surviving dependents of a deceased employee or retiree eligible for the Grant are entitled to receive 50% of the Grant that the employee/retiree was eligible to receive.

The Retiree Medical Plan also provides a lump sum payment to terminated employees not eligible for the Grant. The qualifying hours of service for calculation of the lump sum payment is frozen and the effective date varies by labor agreement. The frozen lump sum payment is equal to 1% of the employee's final average hourly pay (as defined in the plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Employees represented by the American Federation of State, County and Municipal Employees ("AFSCME") who retired before September 30, 2005 are not subject to the Medicare reduction or age adjustment to the Grant. The amount of the Grant for these retirees is adjusted annually with a maximum increase/decrease of 5%. AFSCME employees who were employed on or after September 30, 2005 are not eligible for the Grant or the lump sum payment. They may participate in the County-offered health plans at their own cost if they meet the minimum plan requirements.

Employees represented by the Association of Orange County Deputy Sheriffs ("AOCDS") who were hired on or after October 12, 2007 are not eligible to participate in the Retiree Medical Plan. Service hour accruals for the Grant and lump sum calculations for employees represented by AOCDS who were hired before October 12, 2007 were frozen. A Health Reimbursement Arrangement ("HRA") plan was established to replace the Grant for new (employed after October 12, 2007) AOCDS employees, and to supplement the frozen grants for current AOCDS employees.

Employees represented by the Association of County Law Enforcement Managers ("ACLEM") who were hired on or after June 19, 2009 are not eligible for participation in the Retiree Medical Plan. Service hour accruals for the Grant calculations for Law Enforcement Management employees who were hired before June 19, 2009 were frozen. The qualifying hours of service for calculation of the lump sum payment for Law Enforcement Management employees were frozen as of June 23, 2006. A health reimbursement arrangement Plan was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Effective January 1, 2008, health insurance premium rates were separated by active and retired employees except for employees represented by AOCDS. Effective July 1, 2008, retiree health insurance premium rates for retired employees enrolled in the AOCDS health plans will be 10% higher than active employees. See "*Retired Employees Association of Orange County, Inc. v. County of Orange*" herein.

On May 12, 2015, the Board of Supervisors approved the negotiated terms of the 2015-2019 Memorandum of Understanding between the County and the Orange County Attorneys Association ("OCAA"), which provided for the restructuring of the Retiree Medical Plan for OCAA employees. The MOU provided for the transition of current and future OCAA employees to the County's HRA and the elimination of the Retiree Medical Plan for active members of that bargaining unit. Effective July 8, 2016, all active OCAA employees were moved to the HRA and are no longer eligible for the Retiree Medical Grant or Lump Sum.

Funding Policy. Prior to Fiscal Year 2007-08, the County paid Retiree Medical Plan liabilities on a "pay-as-you-go" basis from a combination of County contributions and certain excess reserves from OCERS. In order to more adequately fund benefits under the Retiree Medical Plan, on June 19, 2007, the Board of Supervisors adopted the County of Orange Retiree Medical Trust (the "115 Trust") effective July 2, 2007. The 115 Trust is a trust under Section 115 of the Internal Revenue Code. In addition, the County and OCERS have entered into agreements for OCERS to establish an Internal Revenue Code Section 401(h) Trust (the "401(h) Trust") and to invest monies and pay benefits from the 401(h) Trust (except for the lump sum payment). The County has paid the full Annual Required Contribution ("ARC") beginning in Fiscal Year 2007-08 and intends to contribute the full ARC in future years.

The County is currently setting aside contributions of 0.4% for AFSCME, 0.4% for OCAA, 3.3% for AOCDS, 6.9% for law enforcement management, 3.9% for the Probation Department safety personnel, and 4.0% of payroll for all other labor groups, which is the ARC for those groups. Additionally, effective July 10, 2015, contributions by employees represented by AOCDS and ACLEM hired before April 4, 2009 were reduced from 2.6% to 1.6% of base, while employees hired on or after April 4, 2009 were reduced from 1% to 0%. The County intends to contribute the full ARC in future years. Funds were initially deposited into the Trust in December 2007, with subsequent deposits made throughout each fiscal year. The costs to administer the Trust are paid from the Trust.

Actuarial Methods and Assumptions. The County contracts with an outside actuarial consultant, Bartel Associates, LLC ("Bartel") to prepare the bi-annual actuarial valuation in conformance with GASB Statements No. 43 and 45. The County received a June 30, 2015 valuation for Fiscal Years 2015-16, 2016-17 and 2017-18 for the Retiree Medical Plan. Among the actuarial methods and assumptions used in the 2015 valuation are:

- The entry age normal actuarial cost method.
- Closed period amortization of the June 30, 2008 UAAL over 29 years as a level percentage of payroll (21 years remaining as of June 30, 2016).
- A 7.25% long-term expected rate of return on funds held in the Trust.
- A 3.50% per annum payroll increase assumption.
- A 3.00% per annum general inflation rate assumption.
- The assumed annual increases in the monthly Grant of 5% for American Federation of State, County and Municipal Employees ("AFSCME") employees and 3% for non-AFSCME employees. The healthcare trend (the growth in healthcare costs) was assumed to be greater than or equal to the Grant through 2021 and beyond. Therefore, healthcare trend rates have little impact on the projected benefits and UAAL due to the 3% (or 5% for AFSCME) cap on Grant annual increase.
- There are an estimated 26,218 participants in the plan of which 17,925 are employees, 25 are deferred retirees, and 8,268 are retirees.

The 2015 valuation reports a UAAL of $396.9 million for the Retiree Medical Plan for the Fiscal Year ended June 30, 2015. This is a reduction from the $1.4 billion UAAL reported in the 2005 valuation. The reduction in UAAL is due to the restructuring of the Retiree Medical Plan benefits, including but not limited to splitting of active employees and retirees into separate pools for premium rate setting purposes and the establishment of the 401(h) Trust to achieve a higher rate of return on assets.

TABLE A-19

ORANGE COUNTY RETIREE MEDICAL PLAN
SCHEDULE OF FUNDING PROGRESS
(Dollars in Thousands)

Actuarial Valuation as of June 30[1]	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
2009	$94,110	$456,005	$361,895	20.6%	$1,267,427	28.6%
2011	116,804	528,639	411,835	22.1	1,273,636	32.3
2013	155,702	573,763	418,061	27.1	1,217,052	34.4
2015	217,556	614,500	396,944	35.4	1,188,727	33.4

(1) Valuation reports are received every other year.

Source: Orange County Comprehensive Annual Financial Reports.

Annual OPEB Cost and Net OPEB Obligation/Asset. The Annual OPEB cost is the OPEB expense that the County reports in its annual financial statements. It equals the ARC with certain adjustments if the County's actual contributions differ from the ARC in prior years. The net OPEB obligation/asset is the cumulative sum of the difference between Annual OPEB cost and the amounts actually contributed to the plan. The following table shows the calculation of the net OPEB asset for Fiscal Years 2012-13 through 2015-16.

TABLE A-20

ORANGE COUNTY RETIREE MEDICAL PLAN
CALCULATION OF OPEB ASSET
(In Thousands)

	2012-13	2013-14	2014-15	2015-16
Annual Required Contribution	$ 42,713	$ 43,298	$ 44,921	$ 44,368
Interest on Net OPEB Obligation	(2,608)	(3,030)	(3,043)	(3,470)
Amortization of Net OPEB Obligation	2,392	2,868	2,976	3,541
Annual OPEB Cost	42,497	43,136	44,854	44,439
Contributions Made	(48,336)	(50,060)	(41,181)	(42,490)
Decrease/(Increase) in Net OPEB Asset	(5,839)	(6,924)	3,673	1,949
Net OPEB Obligation/(Asset), Beginning of year	(35,966)	(41,805)	(48,729)	(45,056)
Net OPEB Obligation/(Asset), End of year	$ (41,805)	$ (48,729)	$ (45,056)	$ (43,107)

Sources: Orange County Comprehensive Annual Financial Reports dated June 30, 2013 through June 30, 2016.

Certain changes to the Retiree Medical Plan and the methodology by which a retiree health plan premiums are determined are being judicially challenged by a class action of County retirees. See "*Gaylan Harris, et al. v. County of Orange*" herein.

[Remainder of Page Intentionally Left Blank]

Insurance

The County has maintained a formal risk management program since the mid 1970's. The functions of the CEO's Office of Risk Management include risk identification, avoidance, prevention, transfer, mitigation and financing programs. Risk financing is achieved through both self-insurance (risk retention) programs and the purchase of commercial insurance. Claims and litigation management also includes subrogation cost recovery activities.

Resources are budgeted in the Workers' Compensation Internal Service Fund and the Property and Casualty Risk Internal Service Fund. These internal service funds pay program costs including losses, expenses and administration costs. The cash reserves held in these internal services funds are retained for the payment of current and future costs. Actuarial studies are performed annually to determine the funding requirements for these activities.

Commercial insurance coverage is purchased for the County's property and for certain specialized liability exposures, including those related to airport, aircraft and watercraft operations. Additional, coverages include but are not limited to crime policies, cyber liability, notary bonds, and excess insurance for liability exposures. General and auto liability exposures are self-insured up to $5 million. Excess liability insurance provides up to an additional $100 million in liability coverage. Workers' Compensation is self-insured up to $20 million. Various risk control techniques, including employee accident prevention training and regular work-site inspections, have been established to minimize losses.

Litigation Management

The Office of County Counsel generally represents the County's interests in lawsuits involving actions of the Board of Supervisors, County employees or agents of the County. These actions include employment, environmental and land use, contractual obligations, inverse condemnation and property tax refunds. Legal matters controlled by the CEO's Office of Risk Management are assigned to a panel of lawyers and law firms selected by the Board of Supervisors following a recommendation by the Office of Risk Management. There are a number of lawsuits pending against the County which, depending on their outcome, may have significant financial impacts on the County. The County believes however, that the aggregate liability it might incur as a result of adverse decisions in such cases, after giving effect to the County's self-insurance program and its excess insurance coverage, will not have a material adverse effect on the County's ability to make Base Rental Payments in amounts sufficient to pay the principal of and interest on the Bonds as described in this Official Statement..

Retired Employees Association of Orange County, Inc. v. County of Orange

In late 2006, the Board of Supervisors approved agreements with a number of employee bargaining units addressing the County's Retiree Medical Plan and the method by which current employee and retiree health insurance premiums would be determined. These changes included, but were not limited to, separately pooling current employees and retirees for the purposes of health premium setting beginning in 2008, reducing the maximum annual adjustment in the Plan Grant from 5% to 3% beginning in 2008 and reducing the Plan Grant by 50% for retirees eligible for Medicare Parts A and B.

On November 5, 2007, the Retired Employee's Association of Orange County ("REAOC") filed a Complaint for Declaratory and Injunctive Relief filed in the United States District Court for the Central District of California contesting the splitting of the pool for purposes of determining health insurance premiums.

On August 13, 2012, the District Court granted summary judgment in favor of the County and on February 13, 2014, the Ninth Circuit affirmed the District Court's decision. The Ninth Circuit's ruling became final on April 9, 2014.

Gaylan Harris, et al. v. County of Orange

This case was filed as a class action on behalf of County retirees on January 22, 2009 by retired employee Gaylan Harris. The issues and claims in Harris are, for the most part, the same as or similar to those raised in the REAOC matter described above. Based on the Court's ruling in REAOC, the County filed a Motion for Summary Judgment in the Harris action. On March 29, 2011, the trial court granted the County's motion and entered judgment in favor of the County.

On April 22, 2011, the Plaintiffs appealed this decision to the Ninth Circuit Court of Appeal. After fully briefing the case the parties argued the matter on October 11, 2011. The Ninth Circuit then requested briefing from the parties on the impact, if any, of the California Supreme Court's decision in the REAOC case described above. On January 20, 2012, the County filed its letter brief addressing the impact of the Supreme Court's ruling and responding to the question of why the Harris case should not also be remanded to the District Court for further proceedings in coordination with the REAOC matter.

On June 8, 2012 the Court issued its ruling reversing and remanding the case to the District Court for further proceedings. On remand, Plaintiffs filed an amended complaint. The County responded with a motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6). On January 31, 2013, the Court issued its decision. The Court granted the County's motion and dismissed all claims, except that it permitted plaintiffs to file an amended pleading with respect to only the Fair Employment and Housing Act ("FEHA") age discrimination claim. The Court invited another motion to dismiss, with a request for more thorough briefing on the FEHA issue. On March 4, 2013, Plaintiffs filed both (1) a motion for reconsideration of the Court's order granting the motion to dismiss the claims related to the Retiree Medical Grant and (2) a fourth amended complaint that amended the age claim and re-pled the claims that had been dismissed without leave to amend. On March 18, 2013, the County filed a Rule 12(b)(6) motion to dismiss the age claim and a motion to strike the claims that have already been dismissed without leave to amend.

On May 31, 2013, the County was notified that the Court granted the County's motion to dismiss the Plaintiff's Fourth Amended Complaint and denied the Plaintiffs' motion for reconsideration of the prior order. On June 12, 2013, the Court entered a judgment in the County's favor. Plaintiffs again appealed the Court's decision to the Ninth Circuit. Oral argument was heard in February 2014. The Ninth Circuit has yet to rule on the case.

It is unclear what the full impact the REAOC decision will have on the *Harris* case. The decision is expected to require dismissal of the overlapping contractual and constitutional claims. However, it is difficult to predict the County's potential liability in light of the Grant and age discrimination claims that are unique to *Harris.*

California Department of Finance, et al. v. Jan Grimes, etc.

On April 5, 2012, the DOF and the Chancellor of the California Community Colleges filed a lawsuit against the County contending that the County incorrectly computed the amount of property taxes to be allocated to the County under Revenue and Taxation Code Section 97.70 as a part of the VLFAA. On August 30, 2013, the Orange County Superior Court issued a judgment that required the County's Auditor-Controller to calculate future VLFAA without the additional $73.5 million adjustment in VLFAA. The judgment further required the County to repay $148.6 million (plus interest) in VLFAA previously allocated to the County under the disputed calculation method used in fiscal years 2011-12 and 2012-13. The County's final payment under the judgment will be made in Fiscal Year 2018-19. For more information see "Vehicle License Fee Revenue Reallocation and Repayment" herein.

COUNTY INVESTMENT POLICY

The Treasurer is granted the authority to deposit and invest County and County agency funds under the Treasurer's control pursuant to California Government Code Section 27000 et seq. and Section 53600 et seq. and certain actions of the Board of Supervisors. Additionally, community college and school districts located in the County are required to deposit their moneys with the Treasurer pursuant to the California Education Code. The deposits of funds from other districts and local agencies may be invested with the Treasurer pursuant to a procedure established by California Government Code Section 53684 and other statutory provisions.

The total investment responsibility of the Treasurer as delegated by Board of Supervisors includes: the Orange County Investment Pool (the "County Pool") that includes the Voluntary participants' funds, the Orange County Educational Investment Pool (the "Educational Pool"), the John Wayne Airport Investment Fund, and various other small non-Pooled investment funds. The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Treasurer established three Money Market Funds: the Orange County Money Market Fund, the Orange County Educational Money Market Fund, and the John Wayne Airport Investment Fund, which all are invested in cash-equivalent securities and provide liquidity for immediate cash needs. On March 6, 2017, Standard & Poor's reaffirmed their highest rating of AAAm Principal Stability Fund Ratings for the Orange County Money Market Fund and Orange County Educational Money Market Fund. These pools are not registered with the SEC. The Treasurer also established the Extended Fund, which is for cash needs between one and five years. The County Pool is comprised of the Orange County Money Market Fund and portions of the Extended Fund. The Educational Pool is comprised of the Orange County Educational Money Market Fund and portions of the Extended Fund. The Board of Supervisors approved the 2017 Investment Policy Statement on November 22, 2016. A copy of the 2017 Investment Policy Statement ("IPS") is located at ocgov.com/ocinvestments.

The maximum maturity of any investment in the Orange County Money Market Fund and the Orange County Educational Money Market Fund is 13 months, with a maximum weighted average maturity of 60 days. The maximum maturity of any investment in the John Wayne Airport Investment Fund is 15 months, with a maximum weighted average maturity of 90 days. The maximum maturity of the Extended Fund is 5 years, with an effective duration not to exceed that of a leading 1-3 year index +25%. The investments in the pools are marked to market daily to determine the value of the pools. To further maintain safety, adherence to an investment strategy of purchasing only top-rated securities and diversification and maturities, as well as maintenance of internal controls for proper accounting and reporting, compliance, document safekeeping, collateralization, and qualified broker-dealers is required.

[Remainder of Page Intentionally Left Blank]

TABLE A-21

AUTHORIZED INVESTMENTS

Type of Investment	CA Gov Code % of Funds Permitted	Orange County IPS	CA Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities (GSEs)	100%	100% Total, no more than 50% in one issuer excluding securities with final maturities of 30 days or less rated AA- or higher	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10% - County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	3 Years	397 Days
Bankers Acceptances	40%, 30% in a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% in a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% Total, no more than 5% in one issuer	5 Years	3 Years	397 Days
State of California Local Agency Investment Fund	$50 million per account	$50 million per pool	N/A	N/A	N/A
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% Total	N/A	N/A	N/A
Investment Pools	100%	20% Total, no more than 10% in one pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

Source: Orange County Treasurer-Tax Collector.

The IPS expressly prohibits leverage, reverse repurchase agreements, structured notes, structured investment vehicles (“SIV”), or any investment commonly considered a derivative instrument or any Money Market Mutual Funds that do not maintain a constant Net Asset Value (“NAV”). Examples of structured notes include inverse floaters, leveraged floaters, structured certificates of deposit, and equity-linked securities. This includes all floating rate, adjustable rate, or variable rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

Rating Restrictions

- All short-term debt purchased within the money market funds shall have a rating of A-1/P-1/F1 or better from any two of the Nationally Recognized Statistical Ratings Organizations ("NRSRO") and not less than the aforementioned. Split ratings are not allowed, i.e. A-1/P-1/F2 or similar. An issuer of short-term debt must have no less than an "A" rating on long-term debt, if any.

- All long-term debt purchased within the money market funds or with remaining maturities of 397 days or less shall be rated by at least two NRSROs and have obtained no less than an "A" rating by any. All long-term debt purchased in the Extended Fund with maturities longer than 397 days shall be rated by at least two NRSROs and have obtained no less than an "AA" rating by any. If any issuer of long-term debt has a short-term rating, then it may not be less than A-1/SP-1 or P-1/MIG1 or F1 and should be rated by two NRSROs.

- Issuing Municipalities must have a short-term rating of not less than A1/P1 and a long-term rating of not less than an "A" from the NRSROs, and two NRSRO ratings of "A" or better are required unless they have a single NRSRO rating of AA-/AA3 or better.

- U.S. Government obligations as defined in Table A-21 above are exempt from the aforementioned credit ratings requirements.

- Municipal debt issued by the County of Orange is exempt from the credit rating requirements listed above.

- Supranational securities eligible for investment shall be rated "AA" or better from at least two NRSROs.

- Any issuer that has been placed on "Credit Watch-Negative" by a NRSRO will be placed on hold and current holdings reviewed for possible sale within a reasonable period of time unless the issuer has (a) an A-1+ or F1+ short term rating; or (b) at least an AA or Aa2 long-term rating and also approved in writing by the Treasurer prior to purchase. If any issuer is placed on "Credit Watch-Negative" by a NRSRO, all related entities, including parent and subsidiaries, will also be placed on hold and subject to the above requirements.

On December 19, 1995, pursuant to the Government Code, the Board of Supervisors established the Treasury Oversight Committee. The Treasurer nominates and the Board of Supervisors confirms the public members of the Treasury Oversight Committee, which is currently comprised of the CEO, the Auditor-Controller, the County Superintendent of Schools and four public members, a majority of which is required to have expertise in public finance.

Pursuant to the IPS, monthly, quarterly, and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) will be submitted to the Treasury Oversight Committee, the Pool Participants, the CEO, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, and the Board of Supervisors. These reports will contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and will be in compliance with Government Code. In accordance with GASB 31 and GASB 40, financial information is reported within the County's Comprehensive Annual Financial Report. The annual audit report of the Treasury will be provided as required by California Government Code Section 26920-26923. In addition, an annual compliance audit is conducted as required by California Code Section 27134. Daily compliance of the investment portfolio is performed by the Compliance Unit in the Office of the Treasurer Tax Collector.

In addition to the above reports, the Auditor-Controller, at the request of the Treasury Oversight Committee, conducts quarterly compliance monitoring of the Treasurer's investment portfolio. The purpose of the Auditor-Controller's monitoring is to determine whether the County's investment portfolio managed by the Treasurer is in compliance with certain provisions specified in the IPS and that all portfolio non-compliance, including technical incidents and required diversification disclosures, are properly reported in the Treasurer's Monthly Investment report.

As of April 30, 2017, the market value of the County Pool was $4,813,646,800. The diversification of the County Pool's assets as of April 30, 2017 is shown in the following table.

Type of Investment	% of County Pool
U.S. Government Agencies	66.49%
U.S. Treasuries	14.07
Local Agency Investment Fund	0.08
Medium-Term Notes	8.46
Money Market Mutual Funds	4.22
Municipal Debt[1]	4.51
Certificates of Deposit	2.17

(1) Includes $216.967 million of County's Taxable Pension Obligation Bonds, 2016 Series A and 2017 Series A (market value)

Source: Orange County Treasurer-Tax Collector.

The weighted average maturity of the County Pool was 315 days. The current year-to-date gross interest yield of the County Pool at April 30, 2017 is 0.83%.

Amendments to the County Investment Policy

There are proposed from time to time, the State Legislature other bills which could modify the currently authorized investments and place restrictions on the ability of public agencies, including the County, to invest in various securities. Therefore, there can be no assurances that the investments in the Pools will not vary significantly from the investments described herein or as authorized by Section 53601 of the California Government Code. There can be no assurance that State law and/or the IPS will not be amended in the future to allow for investments which are currently not permitted under such State law or the IPS, or that the objectives of the County with respect to investments will not change.

[Remainder of Page Intentionally Left Blank]

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Growth 2007-2016. The County is the third most populous county in the State and the sixth most populous in the nation. During the period 2007 through 2016, the population of the County increased by approximately 8.5%, compared to 8.3% for the State and 7.3% for the United States.

TABLE A-22

COUNTY OF ORANGE, STATE OF CALIFORNIA AND UNITED STATES POPULATION GROWTH

Date	County	State	United States
2007	2,931,629	36,250,311	301,231,207
2008	2,957,593	36,604,337	304,093,966
2009	2,987,177	36,961,229	306,771,529
2010	3,018,963	37,349,363	309,348,193
2011	3,056,084	37,700,034	311,663,358
2012	3,089,343	38,056,055	313,998,379
2013	3,120,180	38,414,128	316,204,908
2014	3,144,961	38,792,291	318,563,456
2015	3,169,776	39,144,818	320,896,618
2016	3,181,371	39,250,017	323,127,513

Sources: 2016 data for Orange County is based on California State Department of Finance – E-2 Revised May 2016. Other data is based on U.S. Census Bureau statistics.

Projected Growth Through 2060. Table A-23 includes population projections for the County, the State and the United States. The County is expected to have growth rates lower than both the State of California and national levels between 2020 and 2060, 6.8%, 27.2% and 24.6% respectively.

TABLE A-23

COUNTY OF ORANGE, STATE OF CALIFORNIA AND UNITED STATES POPULATION PROJECTIONS

Year	County	State	United States
2020	3,243,261	40,619,346	334,503,000
2030	3,361,556	44,085,600	359,402,000
2040	3,449,498	47,233,240	380,219,000
2050	3,481,613	49,779,362	398,328,000
2060	3,464,374	51,663,771	416,795,000

Sources: Orange County and State Projections – California State Department of Finance. United States Projections – Census Bureau.

Public Schools (Elementary and Secondary)

Public instruction in the County is provided by twelve elementary school districts, three high school districts, and twelve unified (combined elementary and high school) districts. For 2015-16, the largest district, the Santa Ana Unified School District, had 55,909 students enrolled. Public school enrollment for the period 2010-11 through 2015-16 is presented in Table A-24.

TABLE A-24

COUNTY OF ORANGE
PUBLIC SCHOOL ENROLLMENT

Grade Levels	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Total Enrollment K-12	502,895	502,205	501,801	500,487	497,116	493,030

Source: California Department of Education, DataQuest Reports.

Colleges and Universities

The County has a number of top-rated, college-level educational institutions, including the University of California at Irvine, the California State University at Fullerton, several private colleges, universities and law schools and four community college districts.

Employment

The following table summarizes the historical numbers of workers in the County since 2011.

TABLE A-25

COUNTY OF ORANGE
ESTIMATED WAGE AND SALARY WORKERS BY INDUSTRY*

	2011	2012	2013	2014	2015	2016
Agricultural	3,200	2,800	2,900	2,800	2,500	2,467
Mining & Logging	600	600	600	700	700	600
Construction	69,200	71,300	76,800	82,000	90,400	100,925
Manufacturing (Durable & Nondurable)	154,300	158,300	158,000	157,400	156,900	156,242
Trade, Transportation and Utilities	247,300	249,200	252,400	255,900	259,100	263,858
Information (Telecom & Publishing)	23,800	24,300	25,000	24,500	25,500	26,017
Finance, Insurance & Real Estate	104,800	108,300	113,100	113,600	116,800	117,258
Services (Professional, Health, Ed. Etc.)	636,900	662,800	686,700	709,200	737,000	761,033
Government	149,300	147,900	148,700	152,200	156,200	158,933
Total All Industries	1,389,600	1,425,600	1,464,100	1,498,200	1,545,200	1,587,333

* Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

Source: California Employment Development Department.

Agriculture

Although representing a small percentage of the jobs in the County, agriculture remains an important sector of the County's economy. The total gross freight on board (f.o.b.) value of County agricultural products decreased by 5% to $125,476,000 in 2015 relative to 2014. The f.o.b. is an indicator of the first point of sale for a farmer and includes cost of production, harvesting and preparation for market. A five-year summary of farm production in the County is provided in Table A-26.

TABLE A-26

COUNTY OF ORANGE
GROSS VALUE OF FARM PRODUCTION

Production Type	2011	2012	2013	2014	2015
Animal Industry	$319,052	$375,953	$396,010	$195,000	$184,000
Field Products	1,234,321	696,850	425,653	551,000	874,000
Nursery	79,116,798	70,630,679	73,567,293	67,242,000	63,961,000
Orchards	46,879,663	44,120,251	40,984,835	45,473,000	40,268,000
Vegetables	18,347,870	20,486,704	21,665,539	18,792,000	20,189,000
Total	$145,897,704	$136,310,437	$137,039,330	$132,253,000	$125,476,000

Source: Orange County Department of Agriculture, Annual Orange County Crop Reports.

Labor Force, Employment and Unemployment

The following table summarizes the labor force, employment, and unemployment figures over the period 2009 through 2016 for the County and the State.

TABLE A-27

COUNTY OF ORANGE AND STATE OF CALIFORNIA
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
YEARLY AVERAGE

Year and Area	Civilian Labor Force	Civilian Employment	Civilian Unemployment	Civilian Unemployment Rate
2009				
Orange County	1,589,300	1,451,700	137,600	8.7%
California	18,215,100	16,182,600	2,032,600	11.2
2010				
Orange County	1,538,600	1,388,900	149,700	9.7
California	18,336,300	16,091,900	2,244,300	12.2
2011				
Orange County	1,548,100	1,408,300	139,800	9.0
California	18,419,500	16,260,100	2,159,400	11.7
2012				
Orange County	1,566,100	1,443,400	122,700	7.8
California	18,554,800	16,630,100	1,924,700	10.4
2013				
Orange County	1,566,800	1,464,900	101,900	6.5
California	18,671,600	17,002,900	1,668,700	8.9
2014				
Orange County	1,575,600	1,489,200	86,400	5.5
California	18,811,400	17,397,100	1,414,300	7.5
2015				
Orange County	1,597,100	1,525,600	71,500	4.5
California	18,981,800	17,798,600	1,183,200	6.2
2016				
Orange County	1,617,700	1,552,900	64,700	4.0
California	19,197,800	18,161,900	1,035,900	5.4

Source: California Employment Development Department. Data not seasonally adjusted. March 2015 Benchmark, data as of January 2017.

Taxable Sales

Table A-28 summarizes the annual volume of taxable transactions since 2012.

TABLE A-28

COUNTY OF ORANGE
TAXABLE TRANSACTIONS[1]
(In Millions)

Type of Business	2012	2013	2014	2015	2016[2]	2017[3]
Apparel Group	$3,510.8	$3,764.1	$3,926.5	$4,183	$4,389	$4,660
General Merchandise	5,975.1	6,152.1	6,297.2	6,454	6,642	6,943
Specialty Stores	5,409.0	5,431.9	5,548.3	5,491	5,791	6,093
Food Stores	2,056.8	2,111.2	2,151.7	2,246	2,308	2,375
Eating and Drinking	5,853.3	6,186.9	6,577.8	7,095	7,444	7,835
Furniture and Appliances	965.0	1,050.3	1,106.4	1,169	1,242	1,306
Building Materials	2,335.6	2,582.0	2,665.0	2,809	2,963	3,102
New Motor Vehicles	5,028.0	5,499.4	6,066.6	6,342	6,500	6,843
Other Motor Vehicles	1,523.4	1,648.2	1,770.1	1,926	2,003	2,114
Service Stations	5,063.8	4,706.7	4,822.0	4,099	4,017	4,243
Nonstore Retailers	635.7	893.3	987.1	1,256	1,397	1,510
Total Retail Sales	38,372.5	40,025.9	41,918.8	43,070	44,695	47,024
All Other	16,858.2	17,565.3	18,629.9	19,985	20,971	21,816
Total Taxable Sales	$55,230.6	$57,591.2	$60,548.7	$63,055	$65,666	$68,840

(1) May not add due to rounding
(2) 2016 reflects year-end estimate.
(3) 2017 reflects year-end forecast.

Source: The Chapman University Economic & Business Review, December 2016.

Housing Characteristics

The total number of housing units in the County was estimated by the California State Department of Finance to be 1,075,705 as of January 1, 2016. This compares to 969,484 reported in 2000 and 875,105 in 1990. According to CoreLogic the median home price in the County was $640,000 as compared to the $460,000 for the six Southern California Counties combined.

Building Permits

The total valuation of residential building permits issued in the County is projected to exceed $3.0 billion in 2017 and is estimated to be $2.9 billion in 2016. Table A-29 provides a summary of residential building permit valuations and the number of new dwelling units authorized in the County during the period 2012 through 2016.

[Remainder of Page Intentionally Left Blank]

TABLE A-29

COUNTY OF ORANGE
RESIDENTIAL BUILDING PERMIT VALUATIONS AND PERMITS ISSUED

	2012	2013	2014	2015	2016[1]	2017[2]
Permit Valuation						
Residential*	$ 1,560,509	$ 2,653,728	$ 2,640,484	$ 2,837,461	$2,936,586	$3,063,862
Nonresidential*	1,265,430	1,521,280	1,993,154	2,195,526	2,548,714	2,679,008
Number of Deeds Recorded	130,317	121,803	100,882	110,338	108,126	109,242

(1) 2016 reflects year-end estimate.
(2) 2017 reflects year-end forecast.
* Permit valuations are in (000's)

Source: The Chapman University Economic & Business Review, December 2016.

Water Supply

Maintaining the County's water supply is the responsibility of the Orange County Water District ("OCWD"), manager of the County's groundwater basin, and the Municipal Water District of Orange County ("MWDOC"), the County's largest manager of imported water. More than 75% of the County's water is from local groundwater sources; the rest is imported. The County's natural underground reservoir is sufficient to carry it through temporary shortfall periods, but local supplies alone cannot sustain the present population.

Recreation and Tourism

The County is a tourist center in Southern California because of the broad spectrum of amusement parks and leisure, recreational, and entertainment activities that it offers. These tourist attractions are complimented by the year-round mild climate.

Along the County's Pacific Coast shoreline are five state beaches and parks, five municipal beaches, and five County beaches. There are three small-craft harbors in the County; Newport, Huntington, and Dana Point harbors.

Other major recreational and amusement facilities include Disneyland, Disney's California Adventure, Knott's Berry Farm, and the Spanish Mission of San Juan Capistrano. Also located within the County are the Anaheim Convention Center, Angel Stadium of Anaheim home of the Major League Baseball Team Los Angeles Angels of Anaheim, Honda Center of Anaheim home of the National Hockey Team Anaheim Ducks, Segerstrom Center for the Arts, and the Art Colony at Laguna Beach with its annual art festival.

Transportation

The County is situated in one of the most heavily populated areas in California and has access to excellent roads, rail, air, and sea transportation. The Santa Ana Freeway (I 5) provides direct access to downtown Los Angeles and connects with the San Diego Freeway (I 405) southeast of the City of Santa Ana providing a direct link with San Diego. The Garden Grove Freeway (SR 22) and the Riverside Freeway (SR 91) provide east-west transportation, linking the San Diego Freeway, Santa Ana Freeway and the Newport Freeway (SR 55). The Newport Freeway provides access to certain beach communities.

Drivers in the County have access to five toll roads. The 91 Express Lanes is a 10-mile express lanes toll road in the median of the SR 91 connecting Orange County and Riverside County. The San Joaquin Toll Road (73) runs from Costa Mesa to Mission Viejo connecting to the I-405 and the I-5 freeways. The Foothill Eastern Toll Roads consisting of the 241, 261 and 133 connect to the SR 91 near the Riverside County line and I-5 freeway in the City of Irvine, the Laguna Canyon Road, and other cities in South County.

Rail freight service is provided by the Burlington Northern Santa Fe Railway and the Union Pacific Railroad Company. Amtrak provides passenger service to San Diego to the south, Riverside and San Bernardino Counties to the east, and Los Angeles and Santa Barbara to the north. Metrolink provides passenger service to San Bernardino and Riverside Counties to the east, San Diego County to the south and Los Angeles County to the north. Bus service is provided by Greyhound Bus Lines. The Orange County Transportation Authority provides bus service between most cities in the County. Most interstate common carrier truck lines operating in California serve the County.

John Wayne Airport is located in the unincorporated area between the cities of Costa Mesa, Irvine, and Newport Beach and is owned and operated by the County. The airport is classified as a medium air traffic hub by the Federal Aviation Administration, serving the County and portions of Los Angeles, Riverside, San Bernardino and San Diego counties (its "Trade Area"). The airport is an origination and destination airport, primarily for short-to-medium haul markets in its Trade Area. Presently, thirteen airlines operate out of the airport, including ten commercial airlines (Alaska, American, Delta, Frontier, Southwest, United, Compass, Horizon, Skywest Commercial, and WestJet), one commuter airline (SkyWest dba United Express and Delta Connection) and two cargo airlines (FedEx and UPS). From January through December 2016, the airport served approximately 10.5 million passengers. General aviation activities at the airport are served by two full service Fixed Base Operators.

Natural Disasters

Natural disasters, including floods, fires, and earthquakes, have been experienced in the County. Seismic records spanning the past half century and historic records dating from the 1700s through the early 1900s indicate that the County is a seismically active area.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

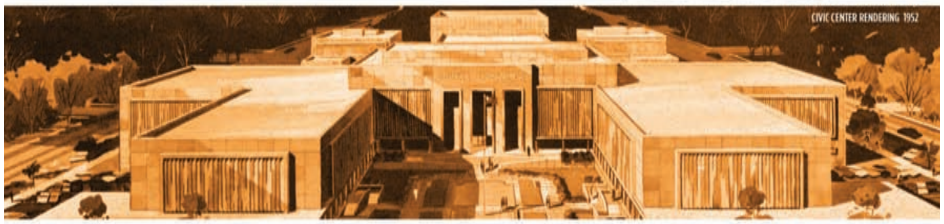
[THIS PAGE INTENTIONALLY LEFT BLANK]

County of Orange, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2016

GARDEN GROVE BRANCH LIBRARY 1956


CIVIC CENTER RENDERING 1952


JOHN WAYNE AIRPORT (OC AIRPORT) 1952


JOHN WAYNE AIRPORT 2013

PCH, HUNTINGTON BEACH 1938


GOLDEN AVE., PLACENTIA, 1962


DANA COVE 1966

ERIC H. WOOLERY, CPA, AUDITOR-CONTROLLER

County of Orange

State of California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2016

Eric H. Woolery, CPA
Auditor-Controller

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

B-3

FINANCIAL SECTION (Continued)

FINANCIAL SECTION (Continued)

STATISTICAL SECTION

AUDITOR-CONTROLLER
COUNTY OF ORANGE

HALL OF FINANCE AND RECORDS
12 CIVIC CENTER PLAZA, ROOM 200
POST OFFICE BOX 567
SANTA ANA, CALIFORNIA 92702-0567

(714) 834-2450 FAX: (714) 834-2569

www.ac.ocgov.com

ORANGE COUNTY OCgov.com Our Community. Our Commitment.

COUNTY EXECUTIVE OFFICE
COUNTY OF ORANGE

ROBERT E. THOMAS HALL OF
ADMINISTRATION
333 W. SANTA ANA BLVD.
SANTA ANA, CALIFORNIA 92701

(714) 834-2345 FAX: (714) 834-3018

www.oc.ca.gov

December 15, 2016

The Citizens of Orange County:

The Comprehensive Annual Financial Report (CAFR) of the County of Orange, State of California (County), for the year ended June 30, 2016, is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California. The report contains financial statements that have been prepared in conformity with United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. A comprehensive framework of internal controls has been designed and established to provide reasonable assurance that the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of County funds. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

The CAFR has been audited by the independent certified public accounting firm of Macias Gini & O'Connell LLP (MGO). The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the County for the year ended June 30, 2016, are free of material misstatement. The independent certified public accounting firm has issued an unmodified ("clean") opinion on the County's basic financial statements as of and for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

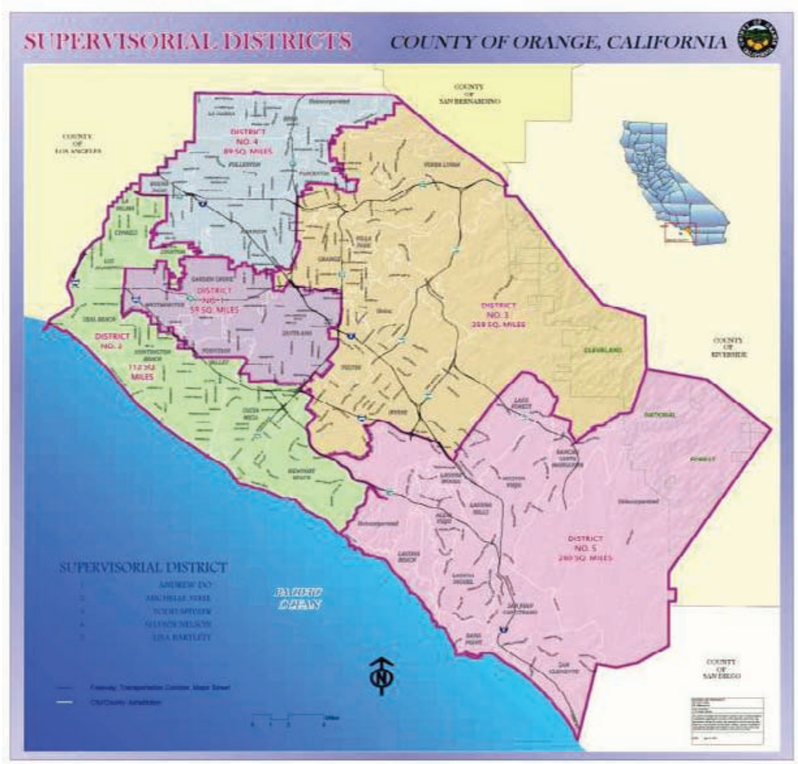
This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and analysis of the basic financial statements.

PROFILE OF THE GOVERNMENT

The County, incorporated in 1889 and located in the southern part of the State of California, is one of the major metropolitan areas in the state and nation. The County occupies a land area of 798 square miles with a coastline of 42 miles serving a population of over 3 million. It represents the third most populous county in the state and ranks sixth in the nation.

The County is a charter county as a result of the March 5, 2002, voter approval of Measure V, which provides for an electoral process to fill mid-term vacancies on the Board of Supervisors. Before Measure V, as a general law county, mid-term vacancies would otherwise be filled by gubernatorial appointment. In November 2008, voters approved Measure J, which added Article III, Section 301 to the Charter of Orange County requiring voter approval for increases in future retirement system benefits of any employee, legislative officer, or elected official of the County in the Orange County Employees Retirement System (OCERS) or any successor retirement system, with the exception of statutorily-established cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs. In June 2012, voters approved Measure B, which requires that any Orange County Supervisors elected or appointed on or after June 5, 2012 can enroll only in the minimum pension option, i.e., the least lucrative pension plan, offered to Orange County employees. At present, the minimum pension plan is a 1.62% at 65 pension plan. This measure amends the County Charter and applies to any current or previous Supervisor. In June 2016, voters approved Measure B, which requires the County Auditor-Controller to review any countywide measure placed on the ballot and prepare a fiscal impact statement.

The County is like a general law county and governed by a five-member Board of Supervisors (the Board), who each serve four-year terms, and annually elect a Chairman and Vice-Chairman. The supervisors represent districts that are each approximately equal in population. The district boundaries were revised effective September 6, 2011, incorporating the results of the 2010 census. A County Executive Officer (CEO) oversees 15 County departments, and elected department heads oversee six County departments. The Supervisorial Districts map below shows the boundaries of Orange County and the areas governed by each member of the Board.



The County provides a full range of services countywide, for the unincorporated areas, and contracted services for cities. These services are outlined in the following table:

Countywide Services	
Affordable Housing (Housing Authority)	Veterans Services
Agricultural Commissioner	Indigent Medical Services
Airport	Jails & Juvenile Facilities
Child Protection & Social Services	Juvenile Justice Commission
Child Support Services	Landfills & Solid Waste Disposal
Clerk-Recorder	Law Enforcement
Coroner & Forensic Services	Probationary Supervision
District Attorney	Public Assistance
Elections & Voter Registration	Public Defender/ Alternate Defense
Environmental / Regulatory Health	Public & Mental Health
Flood Control & Transportation	Senior Services
OC Parks	Collection & Appeals
Disaster Preparedness	Weights & Measures
Grand Jury	Property Tax Assessment, Apportionment & Collection

Unincorporated Area Services	
Animal Care & Control	Libraries
Flood Control	Parks
Land Use	Waste Disposal Collection
Law Enforcement	

Contract Services for Cities	
Animal Care & Control	Libraries
Law Enforcement	Public Works & Engineering
Utility Billing and Check Remittance Processing	

Sources: County departments

In addition to these services, the County is also financially accountable for the reporting of component units. Blended and fiduciary component units, although legally separate entities, are, in substance, part of the County's operations and, therefore, data from these units are combined with data of the County. The County has two component units, the Children and Families Commission of Orange County (CFCOC) and CalOptima, which require discrete presentation in the government-wide financial statements. The County's fiduciary component unit, County of Orange Redevelopment Successor Agency (Successor Agency), was established as a result of the dissolution of the former Orange County Development Agency. The following entities are presented as blended component units in the basic financial statements for the year ended June 30, 2016: the Orange County Flood Control District, Orange County Housing Authority, Orange County Public Financing Authority, South Orange County Public Financing Authority, Orange County Public Facilities Corporation, County Service Areas, Special Assessment Districts, Community Facility Districts, and In-Home Supportive Services Public Authority. Additional information on these entities can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements.

The County maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of the General Fund and most of the Special Revenue, Debt Service, Capital Projects and Permanent funds are included in the annual appropriated budget. The level of budgetary control (that level which cannot be exceeded without action by the Board) is at the legal fund-budget control unit level, which represents a department or an agency. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. The Budgetary Comparison Statements for the General Fund and major Special Revenue Funds are part of the Basic Financial Statements. The Budgetary Comparison Schedules for the nonmajor Governmental Funds with appropriated annual budgets are presented in the Supplemental Information section for governmental funds. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered appropriations do not lapse at year-end; outstanding encumbrances are carried forward to the following year's budget. Additional information on the budgetary process can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements.

(Dollar Amounts in Thousands)

The County's eGovernment website portal at http://www.ocgov.com provides online services and extensive information about the County government to Orange County residents, businesses, partners, and visitors. It includes information about the Board, County job listings, purchasing bid solicitations, assessment appeals, links to court information and local court rules, voter information, County permits and forms, public safety, health and human services programs and financial information. The site also provides several online services, including live and archived Board meeting videos, the ability to order birth, death and marriage certificates, search fictitious business names, find polling locations and election results, license pets, pay property taxes, and subscribe to receive emergency alerts. The County continuously strives to improve our constituent's ability to conduct business online.

FACTORS AFFECTING ECONOMIC CONDITION

Local Economy

Two indicators of the Orange County economy are: how well the local economy performs relative to surrounding counties, the state, and the nation (external indicators); and how well the local economy performs relative to its own historical trends (internal indicators). This section provides various external and internal indicators that describe the current and projected outlook of the Orange County economy.

In terms of the external indicators, Orange County's economy continues to out-perform local surrounding counties, the state and national economies (in annual percentage growth), and, in fact, ranks higher (in absolute growth rate dollars) than the economies of the majority of the world's countries.

Orange County's unemployment rate continues to be below that of all surrounding Southern California counties, the State of California and the National level (see Table 1).

According to Chapman University, inflation, as measured by the increase of the Consumer Price Index (CPI) in 2016, is expected to be 2.2% for Orange County, which equals the State of California and is higher than the U.S. at 1.4% (see Table 2).

Table 1: Unemployment Rate Comparison

Primary Government Entity	August 2016 Unemployment Rate
United States	4.9%
California	5.6%
Los Angeles County	5.3%
Riverside County	6.9%
San Bernardino County	6.2%
San Diego County	5.0%
Orange County	**4.4%**

Unemployment Rate

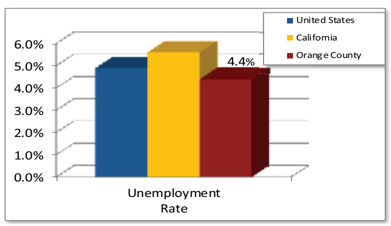


Table 2: 2016 – Projected Increase of the CPI

United States	California	Orange County
1.4%	2.2%	2.2%

Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, June 2016
Note: Unemployment rates are for the month of August 2016

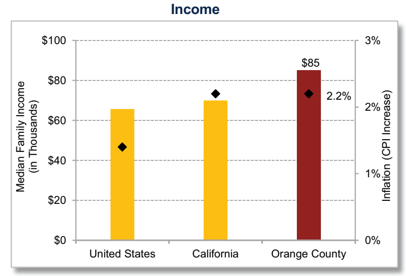
According to the Department of Housing and Urban Development, Orange County's median family income is expected to be $85,000 (absolute dollars) in 2016, compared to $85,900 (absolute dollars) in 2015. Median family incomes in Orange County continue to exceed all surrounding Southern California counties, the State of California and the nation (see Table 3).

Table 3: Median Family Income Comparison

Primary Government Entity	Median Family Income (absolute dollars)
United States	$65,700
California	$70,000
Orange County	**$85,000**
San Diego County	$73,500
Los Angeles County	$62,400
Riverside County	$61,400

Sources: U.S. Department of Housing and Urban Development, 2016

Comparisons of Inflation and Median Family Income



Sources: Economic & Business Review, Chapman University, June 2016
U.S. Department of Housing and Urban Development, 2016

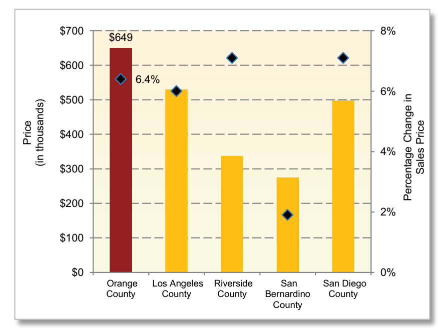
According to CoreLogic Information Systems, the median home sales price for new and existing homes in Orange County was $649,000 (absolute dollars) in August 2016, representing a 6.4% increase relative to August 2015. The median sales price in Orange County continues to exceed all surrounding counties (see Table 4).

In terms of internal trends, current and projected indicators suggest that the Orange County economy will continue to gradually improve with job growth expected to be 2.6% in 2016.

Table 4: Median Home Sales Price Comparison- Southern California Counties – August 2016

Primary Government Entity	Median Home Sales Price Change increase	Median Home Sales Price (absolute dollars)
Orange County	**6.4%**	**$649,000**
Los Angeles County	6.0%	$530,000
San Diego County	7.1%	$498,000
Riverside County	7.1%	$337,500
San Bernardino County	1.9%	$275,000

Table 4: Comparison of Median Home Sales Price and Price Changes Among Counties



Sources: CoreLogic Information System, August 2016

(Dollar Amounts in Thousands)

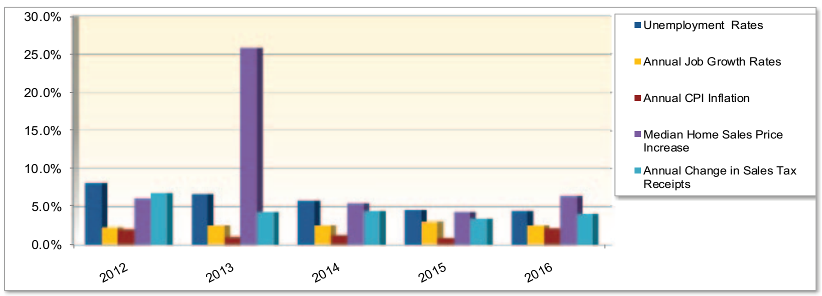
Table 5 shows various internal indicators reflecting steady growth of Orange County's economy. The unemployment rate decreased to 4.4% for the month of August 2016 relative to 4.6% for the month of August 2015. Job growth is expected to decrease to 2.6% in 2016 compared to 3.1% for 2015. Median home prices increased by 6.4% in August 2016, relative to 4.3% in August 2015. Annual change in sales tax receipts is forecasted to be 4.1% in 2016.

Table 5: Orange County Historical Data

Historical Indicators	2012	2013	2014	2015	2016
Unemployment Rates	8.1%	6.7%	5.4%	4.6%	4.4%
Annual Job Growth Rates	2.3%	2.5 %	2.6%	3.1%	2.6%
Annual CPI Inflation	2.0%	1.1%	1.3%	0.9%	2.2%
Median Home Sales Price Increase	6.0%	25.8%	5.4%	4.3%	6.4%
Annual Change in Sales Tax Receipts	6.8%	4.3%	4.4%	3.4%	4.1%

Data in Table 5 for prior years may be different from previous years CAFR due to the timing of obtaining data. Data for 2016 is based on forecasted data

Orange County Historical Data Comparison
(Shown as a year-to-year percentage increase/decrease)



Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, June 2016
Corelogic Information Systems, August 2016
California Board of Equalization

In summary, the economy in Orange County continues to show signs of slow but steady growth.

Long–Term Financial Planning

Strategic Plan: In March 1997, the Board initiated a financial planning process that is a key component of the County's commitment to fiscal responsibility, accountability, and efficiency. The plan includes projections of County general purpose revenues, departmental projections of operating costs, revenues and capital needs for current programs and services and anticipated caseload changes. New programs, services and capital projects are identified and prioritized on a countywide basis with financial impacts identified over the plan period. The plan covers a five-year period and includes a ten-year analysis of operating costs in cases where new programs and facilities are assessed to ensure the ability to pay for long-term operational costs.

The 2016 Strategic Financial Plan (SFP) was presented to the Board on December 6, 2016. The 2016 SFP is the foundation in planning for continued financial stability and will be augmented by the monitoring and establishment of budgetary control via the quarterly budget reporting process and adoption of the Annual Budget. The five-year SFP projections indicate that General Purpose Revenue growth will be in the range of 2.8% for the first year of the plan with growth rates averaging 2.3% in years two through five. The moderate growth rate for revenue, coupled with the increasing cost of doing business, will require the County to carefully manage programs and services levels. The

County continues to believe that sustained job growth and reduced unemployment are the key indicators for economic recovery.

In order to address identified budget issues and prepare for the continued uncertainty of the general and local economy, the following represent some of the actions taken or identified as options for early planning. Early action is critical to ensure baseline services are met and that the County continues to experience financial stability.

- The 2016 SFP reflects only a 1% increase in Net County Cost limits in Fiscal Years (FY) 2017-18 and 2018-19, increasing to 2% in FYs 2019-20 through 2021-22, with the remaining excess funds distributed and/or set-aside to address the most critical strategic needs for the County
- Continuation of the policy to not backfill State budget reductions
- Position Policy: delete aged vacant positions
- Internal financing program to support major capital and information technology projects
- Maintaining prudent levels of General Fund and Contingency Reserves

The County continues to move forward on several large projects identified below. In addition, the County is in various stages of planning and implementing several other projects. Financial plans are in place for the 800 MHz Countywide Coordinated Communications System, replacement of Central Utility Facility infrastructure, new Animal Care Center, Homeless Shelter and the first phase of the Civic Center Master Plan. Development of the County property at the former Marine Corps Air Station El Toro in Irvine and other various County-owned properties will require up-front financial planning and investment in order to generate revenue in future years on a long-term basis.

Santa Ana River Mainstem Project: The Santa Ana River Mainstem Project (SARMP) was initiated in 1964, in partial response to a resolution of the United States House Committee on Public Works adopted May 8, 1964. A survey report was completed by the Orange County Flood Control District in 1975. The report was reviewed and submitted to Congress in September 1978. In September 1980, the United States Army Corps of Engineers completed the General Design Memorandum for the SARMP. Construction for the SARMP was authorized by the Water Resources Development Act of 1986. Construction for the SARMP was initiated in 1989, and completion is scheduled for December 2022.

The SARMP is designed to provide flood protection to the growing urban communities in Orange, Riverside and San Bernardino Counties. The proposed improvements to the system cover 75 miles, from the headwater of the Santa Ana River, east of the city of San Bernardino to the mouth of the river at the Pacific Ocean between the cities of Newport Beach and Huntington Beach. The project will increase levels of flood protection to more than 3.35 million people within the three county areas. The project includes seven independent features: Seven Oaks Dam, Mill Creek Levee, San Timoteo Creek, Oak Street Drain, Prado Dam, Santiago Creek and the Lower Santa Ana River. More information on the SARMP is available in Note 14, Construction and Other Significant Commitments. To learn more about the SARMP, visit the Orange County Flood Control Division's website at http://www.ocflood.com.

OC Dana Point Harbor Revitalization Plan: The OC Dana Point Revitalization Plan (Plan) includes revitalization of Dana Point Harbor's commercial core, marinas, and hotel. The Plan is a multi-phased and long-term public-private partnership project, where total development costs have been estimated in excess of $150,000 pending final project design approvals. The Plan is a phased and systematic long-term rehabilitation and/or replacement of the commercial core, hotel, and waterside elements. The initial phases of improvement have begun with phase one focusing on infrastructure elements being funded by the Dana Point Tidelands Fund. County Executive Office staff are managing the process for selection of a potential private partner for the project and will work with OC Parks staff to finalize the financial strategy for the complete Plan that will meet the long-term needs and expectations of the community and the County.

In addition, OC Dana Point Harbor continues to budget for the maintenance dredging of the Dana Point Harbor, with the most recent dredging occurring in FY 2015-16. In general, the dredging takes place every seven years and is budgeted from the reserves each year.

James A. Musick Facility Expansion: On March 8, 2012, the State approved $100,000 in funds for the County for expansion of the James A. Musick Facility (AB900). This project is currently in the final stage of design with construction estimated for completion in FY 2019-20. The County must front costs initially until the notice to proceed for construction is approved by the State. At that time, all past eligible costs incurred can be invoiced for reimbursement by the State in full, and all future costs will be invoiced for reimbursement by the State on an ongoing basis until construction completion and occupancy. It is anticipated that costs will be reimbursed beginning in FY 2017-18.

On March 13, 2014, the State approved $80,000 in funds for the County for further expansion of the James A. Musick Facility (Senate Bill 1022). This project is also in the final stage of design and will be completed in parallel with the AB900 project. Because of schedule compaction during design, the State approved executing both project phases into a single construction project. The financial requirements for this second phase are consistent with those described above.

La Pata Avenue Gap Closure and Camino Del Rio Extension Project: The County has begun the construction of the La Pata Avenue Gap Closure Project (Project) that will widen La Pata Avenue and implement a gap closure between the cities of San Juan Capistrano and San Clemente. This is a cooperative project between the City of San Clemente, City of San Juan Capistrano, OC Waste & Recycling, and OC Public Works, with the County acting as the lead agency. The total Project cost is estimated at $127,000 and is funded from State 1B, Measure M1 and M2, gas tax, La Pata Fee Program, OC Waste & Recycling, developer agreement, and community facility district revenues. A construction contract for $72,741 was awarded by the Board to Sukut Construction, Inc. on December 10, 2013. A construction management contract for $7,706 was awarded to Hill International, Inc. on February 4, 2014. The groundbreaking ceremony was held on April 4, 2014. The ribbon cutting ceremony for the initial phase took place on August 13, 2016, and the roadway opened to the public on August 14, 2016. The tentative completion date for this phase is December of 2016. The remaining two phases, La Pata Widening and Camino Del Rio Extension, began construction in August 2016. Completion of the Camino Del Rio Extension Phase is anticipated in April 2017. Completion of the La Pata Widening Phase is anticipated in February 2018.

Homeless Shelter: On November 17, 2015, the Board approved the acquisition of 1000 N. Kraemer Place for $4,250 as the site of a new 200-bed Year Round Emergency Shelter and Multi-Service Center to serve the homeless with $1,100 in funding support from the cities of Anaheim, Fullerton, and Brea.

Animal Shelter: In December 2015, the Board approved negotiated terms for a land swap between the County, the South Orange County Community College District, and the City of Tustin regarding ten acres of land for the construction of a new, state-of-the-art animal shelter to replace the existing shelter in the City of Orange. A preliminary cost estimate for the new shelter is $35,000, with up to $7,200 paid by the County, and the remaining cost paid by fourteen contract cities. The expected opening date of the new shelter is in late 2017.

Relevant Financial Policies

To achieve the goal of providing outstanding and cost-effective regional public services, the County applies sound management practices and policies that enhance the quality of life of its citizens. Such financial management practices have been identified by the Government Finance Officers Association of the United States and Canada (GFOA) and recognized by Fitch Ratings as best practices that promote financial soundness, efficiency in government and solvency in public finance.

General Fund Reserves Policy

The County General Fund Reserves Policy provides guidance in the creation, maintenance and use of reserves. The policy covers formal and informal reserves, and includes provisions for reserves such as appropriations for contingencies, reserve-like appropriations, and reserve-like funds held by others such as the OCERS Investment Account. The policy also recognizes whether funds are legally required or discretionary or have special restrictions. The reserves policy is maintained and updated, as needed, through the County's annual SFP process. The reserves policy targets and balances are included in the annual SFP document.

The General Fund Reserves policy is designed to provide flexibility to the County as well as the following:

- Resources to address unanticipated or cyclical economic conditions
- Resources for emergencies and/or catastrophic events
- Mitigation of the volatility of revenues and expenditures in managing temporary cash flow shortages
- Capacity to cover unexpected large one-time expenses and opportunities

- Capacity to fund capital investments
- Capacity to minimize borrowing costs
- Capacity to provide some level of protection against statutory changes to County revenues and impacts from federal and state actions

The County has a variety of reserve funds available to both the General Fund and Non-General Funds including:

- Fund Balance Assigned for Contingencies
- Fund Balance Assigned for Operations
- Fund Balance Assigned for Construction and Maintenance
- Fund Balance Assigned for Capital Projects
- Fund Balance Assigned for Teeter Loss Reserve
- Fund Balance Assigned for Reserve Target
- Reserve-Like Funds
- Reserve-Like Appropriations
- Department-Type Reserves

All of the above are reserves normally modified at the time of budget adoption (Government Code Section 29085) or at fiscal year-end. Changes to reserve amounts at other times require a 4/5 vote of the Board. A 4/5 vote is also required to make such reserves available for appropriation to expend the funds, if needed, during the fiscal year (Government Code Section 29130).

Reserve Targets and Descriptions

Under GFOA recommended practice, the County establishes an overall reserve target, and allocates the calculated target among the classes of obligated fund balances as appropriate. The County may fund more or less to each reserve class for a variety of reasons, such as its current financial condition, the need to set aside for particular goals or directives, the need to bridge one-time gaps, etc. The goal is to ensure a prudent reserve balance that is maintained and replenished on a regular basis.

In implementing the GFOA's best practice, the County elected to establish a funding target based upon two months of General Fund operating revenues. Analysis of the historical average of two months of operating revenues, as well as FY 2016-17 adopted budgeted revenues, yielded a funding target of approximately 17% of General Fund operating revenues.

Contingencies

The purpose and use of this reserve is to cover unanticipated and severe economic downturns, major emergencies, or catastrophes that cannot be covered with existing appropriations. In particular, continued drought conditions with the attendant risk of wildfires, highlights the potential for catastrophic events within the County. A significant event could create the need for a higher funding level of this reserve. The target amount for this reserve is 15% of ongoing annual General Purpose Revenues (excluding fund balance unassigned and one-time amounts and transfers).

The following table summarizes the County's financial management practices:

(Dollar Amounts in Thousands)

Relevant Financial Policies	
Multi-Year SFP	The County's SFP is based on a five-year financial forecast and includes a 10-year analysis of operating costs in cases where new programs and facilities are recommended to ensure the ability to pay for long-term operational costs. Performance measures and strategies are key elements of the SFP process.
Five-Year Capital Improvement Plan	The County's five-year Capital Improvement Plan (CIP) is a long-term list of significant projects funded by the General Fund in the Capital Projects budget. It also includes the five-year capital program for Non-General Fund agencies. The CIP aids the County in its assessment of the best use of funds available in order to establish and prioritize its capital asset goals, while maintaining long-term financial stability.
Information Technology Projects	The five-year Information Technology Plan (ITP) is a compilation of significant IT projects including upgrades or replacements of existing systems, greater or equal to $150 and less than $1,000 in any one fiscal year of the five years in the plan. Costs for ongoing system support and maintenance are included. The ITP is a tool used by the County to assess IT projects, leverage overlap, and prioritize the use of County General Funds available to IT projects.
Quarterly Budget Report	The County Executive Office issues quarterly budget reports that provide the Board, County departments, members of the public, and other interested parties with an overview of the current status of budgeted revenues and expenditures, total budgeted positions and various departmental issues requiring adjustments to the County's budget.
Annual Budget Policies and Guidelines	The Annual Budget reflects the County's disciplined approach to fiscal management and is consistent with the County's SFP process. Department budgets are consistent with the priorities and operations plans contained in the SFP. Departments use these planning processes, along with outcome indicators, to evaluate programs and redirect existing resources as needed for greater efficiency to reduce costs and minimize the need for additional resources.
Fund Balance Reserve Policy	The County General Fund currently contains formal and informal reserves, appropriations for contingencies, appropriated reserve-type funds, and reserves held by others. The purpose of these reserves is to protect community programs and services from temporary revenue shortfalls and provide for unpredicted, sudden and unavoidable one-time expenditures.
Contingency Planning Policy	The County's General Fund maintains a reserve for contingencies, which was established through the SFP process. The target amount for this reserve is 15% of ongoing annual General Purpose Revenues (excludes fund balance unassigned and one-time amounts and transfers), or $108,438. This compares to the GFOA guidelines for funding contingencies at 15% or higher. The November 29, 2016 balance is $62,300, approximately $46,138 below the target. In addition to the reserve for contingencies, the County budgets an annual appropriation for significant unanticipated emergencies, catastrophes, one-time expenditures and opportunities of no less than $5,000 in the General Fund.
Debt Disclosure Practices	The County presents a set of debt disclosures in the County's adopted Budget document and the CAFR, as well as Continuing Disclosure Annual Reports on its website and the Electronic Municipal Market Access (EMMA) repository.

B-11

Relevant Financial Policies (Continued)	
Pay-as–you-go Capital Funding	The County's long-term practice has been to use pay-as-you-go funding for capital projects whenever possible. The use of systematic long range financial planning assists in making fiscal decisions such as debt vs. pay-as-you-go capital project financing. The SFP forecasts sources of the County's revenue and operating expenses and incorporates a list of previously identified and prioritized projects that will benefit the citizens of the County. The financial planning for capital projects considers the County's limited funding sources, the capital and operating costs, useful life of projects, and good business practices.
Credit and Debt Management Policy	The County's long-term practice has been to rapidly repay debt when practicable. The Policy is intended to maintain long-term financial stability by ensuring that its long-term financing commitments are affordable and do not create undue risk or burden, achieve and maintain high credit ratings, minimize debt service interest expense and issuance costs, provide accurate and timely financial disclosure and reporting, and comply with applicable State and Federal laws and financing covenants.
Public Financing Advisory Committee	The Public Financing Advisory Committee (PFAC) is responsible for the review, approval, modification or denial of debt financing proposals. No debt financing proposal is considered by the Board unless recommended in writing by the PFAC. The PFAC membership consists of the following: five public voting members, each representing a district, and three Ex-Officio County government members (the County Executive Officer (non-voting), the elected Treasurer-Tax Collector, and the elected Auditor-Controller).
Audit Oversight Committee	The Audit Oversight Committee (AOC) is an advisory committee to the Board that provides oversight of the activities of the County Auditor-Controller's Internal Audit Division and the County's external audit coverage, including financial reporting and federal and state audit activities, and discusses the adequacy of the County's internal control structure. The AOC membership includes the Chair and Vice-Chair of the Board, the County Executive Officer, and five private sector members appointed by the Board. The private sector members shall be appointed by the Board for a term of four years and may be reappointed or removed by the Board.
Treasury Oversight Committee	The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the annual Investment Policy Statement (IPS) prepared by the Treasurer. In addition, the TOC causes an annual audit of the Treasurer's compliance with the IPS. The TOC shall also investigate any and all irregularities in the Treasurer's operations, which become known to the TOC. The TOC will develop and document policy and procedures to investigate and report such irregularities. Annually, the TOC reviews the Treasurer's IPS, including all proposed amendments or modifications to the policy. The Treasurer then submits the IPS to the Board for approval, including any additions or amendments thereto. The TOC membership consists of the following: The elected Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, or their respective designees, and four members of the public. The public members shall be nominated by the Treasurer and confirmed by the Board.
24/7 Fraud Hotline	The Fraud Hotline is part of an ongoing fraud detection and prevention effort. The Fraud Hotline is intended for use by County employees, the general public, or vendors for reporting suspected waste, fraud, violations of County policy or misuse of County resources by vendors, contractors or County employees.

Major Initiatives

Funding Equity: The County hovers at the bottom of funding for counties statewide, receiving the lowest percentage of property taxes in California to support services-about 6 cents on the dollar; the state average is 17 cents. The formula for returning local property taxes to the counties where they were collected was set in 1978 and has not been updated since. This systematically disadvantages the County's ability to provide services to its diverse population.

The County's predicament does not have easy fixes. Shifting funding formulas could affect other counties receiving more of their share of taxes, as well as other taxing entities such as cities, special districts, and schools, which have constitutional protections for state funding. Therefore, the answer to assuring funding equity for Orange County lies in increasing funding, programs, and partnerships that specifically benefit County programs and services. When the state shifts or adds responsibilities at the county level, the County will seek enough funding for those programs to ensure their success. The County's robust legislative agenda seeks creative and substantive ways to assure our residents are provided with their fair share of the taxes they pay to support the programs and services they deserve.

State Prison Realignment: With the passage of Assembly Bill 109 in 2011, California ordered the realignment of certain state prisoners to serve their sentences in county jails instead of state prisons to comply with court-ordered overcrowding reductions. The County accounts for 8.1% of the state's population and 6.4% of the total prison population. In FY 2015-16, the County spent $72,100 and carried over $0 surplus to FY 2016-17.

Realignment has led to multiple challenges, including: the need for more in-custody housing options and bed space, additional case-management resources, inmate screening and medical/psychiatric programs. Felony caseloads have increased substantially with a corresponding increase in the need for additional court hearings and appearances. On November 4, 2014, voters passed Proposition 47, "The Safe Neighborhood and Schools Act," which reduced the classification of most non-serious, non-violent property and drug crimes from felonies to misdemeanors. This change reduced the number of new felony cases and permitted re-sentencing for anyone currently serving a sentence for those offenses, ultimately reducing the AB 109 and general jail populations. This change resulted in lower felony caseloads and a temporary increase in workloads due to the large number of re-sentencing hearings.

Labor Agreements: Most County employees are represented by one of 17 bargaining units, which are separated into eight labor organizations. The principal organization is the Orange County Employees Association (OCEA), which represents eight bargaining units totaling about 10,684 permanent filled employee positions. The next largest unions are the Association of County Deputy Sheriffs at about 1,871 members and the American Federation of State and Municipal Employees at about 1,419 members. All but one contract have been successfully negotiated and County employees continue to work under their contract terms with no interruption.

AWARDS AND ACKNOWLEDGEMENTS

GFOA Awards: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the year ended June 30, 2015; this represents the County's 21st consecutive award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County issued its 13th consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2015. The County received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for this PAFR. The award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to

be awarded, a government must publish a PAFR that reflects the program standards of creativity, presentation, understandability and reader appeal. The "OC Citizens' Report" is available for viewing at
http://acdcweb01.ocgov.com/acInternet/Reports/CitizensReports.aspx

Counties Financial Transactions Reporting Award: The County received the Financial Transactions Reporting Award from the State Controller's Office for its Year-End Financial Transaction Report for the fiscal year ended June 30, 2015. The award is in recognition of the professionalism demonstrated by Counties in preparing accurate and timely financial reports and for those counties that meet the review criteria of the award program.

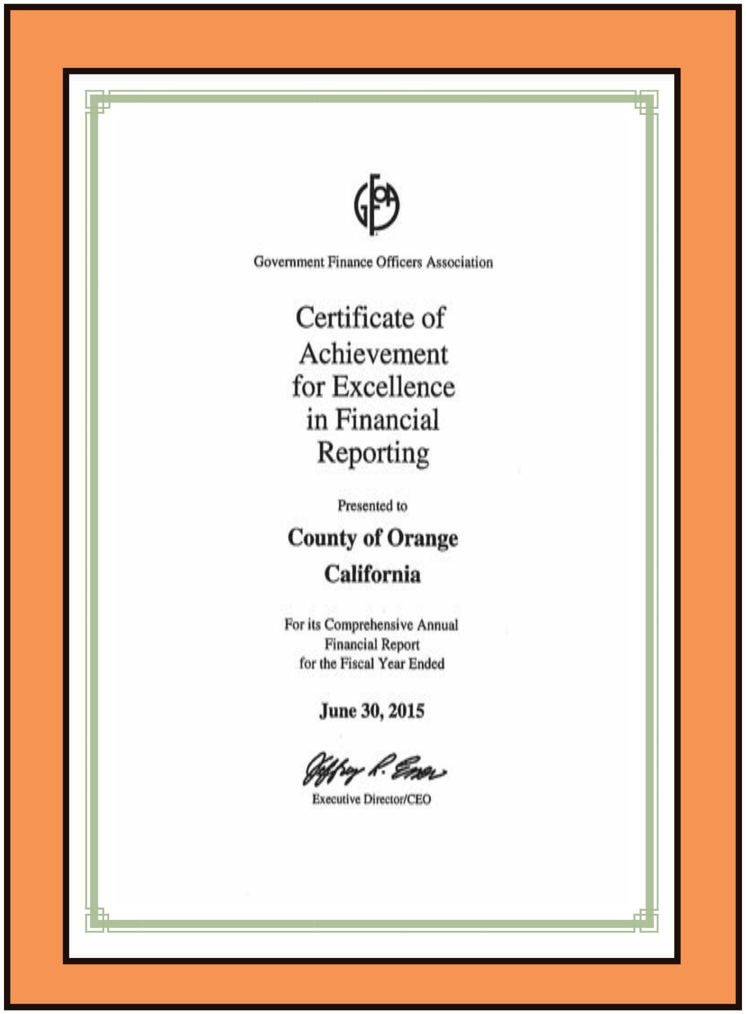
Acknowledgments: We would like to express our sincere appreciation to County staff and the staff of the certified public accounting firm of MGO. We hope this report will be of interest and use to those in county government, other governmental agencies, and the public interested in the financial activities of the County of Orange.

Respectfully submitted,

Eric H. Woolery
Eric H. Woolery, CPA
Auditor-Controller

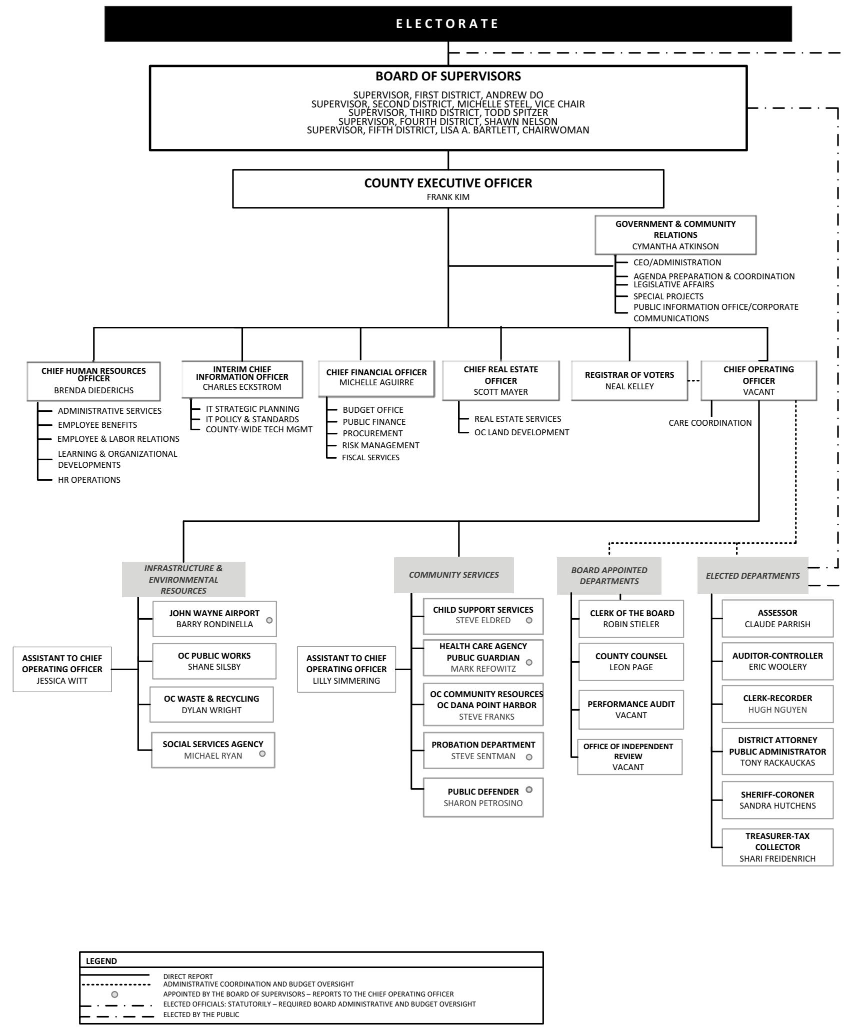
MAguirre
Michelle Aguirre
Chief Financial Officer

B-13



ORGANIZATIONAL CHART

(As of September 30, 2016)



Civic Center Plan 1952

mgo Certified Public Accountants

Century City
Los Angeles
Newport Beach
Oakland
Sacramento
San Diego
San Francisco
Walnut Creek
Woodland Hills

Independent Auditor's Report

The Honorable Board of Supervisors
County of Orange, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Children and Families Commission of Orange County (CFCOC) and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima), which collectively represent 100% percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for CFCOC and CalOptima, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Macias Gini & O'Connell LLP
4675 MacArthur Court, Suite 600
Newport Beach, CA 92660

www.mgocpa.com

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Flood Control District Fund, Other Public Protection Fund, and Mental Health Services Act Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2015, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the basic financial statements, the total net pension liability of the County as of June 30, 2016, which was measured as of December 31, 2015, was $4.4 billion for the Orange County Employees Retirement System (OCERS). The fiduciary net position as a percentage of the total pension liability as of December 31, 2015, was 65.66% for OCERS. The actuarial valuation is very sensitive to the underlying actuarial assumptions, including a discount rate of 7.25%, which represents the long-term expected rate of return for OCERS. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules related to the Orange County Extra-Help Defined Benefit Plan, schedules related to the OCERS, and schedule related to the Orange County Retiree Medical Plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison schedules included in supplemental information in the financial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

Newport Beach, California
December 15, 2016

Courthouse 1901

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(UNAUDITED)

This section of the County's Comprehensive Annual Financial Report (CAFR) provides a narrative overview and analysis of the financial activities of the County for the year ended June 30, 2016. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides a clear picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The total change in net position, which is the difference between total revenues (including transfers in) and expenses (including transfers out), was $177,959 for the fiscal year and it increased net position by 9% from the prior year.
- Long-term bonded debt decreased by $6,722 or 1% during the current fiscal year.
- The County's governmental funds reported combined ending fund balances of $2,357,526, an increase of $170,835, or 8% in comparison with the prior year.
- General Fund revenues and other financing sources ended the year 5% below budget.
- General Fund expenditures and other financing uses ended the year 7% below budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements presented in the County's CAFR are divided into three different sections:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Basic Financial Statements			
Government-wide Financial Statements	**Fund Financial Statements**		
	Governmental Funds	**Proprietary Funds**	**Fiduciary Funds**
Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
	Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Fund Net Position	
Statement of Activities			Statement of Changes in Fiduciary Net Position
	Budgetary Comparison Statement	Statement of Cash Flows	
Notes to the Basic Financial Statements			

B-19

The following table summarizes the major features of the basic financial statements:

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of Financial Statement	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances Budgetary Comparison Statements	Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Scope	Entire entity (except fiduciary funds)	Day-to-day operating activities for basic services	Day-to-day operating activities for business-type services	Resources on behalf of others
Accounting Basis and Measurement Focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus (except for agency funds)
Type of Asset, Deferred Outflows of Resources, Liability, and Deferred Inflows of Resources Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Current assets, liabilities, and deferred inflows of resources that come due during the year or soon thereafter	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	All assets, deferred outflows of resources, and deferred inflows of resources held in a trustee or agency capacity for others
Type of Inflow and Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements consist of the following two financial statements: the Statement of Net Position and the Statement of Activities. Both of these statements were prepared using an accounting method and a measurement focus similar to those used by private-sector companies, the accrual basis of accounting and the economic resources measurement focus. The ***Statement of Net Position*** provides information regarding all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The ***Statement of Activities***, on the other hand, provides information on how the government's net position changed during the most recent fiscal year regardless of the period when the related cash or cash equivalent is received or paid. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The Statement of Net Position and the Statement of Activities distinguish functions of the County that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include (1) general government, (2) public protection, (3) public ways and facilities, (4) health and sanitation, (5) public assistance, (6) education, and (7) recreation and cultural services. The business-type activities of the County include airport, waste management, and compressed natural gas.

The government-wide financial statements also provide information regarding the County's component units, entities for which the County (the primary government) is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations and, therefore, data from these component units are combined with data of the primary government. Financial information for the CFCOC and CalOptima, discretely presented component units, are reported separately from the financial information presented for the primary government itself. A separate stand-alone annual financial report can be obtained for the CFCOC by accessing the County's website at the following address: http://acdcweb01.ocgov.com/acInternet/. A separate stand-alone annual financial report can be obtained for CalOptima by accessing the website at http://wpso.dmhc.ca.gov/fe/search/, and select the Health Plan "Orange County Health Authority" and Statement Type "Annual Audit Reports."

Fund Financial Statements

- **Fund** - a separate accounting entity with a self-balancing set of accounts.
- Focus is on **major funds**.
- Provides information regarding the three major categories of all County funds: **governmental, proprietary, and fiduciary**.

The fund financial statements report on groupings of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives. A fund is a separate accounting entity with a self-balancing set of accounts. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental and proprietary fund financial statements is on major funds as determined by the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,"* and GASB Statement No. 65, *"Items previously Reported as Assets and Liabilities."* All of the County funds can be divided into three major categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds **-** Governmental funds include most of the County's basic services and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements are prepared using the modified accrual basis of accounting and current financial resources measurement focus.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are prepared for the governmental funds' Balance Sheet and the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances to facilitate comparisons between governmental funds and governmental activities. The primary differences between the government-wide and fund financial statements relate to noncurrent assets, such as land and structures and improvements, and noncurrent liabilities, such as bonded debt and amounts owed for compensated absences and capital lease obligations, which are reported in the government-wide statements but not in the fund financial statements.

(Dollar Amounts in Thousands)

The County maintains several individual governmental funds organized according to their type (General Fund, Special Revenue, Debt Service, Capital Projects and Permanent Funds). Information is presented separately in the governmental funds' Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is always a major fund, and all other major funds. Information for nonmajor funds is presented in the aggregate in these statements. Individual fund data for each of the nonmajor governmental funds is presented in the Supplemental Information Section of this report. The County adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with the budget.

Proprietary Funds **-** The County maintains two different types of proprietary funds: Enterprise Funds and Internal Service Funds. **Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Airport, Waste Management, and Compressed Natural Gas activities. **Internal Service Funds** are used to accumulate and allocate costs internally among the County's various functions such as insurance, transportation, publishing, and information technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport and Waste Management operations, which are both considered to be major funds of the County. Conversely, the Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements with the individual fund data provided in combining statements, which can be found in the Supplemental Information Section of this report.

Fiduciary Funds - Fiduciary funds include the **Trust** and **Agency** funds and are used to account for assets held on behalf of outside parties, including other governments. Financial information for fiduciary funds are not reported in the government-wide financial statements because the resources of these funds are not available to support the County's programs. The combining statements for fiduciary funds are included in the Supplemental Information Section of this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. To find a specific note, refer to the Table of Contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At June 30, 2016, the County's combined net position (governmental and business-type activities) totaled $2,185,709 an increase of 9% from FY 2014-15.

COMPONENTS OF NET POSITION

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The largest component of the County's net position, which totals $3,370,773, was **net investment in capital assets,** which represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets and debt-related deferred outflows and inflows of resources. The County's capital assets are used to provide needed services to its citizens. Since the capital assets themselves cannot be used to liquidate the associated debt, the resources needed to repay the debt must be provided from other sources.

The County's **restricted** net position totals $1,329,878. Restricted net position represents resources that are subject to external restrictions on their use and are available to meet the County's ongoing obligations for programs with external restrictions. External restrictions include those imposed by grantors, contributors, laws/regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation, including those passed by the County itself.

The final component of net position is **unrestricted** net position. Unrestricted net position is resources that the County may use to meet its ongoing obligations to citizens and creditors. As of June 30, 2016, the County's unrestricted net position totals a deficit of $2,514,942. Among governmental activities the deficit was $2,979,945 in unrestricted net position, compared to its deficit of $2,991,814 at June 30, 2015. The main contributor of the deficit continues to be the reporting of the County's proportionate share of net pension liability on the financial statements.

The following table presents condensed financial information derived from the government-wide Statement of Net Position:

NET POSITION – Primary Government
June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and Other Assets	$ 3,451,250	$ 3,216,086	$ 878,991	$ 827,258	$ 4,330,241	$ 4,043,344
Capital Assets	2,808,923	2,783,675	848,929	835,176	3,657,852	3,618,851
Total Assets	**6,260,173**	**5,999,761**	**1,727,920**	**1,662,434**	**7,988,093**	**7,662,195**
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Refunding	3,871	6,225	--	--	3,871	6,225
Deferred Outflows of Resources Related to Pension	1,093,168	652,309	22,951	14,275	1,116,119	666,584
Total Deferred Outflows of Resources	**1,097,039**	**658,534**	**22,951**	**14,275**	**1,119,990**	**672,809**
LIABILITIES						
Long-term Liabilities	5,197,639	4,724,559	466,575	462,586	5,664,214	5,187,145
Other Liabilities	724,748	666,496	78,920	79,365	803,668	745,861
Total Liabilities	**5,922,387**	**5,391,055**	**545,495**	**541,951**	**6,467,882**	**5,933,006**
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows of Resources Related to Pension	444,828	385,819	9,664	8,429	454,492	394,248
Total Deferred Inflows of Resources	**444,828**	**385,819**	**9,664**	**8,429**	**454,492**	**394,248**
NET POSITION						
Net Investment in Capital Assets	2,707,493	2,670,577	663,280	642,427	3,370,773	3,313,004
Restricted	1,262,449	1,202,658	67,429	121,356	1,329,878	1,324,014
Unrestricted	(2,979,945)	(2,991,814)	465,003	362,546	(2,514,942)	(2,629,268)
Total Net Position	**$ 989,997**	**$ 881,421**	**$ 1,195,712**	**$ 1,126,329**	**$ 2,185,709**	**$ 2,007,750**

As of June 30, 2016, the County's total assets and deferred outflows of resources increased by 9% or $773,079 during the current fiscal year. Deferred outflows of resources related to pension increased by $449,535 due to the changes in net pension liability measurements as required by GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*," (GASB Statement No. 68) and employer pension contributions made after the measurement date as required by GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*" (GASB Statement No. 71). In addition, an increase of $231,765 in cash and equivalents is another contributing factor. This increase was primarily due to increased passenger facility charge revenues, receipt of grants for capital improvement projects, and bond proceeds to construct the new community facility district (CFD), Village of Esencia; the debt will be paid by a special tax levied on properties within the CFD.

Total liabilities and deferred inflows of resources for FY 2015-16 increased by 9% or $595,120. Long-term liabilities increased by 9% or $477,069, as a result of recording the County's proportionate share of the net pension liability. Deferred inflows of resources related to pension increased $60,244 due to the changes in the net pension liability measurements used in the actuarial study as required by GASB Statement No. 68.

(Dollar Amounts in Thousands)

The following table provides summarized data of the government-wide Statement of Activities:

CHANGES IN NET POSITION – Primary Government
For the Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues:						
Charges for Services	$ 557,450	$ 563,013	$ 297,293	$ 281,368	$ 854,743	$ 844,381
Operating Grants and Contributions	2,037,311	1,996,861	171	255	2,037,482	1,997,116
Capital Grants and Contributions	105,776	33,241	2,174	9,215	107,950	42,456
General Revenues:						
Property Taxes	500,507	505,189	--	--	500,507	505,189
Property Taxes in Lieu of Motor Vehicle License Fees	333,595	314,957	--	--	333,595	314,957
Other Taxes	78,184	71,613	72	109	78,256	71,722
Grants and Contributions not Restricted to Specific Programs	4,583	49,476	--	--	4,583	49,476
State Allocation of Motor Vehicle License Fees	1,100	764	--	--	1,100	764
Other General Revenues	80,857	76,585	8,696	4,639	89,553	81,224
Total Revenues	**3,699,363**	**3,611,699**	**308,406**	**295,586**	**4,007,769**	**3,907,285**
EXPENSES						
General Government	203,394	191,793	--	--	203,394	191,793
Public Protection	1,433,421	1,326,028	--	--	1,433,421	1,326,028
Public Ways and Facilities	142,071	114,398	--	--	142,071	114,398
Health and Sanitation	554,872	537,580	--	--	554,872	537,580
Public Assistance	1,097,129	1,049,665	--	--	1,097,129	1,049,665
Education	46,170	43,314	--	--	46,170	43,314
Recreation and Cultural Services	115,136	102,069	--	--	115,136	102,069
Interest on Long-Term Debt	20,112	23,560	--	--	20,112	23,560
Airport	--	--	120,921	124,778	120,921	124,778
Waste Management	--	--	96,301	69,307	96,301	69,307
Compressed Natural Gas	--	--	283	331	283	331
Total Expenses	**3,612,305**	**3,388,407**	**217,505**	**194,416**	**3,829,810**	**3,582,823**
Excess before Transfers	87,058	223,292	90,901	101,170	177,959	324,462
Transfers	21,518	19,959	(21,518)	(19,959)	--	--
Change in Net Position	**108,576**	**243,251**	**69,383**	**81,211**	**177,959**	**324,462**
Net Position - Beginning of the Year	881,421	638,170	1,126,329	1,045,118	2,007,750	1,683,288
Net Position - End of the Year	**$ 989,997**	**$ 881,421**	**$ 1,195,712**	**$ 1,126,329**	**$ 2,185,709**	**$ 2,007,750**

The County's net position increased by $177,959 during the current fiscal year. Revenues for the year totaled $4,007,769, an increase of $100,484 from prior year's total revenues. Expenses totaled $3,829,810, an increase of $246,987 from the previous year's total expenses.

Governmental Activities

The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating Grants and Contributions comprised the largest revenue source for the County, followed by Charges for Services. Operating grants and contributions are monies received from parties outside the County and are generally restricted to one or more specific programs such as State and Federal revenues for public assistance and for health care. Charges for services are revenues that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Examples of the types of services that fall under this category include engineering services provided to cities under contract, park and recreation fees, and law enforcement services provided to other governmental agencies under contract.

At the end of FY 2015-16, total revenues for governmental activities, including transfers from the business-type activities, were $3,720,881, an increase of $89,223 from the previous year. Expenses totaled $3,612,305, an increase of $223,898 from the prior year. During the current fiscal year, net position for governmental activities increased by $108,576 from the prior fiscal year for an ending balance of $989,997. Key elements of the increase are as follows:

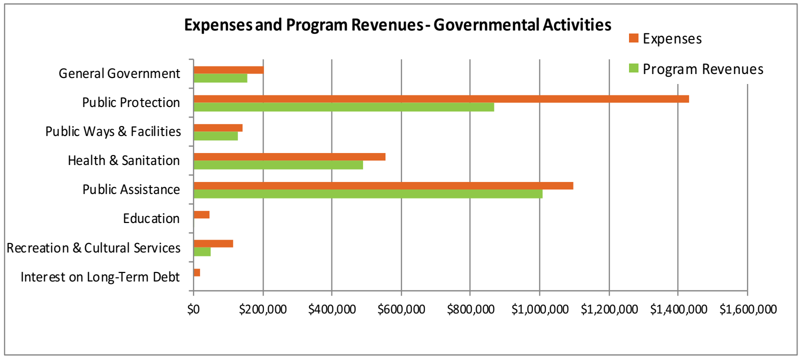
Revenues

- Operating Grants and Contributions increased by $40,450, due primarily to a $29,822 increase in revenues for social services related to the Medi-Cal program, CalFresh program, and In-Home Supportive Services.
- Capital Grants and Contributions increased by $72,535, primarily due to increase of $88,700 for the development of CFD, Village of Esencia, to provide acquisition and construction of public facilities and improvements. Offsetting this was a $20,653 decrease in revenues related to construction projects due to the completion of construction for projects such as Cow Camp Road.
- Partially offsetting the increase in revenue was a decrease in Grants and Contributions not restricted to Specific Programs of $44,893, primarily for a one-time windfall that was only received by the County in FY 2014-15 where the State fully paid pre-2004 Senate Bill 90 (SB90) mandated cost claims.

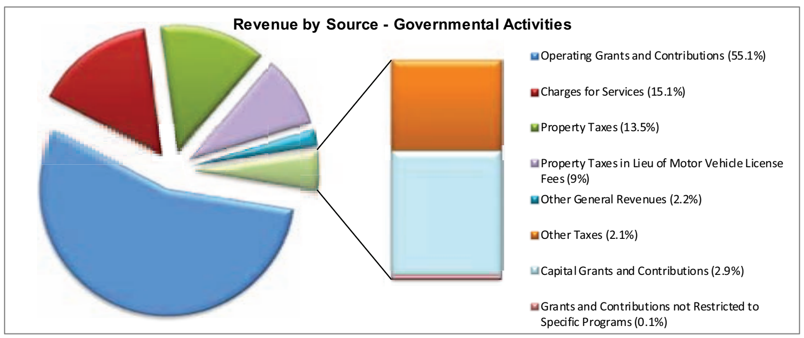
Expenses

- Expenses in public protection increased by $107,393, primarily due to an increase in Salaries and Employee Benefits (S&EB) which was the result of salary adjustments based on contracts, additional positions added to support ongoing operations and increases in pension related expense items. The increase was partially offset by a reduction in employer paid pickup contributions of the safety members retirement plan (3% at 50) that is now being 100% paid by employees. In addition, there were increases in utility costs and a negative adjustment made to an infrastructure capital asset project due to a settlement for the Los Alamitos Pump Station project.
- Expenses in public assistance increased by $47,464, primarily due to an increase in S&EB which include salary adjustments based on contracts, additional positions added to support new and ongoing demands in social services programs and increases in pension expense. In addition, there was an increase in Services and Supplies (S&S) due to new office rent expenses, increases in contract services, facility improvements and other services required to ensure continued and more efficient operations.
- Expenses in public ways and facilities increased by $27,673, which was primarily attributable to the issuance of South County Roadway Improvement Program (SCRIP) fee credits paid to the developer.
- Expenses in health and sanitation increased by $17,292 due to an increase in S&EB for additional positions to support ongoing services, pension related expense items, and increases in the Mental Health Services Act (MHSA) program expenses. Partially offsetting the increase was a continued decrease in expenses related to the Medical Services Initiative and a decrease in the loss on disposition of assets in FY 2015-16.

The following chart presents a comparison of expenses by function and the associated program revenues for governmental activities:

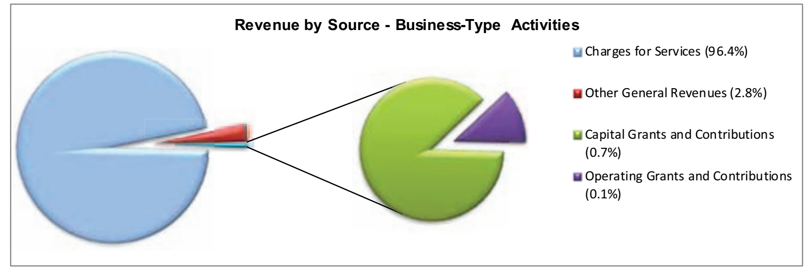


The chart below presents the percentage of total revenues by source for governmental activities:



Business-Type Activities

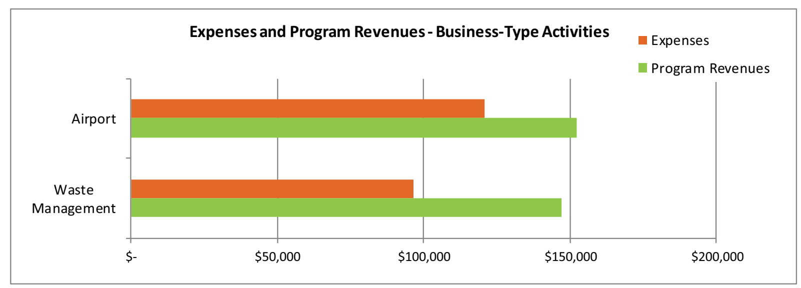
The County has three business-type activities: Airport, Waste Management, and Compressed Natural Gas. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported charges for services as their largest source of revenues.



At the end of FY 2015-16, the business-type activities' total revenues exceeded expenses and transfers resulting in an increase of $69,383 in net position compared to the prior year's increase in net position of $81,211. Revenues totaled $308,406, an increase of $12,820 from the previous fiscal year, which is attributable to a $6,737 increase in revenues received by the Airport for terminal space rental, concessions, landing fees and use of property and also an increase of $2,847 for interest income and Passenger Facilities Charges (PFC). Another contributing factor to the increase in revenue was Waste Management's importation disposal tonnage and fees which increased by $2,863 and in-county disposal tonnage and fees which increased by $4,738. Partially offsetting the increase in revenue was a decrease of $7,041 in capital grants related to the Airport's Terminal A and B Baggage Handling System project which was completed in FY 2014-15.

Expenses, including transfers to governmental activities, totaled $239,023, representing an increase of $24,648 from the previous year. This increase is primarily due to Waste Management's one-time adjustment in FY 2014-15 to decrease the closure and postclosure care costs relating to Frank R. Bowerman, Olinda Alpha, and Coyote Landfills. In FY 2015-16, there was an additional $2,729 in closure and postclosure care costs. These resulted in a total increase in expenses of $24,772 between the two fiscal years. However, partially offsetting the increase was a decrease for the Airport of $3,857 for non-operating expenses and a decrease in expenses for capital asset impairment loss due to a one-time impairment that occurred in FY 2014-15 for the Common Use Passenger Processing System (CUPPS). Other factors concerning the finances of the County's two major enterprise funds are discussed in the Proprietary Funds section of the "Financial Analysis of the County's Funds."

The following chart displays expenses and the associated program revenues by function for the business-type activities (major enterprise funds):



(Dollar Amounts in Thousands)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities.

Governmental Funds

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources related to unavailable revenue generally are included on the balance sheet, with the difference reported as fund balance. Fund balance, excluding nonspendable and restricted fund balances, may serve as a valuable measure of the government's available financial resources for spending at the end of a fiscal year. This amount is available for spending at the discretion of the Board in order to achieve the established function of the respective funds.

At June 30, 2016, the County's governmental funds reported total fund balances of $2,357,526, which is an increase of $170,835 in comparison with prior year ending fund balances.

Comparative Analysis of Changes in Fund Balances

The following schedule presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balances for the governmental funds for the current and previous fiscal year:

GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES
For the Years Ended June 30, 2016 and 2015

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2016	2015*	2016	2015*	2016	2015*
General Fund	$ 3,038,491	$ 3,001,243	$ 2,975,161	$ 2,853,121	$ 63,330	$ 148,122
Flood Control District	128,929	163,096	116,206	121,287	12,723	41,809
Other Public Protection	63,506	66,846	63,656	66,747	(150)	99
Mental Health Services Act	116,978	141,713	115,244	104,115	1,734	37,598
Other Governmental Funds	904,098	641,234	810,900	649,795	93,198	(8,561)
Total	$ 4,252,002	$ 4,014,132	$ 4,081,167	$ 3,795,065	$ 170,835	$ 219,067

* The balances shown in FY 2014-15 reflect the change of major funds in FY 2015-16.

In addition to the effects of expenditure-driven grants, the following information provides explanations for the significant changes in fund balance:

General Fund
The General Fund is the chief operating fund of the County. At the end of FY 2015-16, revenues and other financing sources exceeded expenditures and other financing uses resulting in an increase in fund balances of $63,330 compared to last year's increase in fund balances of $148,122. Revenues and other financing sources increased by $37,248 and expenditures and other financing uses increased by $122,040. The following is a brief summary of the primary factors that contributed to the increase in the net change in fund balance for the General Fund in FY 2015-16:

Revenues
- Tax revenue increased by $41,760, which was primarily due to increases in secured property taxes and property taxes in-lieu of vehicle license fees (VLF) resulting from an increase in secured assessed values. Additionally, there was an increase in supplemental and other property tax revenues.

- Fines, Forfeitures, and Penalties revenue decreased by $37,688, primarily due to the adoption of Board Resolution 14-096 that changed the minimum reserve requirements for the Teeter Plan Loss Reserve. The change resulted in a significant one-time increase in revenues in FY 2014-15.
- Use of Money and Property increased by $13,046, primarily due to the revenue distribution for the recognition of interest paid by the State related to the SB90 State Mandated Cost Program reimbursement.
- Transfers to the General Fund increased by $13,575, due to transfers for multi-year capital projects, reimbursements for Shelter Costs, and increases in Proposition 63 drawdowns from the MHSA. The increase in transfers to the General Fund was partially offset by a decrease in transfers in from the Facilities Development and Maintenance Fund for General Relief Assistance. There was also a decrease in transfers in from the Juvenile Justice Reform fund due to its prior year closure.

Expenditures
- Expenditures in public protection increased by $55,580. Factors contributing to this increase in expenditures were ongoing operational cost increases in the Sheriff-Coroner's Department for S&EB, Workers' Compensation Insurance, Property & Liability Insurance, and S&S due to expenditures for utilities.
- Transfers from the General Fund increased by $43,386 due to higher expenditures related to the new Animal Care Shelter, Central Utility Facility (CUF) infrastructure upgrades, Probation's hot red radio mobile expenditures, and Sheriff-Coroner's Department one-time equipment purchases. The increase in transfers was partially offset by lower transfers to the Plan of Adjustment Available Cash fund used to amortize bankruptcy related losses to County administered accounts.

Flood Control District
This fund accounts for the planning, construction, and operation of flood control and water conservation works, such as dams, basins, and trunk channels, and for the retardation, conservation, and controlled discharge of storm waters. At the end of FY 2015-16, there was an increase in fund balance of $12,723, compared to last year's increase of $41,809. Revenues and other financing sources decreased by $34,167, mainly due to a decrease in intergovernmental revenues related to a reduction in SAR Subvention claims and a reduction in revenue from the Department of Water Resources for the Santa Ana River Interceptor (SARI) Line project claims. Refer to Note 10 for detailed information regarding the SARI project and financing agreement. Expenditures and other financing uses decreased by $5,081, primarily due to a decrease in capital outlay expenditures related to property acquisitions for the Prado Dam and a decrease in the repayment of SARI Line Project loans to the Orange County Sanitation District (OCSD) and Santa Ana Watershed Project Authority (SAWPA).

Other Public Protection
This group of funds is used to account for safety and law enforcement activities. At the end of FY 2015-16, there was a decrease in fund balance of $150 compared to last year's increase in fund balance of $99. Revenues and other financing sources decreased by $3,340, which was attributable to a decrease in fines, forfeitures and penalties of $6,788, primarily for penalty and settlement collections in the District Attorney's Consumer Protection funds. Offsetting the decrease in revenues and other financing sources was an increase in transfers in of $4,479, mainly to fund a mass notification system. Expenditures and other financing uses decreased by $3,091 primarily due to transfers out of $4,774 from the DA Consumer Prosecution Fund and the James A. Musick Facility construction costs. Offsetting the decrease in expenditures and other financing uses was an increase in capital outlay and public protection of $1,683, which was primarily due to public protection expenses incurred by program members for services rendered in support of the Regional Narcotics Suppression Program (RNSP) and payments for charges related to the preservation of County Archival Property Records.

Mental Health Services Act
This fund accounts for MHSA revenues earned by the Health Care Agency (HCA) that are purpose restricted. At the end of FY 2015-16, fund balance increased by $1,734 compared to last year's increase in fund balances of $37,598. Revenues and other financing sources decreased by $24,735, primarily due to a decreased allocation of the Mental Health Services Fund apportionments from the State. Expenditures increased by $11,129, primarily due to an increase in transfers out to the General Fund for reimbursement of eligible expenditures.

(Dollar Amounts in Thousands)

Other Governmental Funds
Other governmental funds encompass nonmajor funds, which include special revenue funds, debt service funds, capital projects funds, and a permanent fund. At the end of FY 2015-16, fund balances increased by $93,198 in comparison to prior year's decrease in fund balances of $8,561. Revenues and other financing sources increased by $262,864 primarily due to an increase in intergovernmental revenues caused by the reclass of transfers for debt service activity related to the Village of Esencia, an increase in transfers in from the General Fund for multi-year countywide capital projects, an increase in bonds issued to finance the new Central Utilities Facility (CUF) Lease Revenue Bonds, Series 2016 and the issuance of the Teeter Plan Obligations Notes, Series B. Expenditures and other financing uses increased by $161,105 primarily due to an increase in construction costs for Cow Camp Road Phase 1A & 1B Bridge project, the La Pata Avenue Gap Closure project, the Central Utilities Facility Infrastructure Upgrade and reimbursements to Santa Margarita Water District for construction of water facilities for CFD, Village of Esencia. In addition, there were increased SCRIP fee credits paid to the developer for the I-5/Ortega Highway Interchange project and La Pata Avenue Improvements and increased debt service costs for principal retirement of Teeter Plan Obligations Notes, Series B.

The following chart shows the fund balances, and percentage change in fund balances for governmental funds for the current and previous fiscal year:

COMPARATIVE FUND BALANCE
Governmental Funds
June 30, 2016 and 2015

	2016	2015 *	Increase/(Decrease) %
General Fund	$ 727,838	$ 664,508	10 %
Flood Control District	431,668	418,945	3 %
Other Public Protection	145,810	145,960	--
Mental Health Services Act	241,958	240,224	1 %
Other Governmental Funds	810,252	717,054	13 %
Total	**$ 2,357,526**	**$ 2,186,691**	8 %

* The balances shown in FY 2014-15 reflect the change of major funds in FY 2015-16.

Proprietary Funds

The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Airport and Waste Management funds, which are considered to be major funds of the County, and Compressed Natural Gas fund. Internal Service Funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

Comparative Analysis of Changes in Fund Net Position

The following table presents the enterprise funds' revenues, expenses, contributions, transfers, and changes in fund net position for the current and previous fiscal year:

ENTERPRISE FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, CONTRIBUTIONS, TRANSFERS AND CHANGES IN FUND NET POSITION
For the Years Ended June 30, 2016 and 2015

	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Position	
	2016	2015	2016	2015	2016	2015
Airport	$ 155,495	$ 152,732	$ 121,023	$ 125,072	$ 34,472	$ 27,660
Waste Management	152,630	142,250	117,667	89,117	34,963	53,133
Compressed Natural Gas	345	423	534	480	(189)	(57)
Total	**$ 308,470**	**$ 295,405**	**$ 239,224**	**$ 214,669**	**$ 69,246**	**$ 80,736**

Airport
This fund accounts for major construction and self-supporting aviation related activities rendered at John Wayne Airport, Orange County (JWA). At the end of FY 2015-16, there was an increase in fund net position of $34,472, which was a higher increase when compared to the prior year increase of $27,660. Revenues and contributions increased by $2,763 primarily due to an increase in revenues received for terminal space rental, concessions, landing fees, use of property, interest income, and PFC revenue, partially offset by a decrease in capital grant contributions. Expenses decreased by $4,049 primarily due to a decrease in other nonoperating expense and a decrease in loss on disposition of capital assets compared to the prior year increase which was due to an impairment loss of a capital asset related to the Common Use Passenger Processing System (CUPPS) hardware and software. The Airport reported expense of capital asset impairment loss in FY 2014-15, but no asset impairment in FY 2015-16.

Waste Management
This fund is used to account for the operation, expansion, closing of existing landfills and the opening of new landfills. Monies are collected through gate tipping fees, which users pay based primarily on tonnage. At the end of FY 2015-16, there was an increase in fund net position of $34,963, which was a smaller increase when compared to the prior year increase of $53,133. Revenues and transfers increased by $10,380 which was primarily due to an increase in sanitation and landfill disposal fees collected for waste, recycling, and importation, as well as importation tonnage and in-county disposal tonnage. Expenses and transfers increased by $28,550 primarily due to an increase in provision for closure and postclosure care costs and pollution remediation expenses.

Compressed Natural Gas (CNG)
This fund accounts for the operation and maintenance of the CNG facility. Revenues consist primarily of compressed natural gas sales to both the County and the public. At the end of FY 2015-16, there was a decrease in fund net position of $189, which was a decrease when compared to the prior year increase of $57. Revenues decreased by $78 due to a decrease in CNG fuel sales and CNG/Propane tax refunds and credits. Expenditures increased by $54 due to an increase in transfers out to reimburse the OC Flood Control District Fund for the annual payment for the construction of the compressed natural gas station. This increase in expenses was partially offset by decreases in utility charges, fuel excise taxes, and vendor use fuel tax.

For further comparative analysis of changes in Fund Net Position, please see the Business-Type Activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors involved in the variances between: 1) the Original Budget and the Final Amended Budget; and 2) the Final Amended Budget and the Actual Amounts for the General Fund. In addition to the effects of expenditure-driven grants, the following information provides explanations for significant variances. Refer to the Budgetary Comparison Statement for details on this budgetary comparison.

Original Revenue Budget vs. Final Amended Revenue Budget

The following provides a summary of the primary factors attributable to the increase or decrease in the General Fund final amended budget revenues compared to the original budget revenues:

Intergovernmental Revenue
- An increase of $8,682 in the Social Services Agency (SSA) in anticipation of the FY 2015-16 State and Federal allocations received for various programs, such as Medi-Cal, CalFresh, Non-Medical Out-of-Home Care, Work Incentive Nutrition Supplement.
- An increase of $4,340 in the Probation Department for the funding of Probation's maintenance projects and the multipurpose rehabilitation center.
- An increase of $1,696 in the Sheriff-Coroner department, primarily from an increase in federal revenues for expenditures eligible for reimbursement from carryover grant funds as well as an increase in Federal monies from the Homeland Security Grant for the purchase of equipment for the Air Support Unit.

Transfers In

- An increase of $8,235 in the 2005 Lease Revenue Refunding due to an agreement with the OC Waste and Recycling (OCWR) Department to transfer net imported waste revenue to the General Fund in support of the County Bankruptcy Recovery Plan.
- An increase of $5,430 in the HCA to cover increased eligible program costs and to also account for increased monies from the Tobacco Settlement Fund.
- An increase of $1,797 is primarily due from the DNA Identification Fund to the District Attorney for DNA Database software and sample collection site upgrades.
- A decrease of $3,463 in Capital Projects due to funding for the year-round homeless shelter being reallocated to the Countywide Capital Projects Non-General Fund.

Use of Money and Property

- An increase of $10,193 to recognize interest payments received from the State for the Mandated Costs Reimbursement program.

Charges for Services

- An increase of $6,314 in the Sheriff-Coroner department as a result of an increase in law enforcement services provided to various cities and under the Selective Traffic Enforcement program.

Final Revenue Budget vs. Actual Revenue Amounts

The following information provides a summary of the primary factors that caused significant variances in the General Fund actual revenues compared to the final revenue budget:

Transfers In

- A $98,354 less than budgeted amount was primarily comprised of the following:
  - $43,288 lower than budgeted amount in HCA caused by a lower amount received for eligible expenditures associated with the MHSA Fund and a delay in transfers from the OC Tobacco Settlement Revenue Fund.
  - $21,488 less than budgeted in SSA was largely due to lower amounts claimed for eligible expenditures as a result of higher than anticipated vacancy rate, as well as deferrals of IT and facility projects. In addition, there was lower than budgeted spending in the Wraparound program, which provides a process to connect and support youth who have emotional health needs and their families with community-based services and other valuable resources.
  - $11,000 lower than budget from the Teeter Tax Loss Reserve Fund which was determined to be unnecessary.
  - $10,737 lower than budgeted amount in Capital Projects was mainly due to redirection of money for the year-round emergency shelter to another governmental fund where the expenditures were incurred. In addition, there were higher than anticipated transfers for carryover projects to the Countywide Capital Projects Non-General Fund.

B-25

Intergovernmental

- A $42,354 less than budgeted amount was primarily comprised of the following:
  - A $33,115 less than budget amount in SSA is due to a lower amount of monies claimed from State and Federal assistance programs such as CalWorks, Work Incentive Nutritional Supplement and Low Income Energy Assistance Program.
  - A $8,377 less than budgeted amount in the Sheriff-Coroner was caused by monies received for Prop 172 for Public Safety Sales Tax.

Charges for Services

- A $37,267 less than budgeted amount was primarily comprised of the following:
  - A $9,030 variance in OC Community Resources due to lower revenues for computer aided architectural designs (CAAD).
  - A $6,898 less than budgeted amount for revenues received for mental health services under the Short-Doyle/Medi-Cal program.
  - A $6,416 less than budgeted amount in OC Public Works for monies received from the quarterly indirect cost billings to other County units.

  - A $5,120 less than budgeted amount in billings for utility and maintenance services performed by Utilities.

Original Expenditure Budget vs. Final Amended Expenditure Budget

The following provides a brief summary of the primary factors attributable to the increase in the General Fund final amended budget expenditures compared to what was originally budgeted:

Sheriff-Coroner

- An increase of $15,560 in budgeted appropriations primarily due to higher costs associated with providing law enforcement services to cities, traffic safety, forensic science and homeland security, as well as an increase in budget appropriations for transportation vehicles to carry out law enforcement activities.

Social Services Agency

- An increase of $8,813 in budgeted appropriations due to anticipated higher costs for Medi-Cal, CalWORKs and various other State programs, as well as added positions to support new federal overtime regulations per the provisions of the Fair Labor Standards Act.

2005 Lease Revenue Refunding

- An increase of $8,325 in budgeted appropriations to transfer the anticipated increase in importation revenues that will be used to amortize bankruptcy related losses to County Administered Accounts in accordance with the Bankruptcy Second Amended Modified Plan of Adjustment.

Health Care Agency

- An increase of $5,770 which mostly consisted of an increase to transfers out for multi-year projects and the purchase of the former Santa Ana Transit Terminal.

Final Expenditure Budget vs. Actual Expenditure Amounts

The following provides a summary of the primary factors that caused significant variances in the General Fund actual expenditures as compared to the final budget:

Social Services Agency

- A $66,642 lower than budgeted amount due to lower than anticipated caseloads and associated assistance payments, as well as lower S&S due to lower contracts, IT expenditures and facility projects.

Health Care Agency

- A $67,425 lower than budgeted amount caused by lower costs of contracted services associated with MHSA programs. Additionally, expenditures for Medical Services Network claims and contract pharmacy expenditures were lower than anticipated and there was a decrease in expenditures in the Emergency Medical Services fund due to lower funding.

OC Community Resources

- A $14,441 lower than budgeted amount mostly as a result of keeping positions vacant throughout the year in support services and lower professional service contracts. Furthermore, there was a delay in the timing of operation for the emergency and homeless shelter.

Capital Projects

- A $11,504 lower than budgeted amount was primarily the result of various structure and improvement projects being delayed to future fiscal years, such as the year-round shelter and HCA lab and clinic facilities.

Sheriff-Coroner

- A $11,269 lower than budgeted amount was primarily the result of less expenditures in S&EB benefits. In addition, there were less expenditures than anticipated for the purchase of a helicopter and IT equipment costs.

(Dollar Amounts in Thousands)

Capital Assets

At June 30, 2016, the County's capital assets for both the governmental and business-type activities amounted to $3,657,852, net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, land improvements, equipment, intangibles (software, land use rights, water and mineral rights), infrastructure (roads, bridges, flood channels, trails, traffic signals, and harbors), intangible in progress, and construction in progress. The total increase in the County's investment in capital assets for the current year was 1%.

Capital assets for the governmental and business-type activities are presented below to illustrate changes:

CAPITAL ASSETS
(Net of Depreciation)
June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2016	2015	2016	2015	2016	2015	% Change
Land	$ 834,406	$ 823,484	$ 37,842	$ 37,842	$ 872,248	$ 861,326	1 %
Structures and Improvements	572,331	585,638	499,151	507,111	1,071,482	1,092,749	(2)%
Land Improvements	2,436	473	--	--	2,436	473	415 %
Equipment	109,997	96,094	23,898	21,998	133,895	118,092	13 %
Software	38,713	46,589	1,126	891	39,839	47,480	(16)%
Infrastructure	1,121,121	1,113,759	244,289	192,367	1,365,410	1,306,126	5 %
Intangible in Progress	3,453	857	2,068	879	5,521	1,736	218 %
Land Use Rights	7,602	6,992	--	--	7,602	6,992	9 %
Construction in Progress	118,864	109,789	40,555	74,088	159,419	183,877	(13)%
Total	**$ 2,808,923**	**$ 2,783,675**	**$ 848,929**	**$ 835,176**	**$ 3,657,852**	**$ 3,618,851**	**1 %**

The following lists the significant expenditures for capital assets in FY 2015-16:

General Fund
- $3,317 for the acquisition of Santa Ana Transit Terminal that was converted into a transitional center for the Civic Center homeless
- $3,154 for the purchase of property in Anaheim, to use as a year-round temporary shelter and multi-service center
- $3,039 for the purchase of the Airbus helicopter for the Sheriff-Coroner
- $1,309 for the replacement of the roof, heating, ventilation, and air conditioning units of a Social Services Agency building located in the City of Orange

Flood Control District
- $7,242 for the Newland Storm Channel Improvement Project
- $6,641 for the purchase of two properties for the Prado Dam Project to support flood control protection for the residents of Orange County
- $2,284 for the Glassell Yard Campus Stormwater Low Impact Development Retrofit Project
- $1,704 for the Fletcher Basin Improvement Project

Other Public Protection
- $3,717 for the replacement of obsolete radio equipment
- $3,560 for the purchase of communications equipment
- $2,786 for the purchase of laptops, tablets, and integrated control systems to provide better equipped vehicles

Other Governmental Funds
- $22,592 for the construction of La Pata Avenue Gap Closure/Camino Del Rio Extension
- $9,355 for the Central Utility Facility Infrastructure Upgrade Project
- $6,965 for the Sunset/Huntington Harbor Maintenance Dredging & Waterline Installation Project
- $3,385 for the Cow Camp Road Construction Project
- $2,957 for the Dana Point Harbor Maintenance & Dredging Project
- $2,682 for the Musick master plan and design services at James A. Musick facility
- $2,674 for the renovation project at Los Pinos Conservation Camp
- $2,406 for the Gilbert Street Improvements Project

Airport
- $12,162 for the Terminals A and B Improvements Project
- $3,929 for system upgrades, equipment and support of the Common Use Passenger Processing Project which will provide improved customer service and ensure compliance with new credit card processing and fraud-protection standards
- $3,042 for the Main Street & Employee Parking Lot Project

Waste Management
- $8,149 for Phase VIIB-1 Soil Buttress and Composite Liner Construction Project
- $6,800 for Olinda Alpha Landfill Front Slope Improvement Project Phase I Partial Final Closure
- $2,477 for heavy equipment at the South Regional Landfill
- $2,163 for East Flank Landside Remediation Project at Frank R. Bowerman Landfill
- $2,138 for heavy equipment at the North Regional Landfill

Additional information on the County's capital assets can be found in Note 4, Changes in Capital Assets.

Commitments for Capital Expenditures
At the end of FY 2015-16, significant commitments for capital expenditures included the following:

- $94,053 for the Airport's Terminals A and B Improvements
- $31,034 for the Animal Care Shelter
- $19,637 for the La Pata Avenue Gap Closure/Widening
- $11,158 for the purchase of law enforcement vehicles
- $7,150 for the Civic Center Building 16-Phase 1A project
- $6,282 for the Santa Ana River Interceptor Line Project
- $4,968 for the Greenville-Banning Channel Improvement Project
- $4,893 for the Airport's Common Use Passenger Processing System Hardware and Software
- $4,475 for the County Operations Center-Building A-Replace Air Handlers 1-3
- $3,900 for the Edinger Storm Channel Improvement
- $3,338 for the Los Alamitos Pump Station and Pump House
- $3,043 for the Frank R. Bowerman Landfill Soil Buttress and Liner project
- $2,652 for the Airport's Parking Structure C, Phase 2 project

Additional information on the County's commitments for capital expenditures can be found in Note 14, Construction and Other Significant Commitments.

Long-Term Debt

At June 30, 2016, the County had total debt obligations outstanding of $460,791 excluding capital lease obligations, compensated absences and other liabilities. During the year, the County's outstanding bond obligations decreased by 1%, which is attributable to the retirement of $154,652, of bond obligations. The decrease primarily is due to the redemption of $74,561 of the Teeter Plan Notes, the redemption of $37,545 of the revenue bonds, and a decrease of $31,089 in Interest Accretion on Capital Appreciation Bonds (CAB). Partially offsetting the decrease was the addition of $56,565 in Revenue Bonds, primarily due to the issuance of the CUF Lease Revenue Bonds, Series 2016, and the addition of $70,929 in Teeter Plan Notes.

(Dollar Amounts in Thousands)

The County is limited by law in issuing general obligation bonded debt to 1.25 percent of the last equalized assessment property tax roll. However, this does not affect the financing of any of the County's planned facilities or services. As of the end of the fiscal year, the County had no net general obligation bonded debt. The County's debt obligations are in the form of revenue bonds, certificates of participation (COPs), and other forms of debt not covered by the general obligation bonded debt limitation.

The following table summarizes the County's outstanding bonds at June 30, 2016:

LONG-TERM DEBT BOND OBLIGATIONS
June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total		(Decrease)
	2016	2015	2016	2015	2016	2015	% Change
Revenue Bonds	$ 122,870	$ 96,645	$ 197,069	$ 204,274	$ 319,939	$ 300,919	6 %
Certificates of Participation	1,262	1,744	--	--	1,262	1,744	(28)%
Pension Obligation Bonds	19,140	27,227	--	--	19,140	27,227	(30)%
Teeter Plan Notes	30,191	33,823	--	--	30,191	33,823	(11)%
Add: Premium/(Discount) on Bonds Payable	18,275	9,235	(1,942)	(1,738)	16,333	7,497	118 %
Add: Interest Accretion on CABs	73,926	96,303	--	--	73,926	96,303	(23)%
Total	**$ 265,664**	**$ 264,977**	**$ 195,127**	**$ 202,536**	**$ 460,791**	**$ 467,513**	**(1)%**

The following summarizes the County's long-term debt issuance during FY 2015-16:

Central Utility Facility Lease Revenue Bonds, Series 2016 On June 2, 2016, the SOCPFA issued its $56,565 Lease Revenue Bonds, Series 2016 at a premium of $11,724. The Lease Revenue Bonds, payable through April 2036, were issued to finance the acquisition, construction and installation of certain capital improvements to be owned by the County, and pay costs relating to the issuance of the bonds. As of June 30, 2016, the outstanding principal amount, including the premium of the Series 2016 Bonds, and remaining interest were $68,289 and $33,190, respectively.

The bonds are special obligations of the SOCPFA payable from and secured by the base rental payments to be made by the County under the lease and the amounts held in all funds and accounts (other than the rebate fund) under the indenture.

Teeter Plan Notes On July 15, 2015, the County issued an additional $30,542 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan. On December 30, 2015, the County used all of the accumulated base taxes to redeem $23,978 of the Teeter Plan Notes. On January 29, 2016, the Note Purchase and Reimbursement Agreement was extended. Teeter Plan Obligation Notes, Series B were issued for $40,387 to retire the old Teeter Notes maturing January 29, 2016.

On June 28, 2016, the County used all of the accumulated base taxes to redeem $10,196 of the Teeter Plan Notes. As of June 30, 2016, the outstanding principal amount of the Teeter Plan Notes was $30,191.

Additional information on the County's long-term debt activity can be found in Note 10, Long-Term Obligations and Note 20, Subsequent Events.

Bond Ratings

The County maintained its issuer rating of Aa1 from Moody's Investors Service and currently Fitch Ratings does not provide issuer ratings. In FY 2015-16, the following changes occurred in the County's underlying debt:

On December 28, 2015, Standard & Poor's Global Ratings (S&P) raised its issuer credit rating for the County to AA+ from AA. S&P also raised its long-term rating and underlying rating on the County's 2005 Lease Revenue Bonds, 2006 Lease Revenue Bonds, and 2012 Lease Revenue Bonds to AA from AA-.

On June 2, 2016, the County issued the 2016 Lease Revenue Bonds with an AA rating from S&P.

The County has the following long-term underlying debt ratings:

LONG-TERM DEBT RATINGS
June 30, 2016

	Standard & Poor's	Moody's	Fitch
2005 Lease Revenue Bonds	AA	Aa3	AA
2006 Lease Revenue Bonds	AA	Aa3	AA
2012 Lease Revenue Bonds	AA	Aa3	NR
2016 Lease Revenue Bonds	AA	NR	NR
1991 Parking COPs	NR	Aa3	NR
Teeter Plan Notes	NR	NR	NR
1996A Pension Obligation Bonds	NR	Aa1	AA
1997A Pension Obligation Bonds	NR	Aa1	AA
Airport 2009A Revenue Bonds	AA-	Aa3	AA-
Airport 2009B Revenue Bonds	AA-	Aa3	AA-

OTHER POTENTIALLY SIGNIFICANT MATTERS

The County's management has determined that the following are significant matters that have a potential impact on the County's financial position or changes in financial position:

State Legislation and Budget

Orange County Vehicle License Fees (VLF)
On June 30, 2011, the Governor signed SB 89, which redirected the County's annual receipt of approximately $49,000 in VLF revenue (Revenue & Taxation Code Section 11001.5(a)(1) and 11005(a)).

All counties in California receive property taxes in lieu of VLF pursuant to Section 97.70 of the Revenue and Taxation Code as a result of the VLF for property tax swap of 2004. However, in 2004, the County's share of property tax in lieu of VLF, which is also known as its "vehicle license fee adjustment amount (VLFAA)," was reduced by approximately $54,000. This reduction was to offset the amount of VLF the County received until the passage of SB 89, and that had been pledged for the service of bankruptcy related indebtedness at the time that Section 97.70 was adopted in 2004.

The elimination of the County's VLF revenue required the Orange County Auditor-Controller to calculate the County's allocation of property taxes in lieu of VLF in a manner consistent with the other 57 counties in the State. Due to the growth in property valuation since 2005, when the VLF Swap was enacted, the calculated property tax in lieu of VLF was $73,500 for FY 2012-13. This amount was included in the County's budget for FY 2011-12 and 2012-13. In an attempt to deprive the County not only of the $54,000 in VLF revenue, but also the $73,500 of annual property tax revenue that was legally owed, the State Department of Finance initiated litigation to challenge the County's calculation of the VLFAA. Ultimately, the Court ruled in favor of the State.

The Court's ruling resulted in the loss of the $73,500 VLFAA revenue and a requirement for the County to repay $150,000 to the State ($147,000 retained in FYs 2011-12 and 2012-13, plus interest). On September 27, 2013, Assembly Bill (AB) 701 was signed by the Governor to resolve the dispute between the State and the County. AB 701 provides for an additional $53,000 in annual VLFAA beginning in FY 2013-14, including growth, in lieu of the $50,000 in property tax revenue previously provided by SB 8 X3, which was a flat amount with no growth. AB 701 provides stability for the County by securing the property tax revenues, including growth, and by allowing for repayment of the $150,000 over five years. The $150,000 due to the State was formally set aside in reserve in the FY 2013-14 First Quarter Budget Report. As of June 30, 2016, the remaining obligation to the state is $130,000.

Long-Term Financial Planning

Property Tax Management System Upgrade
The County's property tax assessment, collection and allocation system processes property taxes and special assessments for the county, cities, school districts and special districts within the County. The current system was developed in the late 1980's in a now obsolete programming language. Maintenance of the system requires specialized knowledge that is hard to obtain. The Auditor-Controller, Clerk of the Board, and Treasurer-Tax Collector embarked on a multi-year phased implementation of the new Property Tax Management System (PTMS).

In January 2006, a contract was awarded to a vendor to conduct a needs assessment and to document the requirements of the new PTMS, with the needs assessment project being completed in July 2007. On July 15, 2008, the Board approved a contract to develop and implement the new PTMS based on the requirement specifications documented during the needs assessment. However, only two out of twenty-seven modules were implemented and remain in partial operation. The software development vendor tried to complete the remaining modules until their contract expired and the project was placed on hold on January 9, 2013. The County filed charges against the vendor a few months later.

In August 2016, the PTMS development vendor settled the litigation and the County received $26,000 in litigation settlement revenue.

In looking into the solution for Property Tax Management, the PTMS Steering Committee directed its staff to issue a Request for Proposal (RFP) to re-platform the current legacy system. As opposed to a complete development from new specifications, this would take the existing system and transform it to operate on an open system platform with similar functionality. An RFP was issued on September 14, 2016.

Funding Progress of the County's Retirement System (System)
The funded ratio of the System is a measure of the ability of the System to make obligated payments to current retirees and future retirees. The funded ratio (actuarial value of plan assets divided by actuarial accrued liability) dropped from 82.76% in 2002 to 70.85% in 2004. Since 2004, the funded ratio increased to 74.08% in 2007 before dropping to 62.52% as of December 31, 2012. As of December 31, 2015, the funded ratio was 71.72%. An increase in funding status is caused by multiple factors, including: (1) additional UAAL (Unfunded Actuarial Accrued Liability) payments by certain plan sponsors, (2) lower than expected salary growth, and (3) lower than expected cost of living adjustment (COLA) increases, offset slightly by (1) actual contributions less than expected, (2) unfavorable investment returns (after smoothing), and (3) higher than expected retirement experience.

On November 4, 2008, the voters in Orange County approved Measure J, which requires voter approval for any future pension benefit enhancements. The County carefully monitors the activities at OCERS and regularly provides input to OCERS management, as well as providing input at OCERS Board meetings as deemed appropriate.

Reduction in OCERS Assumed Investment Rate of Return
The assumed investment rate of return is the rate of investment yield that the Plan will earn over the long-term future.

On December 5, 2012, the OCERS Board voted to reduce the assumed investment rate of return from 7.75% to 7.25%. The reduction was phased in over a two-year period beginning July 2014 at 7.5% and further reducing to 7.25% effective July 2015. The assumed rate of return reduction had the impact of increasing contribution rates of members and plan sponsors.

Actuarial Funding Policy (Amortization)
On November 18, 2013, the OCERS Board adopted the actuarial funding policy to reduce the amortization period for future Unfunded Actuarial Accrued Liability (UAAL) from 30 years to 20 years, which included combining and re-amortizing the entire outstanding UAAL balance as of December 31, 2012, over a single 20-year period. This will allow for future UAAL to be paid off in a shorter period of time and will ultimately reduce retirement rates and costs over time.

Actuarial Assumptions
The 2012 and 2013 valuations were impacted by economic assumption changes, which flowed from the 2012 Review of Economic Actuarial Assumptions. These changes included a decrease in inflation assumptions from 3.50% to 3.25% per annum and an increase in the current real "across the board" salary assumption increase from .25% to .50%. These two assumptions had a cancelling effect on one another.

Requests for Information

We hope that the preceding information provided a general overview of the County's overall financial status. For questions or comments concerning information contained in this report, please contact the Auditor-Controller's Office, County of Orange, 12 Civic Center Plaza, Santa Ana, CA 92702 or you can access our website at http://acdcweb01.ocgov.com/acInternet/Default.aspx.

Orange County's Finance Building, 1970

[THIS PAGE INTENTIONALLY LEFT BLANK]

(Dollar Amounts in Thousands)

B-31

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
ASSETS					
Cash and Cash Equivalents	$ 2,156,927	$ 646,860	$ 2,803,787	$ 53,178	$ 268,978
Restricted Cash and Cash Equivalents	226,814	141,632	368,446	--	300
Investments	221,856	25,246	247,102	--	1,484,979
Deposits In-Lieu of Cash	25	48,000	48,025	--	--
Internal Balances	11,207	(11,207)	--	--	--
Due from Component Unit	375	--	375	--	--
Due from Primary Government	--	--	--	2	--
Prepaid Costs	287,051	3,935	290,986	144	23,296
Inventory of Materials and Supplies	1,986	--	1,986	--	--
Receivables, Net of Allowances					
Accounts	8,275	17,842	26,117	--	470,264
Taxes	32,336	--	32,336	4,647	--
Interest/Dividends	4,230	1,372	5,602	36	--
Deposits	4,667	100	4,767	6,998	--
Advances	30	--	30	--	--
Due from Other Governmental Agencies, Net	424,464	5,211	429,675	1,474	--
Notes Receivable, Net	27,900	--	27,900	--	--
Net Other Postemployment Benefits	43,107	--	43,107	--	--
Capital Assets					
Not Depreciable/Amortizable	964,325	80,465	1,044,790	--	12,132
Depreciable/Amortizable, Net	1,844,598	768,464	2,613,062	--	42,864
Total Capital Assets	2,808,923	848,929	3,657,852	--	54,996
Total Assets	6,260,173	1,727,920	7,988,093	66,479	2,302,813
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	3,871	--	3,871	--	--
Deferred Outflows of Resources Related to Pension	1,093,168	22,951	1,116,119	863	5,003
Total Deferred Outflows of Resources	1,097,039	22,951	1,119,990	863	5,003

The notes to the basic financial statements are an integral part of this statement.

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
LIABILITIES					
Accounts Payable	$ 117,760	$ 13,983	$ 131,743	$ 5,044	$ 10,607
Salaries and Employee Benefits Payable	111,546	2,430	113,976	78	11,837
Retainage Payable	4,366	1,183	5,549	1,401	--
Interest Payable	3,074	5,090	8,164	--	--
Deposits from Others	63,141	49,405	112,546	--	--
Due to Primary Government	--	--	--	375	--
Due to Component Unit	2	--	2	--	--
Due to Other Governmental Agencies	36,118	3,246	39,364	3,665	179
Unearned Revenue	54,466	3,583	58,049	--	586,186
Short-Term Bonds Payable	334,275	--	334,275	--	--
Long-Term Liabilities					
Due Within One Year					
SARI Line Loans	5,365	--	5,365	--	--
Estimated Liability - Litigation and Claims	25,000	--	25,000	--	--
Interest Accretion on Capital Appreciation Bonds Payable	33,355	--	33,355	--	--
Insurance Claims Payable	60,214	--	60,214	--	--
Medical Claims Payable	--	--	--	--	598,695
Capitation and Withholds	--	--	--	--	401,826
Compensated Employee Absences Payable	103,758	2,550	106,308	50	--
Capital Lease Obligations Payable	12,098	--	12,098	--	--
Bonds Payable	61,164	7,656	68,820	--	--
Pollution Remediation Obligation	--	449	449	--	--
Capital Asset Obligation	--	108	108	--	--
Landfill Site Closure/Postclosure Liability	--	2,659	2,659	--	--
Due in More than One Year					
SARI Line Loans	22,657	--	22,657	--	--
Estimated Liability - Litigation and Claims	105,000	--	105,000	--	--
Interest Accretion on Capital Appreciation Bonds Payable	40,571	--	40,571	--	--
Insurance Claims Payable	159,282	--	159,282	--	--
Compensated Employee Absences Payable	81,190	2,243	83,433	14	--
Arbitrage Rebate Payable	233	--	233	--	--
Capital Lease Obligations Payable	55,830	--	55,830	--	--
Notes Payable	30,191	--	30,191	--	--
Bonds Payable	100,383	187,471	287,854	--	--
Pollution Remediation Obligation	--	11,735	11,735	--	--
Capital Asset Obligation	71	153	224	--	--
Landfill Site Closure/Postclosure Liability	--	158,016	158,016	--	--
Net Pension Liability	--	--	--	4,067	6,537
Orange County Employees Retirement System	4,298,494	93,473	4,391,967	--	--
Extra-Help Defined Benefit Plan	2,783	62	2,845	--	--
Net Other Postemployment Benefit Obligation	--	--	--	--	27,327
Total Liabilities	5,922,387	545,495	6,467,882	14,694	1,643,194
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	444,828	9,664	454,492	1,026	2,155
Total Deferred Inflows of Resources	444,828	9,664	454,492	1,026	2,155
NET POSITION					
Net Investment in Capital Assets	2,707,493	663,280	3,370,773	--	54,996
Restricted for:					
Expendable					
Pension Benefits	111,639	--	111,639	--	--
Capital Projects	10,836	--	10,836	--	--
Debt Service	36,380	8,499	44,879	--	--
Legally Segregated for Grants and Other Purposes	1,103,257	--	1,103,257	--	--
Regional Park Endowment	144	--	144	--	--
CalOptima	--	--	--	--	89,283
Passenger Facility Charges Approved Capital Projects	--	14,705	14,705	--	--
Capital Projects - Replacements and Renewals	--	1,000	1,000	--	--
Landfill Closure/Postclosure	--	33,997	33,997	--	--
Landfill Corrective Action	--	8,245	8,245	--	--
Wetland	--	879	879	--	--
Prima Deshecha/La Pata Closure	--	104	104	--	--
Nonexpendable					
Regional Park Endowment	193	--	193	--	--
Unrestricted (Deficit)	(2,979,945)	465,003	(2,514,942)	51,622	518,188
Total Net Position	$ 989,997	$ 1,195,712	$ 2,185,709	$ 51,622	$ 662,467

(Dollar Amounts in Thousands)

	Expenses		Program Revenues			Net (Expense) Revenue and Change in Net Position				
						Primary Government			Component Units	
Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
Primary Government										
Governmental Activities										
General Government	$ 254,490	$ (51,096)	$ 34,048	$ 32,091	$ 88,700	$ (48,555)	$ --	$ (48,555)	$ --	$ --
Public Protection	1,402,113	31,308	288,185	564,282	15,782	(565,172)	--	(565,172)	--	--
Public Ways and Facilities	144,713	(2,642)	63,487	63,984	--	(14,600)	--	(14,600)	--	--
Health and Sanitation	547,847	7,025	85,392	403,332	--	(66,148)	--	(66,148)	--	--
Public Assistance	1,086,488	10,641	37,975	970,212	--	(88,942)	--	(88,942)	--	--
Education	45,227	943	1,426	444	--	(44,300)	--	(44,300)	--	--
Recreation and Cultural Services	113,325	1,811	46,937	2,966	1,294	(63,939)	--	(63,939)	--	--
Interest on Long-Term Debt	20,112	--	--	--	--	(20,112)	--	(20,112)	--	--
Total Governmental Activities	3,614,315	(2,010)	557,450	2,037,311	105,776	(911,768)	--	(911,768)	--	--
Business-Type Activities										
Airport	120,025	896	149,894	153	2,174	--	31,300	31,300	--	--
Waste Management	95,207	1,094	147,130	18	--	--	50,847	50,847	--	--
Compressed Natural Gas	263	20	269	--	--	--	(14)	(14)	--	--
Total Business-Type Activities	215,495	2,010	297,293	171	2,174	--	82,133	82,133	--	--
Total Primary Government	$ 3,829,810	$ --	$ 854,743	$ 2,037,482	$ 107,950	(911,768)	82,133	(829,635)	--	--
Component Units										
Children and Families										
Commission of Orange County	$ 32,598	$ --	$ --	$ 28,877	$ --				(3,721)	--
CalOptima	3,145,426	--	3,163,753	13,881	--				-	32,208
Total Component Units	$ 3,178,024	$ --	$ 3,163,753	$ 42,758	$ --				(3,721)	32,208
General Revenues										
Taxes										
Property Taxes, Levied for General Fund						311,902	--	311,902	--	--
Property Taxes, Levied for Flood Control District						82,193	--	82,193	--	--
Property Taxes, Levied for OC Parks						61,048	--	61,048	--	--
Property Taxes, Levied for OC Public Libraries						45,364	--	45,364	--	--
Property Taxes in-Lieu of Motor Vehicle License Fees						333,595	--	333,595	--	--
Other Taxes						78,184	72	78,256	--	--
Grants and Contributions Not Restricted to Specific Programs						4,583	--	4,583	--	--
State Allocation of Motor Vehicle License Fees						1,100	--	1,100	--	--
Unrestricted Investment Earnings						17,032	6,526	23,558	442	--
Miscellaneous						63,825	2,170	65,995	429	304
Transfers						21,518	(21,518)	--	--	--
Total General Revenues and Transfers						1,020,344	(12,750)	1,007,594	871	304
Change in Net Position						108,576	69,383	177,959	(2,850)	32,512
Net Position - Beginning of Year						881,421	1,126,329	2,007,750	54,472	629,955
Net Position - End of Year						$ 989,997	$ 1,195,712	$ 2,185,709	$ 51,622	$ 662,467

The notes to the basic financial statements are an integral part of this statement.

(Dollar Amounts in Thousands)

B-33

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
ASSETS						
Pooled Cash/Investments	$ 419,457	$ 439,245	$ 182,014	$ 240,571	$ 642,887	$ 1,924,174
Imprest Cash Funds	1,834	--	--	--	--	1,834
Restricted Cash and Investments with Trustee	15	--	--	--	226,789	226,804
Investments	221,772	--	--	--	84	221,856
Deposits In-Lieu of Cash	--	--	--	--	25	25
Receivables						
Accounts	10,486	500	76	--	2,276	13,338
Taxes	10,367	1,798	--	--	20,171	32,336
Interest/Dividends	1,454	723	343	404	923	3,847
Deposits	562	1,946	--	--	2,159	4,667
Advances	30	--	--	--	--	30
Allowance for Uncollectible Receivables	(4,844)	(191)	--	--	(84)	(5,119)
Due from Other Funds	78,793	1,787	5,174	--	29,316	115,070
Due from Component Unit	375	--	--	--	--	375
Due from Other Governmental Agencies, Net	353,668	37,724	2,042	18,904	11,471	423,809
Inventory of Materials and Supplies	891	393	290	--	--	1,574
Prepaid Costs	327,198	4,358	1,180	--	14,087	346,823
Advances to Other Funds	3,800	--	--	--	--	3,800
Notes Receivable, Net	--	--	--	--	27,900	27,900
Total Assets	$ 1,425,858	$ 488,283	$ 191,119	$ 259,879	$ 978,004	$ 3,343,143
LIABILITIES						
Accounts Payable	$ 56,689	$ 2,351	$ 2,819	$ --	$ 34,889	$ 96,748
Retainage Payable	1,495	450	--	--	2,418	4,363
Salaries and Employee Benefits Payable	103,724	1,523	381	--	4,764	110,392
Interest Payable	1,671	--	--	--	24	1,695
Deposits from Others	1,615	6,127	16,335	--	39,064	63,141
Due to Other Funds	35,954	7,026	18,474	10,466	42,882	114,802
Due to Component Unit	--	--	--	--	2	2
Due to Other Governmental Agencies	20,410	499	5,908	248	9,048	36,113
Unearned Revenue	25,450	986	1,102	7,207	19,721	54,466
Bonds Payable	334,275	--	--	--	--	334,275
Advances from Other Funds	1,567	--	--	--	7,800	9,367
Total Liabilities	582,850	18,962	45,019	17,921	160,612	825,364
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Intergovernmental Revenues	68,501	36,545	290	--	5,140	110,476
Unavailable Revenue - Senate Bill 90 Mandated Claims, Net	28,404	--	--	--	--	28,404
Unavailable Revenue - Property Taxes	8,878	1,108	--	--	1,620	11,606
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	368	368
Unavailable Revenue - Other	9,387	--	--	--	12	9,399
Total Deferred Inflows of Resources	115,170	37,653	290	--	7,140	160,253
FUND BALANCES						
Nonspendable	331,889	4,751	1,470	--	14,280	352,390
Restricted	49,230	426,917	144,340	241,958	666,190	1,528,635
Assigned	321,064	--	--	--	129,782	450,846
Unassigned	25,655	--	--	--	--	25,655
Total Fund Balances	727,838	431,668	145,810	241,958	810,252	2,357,526
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,425,858	$ 488,283	$ 191,119	$ 259,879	$ 978,004	$ 3,343,143

The notes to the basic financial statements are an integral part of this statement.

(Dollar Amounts in Thousands)

B-34

The governmental funds Balance Sheet includes a reconciliation between fund balances – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. The difference in fund balances of ($1,367,529) is due to the long-term economic focus of the Statement of Net Position versus the short-term economic focus of the governmental funds. The components of the difference are described below.

Total Fund Balances - Governmental Funds		$ 2,357,526
Capital assets used in the operations of the County are not reported in the governmental funds financial statements:		
Land	834,406	
Structures and Improvements	1,223,825	
Equipment	297,992	
Software	110,156	
Infrastructure	1,687,354	
Land Use Rights	7,602	
Land Improvements	2,629	
Construction/Intangible in Progress	121,418	
Accumulated Depreciation/Amortization	(1,528,778)	2,756,604
Other assets used in governmental activities do not consume current financial resources, and therefore, are not reported in the governmental funds:		
Prepaid Pension Investment with OCERS	111,639	
Prepaid Bond Insurance	199	111,838
The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		9,840
Deferred outflows of resources are similar to assets, but they do not meet the definition of an asset at June 30, 2016. When all the recognition criteria are met, the deferred outflows of resources will become an expense. The counterpart to deferred outflows of resources are deferred inflows of resources, which are not technically liabilities at June 30, 2016. When all recognition criteria are met, the deferred inflows of resources will become revenue or an increase to net position. The County reports the different types of deferred outflows and inflows of resources in the Statement of Net Position as follows:		
Deferred Outflows of Resources:		
Deferred Charge on Refunding		3,871
Employer retirement contribution subsequent to measurement date and deferred recognition of changes to the net pension liability		908,461
Reclassification of prepaid pension contribution from prepaid costs to deferred outflows of resources for the portion to be recognized in the next measurement period. Refer to Note 17, Retirement Plans for futher information.		
Prepaid Pension Contribution		(173,223)
Deferred Outflows of Resources		173,223

Deferred Inflows of Resources:		
Deferred Inflows of Resources that have been earned but not available to finance expenditures in the current period		160,253
Deferred Inflows of Resources Related to Pension		(440,418)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and COPs Payable, Net	(161,547)	
SARI Line Loans Payable	(28,022)	
Teeter Plan Notes Payable	(30,191)	
Compensated Employee Absences Payable	(182,834)	
Capital Lease Obligations Payable	(54,128)	
Capital Asset Obligation	(71)	
Arbitrage Rebate Payable	(233)	
Interest Payable on Bonds	(1,379)	
Interest Accreted on Capital Appreciation Bonds	(73,926)	
Estimated Liability - Litigation and Claims	(130,000)	
County's Net Pension Liability	(4,258,754)	(4,921,085)
Governmental Accounting Standards Board (GASB) Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"* requires an employer to record a net Other Postemployment Benefits (OPEB) obligation (asset) for the difference between the annual required contribution (ARC) and the amounts actually contributed to the OPEB Plan.		43,107
Net Position of Governmental Activities		$ 989,997

(Dollar Amounts in Thousands)

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 671,363	$ 90,748	$ --	$ --	$ 114,697	$ 876,808
Licenses, Permits, and Franchises	25,154	159	361	--	1,985	27,659
Fines, Forfeitures and Penalties	44,375	14	4,821	--	12,459	61,669
Use of Money and Property	18,318	4,981	5,779	2,121	57,012	88,211
Intergovernmental	1,626,855	11,041	17,768	114,852	354,620	2,125,136
Charges for Services	386,117	14,103	14,362	--	52,077	466,659
Other	18,648	7,162	8,874	5	34,747	69,436
Total Revenues	2,790,830	128,208	51,965	116,978	627,597	3,715,578
Expenditures						
Current						
General Government	176,002	--	--	--	85,385	261,387
Public Protection	1,182,458	80,970	23,949	--	2,525	1,289,902
Public Ways and Facilities	30,792	--	--	--	92,348	123,140
Health and Sanitation	526,216	--	--	163	1,103	527,482
Public Assistance	881,261	--	--	--	180,386	1,061,647
Education	--	--	--	--	43,928	43,928
Recreation and Cultural Services	--	--	--	--	100,381	100,381
Capital Outlay	20,794	22,468	10,724	--	62,583	116,569
Debt Service						
Principal Retirement	4,530	8,305	--	--	113,484	126,319
Interest	7,451	10	--	--	35,578	43,039
Total Expenditures	2,829,504	111,753	34,673	163	717,701	3,693,794
Excess (Deficit) of Revenues Over Expenditures	(38,674)	16,455	17,292	116,815	(90,104)	21,784
Other Financing Sources (Uses)						
Transfers In	247,661	467	11,541	--	137,283	396,952
Transfers Out	(145,657)	(4,453)	(28,983)	(115,081)	(93,199)	(387,373)
Debt Issued	--	--	--	--	127,494	127,494
Premium on Debt Issued	--	--	--	--	11,724	11,724
Capital Leases	--	254	--	--	--	254
Total Other Financing Sources (Uses)	102,004	(3,732)	(17,442)	(115,081)	183,302	149,051
Net Change in Fund Balances	63,330	12,723	(150)	1,734	93,198	170,835
Fund Balances - Beginning of Year	664,508	418,945	145,960	240,224	717,054	2,186,691
Fund Balances - End of Year	$ 727,838	$ 431,668	$ 145,810	$ 241,958	$ 810,252	$ 2,357,526

The notes to the basic financial statements are an integral part of this statement.

(Dollar Amounts in Thousands)

B-36

The Net Change in Fund Balances for governmental funds of $170,835 in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Position for governmental activities of $108,576 reported in the government-wide Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The main components of the difference are described below.

Net Change in Fund Balances – Total Governmental Funds		$ 170,835
When capital assets used in governmental activities are purchased or constructed in the current fiscal year, the resources expended for those assets are reported as expenditures in the governmental funds. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. In addition, donations, transfers, gains or losses from sales and other disposals/acquisitions of capital assets are not reported in governmental funds. These assets, and their associated depreciation/amortization expense, must be reported or removed in the government-wide financial statements. The details of the expenditures for capital outlay, capital contributions, depreciation /amortization and other disposals/acquisitions of capital assets are as follows:		
Expenditures for Capital Outlay:		
Land	10,922	
Structures and Improvements and Construction in Progress	75,380	
Equipment	23,179	
Software	4,173	
Net of Gains/Losses on Capital Assets Dispositions	(10,013)	
Depreciation/Amortization Expense	(83,796)	
Capital Contributions	4,497	24,342
The issuance of long-term debt (e.g. bonds) is recorded as an other financing source in the governmental funds because it provides current financial resources. Similarly, the repayment of principal on long–term debt or the payment of other long-term liabilities is reported as an expenditure in the governmental funds because current financial resources have been consumed. Bond proceeds, net of payments to escrow agents and principal payments, are reported as financing sources in governmental funds and thus contribute to the change in fund balance. These transactions do not have any effect on net position in the government-wide financial statements. The details of the principal and other long-term liability payments and other financing sources are as follows:		
Teeter Plan Notes Proceeds	(70,929)	
Proceeds From Issuance of Bonds Payable	(68,289)	
Capital Lease Addition	(254)	
Principal and Other Long-Term Liability Payments:		
Bonds Payable	38,909	
Teeter Plan Notes Payable	74,561	
SARI Line Loans Payable	8,255	
Capital Lease Obligations	4,594	
Arbitrage Rebate Payable	623	(12,530)

The notes to the basic financial statements are an integral part of this statement.

Revenues related to prior years that are available in the current fiscal year are reported as revenue in the governmental funds. In contrast, revenues that are earned, but unavailable in the current year are deferred in the governmental funds. For government-wide reporting, revenue is recognized when earned, regardless of availability. The following amounts reflect the net effect of the timing differences for revenue recognition:		
Government Mandated and Voluntary Nonexchange	(17,619)	
Property Tax Revenues	2,217	(15,402)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds until paid. The following amounts represent the net effect of these differences in the treatment of long-term liabilities:		
Accrued Interest Expense on Bonds Payable	346	
Amortization of Deferred Charges	31,292	
Compensated Employee Absences Expense	(10,552)	
OCERS Investment Loss	(905)	
Estimated Litigation and Claims Expense	15,000	
Interest Accretion on Capital Appreciation Bonds	(8,712)	26,469
Internal service funds (ISF) are used by management to charge the costs of certain activities, such as insurance, transportation, and telephone services to individual governmental funds. The loss of internal service funds is eliminated in the Statement of Activities as an adjustment to the various functions to arrive at a break-even basis. Also, general or non-program revenues and expenses of the internal service funds are recorded in governmental activities.		
Allocation of ISF's Operating Loss to Governmental Activities, net of Business-Type Activities	(2,986)	
Consolidation of Nonoperating Revenues, Expenses and Transfers to Governmental Activities	19,941	16,955
For FY 2015-16, the OPEB cost was $44,439, and the County contributed $42,490, which was deposited in the Retiree Medical Trust. The County contributed less than the required OPEB cost. Cumulatively, the County still has a net OPEB Asset.		(1,949)
GASB Statement No. 68 requires an employer to record pension expense and employer contribution that affects the County's proportionate share of the net pension liability.		(100,144)
Change in Net Position of Governmental Activities		$ 108,576

(Dollar Amounts in Thousands)

B-37

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Taxes	$ 652,756	$ 652,756	$ 671,490	$ 18,734
Licenses, Permits, and Franchises	23,776	24,802	24,451	(351)
Fines, Forfeitures and Penalties	33,974	33,974	44,981	11,007
Use of Money and Property	5,768	15,961	17,295	1,334
Intergovernmental	1,631,370	1,648,932	1,606,578	(42,354)
Charges for Services	431,861	441,372	404,105	(37,267)
Other	24,067	25,639	23,790	(1,849)
Transfers In	328,549	343,503	245,149	(98,354)
Bond Issuance Proceeds	1,185	1,735	--	(1,735)
Total Revenues and Other Financing Sources	3,133,306	3,188,674	3,037,839	(150,835)
Expenditures and Other Financing Uses				
General Government:				
Assessor	37,855	38,205	37,185	1,020
Auditor-Controller	16,581	18,148	17,340	808
Board of Supervisors - 1st District	984	1,172	1,138	34
Board of Supervisors - 2nd District	984	1,172	930	242
Board of Supervisors - 3rd District	984	1,172	1,037	135
Board of Supervisors - 4th District	984	1,172	1,017	155
Board of Supervisors - 5th District	984	1,172	972	200
Capital Acquisition Financing	5,853	5,853	5,845	8
Capital Projects	43,405	47,512	36,008	11,504
CAPS Program	17,021	17,021	13,252	3,769
Clerk of the Board	4,377	4,377	4,245	132
County Counsel	12,251	16,007	13,628	2,379
County Executive Office	21,651	21,878	18,505	3,373
Data Systems Development Project	9,320	10,320	5,193	5,127
Employee Benefits	1,793	2,133	1,482	651
Human Resources	6,112	6,112	5,564	548
Internal Audit	2,818	995	1,010	(15)
IBM Mainframe	3,171	3,171	3,171	--
IT Support Services	--	972	967	5
Miscellaneous	35,989	36,695	32,935	3,760
Prepaid Pension Obligation	--	550	1	549
Property Tax System Centralized O & M Support	3,426	3,426	3,158	268
Registrar of Voters	13,993	14,739	13,664	1,075
The Office of the Performance Audit	795	795	259	536
Treasurer-Tax Collector	13,503	13,503	12,555	948
Utilities	18,690	18,690	13,967	4,723
2005 Lease Revenue Refunding Bonds	43,721	51,956	51,623	333
Public Protection:				
Alternate Defense	5,702	5,698	4,362	1,336
Building & Safety	11,167	12,567	12,295	272
Child Support Services	57,500	57,500	55,384	2,116
Clerk-Recorder	14,567	14,567	12,740	1,827
Detention Release	1,666	1,666	1,272	394
District Attorney	132,040	135,439	131,724	3,715
District Attorney - Public Administrator	3,161	3,161	2,393	768
Emergency Management Division	3,164	4,364	3,717	647
Grand Jury	529	529	529	--
HCA Public Guardian	6,133	6,133	5,288	845
Juvenile Justice Commission	177	179	177	2
Office of Independent Review	450	450	259	191
Probation	175,157	179,512	174,035	5,477
Public Defender	74,203	74,240	72,008	2,232
Sheriff-Coroner	597,735	613,295	602,026	11,269
Sheriff-Coroner Communications	11,483	13,868	12,987	881
Sheriff Court Operations	56,354	57,633	57,473	160
Trial Courts	64,109	64,867	64,187	680
Public Ways and Facilities:				
OC Public Works	48,955	49,595	43,933	5,662
Health and Sanitation:				
Health Care Agency	583,192	588,962	521,537	67,425
OC Watersheds	14,491	15,691	11,333	4,358
Public Assistance:				
OC Community Resources	67,806	69,709	55,268	14,441
Social Services Agency	904,229	913,042	846,400	66,642
Total Expenditures and Other Financing Uses	3,151,215	3,221,585	2,987,978	233,607
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(17,909)	(32,911)	49,861	$ 82,772
Fund Balances - Beginning of Year	638,796	638,796	638,796	
Fund Balances - End of Year	$ 620,887	$ 605,885	$ 688,657	

The notes to the basic financial statements are an integral part of this statement.

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - FLOOD CONTROL DISTRICT

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Taxes	$ 88,346	$ 88,346	$ 90,737	$ 2,391
Licenses, Permits, and Franchises	168	168	159	(9)
Fines, Forfeitures and Penalties	12	12	14	2
Use of Money and Property	2,170	2,170	4,014	1,844
Intergovernmental	30,522	30,585	30,120	(465)
Charges for Services	14,133	14,042	14,389	347
Other	1,797	1,797	7,161	5,364
Capital Contributions	--	--	100	100
Transfers In	467	467	467	--
Total Revenues and Other Financing Sources	137,615	137,587	147,161	9,574
Expenditures and Other Financing Uses				
Public Protection:				
OC Flood	166,627	170,215	88,571	81,644
OC Santa Ana River	75	75	--	75
OC Flood - Capital	54,830	54,830	27,687	27,143
Total Expenditures and Other Financing Uses	221,532	225,120	116,258	108,862
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(83,917)	(87,533)	30,903	$ 118,436
Fund Balances - Beginning of Year	414,940	414,940	414,940	
Fund Balances - End of Year	$ 331,023	$ 327,407	$ 445,843	

(Dollar Amounts in Thousands)

B-38

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - OTHER PUBLIC PROTECTION

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ --	$ 500	$ 361	$ (139)
Fines, Forfeitures and Penalties	2,702	2,650	2,739	89
Use of Money and Property	4,863	4,863	5,312	449
Intergovernmental	17,433	15,471	17,780	2,309
Charges for Services	9,167	13,620	14,362	742
Other	10,016	10,048	8,861	(1,187)
Transfers In	4,085	12,537	13,714	1,177
Total Revenues and Other Financing Sources	48,266	59,689	63,129	3,440
Expenditures and Other Financing Uses				
Public Protection:				
Orange County Methamphetamine Lab Investigation Team	436	436	278	158
County Automated Fingerprint Identification	1,382	1,364	1,300	64
Building and Safety - Operating Reserve	852	1,352	5	1,347
Narcotic Forfeiture and Seizure	371	572	572	--
Sheriff-Regional Narcotics Suppression Program	4,266	5,228	3,843	1,385
Motor Vehicle Theft Task Force	3,023	3,023	2,807	216
Regional Narcotic Suppression Program-Dept of Treasury	42	321	145	176
Regional Narcotic Suppression Program-Other	1,799	2,409	1,018	1,391
Clerk Recorder Special Revenue	20,831	20,831	6,015	14,816
Clerk Recorder Operating Reserve	1,919	1,919	1	1,918
Real Estate Prosecution	1,364	1,719	1,627	92
Proposition 64 - Consumer Protection	3,559	3,559	2,678	881
Proposition 69 - DNA Identification	1,257	2,017	808	1,209
Traffic Violator	1,211	1,211	210	1,001
Sheriff Narcotics Program-Dept of Treasury	16	--	--	--
Sheriff Narcotics Program-Dept of Justice	5,421	5,421	4,622	799
Sheriff Narcotics Program-Other	171	419	56	363
Orange County Jail	2,214	2,214	752	1,462
Sheriff Narcotics Program-CALMMET-DOJ	510	510	--	510
Sheriff Narcotics Program-CALMMET-Treasury	397	998	139	859
Sheriff's State Criminal Alien Assistance Program	2,441	1,978	1,419	559
California Automated Fingerprint Identification Operational Costs	1,015	1,015	995	20
California Automated Fingerprint Identification Systems Costs	19,885	19,885	358	19,527
Sheriff's Supplemental Law Enforcement Services	3,115	3,115	1,164	1,951
District Attorney's Supplemental Law Enforcement Services	942	990	990	--
Excess Public Safety Sales Tax	8,409	8,609	6,935	1,674
Sheriff-Coroner Replacement and Maintenance	13,051	15,012	3,282	11,730
Ward Welfare	179	179	156	23
Court Facilities	1,352	1,352	--	1,352
Sheriff's Substations Fee Program	3,343	3,343	3	3,340
Jail Commissary	9,533	9,533	7,616	1,917
Inmate Welfare	11,560	11,631	3,992	7,639
Child Support Program Development	1,309	1,926	1,068	858
800 MHz County-Wide Coordinated Communications System	9,467	15,227	10,998	4,229
Delta Special Revenue	28	28	2	26
Total Expenditures and Other Financing Uses	136,670	149,346	65,854	83,492
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(88,404)	(89,657)	(2,725)	$ 86,932
Fund Balances - Beginning of Year	131,857	131,857	131,857	
Fund Balances - End of Year	$ 43,453	$ 42,200	$ 129,132	

The notes to the basic financial statements are an integral part of this statement.

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS - MENTAL HEALTH SERVICES ACT

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Use of Money and Property	$ 800	$ 815	$ 1,600	$ 785
Intergovernmental	119,325	119,325	114,852	(4,473)
Other	--	--	5	5
Total Revenues and Other Financing Sources	120,125	120,140	116,457	(3,683)
Expenditures and Other Financing Uses				
General Government:				
Mental Health Services Act	141,263	141,278	115,244	26,034
Total Expenditures and Other Financing Uses	141,263	141,278	115,244	26,034
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(21,138)	(21,138)	1,213	$ 22,351
Fund Balances - Beginning of Year	240,044	240,044	240,044	
Fund Balances - End of Year	$ 218,906	$ 218,906	$ 241,257	

(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
ASSETS					
Current Assets					
Pooled Cash/Investments	$ 213,207	$ 398,008	$ 543	$ 611,758	$ 230,786
Cash Equivalents/Specific Investments	24,845	--	--	24,845	--
Cash/Cash Equivalents	10,208	--	--	10,208	--
Imprest Cash Funds	14	35	--	49	133
Restricted Cash and Investments with Trustee	13,589	--	--	13,589	10
Restricted Pooled Cash/Investments	14,274	547	--	14,821	--
Deposits In-Lieu of Cash	31,429	16,571	--	48,000	--
Receivables					
Accounts	4,966	10,475	--	15,441	118
Passenger Facility Charges	2,141	--	--	2,141	--
Interest/Dividends	564	806	2	1,372	383
Deposits	--	100	--	100	--
Pollution Remediation Obligation Recoveries	261	--	--	261	--
Allowance for Uncollectible Receivables	--	(1)	--	(1)	(62)
Due from Other Funds	--	3,388	2	3,390	2,583
Due from Other Governmental Agencies	2,314	2,897	--	5,211	655
Inventory of Materials and Supplies	--	--	--	--	412
Prepaid Costs	1,898	2,037	--	3,935	1,613
Total Current Assets	319,710	434,863	547	755,120	236,631
Noncurrent Assets					
Restricted Cash and Investments with Trustee	13,027	--	--	13,027	--
Restricted Pooled Cash/Investments	--	9,347	--	9,347	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	90,848	--	90,848	--
Specific Investments	25,246	--	--	25,246	--
Advances to Other Funds	--	5,567	--	5,567	--
Capital Assets:					
Land	15,678	22,164	--	37,842	--
Construction in Progress	27,318	13,237	--	40,555	899
Intangible Assets in Progress	1,833	235	--	2,068	--
Structures and Improvements	757,825	24,409	--	782,234	11,788
Accumulated Depreciation	(271,625)	(11,458)	--	(283,083)	(6,110)
Equipment	12,444	69,533	--	81,977	119,648
Accumulated Depreciation	(9,596)	(48,483)	--	(58,079)	(73,906)
Infrastructure	226,469	376,220	--	602,689	--
Accumulated Depreciation	(178,315)	(180,085)	--	(358,400)	--
Intangible Assets - Amortizable	781	626	--	1,407	--
Accumulated Amortization	(125)	(156)	--	(281)	--
Total Capital Assets	582,687	266,242	--	848,929	52,319
Total Noncurrent Assets	620,960	372,004	--	992,964	52,319
Total Assets	940,670	806,867	547	1,748,084	288,950
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to Pension	10,126	12,825	--	22,951	11,484
Total Deferred Outflows of Resources	10,126	12,825	--	22,951	11,484

	Business-Type Activities - Enterprise Funds				
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
LIABILITIES					
Current Liabilities					
Accounts Payable	$ 7,526	$ 6,457	$ --	$ 13,983	$ 21,012
Retainage Payable	439	744	--	1,183	3
Salaries and Employee Benefits Payable	1,047	1,383	--	2,430	1,154
Unearned Revenue	3,463	120	--	3,583	--
Due to Other Funds	2,647	2,335	272	5,254	987
Due to Other Governmental Agencies	178	3,068	--	3,246	5
Insurance Claims Payable	--	--	--	--	60,214
Compensated Employee Absences Payable	1,133	1,417	--	2,550	1,151
Pollution Remediation Obligation	--	449	--	449	--
Capital Asset Obligation	101	7	--	108	--
Landfill Site Closure/Postclosure Liability	--	2,659	--	2,659	--
Bonds Payable	7,656	--	--	7,656	--
Capital Lease Obligations Payable	--	--	--	--	6,900
Interest Payable	5,090	--	--	5,090	--
Deposits from Others	32,139	17,266	--	49,405	--
Total Current Liabilities	61,419	35,905	272	97,596	91,426
Noncurrent Liabilities					
Insurance Claims Payable	--	--	--	--	159,282
Compensated Employee Absences Payable	909	1,334	--	2,243	963
Pollution Remediation Obligation	994	10,741	--	11,735	--
Capital Asset Obligation	140	13	--	153	--
Landfill Site Closure/Postclosure Liability	--	158,016	--	158,016	--
Bonds Payable	187,471	--	--	187,471	--
Capital Lease Obligations Payable	--	--	--	--	6,900
Net Pension Liability	41,486	52,049	--	93,535	42,523
Total Noncurrent Liabilities	231,000	222,153	--	453,153	209,668
Total Liabilities	292,419	258,058	272	550,749	301,094
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	4,287	5,377	--	9,664	4,410
Total Deferred Inflows of Resources	4,287	5,377	--	9,664	4,410
NET POSITION					
Net Investment in Capital Assets	397,058	266,222	--	663,280	38,519
Restricted for:					
Debt Service	8,499	--	--	8,499	--
Passenger Facility Charges Approved Capital Projects	14,705	--	--	14,705	--
Capital Projects - Replacements and Renewals	1,000	--	--	1,000	--
Landfill Closure/Postclosure	--	33,997	--	33,997	--
Landfill Corrective Action	--	8,245	--	8,245	--
Wetland	--	879	--	879	--
Prima Deshecha/La Pata Closure	--	104	--	104	--
Unrestricted	232,828	246,810	275	479,913	(43,589)
Total Net Position	$ 654,090	$ 556,257	$ 275	1,210,622	$ (5,070)
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				137	
Cumulative Effect of Prior Years' Internal Service Funds Allocation				(15,047)	
Net Position of Business-Type Activities				$ 1,195,712	

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
Operating Revenues					
Use of Money and Property	$ 110,260	$ 3,859	$ --	$ 114,119	$ 1,770
Licenses, Permits, and Franchises	--	76	--	76	--
Charges for Services	18,926	143,132	269	162,327	92,115
Insurance Premiums	--	--	--	--	304,693
Total Operating Revenues	129,186	147,067	269	276,522	398,578
Operating Expenses					
Salaries and Employee Benefits	19,711	25,845	--	45,556	20,563
Services and Supplies	24,751	19,938	219	44,908	28,963
Professional Services	38,377	17,501	63	55,941	59,447
Operating Leases	145	918	1	1,064	1,787
Insurance Claims and Premiums	--	--	--	--	284,500
Pollution Remediation Expense	--	18	--	18	--
Other Charges	--	--	--	--	363
Taxes and Other Fees	--	12,623	--	12,623	21
Landfill Site Closure/Postclosure Costs	--	4,288	--	4,288	--
Depreciation/Amortization	28,934	15,269	--	44,203	5,783
Total Operating Expenses	111,918	96,400	283	208,601	401,427
Operating Income (Loss)	17,268	50,667	(14)	67,921	(2,849)
Nonoperating Revenues (Expenses)					
Fines, Forfeitures and Penalties	186	63	--	249	--
Intergovernmental Revenues	153	18	--	171	1,062
Interest Revenue	2,189	4,333	4	6,526	1,882
Interest Expense	(9,105)	--	--	(9,105)	--
Gain (Loss) on Disposition of Capital Assets	1	226	--	227	150
Passenger Facility Charges Revenue	20,522	--	--	20,522	--
Other Taxes	--	--	72	72	--
Other Revenue, Net	1,084	923	--	2,007	4,908
Total Nonoperating Revenues	15,030	5,563	76	20,669	8,002
Income Before Contributions and Transfers	32,298	56,230	62	88,590	5,153
Capital Grant Contributions	2,174	--	--	2,174	--
Transfers In	--	--	--	--	13,008
Transfers Out	--	(21,267)	(251)	(21,518)	(1,069)
Change in Net Position	34,472	34,963	(189)	69,246	17,092
Net Position - Beginning of Year	619,618	521,294	464		(22,162)
Net Position - End of Year	$ 654,090	$ 556,257	$ 275		$ (5,070)
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				137	
Increase in Net Position of Business-Type Activities				$ 69,383	

(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds: Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	$ 128,296	$ 145,784	$ 269	$ 274,349	$ 26,321
Cash Received for Premiums within the County's Entity	--	--	--	--	304,693
Payments to Suppliers for Goods and Services	(62,416)	(38,477)	(283)	(101,176)	(366,461)
Payments to Employees for Services	(18,416)	(25,620)	--	(44,036)	(19,418)
Payments for Interfund Services	--	(5,545)	256	(5,289)	(946)
Receipts for Interfund Services Used	11	--	--	11	68,688
Landfill Site Closure/Postclosure Care Costs	--	(2,659)	--	(2,659)	--
Taxes and Other Fees	--	(12,623)	--	(12,623)	(21)
Other Operating Receipts	1,685	2,716	--	4,401	4,907
Other Operating Payments	(202)	(1,485)	--	(1,687)	(2,161)
Net Cash Provided by Operating Activities	48,958	62,091	242	111,291	15,602
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	--	--	--	--	13,008
Transfers Out	--	(21,267)	(251)	(21,518)	(1,069)
Intergovernmental Revenues	153	18	--	171	1,062
Other Taxes	--	--	72	72	--
Advances to Other Funds	--	(3,216)	--	(3,216)	--
Net Cash Provided (Used) by Noncapital Financing Activities	153	(24,465)	(179)	(24,491)	13,001
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(24,293)	(37,584)	--	(61,877)	(6,619)
Capital Asset Obligation	--	20	--	20	--
Principal Paid on Bonds	(7,205)	--	--	(7,205)	--
Interest Paid on Long-Term Debt	(10,338)	--	--	(10,338)	--
Capital Grant Contributions	3,716	--	--	3,716	--
Passenger Facility Charges Received	20,287	--	--	20,287	--
Principal Paid on Capital Lease Obligations	--	--	--	--	(6,900)
Proceeds from Sale of Capital Assets	15	406	--	421	--
Net Cash Used by Capital and Related Financing Activities	(17,818)	(37,158)	--	(54,976)	(13,519)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	2,058	4,219	4	6,281	1,797
Sale of Investments	4,730	--	--	4,730	--
Net Cash Provided by Investing Activities	6,788	4,219	4	11,011	1,797
Net Increase in Cash and Cash Equivalents	38,081	4,687	67	42,835	16,881
Cash and Cash Equivalents - Beginning of Year	238,056	494,098	476	732,630	214,048
Cash and Cash Equivalents - End of Year	$ 276,137	$ 498,785	$ 543	$ 775,465	$ 230,929

The notes to the basic financial statements are an integral part of this statement.

	Business-Type Activities - Enterprise Funds: Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	$ 17,268	$ 50,667	$ (14)	$ 67,921	$ (2,849)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation/Amortization	28,934	15,269	--	44,203	5,783
Fines, Forfeitures and Penalties	186	63	--	249	--
Other Revenue	1,499	923	--	2,422	4,908
(Increases) Decreases In:					
Deposits In-Lieu of Cash	(3,903)	45	--	(3,858)	--
Accounts Receivable (Net of Allowances)	(922)	(949)	--	(1,871)	(9)
Due from Other Funds	11	(2,328)	--	(2,317)	74
Due from Other Governmental Agencies	(184)	(355)	--	(539)	(69)
Inventory of Materials and Supplies	--	--	--	--	41
Prepaid Costs	25	186	--	211	44
Deferred Outflows of Resources Related to Pension	(3,825)	(4,851)	--	(8,676)	(5,067)
Increases (Decreases) In:					
Accounts Payable	738	27	--	765	(5,727)
Retainage Payable	157	(1,151)	--	(994)	174
Salaries and Employee Benefits Payable	151	210	--	361	253
Unearned Revenue	--	27	--	27	--
Due to Other Funds	395	(3,218)	256	(2,567)	167
Due to Other Governmental Agencies	(17)	86	--	69	--
Insurance Claims Payable	--	--	--	--	11,919
Compensated Employee Absences Payable	(111)	15	--	(96)	10
Pollution Remediation Obligation	--	(548)	--	(548)	--
Deposits from Others	3,539	(24)	--	3,515	--
Net Pension Liability	4,473	5,677	--	10,150	5,303
Landfill Site Closure/ Postclosure Liability	--	1,630	--	1,630	--
Deferred Inflows of Resources Related to Pension	544	690	--	1,234	647
Total Adjustments	31,690	11,424	256	43,370	18,451
Net Cash Provided by Operating Activities	$ 48,958	$ 62,091	$ 242	$ 111,291	$ 15,602
Reconciliation of Cash and Cash Equivalents to Statement of Net Position Accounts					
Pooled Cash/Investments	$ 213,207	$ 398,008	$ 543	$ 611,758	$ 230,786
Cash Equivalents/Specific Investments	24,845	--	--	24,845	--
Cash/Cash Equivalents	10,208	--	--	10,208	--
Imprest Cash Funds	14	35	--	49	133
Restricted Cash and Investments with Trustee	13,589 (1)	--	--	13,589	10
Restricted Pooled Cash/Investments	14,274	9,894	--	24,168	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	90,848	--	90,848	--
Total Cash and Cash Equivalents	$ 276,137	$ 498,785	$ 543	$ 775,465	$ 230,929

Schedule of Noncash Investing, Capital, and Financing Activities:
- The Internal Service Funds gained $150 on disposition of capital assets.
- Airport had a $1 gain on disposition of capital assets.
- Waste Management gained $226 on disposition of capital assets.
- The Internal Service Funds' acquisition of capital assets with accounts payable is $9,241.
- Airport's acquisition of capital assets with accounts payable is $3,289.
- Waste Management's acquisition of capital assets with accounts payable is $3,678.

(1) Does not include $13,027 from Airport's nonliquid Restricted Cash and Investments with Trustee.

(Dollar Amounts in Thousands)

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

	Private-Purpose Trust Funds	Investment Trust Funds	Pension and Other Post-Employment Benefit Trust Funds	Agency Funds
ASSETS				
Pooled Cash/Investments	$ 54,761	$ 4,562,313	$ 8,655	$ 274,484
Cash/Cash Equivalents	--	--	--	270
Restricted Cash and Investments				
Restricted Investments with Trustee				
Money Market Mutual Funds	4,647	--	92,406	29,465
Mutual Bond Funds	--	--	4,948	--
Stable Value Fund	--	--	7,299	--
Restricted Cash with Orange County				
Employees Retirement System (OCERS)	--	--	214,769	--
Total Restricted Cash and Investments	4,647	--	319,422	29,465
Investments	--	--	--	1,082
Deposits In-Lieu of Cash	--	--	--	19,454
Receivables				
Accounts	--	--	--	28
Taxes	--	--	--	340,178
Interest/Dividends	186	10,724	65	9,022
Allowance for Uncollectible Receivables	--	--	--	(167,621)
Due from Other Governmental Agencies	--	--	3,948	3,266
Land and Improvements Held for Resale	133	--	--	--
Notes Receivable	--	--	--	29,674
Total Assets	59,727	4,573,037	332,090	539,302
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	394	--	--	--
Total Deferred Outflows of Resources	394	--	--	--
LIABILITIES				
Bonds Payable	30,041	--	--	--
Interest Payable	386	--	--	8,269
Deposits from Others	--	--	--	14,505
Monies Held for Others	--	--	--	147,095
Due to Other Governmental Agencies	350	585	--	61,324
Unapportioned Taxes	--	--	--	308,109
Total Liabilities	30,777	585	--	539,302
DEFERRED INFLOWS OF RESOURCES				
Deferred Charge on Refunding	132	--	--	--
Total Deferred Inflows of Resources	132	--	--	--
NET POSITION				
Restricted for Pension Benefits and Other Purposes	29,212	4,572,452	332,090	--
Total Net Position	$ 29,212	$ 4,572,452	$ 332,090	$ --

The notes to the basic financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust Funds	Investment Trust Funds	Pension and Other Post-Employment Benefit Trust Funds
Additions:			
Contributions to Pension and Other Postemployment Benefit Trust Funds:			
Employer	$ --	$ --	$ 53,860
Employee	--	--	3,261
Contributions to Pooled Investments	--	8,247,444	--
Contributions to Private-Purpose Trust	64,627	--	--
Intergovernmental Revenues	300	--	--
Other Revenues	1,191	446	7
Interest and Investment Income/(Loss)	699	38,835	(2,023)
Less: Investment Expense	(8)	(2,905)	(269)
Total Additions	66,809	8,283,820	54,836
Deductions:			
Benefits Paid to Participants	--	--	34,687
Distributions from Pooled Investments	--	7,816,943	--
Distributions from Private-Purpose Trust	59,924	--	--
Professional Services	182	--	90
Other Expenses	712	--	--
Tax Pass-Throughs	4,000	--	--
Interest Expense	1,141	--	--
Total Deductions	65,959	7,816,943	34,777
Change in Net Position:			
Private-Purpose Trust	850	--	--
External Investment Pool	--	466,877	--
Employees' Pension and Other Post-Employment Benefits	--	--	20,059
Net Position, Beginning of Year	28,362	4,105,575	312,031
Net Position, End of Year	$ 29,212	$ 4,572,452	$ 332,090

The notes to the basic financial statements are an integral part of this statement.

ORANGE COUNTY AUDITOR-CONTROLLER
CALIFORNIA

W 4th St, Santa Ana

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the County of Orange:

A. Reporting Entity

The County is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through an elected five-member Board of Supervisors (the Board), which, as the governing body, is responsible for the legislative and executive control of the County. The County provides a full range of general government services, including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, waste management, airport management, and general financial and administrative support.

As required by generally accepted accounting principles (GAAP) in the United States of America, these financial statements present financial information for both the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the County's operations, and the Board is typically their governing body. Therefore, data from these component units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity,*" Statement No. 39, *"Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*," and Statement No. 61, *"The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34,"* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the County appoints the voting majority, there is a financial benefit/burden relationship, the County is able to impose its will, the component unit is fiscally dependent on the County, the component unit's governing body is substantially the same as the County, and management of the County have operational responsibility for the activities of the component unit. These criteria were used to determine the following:

Blended Component Units

Orange County Flood Control District The governing body of the District is the County's governing body. Among its duties, it approves the District's budget, determines the District's tax rates, approves contracts, and appoints the management. The District is reported in governmental fund types.

Orange County Housing Authority The governing body of the Authority is the County's governing body. Among its duties, it approves the Authority's budget and policies that govern the administration of housing assistance programs and appoints the management. The Authority is reported in governmental fund types.

Orange County Public Financing Authority The Authority is a joint powers authority of the County and the Orange County Development Agency (OCDA), formed to provide financial assistance to the County by financing the acquisition, construction and improvement of public facilities in the County. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types. With the passage of ABX1 26 dissolving redevelopment agencies statewide effective February 1, 2012, the Authority will not issue any new debt.

South Orange County Public Financing Authority The Authority is a joint powers authority of the County and Community Facilities District 88-2 of the County of Orange (Lomas Laguna), formed to provide for the financing of public capital improvements. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types.

B-45

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Orange County Public Facilities Corporation The Corporation has its own five member governing body appointed by the County's governing body and provides services entirely to the primary government, the County, through the purchases, construction or leasing of land and/or facilities, which are then leased back to the County. The Corporation is reported in governmental fund types.

County Service Areas, Special Assessment Districts, and Community Facilities Districts The governing body of County Service Areas, Special Assessment Districts, and Community Facilities Districts (special districts) is the County's governing body. Among its duties, it approves the special districts' budgets, and approves parcel fees, special assessments and special taxes. The special districts are reported in governmental fund types.

In-Home Supportive Services (IHSS) Public Authority The governing body of the Authority is the County's governing body. The Authority was established by the Board to act as the employer of record for the individual providers for the IHSS program. The duties of the Authority include collective bargaining for the individual providers, establishing a registry of providers, investigating the background of providers and providing training to both IHSS providers and consumers. The Authority is reported in governmental fund types.

Fiduciary Component Unit

County of Orange Redevelopment Successor Agency (Successor Agency) The Successor Agency was established when Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with ABX1 26 and Health and Safety Code 34172. An Oversight Board was appointed to oversee the dissolution process. A Private-Purpose Trust Fund, administered by the County of Orange, was established to account for the assets and liabilities of the former OCDA. For additional information related to the activities of the Successor Agency and its on-going Enforceable Obligations, please refer to its separate financial statements. Copies of the Successor Agency's financial statements can be obtained from the OC Community Resources Department or by accessing Orange County's website at the following address: http://ocgov.com/gov/auditor/info/financial/.

Discretely Presented Component Units

Children and Families Commission of Orange County The Commission is administered by a governing board of nine members, who are appointed by the Board. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County. It is funded by additional State taxes on tobacco products and approved by California voters via Proposition 10 in November 1998. The Commission is presented as a discretely presented component unit of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by the Commission, the appointed Commission members serve at the will of the Board members who appoint them. A separate stand-alone annual financial report can be obtained by writing to the Children and Families Commission of Orange County, 1505 E. 17th Street, Suite 230, Santa Ana, CA 92705, or by accessing Orange County's website at the following address: http://ocgov.com/gov/auditor/info/financial/

Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) The Board established CalOptima in 1993. The governing board of CalOptima is comprised of nine voting members and includes two County Board members and one County Board member alternate; all other members are appointed by the Board. This is a County organized health system whose purpose is to administer health insurance programs for low-income families, children, seniors, and persons with disabilities throughout the County. These programs include

B-46

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) (Continued)

Medi-Cal, OneCare (HMO SNP), OneCare-Connect Cal MediConnect Plan, and Program of All-Inclusive Care for the Elderly (PACE). CalOptima is presented as a discretely presented component unit of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by CalOptima, the appointed CalOptima members serve at the will of the Board members who appoint them. CalOptima will continue until such time as the Board takes action to terminate CalOptima. A separate stand-alone annual financial report can be obtained by writing to CalOptima, 505 City Parkway West, Orange, CA 92868. Alternately, you can access the website http://wpso.dmhc.ca.gov/dashboard/finances.aspx, from the bottom select "Financial Statements" and select the Health Plan "Orange County Health Authority" and statement type "Annual Audit Reports."

B. Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide and fund financial statements. The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements report long-term liabilities and capital assets. Depreciation/amortization expense and accumulated depreciation/amortization are displayed on the government-wide financial statements. The capital assets and related depreciation include the costs and depreciation of infrastructure assets.

The fund financial statements for the governmental funds are prepared under the modified accrual basis of accounting and the current financial resources measurement focus. Fund financial statements are shown separately for specific major governmental fund and in total for all other governmental funds. Fund financial statements for proprietary funds are reported under the accrual basis of accounting and the economic resources measurement focus. Major enterprise funds are shown separately, with internal service funds shown in total. Financial data for the internal service funds is included with the governmental funds for presentation in the government-wide financial statements. Fiduciary funds are displayed by category in the fund financial statements, but are not reported in the government-wide financial statements, because the assets of these funds are not available to the County.

Government-Wide Financial Statements

GASB Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* (GASB Statement No. 34), as amended by GASB Statement No. 63 *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* (GASB Statement No. 63), mandates the presentation of two basic government-wide financial statements:

- *Statement of Net Position*
- *Statement of Activities*

The scope of the government-wide financial statements is to report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are normally supported by taxes, intergovernmental revenues, other nonexchange revenues, and business-type activities, which are financed by fees charged to external parties for goods or services, are reported in separate columns with a combined total column presented for the primary government. Likewise, the primary government is reported separately from the legally separate component units, Children and Families Commission of Orange County and CalOptima, for which the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

primary government is financially accountable. The government-wide Statement of Net Position displays the financial position of the primary government, in this case, the County and its discretely presented component units. The Statement of Net Position reports the County's financial and capital resources, including infrastructure, as well as the County's long-term obligations. The difference between the County's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources is its net position. Net position represents the resources that the County has available for use in providing services after its debt is settled.

These resources may not be readily available or spendable and consequently are classified into the following categories of net position in the government-wide financial statements:

- Net Investment in Capital Assets This amount is derived by subtracting the outstanding debts incurred by the County, including debt-related deferred outflows and inflows of resources, to buy or construct capital assets shown in the Statement of Net Position, net of depreciation.
- Restricted Net Position This category represents restrictions imposed on the use of the County's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. All of the County's net position restrictions are externally imposed by outside parties, constitutional provisions or enabling legislation. Examples of restricted net position include federal and state grants that are restricted by grant agreements for specific purposes and restricted cash set aside for debt service payments. At June 30, 2016, the County's governmental activities reported restricted net position of $1,262,449 and is restricted for pension benefits related to the Orange County Retirement System (OCERS) Investment Account, capital projects, debt service, legally segregated funds restricted for grants and other purposes, and regional park endowment. Restricted Net Position for business-type activities amounted to $67,429 and is restricted for the use of Airport and Waste Management activities, including debt service, passenger facility charges (PFC), capital projects replacements and renewals, landfill closure/postclosure, and landfill corrective action. At June 30, 2016, the County reported $14,705 of net position restricted by enabling legislation related to the Airport's PFC.
- Unrestricted Net Position These assets are resources of the County that can be used for any purpose, though they may not necessarily be liquid. In addition, assets in a fund that exceed the amounts required to be restricted by external parties or enabling legislation are reported as unrestricted net position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues and the extent to which the function or segment is supported by general government revenues, such as property taxes, local unrestricted sales taxes, and investment earnings. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated to the programs where the revenue is earned. Program revenues include:

- *Charges and fees to customers or applicants for goods, services, or privileges provided, including fines, forfeitures, and penalties related to the program*
- *Operating grants and contributions*
- *Capital grants and contributions, including special assessments*

Taxes and other items such as unrestricted investment earnings not properly included among program revenues are reported instead as general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. The financial information of each major fund is shown in a separate column in the fund financial statements, with the data for all nonmajor governmental funds aggregated into a single column and all nonmajor proprietary funds aggregated into a single column. GASB Statement No. 34, as amended by GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*" (GASB Statement No. 65), sets forth minimum criteria (specified minimum percentages of the assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues or expenditures/expenses of a fund category and of the governmental and enterprise funds combined) for the determination of major funds. In addition to funds that meet the minimum criteria, any other governmental or enterprise fund that the government believes is of particular importance to financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

General Fund This fund accounts for resources traditionally associated with government and all other resources, which are not required legally, or by sound financial management, to be accounted for in another fund. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are primarily expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, capital outlay, and debt service.

Flood Control District This fund accounts for the planning, construction, operation, and maintenance of regional flood protection and water conservation works, such as dams, control channels, retarding basins, and other flood control infrastructure, charges for services revenue, along with property taxes restricted for flood control activities, provide most of this fund's revenues.

Other Public Protection This fund accounts for revenues restricted for safety and law enforcement activities such as the child support program, automated fingerprint identification systems, and investigation team. Revenues consist primarily of federal grants, state grants, fines, use of money and property, and charges for services.

Mental Health Services Act This fund accounts for the County's mental health programs for children, transition age youth, adults, older adults and families pursuant to the State of California Mental Health Services Act. Revenues consist primarily from a one percent income tax on personal income in excess of one million.

The County reports the following proprietary enterprise funds:

Airport This major fund accounts for major construction and for self-supporting aviation-related activities rendered at John Wayne Airport, Orange County. The airport's staff coordinates and administers general business activities related to the Airport, including concessions, commercial and general aviation operations, leased property, auto parking, and aircraft tie-down facilities.

Waste Management This major fund accounts for the operation, expansion, and closing of existing landfills. Monies are collected through landfill disposal fees, which users pay based primarily on tonnage.

Compressed Natural Gas (CNG) This nonmajor fund accounts for the operation and maintenance of the CNG facility. Revenues consist primarily of CNG sales to both the County and the public.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

Internal Service Funds The County reports nine Internal Service Fund types. These proprietary funds are used to report activities that provide goods or services to other funds of the County. These funds account for fleet services, publishing services, and risk management services (including claims for workers' compensation, property damage, Information & Technology, Insurance and various health programs) provided to other County departments or agencies, or other governmental entities. The Internal Service Funds receive revenues on a cost-reimbursement basis.

Fiduciary Fund Types The County has a total of 351 individual trust and agency funds for FY 2015-16. These trust and agency funds are used to account for assets held on behalf of outside parties or employees, including other governments. When these assets are held under the terms of a formal trust agreement, a private-purpose trust, pension trust or Other Post-Employment Benefits (OPEB) trust fund is used. An investment trust fund is used for the portion of the County investment pool representing external pool participants. Agency funds are used to account for assets that the County holds on behalf of others as their agent.

The County reports the following trust and agency funds:

Private-Purpose Trust These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, and decedents' property held for escheatment. Also included are the County accounts for the former redevelopment agency as a fiduciary component unit for the Successor Agency.

Investment Trust

Orange County Investment Pool
These funds are used to account for assets, consisting primarily of cash and investments, of separate legal entities, other than school and community college districts, which participate in the County Treasurer's External Investment Pool.

Orange County Educational Investment Pool
These funds are used to account for assets, consisting primarily of cash and investments, of school and community college districts that participate in the County Treasurer's External Educational Investment Pool.

Pension and Other Employee Benefits Trust The County reports six Pension and Other Postemployment Benefit Trust funds. These trust funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit and defined contribution pension and postemployment benefit plans.

Agency Funds These funds are custodial in nature and do not report operating results. These funds are used to account for assets held by the County as an agent for various local governments and individuals, such as unapportioned taxes for other local government agencies, monies collected for the Redevelopment Property Tax Trust funds, civil filing fees, and special assessment districts debt service funds. Accordingly, assets reported in the statements are offset by a liability for resources held on behalf of others.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources and all liabilities, deferred inflows of resources, associated with the operation of these funds are included on the Statement of Net Position. Receivables are reported net of allowances for uncollectible receivables in the Statement of Net Position. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For purposes of not overstating the true costs and program revenues reported for the various functions, interfund activities (e.g. interfund transfers and interfund reimbursements) have been eliminated from the government-wide Statement of Activities. Exceptions to the general rule are interfund services provided and used between functions, such as charges for auditing and accounting fees between the general government function and various other functions of the primary government. Elimination of these interfund activities would distort the direct costs and program revenues reported for the various functions concerned. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed. Additionally, only the interfund transfers between governmental and business-type activities are reported in the Statement of Activities.

Governmental Fund Financial Statements

Governmental funds are used to report all governmental activities that are not primarily self-funded by fees or charges to external users or other funds and are not fiduciary activities. These activities include the County's basic services to its citizenry and to other agencies, including general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. There are five types of governmental funds:

- *General Fund*
- *Special Revenue Funds*
- *Capital Projects Funds*
- *Debt Service Funds*
- *Permanent Fund*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues and other governmental fund type financial resources (i.e., bond issuance proceeds) are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after the end of the current fiscal period.

Revenues that are accrued include real and personal property taxes, sales taxes, property taxes in-lieu of motor vehicle license fees, fines, forfeitures and penalties, interest, federal and state grants and subventions, charges for current services, and the portion of long-term sales contracts and leases receivable that are measurable and available and where collectability is assured. Revenues that are not considered susceptible to accrual include penalties on delinquent property taxes and minor licenses and permits. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, provided that the revenues are also available. If intergovernmental revenues are expected to be received later than 60 days following the end of the fiscal year, then a receivable is record along with deferred inflows of resources. Once the grant reimbursement is received, revenue and cash are recorded, and the receivable and deferred inflows of resources are eliminated. Receipts that have

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

not met all of the earning requirements are reported as unearned revenue received. As of June 30, 2016, the County reported $160,253 of deferred inflows of resources and $54,466 of unearned revenue received in the governmental funds' Balance Sheet.

Most expenditures are recorded when the related fund liabilities are incurred. However, inventory type items are considered expenditures at the time of use and principal and interest expenditures on bonded debt and capital leases are recorded in the year they become due for payment. Costs of claims, judgments, compensated employee absences and employer pension contributions are recorded as expenditures at fiscal year-end if they are due and payable. The related long-term obligation is recorded in the government-wide financial statements. Commitments such as purchase orders and contracts for materials and services are recorded as encumbrances.

Because the fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented to explain the adjustments necessary to reconcile fund financial statements to the government-wide financial statements.

Proprietary Fund Financial Statements

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds are used to account for business-type activities, which are financed mainly by fees and charges to users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

There are two types of proprietary funds:

- *Enterprise Funds*
- *Internal Service Funds*

The County has three enterprise funds: Airport, Waste Management, and CNG. The principal operating revenues of the Airport, Waste Management, and CNG enterprise funds are charges to customers for (1) landing fees, terminal space rental, auto parking, concessions, and aircraft tie-down fees, (2) disposal fees charged to users of the waste disposal sites, and (3) natural gas sales, respectively.

Internal Services Funds are used to report activities that provide goods or services to other funds of the County. The internal service funds receive revenues through cost-reimbursements of the goods and services provided to other County departments and agencies. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Fiduciary Fund Financial Statements

Fiduciary funds are used to account for assets held in a trustee or agency capacity and cannot be used to support the County's own programs. Trust funds are accounted for using the economic resources measurement focus and accrual basis of accounting. Agency funds report only assets and liabilities and therefore, do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognize receivables and payables.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision

No later than October 2nd of each year, after conducting public hearings concerning the recommended budget, the Board adopts a budget in accordance with Government Code Sections 29000-29144 and 30200. The County publishes the results of this initial budgeting process in a separate report, the "Adopted Budget," which specifies all accounts established within each fund/department/budget control (a collection of account numbers necessary to fund a certain division or set of goal-related activities).

Throughout the year, the original budget is adjusted to reflect increases or decreases in revenues and changes in fund balance, offset by an equal amount of adjustments to appropriations. Department heads are authorized to approve appropriation transfers within a fund/department/budget control. However, appropriation transfers between funds/departments/budget controls require approval of the Board. Accordingly, the lowest level of budgetary control exercised by the County's governing body is the fund/department/budget control level.

Annual budgets are adopted on a basis consistent with GAAP except for the general fund and major special revenue funds as detailed in the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis. Budgeted governmental funds consist of the general fund, major funds, and other nonmajor governmental funds. Budgetary comparison statements are prepared only for the general fund and major special revenue funds (listed below) for which the County legally adopts annual budgets, and are presented as part of the basic financial statements. The County did not legally adopt annual budgets for the OC Public Facilities Corporation Bonds, Master Lease Fund, the South OC Public Financing Authority Fund, and the Orange County Public Financing Authority Fund. The budgetary comparison statements provide three separate types of information: (1) the original budget, which is the first complete appropriated budget; (2) the final amended budget, which includes all legally authorized changes regardless of when they occurred; and (3) the actual revenues and expenditures during the year for budget-to-actual comparisons.

The major special revenue fund Budgetary Comparison Statements reported by the County in the Basic Financial Statements are:

- *Flood Control District*
- *Other Public Protection*
- *Mental Health Services Act*

The intent of preparing the Budgetary Comparison Statement reconciliation is to provide the reader with a more complete understanding and appreciation for the difference between budgetary revenues and other financing sources and expenditures and other financing uses presented in the Budgetary Comparison Statements and the revenues, expenditures, and other financing sources (uses) reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, which is prepared in accordance with GAAP. The major areas of difference are as follows:

- Under the budgetary basis, investment income is recognized on an amortized cost basis. In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* (GASB Statement No. 31), all investment income, including changes in fair value (gains/losses) of investments, are recognized as investment income.
- Under the budgetary basis, redirected investment income is recognized as investment income in the recipient fund. In accordance with GASB Statement No. 31, investment income assigned to another fund due to management decision is recognized in the fund that reports the investment and reported as a transfer to the recipient fund in the GAAP financial statements.
- Under the budgetary basis, revenues are recorded when earned. For GAAP basis, in accordance with GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" (GASB Statement No. 33), and GASB Statement No. 65, it states that all nonexchange transactions,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

such as government-mandated nonexchange transactions and voluntary nonexchange transactions, can be accrued only if they are measurable and “available.” “Available” has been defined by GASB Statement No. 33 as “collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.” The County has established the availability period as 60 days after the end of the fiscal year. In order to ensure all transactions for the current fiscal year meet this criterion, the County analyzes revenue receipts through August 30 and records adjustments to deferred inflows of resources for transactions that are not collected.
- GASB Statement No. 34 states, “Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore, cannot be used to support the government’s own programs.” For the GAAP financial statements, an adjustment to record public purpose trust monies as revenue in the benefitting funds is recorded for funds, which continue to be accounted for as fiduciary funds on a budgetary basis but no longer meet the definition of a fiduciary fund.
- Under the budgetary basis, intrafund transfers are recognized as other financing sources (uses). For the GAAP financial statements, intrafund transfers are eliminated to minimize the “grossing-up” of interfund transfers.
- The County reclassified to the General Fund all the activities of certain special revenue funds, which no longer meet the definition of a special revenue fund in accordance with GASB Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”* (GASB Statement No. 54).
- For budgetary purposes, the loan from Waste Management to the General Fund was recognized as other financing sources (uses). In accordance with GASB Statement No. 34, an adjustment to record the interfund loan as an interfund receivable in the lender fund and interfund payable in the borrower fund was recorded for the GAAP financial statements.
- Under the budgetary basis, interfund reimbursements or repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are recorded as revenues in the payer fund. In accordance with GASB Statement No. 34, an adjustment to eliminate interfund reimbursements is recorded for the GAAP financial statements.
- In accordance with GAAP, the County has established guidelines for recording accruals. In order to reasonably ensure that accruals for current fiscal year transactions are materially accurate, the County performs an analysis to identify expenditure accruals for the GAAP financial statements.
- Per GAAP, a rental rebate should be recorded as a reduction to rental expense.
- Per GAAP, at the inception of a capital lease, both expenditure and other financing source should be recorded with the amounts equal to the present value of the minimum lease payment.
- The General Fund revenue adjustment was recorded due to the overbilling to OCWR for the Republic Services and LA Sanitation District importation proceeds.
- The OC Animal Care uses cash basis to record money receives from invoicing due to the low collection rate. Per GAAP, the receivables and the amount of the allowance for the doubtful accounts should be recorded.

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued).

The following schedule shows the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis for the General Fund and major special revenue funds:

Revenues and Other Financing Sources	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act
Total Revenues and Other Financing Sources from the Budgetary Comparison Statements	$ 3,037,839	$ 147,161	$ 63,129	$ 116,457
Differences-budget to GAAP:				
Change in unrealized gain on investment	1,349	961	352	521
GASB 31 adjustment to report redirected investment income as transfers	--	--	10	--
GASB 33/65 adjustment of revenue accruals for 60 day recognition period	16,103	(19,162)	(15)	--
GASB 34 adjustment to record Public Purpose Trust Fund's monies as revenue in benefitting fund	(1,286)	2	--	--
Adjustment to eliminate intrafund transfers	--	--	(2,175)	--
Record new equipment lease	--	254	--	
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(13,223)	(287)	--	--
Certain budgeted special revenue funds do not meet the criteria for separate reporting and are reported within the General Fund in the GAAP financial statements	33	--	--	--
Revenues and Other Financing sources for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	2,205	--
Recognition of outstanding invoices for OC Animal Care	702	--	--	--
Adjustment of importation overpayment to the General Fund	(2,976)	--	--	--
Rent rebate for HCA	(50)	--	--	--
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	$ 3,038,491	$ 128,929	$ 63,506	$ 116,978

Expenditures and Other Financing Uses	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act
Actual expenditures and Other Financing Uses from the Budgetary Comparison Statements	$ 2,987,978	$ 116,258	$ 65,854	$ 115,244
Differences-budget to GAAP:				
GASB 31 adjustment to report redirected investment income as transfers	--	--	10	--
Adjustment of expenditure accruals for timing differences	1,237	(19)	(57)	--
Adjustment to eliminate intrafund transfers	--	--	(2,175)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(13,223)	(287)	--	--
Record new equipment lease	--	254	--	--
Expenditures and Other Financing Uses for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	24	--
Certain budgeted special revenue funds do not meet the criteria for separate reporting and are reported within the General Fund in the GAAP financial statements	3	--	--	--
Rent rebate for HCA	(50)	--	--	--
Reclassification of loan repayment from General Fund to OC Waste Management	(784)	--	--	--
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 2,975,161	$ 116,206	$ 63,656	$ 115,244

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance

The County applies GASB Statement No. 54 for financial statement purposes. The intent of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The balance sheet reports the following five different classifications of fund balance:

Nonspendable Fund Balance Amounts that are not in a spendable form, such as long-term receivables, inventory or prepaid costs, or that are required to be maintained intact, such as the corpus of an endowment fund. The County's Regional Park Endowment Permanent Fund reports the original donation as nonspendable in accordance with donor requirements.

Restricted Fund Balance Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance Amounts constrained to specific purposes by a formal action of the highest level of decision making authority. The constraint remains binding unless the government takes the same highest-level action to remove or change the constraint. The Board is the County's highest level of decision-making authority. The highest level of formal action to commit resources is an ordinance.

Assigned Fund Balance Amounts a government intends to use for a specific purpose that are neither restricted nor committed; intent can be expressed by the governing body (Board) or by an official or body to which the governing body delegates authority (County Executive Officer (CEO), County Department Heads, and County Purchasing Agent). The County's budget development guidelines provide the policy that is used by all County departments to determine the designation of assigned fund balance. Assigned fund balance includes the aggregation of resources for capital projects, which are expected to develop in future periods and fund balance reserved for outstanding contractual obligations for which goods and services have not yet been received or approved by the Board for appropriation in FY 2015-16, through the County's budget process.

Unassigned Fund Balance Residual amounts within the General Fund in excess of what can be properly classified in one of the four other fund balance classifications. Within all other governmental funds, unassigned fund balance is comprised of the negative residual in excess of what can be properly classified as nonspendable, restricted, or committed.

In the hierarchy for spending, when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the County's policy is to spend restricted fund balance before unrestricted fund balance. When committed, assigned, and unassigned fund balance is available for the same specific purpose, the County's policy is to expend fund balance according to the following priority: committed, assigned, and then unassigned.

Following are detailed descriptions within each fund balance classification reported in the balance sheet:

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	$ 891	$ 393	$ 290	$ --	$ --	$ 1,574
Prepaid costs	327,198	4,358	1,180	--	14,087	346,823
Endowment	--	--	--	--	193	193
Long-Term Advances to Other Funds	3,800	--	--	--	--	3,800
Total Nonspendable Fund Balance	331,889	4,751	1,470	--	14,280	352,390
Restricted for:						
Court Operations	10,552	--	--	--	--	10,552
Tobacco and CHIP Programs	146	--	--	--	--	146
Public Safety Realignment	38,532	--	--	--	--	38,532
Civic Center Parking/Maintenance	--	--	--	--	2,207	2,207
Roads	--	--	--	--	47,266	47,266
Public Libraries	--	--	--	--	30,034	30,034
Flood Control District	--	123,813	--	--	--	123,813
Flood Control District - Construction & Maintenance	--	29,765	--	--	--	29,765
Flood Control District - Project Management	--	90,439	--	--	--	90,439
Flood Control District Capital Projects	--	136,226	--	--	--	136,226
Flood Control District Capital Projects Management	--	33,261	--	--	--	33,261
Flood Control District Capital Projects Acquisition	--	13,334	--	--	--	13,334
Santa Ana River Projects	--	79	--	--	--	79
OC Parks	--	--	--	--	41,400	41,400
OC Parks - Capital Projects	--	--	--	--	29,687	29,687
County Tidelands - Newport Bay	--	--	--	--	5,755	5,755
Service Areas, Lighting, Maintenance and Assessment Districts	--	--	--	--	37,365	37,365
Other Environmental Management	--	--	--	--	1,869	1,869
Building & Safety Operating Reserve	--	--	21,288	--	--	21,288
Child Support Program Development	--	--	13,201	--	--	13,201
Clerk Recorder Special Revenue	--	--	16,209	--	--	16,209
Sheriff-Coroner Replacement & Maintenance	--	--	11,784	--	--	11,784
CAL-ID System Costs	--	--	26,525	--	--	26,525
Excess Public Safety Sales Tax	--	--	5,843	--	--	5,843
Inmate Welfare	--	--	7,535	--	--	7,535
Prop 64 - Consumer Protection	--	--	6,744	--	--	6,744
Regional Narcotics Suppression Program	--	--	5,708	--	--	5,708
Other Public Safety Programs	--	--	29,503	--	--	29,503
OC Dana Point Harbor Projects	--	--	--	--	65,097	65,097
Community and Welfare Services	--	--	--	--	58,663	58,663
Low and Moderate Income Housing Program	--	--	--	--	31,868	31,868
Health Care Programs	--	--	--	--	20,350	20,350
Mental Health Services Adults/Children	--	--	--	167,876	--	167,876
Mental Health Services General	--	--	--	74,082	--	74,082
Bankruptcy Litigation	--	--	--	--	15	15
Bankruptcy Recovery	--	--	--	--	13,604	13,604
Tobacco Settlement Programs	--	--	--	--	12,510	12,510
Housing Programs	--	--	--	--	15,471	15,471
Technological and Capital Acquisitions/Improvements	--	--	--	--	1,195	1,195
Endownment	--	--	--	--	144	144
OC Public Facilities Corporation Bonds, Master Lease	--	--	--	--	3,154	3,154
Pension Obligation Bonds	--	--	--	--	100,598	100,598
South OC Public Financing Authority	--	--	--	--	60,944	60,944
Orange County Public Financing Authority	--	--	--	--	55,564	55,564
Teeter Note	--	--	--	--	20,935	20,935
Capital Projects:						
Criminal Justice Facilities Improvement	--	--	--	--	10,495	10,495
Total Restricted Fund Balance	$ 49,230	$ 426,917	$ 144,340	$ 241,958	$ 666,190	$ 1,528,636

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
Assigned to:						
General Services:						
Contingencies	$ 61,300	$ --	$ --	$ --	$ --	$ 61,300
Operations	158,960	--	--	--	--	158,960
Imprest Cash	1,834	--	--	--	--	1,834
Public Safety	21,314	--	--	--	--	21,314
Public Works	1,194	--	--	--	--	1,194
Health Care Programs	2,430	--	--	--	13,588	16,018
Watershed Programs	897	--	--	--	--	897
Social Services Programs	4,293	--	--	--	--	4,293
Community Resources Programs	688	--	--	--	--	688
Teeter Note	--	--	--	--	27,697	27,697
Tax Loss Reserve	58,273	--	--	--	--	58,273
Debt Service	3,863	--	--	--	--	3,863
Capital Projects:						
County-wide Projects	--	--	--	--	31,613	31,613
Property Tax Software Development	731	--	--	--	--	731
Criminal Justice Facilities	4,445	--	--	--	--	4,445
Central Utilities Facility	842	--	--	--	--	842
Parking Facilities	--	--	--	--	840	840
OC Parks	--	--	--	--	11,999	11,999
Air Quality Improvement	--	--	--	--	2,841	2,841
Community and Welfare Services	--	--	--	--	41,204	41,204
Total Assigned Fund Balance	321,064	--	--	--	129,782	450,846
Unassigned	25,655	--	--	--	--	25,655
Total Unassigned Fund Balance	25,655	--	--	--	--	25,655
Total Fund Balances	$ 727,838	$ 431,668	$ 145,810	$ 241,958	$ 810,252	$ 2,357,526

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange 2016 SFP includes a policy for Fund Balance Unassigned (FBU) that eliminates FBU as a funding source for the next year's budget as a significant step toward reducing structural reliance on one-time funds. Positive variances in estimated FBU are to be added to Strategic Reserves, consistent with the Board policy.

The County prepays its pension contribution and reports the prepaid amount as Nonspendable Fund Balance rather than Unassigned Fund Balance as required by GASB Statement No. 54. For FY 2015-16, the proceeds of $334,275 was for short-term Taxable Pension Obligation Bonds to prepay its FY 2016-17 pension contribution at a discount. Of this amount $326,820 is the prepaid costs for General Fund and is Nonspendable. Refer to Note 9, Short-Term Obligations and Note 17, Retirement Plans for additional information.

F. Deposits and Investments

The County maintains two cash and investment pools: the Orange County Investment Pool (OCIP) and the Orange County Educational Investment Pool (OCEIP), the latter of which is utilized exclusively by the County's public school and community college districts. These pools are maintained for the County and other Non-County entities for the purpose of benefitting from economies of scale through pooled investment activities. In addition, the County maintains certain other non-pooled specific investments.

The County has stated required investments at fair value in the accompanying financial statements, using the fair value measurement within the fair value hierarchy established by GAAP.

Other than proceeds held by the County in the OCIP, proceeds from County-issued bonds are held by trustees and are invested in instruments authorized by the respective trust agreements including medium-term notes, money market mutual funds, investment agreements, repurchase agreements, and U.S. Government securities. Short-term debt investments are reported at amortized cost, while long-term investments, such as U.S. Government securities, are stated at fair value. The trustee uses an independent service to value those securities.

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deposits and Investments (Continued)

The Pools value participants' shares using an amortized cost basis. Specifically, the Pools distribute income to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and reduced by (4) investment and administrative expenses. This method differs from the fair value method used to value investments in this statement because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the Pools' investments. The total difference between the fair values of the investments in the Pools and the values distributed to pool participants using the amortized cost method described above is reported in the equity section of the condensed Statement of Net Position of the County Pool as undistributed and unrealized gains. Refer to Note 3, Deposits and Investments for additional information.

The investments in the Retiree Medical Defined Benefit Trust are managed by OCERS and are reported at fair value. Refer to Note 17, Retirement Plans, to obtain OCERS stand-alone annual financial statements.

G. Inventory of Materials and Supplies

Inventories consist of expendable materials and supplies held for consumption. Inventories are valued at cost, which is determined on a moving weighted average basis. Applicable fund balances are nonspendable for amounts equal to the inventories on hand at the end of the fiscal year, as these amounts are not available for appropriation and expenditure. The costs of inventory items are recorded as expenditures/expenses when issued to user departments/agencies.

B-52

H. Prepaid Costs

The County pays for certain types of services in advance, such as pension costs and rents, and recognizes these costs in the period during which services are provided. Prepaid costs in the governmental funds Balance Sheet include $346,823, which primarily consist of $346,444 for the County's FY 2016-17 pension contribution at a discount.

Prepaid costs in the government-wide financial statements include the prepaid costs reported in the fund financial statements, reduced for 50% of the prepaid asset related to the pension contribution after the measurement date in accordance with GASB Statement No. 68 and GASB Statement No. 71. Refer to Note 17, Retirement Plans for additional information.

I. Land and Improvements Held for Resale

These assets, held by the Successor Agency, are valued at the lower of cost or estimated net realizable value.

J. Capital Assets

Capital assets are defined as assets of a long-term character that are intended to be held or used in operations, such as land, structures and improvements, equipment, intangible, and infrastructure. Infrastructure assets are grouped by networks consisting of flood channels, roads, bridges, trails, traffic signals, and harbors.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets with an original unit cost equal to or greater than the County's capitalization threshold shown in the table below are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Continued)

Asset Type	**Capitalization Threshold**
Land	$ 0
Land Improvements	$150
Structures and Improvements	$150
Equipment	$ 5
Intangible:	
Software	$5
All Other	$150
Infrastructure	$150

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the related assets. No depreciation or amortization is provided on construction in progress or intangible assets in progress, respectively, until the project is completed and the asset is placed into service. Estimated useful lives of structures and improvements, equipment, intangible, and infrastructure are as follows:

Structures and Improvements	10 to 60 years
Land Improvements	10 to 20 years
Equipment	2 to 20 years
Intangibles:	
Computer Software	3 to 15 years
Infrastructure:	
Flood Channels	20 to 100 years
Roads	10 to 20 years
Bridges	50 to 75 years
Trails	20 years
Traffic Signals	15 to 20 years
Harbors	20 to 50 years
Airport – Runways, Taxis, and Aprons	15 to 60 years
Waste Management – Cell Development, Drainage Channels, Facility Improvements, Habitat, Landfill Gas/Environmental, Closure/Other Earthwork	3 to 71 years

Maintenance and repair costs are expensed in the period incurred. Expenditures that materially increase the capacity or efficiency or extend the useful life of an asset are capitalized and depreciated. Upon the sale or retirement of the capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the Statement of Activities and Proprietary Funds' Statement of Revenues, Expenses and Changes in Fund Net Position.

For business-type activities, interest is capitalized on construction in progress. Capitalized interest is the total interest expense of the borrowing net of related interest earnings on the reinvested unexpended tax-exempt debt proceeds and amortization of premium or discount. For governmental activities, interest is not capitalized as a cost of the capital asset in accordance with GAAP.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the government-wide Statement of Net Position reports a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred outflows of resources related to pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

shorter of the life of the refunded or refunding debt. The deferral of resources related to pension results from the net difference between projected and actual investment earnings on pension plan investments, changes of assumptions and changes in proportion and differences between employer contributions and the proportionate share of contributions calculated by actuarial study. The deferred outflows of resources related to pensions also include employer contributions made after the measurement date and a portion of the County's prepaid retirement contribution.

In addition to liabilities, the Statement of Net Position sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, which represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category. They are the deferred inflows of resources related to unavailable revenues and deferred inflows of resources related to pension. The County has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes, intergovernmental revenues, SB90, and other sources as appropriate. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The SB90 deferred inflows of resources amount of $28,404 is net of an allowance for the estimated uncollectible of $13,045.

The table below details out all deferred outflows/inflows of resources related to pension. Please refer to Note 17, Retirement Plans, for further information.

	Governmental Activities	Airport	Waste Management	Total
Deferred Outflows of Resources Related to Pension per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 607,808	$ 5,699	$ 7,207	$ 620,714
Changes of Assumptions	91,935	901	1,125	93,961
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,648	53	66	5,767
Deferred Outflows of Resources Related to Pension - Employer Contributions after Measurement date	212,943	1,885	2,390	217,218
Deferred Outflows of Resources Related to Prepaid Contribution	174,834	1,588	2,037	178,459
Total Deferred Outflows of Resources Related to Pension	**$ 1,093,168**	**$ 10,126**	**$ 12,825**	**$ 1,116,119**
Deferred Inflows of Resources Related to Pension per Actuarial Studies				
Difference Between Expected and Actual Experience	$ 295,410	$ 2,822	$ 3,549	$ 301,781
Changes of Assumptions	149,314	1,464	1,827	152,605
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	104	1	1	106
Total Deferred Inflows of Resources Related to Pension	**$ 444,828**	**$ 4,287**	**$ 5,377**	**$ 454,492**

L. Self-Insurance

The County is self-insured for general and automobile liability claims, workers' compensation claims, and for claims arising under the County self-insured PPO Health Plans, short-term disability plans, dental plan, Reserve Deputy Sheriff accidental death and dismemberment plan, and unemployment benefits program. Liabilities are accrued based upon case reserves, development of known claims, incurred but not reported claims and allocated and unallocated loss adjustment expenses. For additional information, refer to Note 15, Self-Insurance.

M. Property Taxes

The provisions of the California Constitution and Revenue and Taxation Code govern assessment, collection, and apportionment of real and personal property taxes. Real and personal property taxes are computed by applying approved property tax rates to the assessed value of properties as determined by the County Assessor, in the case of locally assessed property and as determined by the State Board of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Property Taxes (Continued)

Equalization in the case of state-assessed properties. Property taxes are levied annually, with the exception of the supplemental property taxes, which are levied when supplemental assessment events, such as sales of property or new construction, take place.

The County collects property taxes on behalf of all property tax-receiving agencies in Orange County. Property tax-receiving agencies include the school districts, cities, independently governed special districts not governed by the Board, special districts governed by the Board, redevelopment successor agencies, and the County General Fund.

Property taxes receivables are recorded as of the date levied in property tax unapportioned funds, which are classified as agency funds. When collected, the property taxes are deposited into the County Treasury in the property tax unapportioned funds, where they are held in the unapportioned taxes liability accounts pending periodic apportionment to the tax-receiving agencies. The property tax unapportioned funds are included in the agency funds category of the County's fund financial statements because the unapportioned taxes are collected and held on behalf of other governmental agencies.

Property tax collections are apportioned (disbursed) to the tax-receiving agencies periodically from the tax unapportioned funds based on various factors including statutory requirements, materiality of collections received, tax delinquency dates, the type of property tax roll unapportioned fund (secured, unsecured, supplemental, delinquent secured, delinquent unsecured, delinquent supplemental, homeowners' property tax subvention, or state-assessed properties), and cash flow needs of the tax-receiving agencies.

Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year-end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are due at year-end, and are collected within 60 days after the fiscal year-end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule. The County's portion of the unapportioned taxes at June 30, 2016 is allocated to and recorded in the corresponding funds for reporting purposes.

Unsecured and supplemental property tax levies that are due within the fiscal year but are unpaid at fiscal year-end, are recorded as deferred inflows of resources in the fund-level financial statements, and recognized as revenue in the government-wide financial statements. The County uses the direct write-off method to recognize uncollectible taxes receivable.

The County maintains records of disputed property taxes, such as those properties for which the values have been appealed to the local Assessment Appeals Boards. Upon final disposition of the appeals and disputes, the amounts are either refunded to taxpayers or the tax bills are corrected. As of June 30, 2016, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.85% of the combined beginning secured and unsecured property tax roll charge.

The following are significant dates on the property tax calendar:

	California Revenue & Taxation Code Section
Supplemental assessments are effective on the 1st day of the month following the new construction or ownership change.	75.41
Property tax lien date is January 1.	2192
Unsecured taxes on the roll as of July 31 are delinquent August 31.	2922
Assessor delivers roll to Auditor-Controller July 1.	616, 617
Tax roll is delivered to the Tax Collector on or before the levy date (the 4th Monday in September).	2601

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Property Taxes (Continued)

	California Revenue & Taxation Code Section
Secured tax payment due dates are:	
1st Installment - November 1, and	2605
2nd Installment - February 1.	2606
Declaration of default for unpaid taxes occurs July 1.	3436
Power to sell is effective five years after tax default.	3691

N. Compensated Employee Absences

Compensated employee absences (vacation, compensatory time off, performance incentive plan time off, annual leave, and sick leave) are accrued as an expense and liability in the proprietary funds when incurred. In the governmental funds, only those amounts that are due and payable at year-end are accrued. Compensated employee absences that exceed this amount represent a reconciling item between the fund and government-wide presentations.

O. Pensions

The County recognizes a net pension liability to reflect the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the County's retirement plans. The actuarial valuation for the retirement plans through OCERS is based on the December 31, 2015 measurement date for the County reporting as of June 30, 2016. The actuarial valuation for the Extra-Help Defined Benefit Plan is based on the June 30, 2016 measurement date for the County reporting as of June 30, 2016.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the OCERS and the Extra-Help Defined Benefit Plan and additions to/deductions to OCERS and the Extra-Help Defined Benefit Plan fiduciary net position have been determined on the same basis as they are reported by OCERS and the Extra-Help Defined Benefit Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2016, the County's net pension liability from OCERS was measured as of December 31, 2015, and the total pension liability (TPL) used to calculate the net pension liability was determined by rolling forward the December 31, 2014 valuation to December 31, 2015. The County's net pension liability from Extra-Help Defined Benefit Plan was measured as of June 30, 2016; the plan's TPL was calculated using the data and assets as of June 30, 2015, rolled forward to June 30, 2016 using actual benefit payments for the FY 2015-16.

P. Statement of Cash Flows

A Statement of Cash Flows is presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the County's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

Q. Indirect Costs

County indirect costs are allocated to benefitting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2015-16 County-Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Code of Federal

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Indirect Costs (Continued)

Regulation, Title 2, Part 200. The County has elected to allocate indirect costs to departments within the General Fund that are not charged through CWCAP in order to match the reimbursement of indirect costs recorded as program revenues to the same function that the related expense is recorded in.

R. Effects of New Pronouncements

The following lists recent GASB pronouncements implemented or are effective in FY 2015-16:

In February 2015, GASB issued Statement No. 72, "*Fair Value Measurement and Application*." This statement addresses accounting and financial reporting standards related to fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For some assets and liabilities, observable market information might not be available. The objective of fair value measurement is to determine the price that would take place between market participants at the measurement date under current market conditions. Valuation techniques used to determine fair value are one or more of three approaches to measure fair value: the market approach, cost approach, and income approach. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which requires the County to implement this statement in FY 2015-16. The statement was implemented without a fiscal impact to the County's financial statements. However, more disclosures are presented in the note as a result of this GASB statement. Refer to Note 3, Deposits and Investments, for additional information.

In June 2015, GASB issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68."* This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. This statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 *"Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27,"* as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of GASB Statement No. 67, *"Financial Reporting for Pension Plans,"* GASB Statement No. 68 for pension plans, and pensions that are within their respective scopes. The provisions of this statement will be analyzed on an annual basis. The statement was implemented without an impact to the County.

In June 2015, GASB issued Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" The "GAAP hierarchy" identifies the sources of guidance that state and local governments follow when preparing financial statements in conformity with GAAP and lists the order of priority for pronouncements to which a government should look for guidance. The objective of this statement is to simplify the structure of the hierarchy of GAAP to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance with less variation. The provisions of this statement are effective for financial reporting for periods beginning after June 15, 2015, and should be applied retroactively, which requires the County to implement this statement in FY 2015-16. The statement was implemented without an impact to the County.

In December 2015, GASB issued Statement No. 79, "*Certain External Investment Pools and Pool Participants*." This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Effects of New Pronouncements (Continued)

that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for reporting periods beginning after December 15, 2015. This requires the County to implement this statement in FY 2015-16. The statement was implemented without an impact to the County.

The following summarizes recent GASB Pronouncements and their future effective dates. The County is in the process of evaluating the impact of these statements on its financial statements:

In June 2015, GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*" (GASB Statement No. 74). This statement replaces Statements No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*," as amended, and No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans."* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,"* as amended, Statement No. 43, and Statement No. 50, *"Pension Disclosures."* The provisions of this statement are effective for financial statements for periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17. The requirements of this statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria.

In June 2015, GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* This statement replaces the requirements of Statements No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*," as amended, and No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*." Statement No. 74 establishes new accounting and financial reporting requirements for OPEB plans. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this statement are effective for financial statement for periods beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

In August 2015, GASB issued Statement No. 77, "*Tax Abatement Disclosures*." This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015, which requires the County to implement this statement in FY 2016-17.

In December 2015, GASB issued Statement No. 78, "*Pensions Provided through Certain Multiple- Employer Defined Benefit Pension Plans*." This statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Effects of New Pronouncements (Continued)

employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this statement are effective for reporting periods beginning after December 15, 2015, which requires the County to implement this statement in FY 2016-17.

In January 2016, GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*." This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17.

In March 2016, GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*." This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this statement are effective for financial statements beginning after December 15, 2016, which requires the County to implement this statement in FY 2017-18.

In March 2016, GASB issued Statement No. 82, "*Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*." This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17.

S. Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates. Where significant estimates have been made in preparing these financial statements, they are described in the applicable footnotes.

T. Consolidation of Governmental Funds' Balance Sheet and Proprietary Funds' Statement of Net Position Line Items in Statement of Net Position

Several asset line items in the Governmental Funds' Balance Sheet and the Proprietary Funds' Statement of Net Position are combined into one line item in the Government-Wide Statement of Net Position for presentation purposes. In order to avoid any confusion, the following table lists the line items shown in the Governmental and Proprietary Fund financial statements that are condensed together in the Government-Wide Statement of Net Position

(Dollar Amounts in Thousands)

B-56

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Consolidation of Governmental Funds' Balance Sheet and Proprietary Funds' Statement of Net Position Line Items in Statement of Net Position (Continued)

Government-Wide Statement of Net Position Line Item	***Corresponding Governmental and Proprietary Funds Balance Sheet or Statement of Net Position Line Item***
Cash and Cash Equivalents	Pooled Cash/Investments; Cash Equivalents/Specific Investments; Imprest Cash Funds; and Cash/Cash Equivalents
Restricted Cash and Cash Equivalents	Restricted Cash and Investments with Trustee; Restricted Pooled Cash/Investments; and Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs
Capital Assets – Not Depreciable/Amortizable	Land; Land Use Rights; Construction in Progress; and Intangible Assets in Progress
Capital Assets – Depreciable/Amortizable (Net)	Structures and Improvements and Accumulated Depreciation; Equipment and Accumulated Depreciation; Infrastructure and Accumulated Depreciation; and Intangible Assets and Accumulated Amortization; Land Improvements

2. DEFICIT FUND EQUITY

The Workers' Compensation Internal Service Fund (ISF) reported a deficit net position balance of $93,451. The deficit results from the amount calculated in the annual actuarial study which includes case reserves, development of known claims, incurred but not reported claims, allocated and unallocated loss adjustment expenses, and a discount for anticipated investment income. The deficit increased by $2,222 from the previous fiscal year due to an increase in insurance expense and case reserves. Charges to County departments have not provided sufficient cash flows to entirely fund the deficit in the Workers' Compensation ISF. The County will continue to review charges to departments and manage the funding status of the Workers' Compensation Program.

Effective with OCDA's dissolution on February 1, 2012, the assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the Successor Agency. The Successor Agency private-purpose trust fund reported a deficit net position of $17,238. The deficit for the Successor Agency increased by $4,419 from the previous fiscal year as a result of a decrease in intergovernmental revenues in the current fiscal year.

3. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for authorizing all County bank accounts and pursuant to California Government Code (CGC) Sections 27000.1 – 27000.5, 27130 – 27137 and 53600 – 53686, and is responsible for conducting County investment activities of the County's investment pooled funds in addition to various individual investment accounts outside of the pooled funds. These public funds are called the Orange County Investment Fund (OCIF). Within the OCIF, the Treasurer maintains an Orange County Investment Pool (OCIP) and an Orange County Educational Investment Pool (OCEIP), which are "external investment pools" wherein monies of the County and other legally separate external entities, which are not part of the County reporting entity, are commingled (pooled) and invested on the participants' behalf. In addition, the Treasurer maintains the John Wayne Airport Investment Pool (JWA Pool) and other separately managed investments. The County's Investment Pools are not registered with the Securities and Exchange Commission (SEC) as an investment company.

The Treasurer further invests pooled funds from the OCIP and OCEIP into three funds, the Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF), and the Extended Fund. On June 16, 2016, Standard & Poor's (S&P) reaffirmed an AAA Principal Stability Fund Rating (AAAm) for the OCMMF and the OCEMMF. The two money market funds are required to maintain a Net Asset

3. DEPOSITS AND INVESTMENTS (Continued)

Value (NAV) of between $0.995 (in absolute dollar amounts) and $1.005 (in absolute dollar amounts) to maintain an AAAm rating. Neither the Money Market Funds nor the Extended Fund have any legally binding guarantees of share values.

The maximum maturity of investments for the two Money Market Funds is 13 months with a maximum weighted average maturity (WAM) of 60 days. The maximum maturity of the Extended Fund is five years per CGC. The Investment Policy Statement (IPS) provides that the Extended Fund shall have a duration not to exceed a leading 1-3 Year index +25%.

Pursuant to CGC Sections 27130-27137, the Board has established a Treasury Oversight Committee (TOC) that monitors and reviews the IPS annually and also ensures that the Treasurer has an audit annually, which includes limited tests of compliance with laws and regulations. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the County Superintendent of Schools, or their respective designees, and four public members.

The investment practices and policies of the Treasurer are based on compliance with state law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested, with secondary emphasis on providing adequate liquidity to Pool Participants. The last goal is to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

Interest is allocated to individual funds monthly based on the average daily balances on deposit with the Treasurer. Interest assigned to another fund due to management decision is recognized in the fund that reports the investments and is reported as a transfer to the recipient fund.

Deposits and investments with the Treasurer, before timing differences, totaled $8,270,826 as of June 30, 2016, consisting of $3,692,694 for the OCIP, $4,269,894 for the OCEIP, and $308,238 for Specific Investments.

Total County deposits and investments at fair value as of June 30, 2016, are reported as follows:

Deposits:		
Imprest Cash	$	2,026
Deposits for OCIP with Treasurer		14,113
Deposits for OCEIP with Treasurer		21,163
Deposits with Trustees		17,139
All other Deposits and Timing Differences		(149,283)
Total Deposits and Timing Differences		(94,842)
Investments:		
With Treasurer		8,235,550
With Trustees		372,135
With External Orange County Employees Retirement System (OCERS)		214,769
Total Investments		8,822,454
Total Deposits and Investments	$	8,727,612
Total County deposits and investments are reported in the following funds:		
Governmental Funds	$	2,374,668
Proprietary Funds		1,044,667
Fiduciary Funds		5,255,099
Component Unit - CFCOC		53,178
Total Deposits and Investments	$	8,727,612

A. Deposits

CGC 53652 et. seq. and the IPS prescribe the amount of collateral that is required to secure the deposit of public funds. The pledge to secure deposits is administered by the California Commissioner of Business Oversight. Collateral is required for demand deposits at 110% of all deposits not covered by Federal

(Dollar Amounts in Thousands)

B-57

3. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

Depository Insurance Corporation (FDIC) if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the County. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them.

Written custodial agreements are required to provide, among other things, that the collateral securities are held separately from the assets of the custodial institution. FDIC is available for interest-bearing funds deposited at any one financial institution up to a maximum of $250.

Custodial Credit Risk – Deposits
The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. The County's deposits are not exposed to custodial credit risk, since all of its deposits are covered by FDIC or collateralized with securities held by the County or its agent in the County's name in accordance with CGC Section 53562.

B. Investments

The CGC Sections 53601 & 53635, Board ordinances and resolutions, the County's IPS, the bond indenture documents, trust agreements, and other contractual agreements govern the investments that may be purchased and may include certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality and timing to minimize the risk of loss. The IPS adds further restrictions to permitted investments from the CGC. As of June 30, 2016, the Treasurer was in full compliance with the more restrictive IPS for the OCIP, OCEIP, and JWA Pool.

The following table provides a summary listing of the authorized investments as of June 30, 2016.

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% total, no more than 33% in one issuer excluding securities with final maturities of 30 days or less	5 Years	5 Years	397 Days
Municipal Debt	100%	30% total, no more than 5% in one issuer except 10%-County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% total, no more than 5% in one issuer	270 Days	270 Days	270 Days

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
Negotiable Certificates of Deposits	30%	30% total, no more than 5% in one issuer	5 Years	5 Years	397 Days
State of California Local Agency Investment Fund	$50 million per account	$50 million per pool	N/A	N/A	N/A
Repurchase Agreements	100%	20% total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% total	N/A	N/A	N/A
Investment Pools	100%	20% total, no more than 10% in one pool	N/A	N/A	N/A
Supranationals	30%	30% total, no more than 5% in one issuer	5 Years	5 Years	397 Days

The current IPS expressly prohibits leverage, reverse repurchase agreements as defined by CGC, structured notes, structured investment vehicles, and derivatives. All investments must be United States dollar denominated. No investment may be purchased from an issuer and all related entities, including parent and subsidiaries, that has been placed on credit watch-negative by any of the Nationally Recognized Statistical Rating Organizations (NRSROs), or whose credit rating by any of the NRSROs is less than the minimum rating required by the IPS for that class of security unless the issuer has a short-term rating of A-1+ or F1+ or a long-term rating of at least a AA or Aa2 by S&P, Fitch or Moody's; and the Treasurer has approved the purchase in writing prior to purchase.

Investments by the Treasurer are stated at fair value. Investments in the OCIF are marked to market on a daily basis. If the NAV of the OCMMF or OCEMMF is less than $0.995 (in absolute dollar amounts) or greater than $1.005 (in absolute dollar amounts), portfolio holdings may be sold as necessary to maintain the ratio between $0.995 (in absolute dollar amounts) and $1.005 (in absolute dollar amounts).

Unless otherwise required in a trust agreement or other financing document, assessment districts and public school and community college districts are required by legal provisions to deposit their funds with the County Treasurer. The OCEIP consists entirely of public school and community college districts' funds and therefore includes 100% involuntary participants. At June 30, 2016, the OCIP includes approximately 11.57% of involuntary participant deposits including funds for the Superior Court, certain assessment districts, and certain bond related funds for public school districts.

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures

The following table presents a summary of the County's investments, the credit quality distribution, and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2016.

With Treasurer:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
OCIP (2)							
U.S. Government Agencies							
FNMA Discount Notes	$ 45,115	$ 45,152	0.29 - 0.65%	08/12/16 - 01/05/17	0.230	A-1	1.23%
FNMA Bonds	447,622	445,125	0.30 - 1.18%	07/05/16 - 02/26/19	1.354	AA	12.17%
FFCB Discount Notes	63,971	64,096	0.47 - 0.59%	12/21/16 - 12/27/16	0.485	A-1	1.73%
FFCB Bonds	185,626	184,911	0.29 - 1.18%	08/11/16 - 04/26/19	1.626	AA	5.05%
FFCB Bonds - Floating Rate	60,021	60,000	0.29 - 1.18%	11/04/16 - 11/07/16	0.002	AA	1.63%
FHLB Discount Notes	411,243	411,312	0.24 - 0.50%	07/01/16 - 09/26/16	0.009	A-1	11.18%
FHLB Bonds	402,822	401,523	0.49 - 1.64%	08/26/16 - 12/20/18	1.240	AA	10.95%
FHLMC Bonds	611,477	607,522	0.37 - 1.14%	08/25/16 - 04/16/19	1.689	AA	16.62%
Negotiable Certificates of Deposit							
Fixed Rate	157,881	156,581	0.66 - 1.75%	08/26/16 - 03/29/19	0.439	AA	4.29%
Floating Rate	5,000	5,000	0.94%	07/28/16	0.077	A-1	0.14%
Medium-Term Corporate Notes							
Corporate Notes	68,617	67,110	0.55 - 1.35%	08/15/16 - 08/15/18	1.290	A	1.86%
Corporate Notes	116,087	113,568	0.65 - 1.49%	04/05/17 - 12/15/18	1.148	AA	3.16%
Corporate Notes - Floating Rate	15,008	15,000	0.65 - 0.66%	05/05/17 - 05/12/17	0.014	AA	0.41%
Corporate Notes	30,879	30,198	0.59 - 1.41%	11/28/16 - 12/05/18	1.904	AAA	0.84%
Municipal Debt	77,851	77,666	0.75 - 1.21%	08/01/16 - 06/30/17	0.237	AA	2.12%
U.S. Treasuries	850,805	845,879	0.24 - 1.12%	07/15/16 - 04/30/19	0.964	AA	23.13%
Money Market Mutual Funds	128,556	128,556	0.27 - 0.28%	07/01/16	0.003	AAA	3.49%
	$ 3,678,581	**$ 3,659,199**			**1.087** (4)		**100.00%**

With Treasurer:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
OCEIP (2)							
U.S. Government Agencies							
FNMA Discount Notes	$ 42,983	$ 43,000	0.23 - 1.088%	08/24/16 - 09/19/16	0.157	A-1	1.02%
FNMA Bonds	454,050	451,766	0.28 - 1.18%	07/05/16 - 02/26/16	1.291	AA	10.69%
FNMA Bonds - Floating Rate	25,003	25,000	0.28%	07/05/16	0.004	AA	0.59%
FFCB Discount Notes	123,660	123,803	0.25 - 0.72%	07/01/16 - 12/27/16	0.309	A-1	2.92%
FFCB Bonds	186,293	185,467	0.29 - 1.18%	08/11/16 - 04/26/19	1.579	AA	4.38%
FFCB Bonds - Floating Rate	76,018	76,000	0.28 - 0.58%	07/20/16 - 11/07/16	0.003	AA	1.79%
FHLB Discount Notes	599,706	599,889	0.27 - 0.74%	07/06/16 - 03/10/17	0.115	A-1	14.11%
FHLB Bonds	453,828	452,522	0.37 - 1.64%	08/26/16 - 12/20/18	1.545	AA	10.68%
FHLMC Discount Notes	99,973	100,000	0.23 - 0.30%	07/07/16 - 09/15/16	0.112	A-1	2.35%
FHLMC Bonds	593,063	589,254	0.37 - 1.14%	08/25/16 - 04/16/19	1.679	AA	13.96%
Negotiable Certificates of Deposit							
Fixed Rate	138,652	137,419	0.58 - 1.75%	08/29/16 - 03/29/19	0.408	AA	3.26%
Floating Rate	16,702	16,700	0.58 - 0.98%	07/05/16 - 04/06/17	0.000	AA	0.39%
Medium-Term Corporate Notes							
Corporate Notes	73,668	72,151	0.55 - 1.35%	08/15/16 - 08/15/18	1.221	A	1.73%
Corporate Notes	110,896	108,453	0.65 - 1.49%	04/05/17 - 12/15/18	1.149	AA	2.61%
Corporate Notes - Floating Rate	15,153	15,145	0.65 - 0.67%	11/28/16 - 05/12/17	0.015	AA	0.36%
Corporate Notes	29,485	28,832	0.93 - 1.41%	08/15/17 - 12/05/18	1.911	AAA	0.69%
Corporate Notes - Floating Rate	500	500	0.67%	11/28/16	0.003	AAA	0.01%
Municipal Debt	75,477	75,299	0.75 - 1.21%	08/01/16 - 06/30/17	0.239	AA	1.78%
U.S. Treasuries	878,115	873,266	0.23 - 1.12%	07/15/16 - 04/30/19	0.913	AA	20.67%
Money Market Mutual Funds	255,506	255,506	0.27 - 0.28%	07/01/16	0.003	AAA	6.01%
	$ 4,248,731	**$ 4,229,972**			**0.929** (4)		**100.00%**

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

With Treasurer:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
Specific Investments (2)							
U.S. Government Agencies							
FNMA Discount Notes	$ 1,499	$ 1,500	0.30 - 0.36%	07/25/16 - 10/13/16	0.215	A-1	0.49%
FNMA Bonds	22,384	22,118	0.35 - 1.62%	07/05/16 - 05/06/21	1.902	AA	7.26%
FFCB Bonds	8,486	8,435	0.29 - 1.08%	07/12/16 - 06/25/18	0.918	AA	2.75%
FFCB Bonds - Floating Rate	5,061	5,060	0.29 - 0.58%	08/15/16 - 02/23/17	0.005	AA	1.64%
FHLB Discount Notes	9,117	9,121	0.28 - 0.53%	07/19/16 - 10/28/16	0.147	A-1	2.96%
FHLB Bonds	18,363	18,110	0.35 - 1.78%	07/20/16 - 07/29/20	1.726	AA	5.96%
FHLMC Discount Notes	1,671	1,672	0.33 - 0.54%	07/06/16 - 09/21/16	0.143	A-1	0.54%
FHLMC Bonds	6,562	6,547	0.35 - 0.94%	07/18/16 - 01/12/18	0.888	AA	2.13%
GNMA Bonds	87	84	6.25%	09/20/29	13.233	AA	0.02%
Negotiable Certificates of Deposit							
Fixed Rate	1,750	1,750	0.59 - 0.80%	07/25/16 - 09/29/16	0.094	A-1	0.57%
Floating Rate	1,600	1,600	0.24 - 0.28%	07/05/16	0.014	A-1	0.52%
Medium-Term Corporate Notes							
Corporate Notes - Floating Rate	402	401	0.69 - 0.71%	01/10/17 - 04/21/17	0.454	AA	0.13%
Corporate Notes - Floating Rate	100	100	0.61%	11/28/16	0.162	AAA	0.03%
Municipal Debt	6,501	6,500	4.81%	07/01/16	0.003	AA	2.11%
U.S. Treasuries	3,564	3,500	1.50%	01/31/21	4.592	AA	1.16%
Repurchase Agreements	1,082	1,082	6.20%	08/15/19	3.126	AA	0.35%
Money Market Mutual Funds	220,009	220,009	0.22 - 0.28%	07/01/16	0.093	AAA	71.38%
	$ 308,238	**$ 307,589**			**0.363** (4)		**100.00%**

With Trustees:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
Restricted Investments with Trustees (2)							
U.S. Government Agencies							
FNMA Zero Coupon Bonds	$ 100,488	$ 46,234	0.00%	09/01/16-09/01/21	3.880	AA	27.00%
U.S. Treasuries	16,411	16,283	0.5% - 9.00%	09/15/16-11/15/18	0.590	AA	4.41%
U.S. Treasury Strips	359	54	0.00%	11/15/18	2.380	AA	0.10%
Investment Contracts	13,160	13,160	Variable	07/01/16-01/17/17	0.550	NR	3.54%
Money Market Mutual Funds							
Money Market Mutual Funds	144,363	144,363	Variable	07/01/16	0.000	AAA	38.79%
Money Market Mutual Funds	92,406	92,724	Variable	07/01/16	0.000	AAA	24.83%
Bond Mutual Funds	4,948	4,870	0.17% - 4.64%	07/01/16	0.000	NR	1.33%
	$ 372,135	**$ 317,688**			**1.04** (4)		**100.00%**

With External Orange County Retirement System (OCERS):	Fair Value
Restricted Investments (3)	**$ 214,769**

(1) The County obtains credit ratings from S&P, Moody's, and Fitch. The ratings indicative of the greatest degree of risk have been disclosed. NR means not rated

(2) Legend:
FNMA-Federal National Mortgage Association
FFCB-Federal Farm Credit Bank
FHLB-Federal Home Loan Bank
FHLMC-Federal Home Loan Mortgage Corporation
GNMA-Government National Mortgage Association

(3) The Retiree Medical Trust Reports $214,769 of restricted investments with OCERS. Refer to Note 18 on obtaining OCERS Financial Statements. For more information regarding investments with OCERS, refer to their most recently issued financial statements available at http://www.ocers.org/finance/finance.htm.

(4) Portfolio weighted average maturity

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

The County categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices based on quoted identical assets in an active market.
- Level 2: Investments reflect prices that are based on identical or similar assets in inactive markets or similar assets in active markets. Inputs other than quotes are observable.
- Level 3: Investments reflect prices based on significant unobservable inputs.

The County has multiple investments using Level 1 inputs and a single investment using Level 3 input. Fair value measurement is based on pricing received from the County's third party vendors. Money market mutual funds are priced using amortized cost, with a net asset value of $1 (in absolute dollar amounts) per share, and per GASB Statement No. 72 not subject to the fair value hierarchy. Additionally, guaranteed investment contracts are not subject to the fair value hierarchy.

The County uses the market approach method as a valuation technique in the application of GASB Statement No. 72. This method uses prices and other relevant information generated by market transactions involving identical or similar assets or groups of assets.

The following table presents a summary of the County's investments according to the assigned fair value hierarchy level as of June 30, 2016.

		Fair Value Measurement		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
OCIP				
U.S. Government Agencies	$ 2,227,897	$ --	$ 2,227,897	$ --
Negotiable Certificates of Deposit	162,881	--	162,881	--
Medium-Term Corporate Notes	230,591	--	230,591	--
Municipal Debt	77,851	--	77,851	--
U.S. Treasuries	850,805	--	850,805	--
Sub-total	3,550,025	**$ --**	**$ 3,550,025**	**$ --**
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	128,556			
Total	**$ 3,678,581**			
OCEIP				
U.S. Government Agencies	$ 2,654,577	$ --	$ 2,654,577	$ --
Negotiable Certificates of Deposit	155,354	--	155,354	--
Medium-Term Corporate Notes	229,702	--	229,702	--
Municipal Debt	75,477	--	75,477	--
U.S. Treasuries	878,115	--	878,115	--
Sub-total	3,993,225	**$ --**	**$ 3,993,225**	**$ --**
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	255,506			
Total	**$ 4,248,731**			

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

		Fair Value Measurement		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Specific Investments				
U.S. Government Agencies	$ 73,230	$ --	$ 73,230	$ --
Negotiable Certificates of Deposit	3,350	1,850	1,500	--
Medium-Term Corporate Notes	502	--	502	--
Municipal Debt	6,501	--	6,501	--
U.S. Treasuries	3,564	--	3,564	--
Repurchase Agreements	1,082	--	--	1,082
Sub-total	88,229	**$ 1,850**	**$ 85,297**	**$ 1,082**
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	220,009			
Total	**$ 308,238**			
With Trustees				
U.S. Government Agencies	$ 100,488	$ --	$ 100,488	$ --
U.S. Treasuries	16,770	359	16,411	--
Bond Mutual Funds	4,948	4,948	--	--
Sub-total	122,206	**$ 5,307**	**$ 116,899**	**$ --**
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	236,769			
Investment Contracts	13,160			
Total	**$ 372,135**			

Investment in County of Orange Taxable Pension Obligation Bonds 2016, Series A

On January 13, 2016, the OCIP and the OCEIP purchased a portion of the County issued Taxable Pension Obligation Bonds 2016, Series A (2016 POBs) in the principal amount of $152,965. The 2016 POBs were issued with a fixed coupon rate and with maturities from August 2016 to June 2017. The obligation of the County to pay principal and interest on the 2016 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2016, the outstanding principal amount of the 2016 POBs is $152,965. The bonds are rated AA by S&P. The County's investment in the 2016 POBs is disclosed herein as Municipal Debt. For additional information, refer to Note 9, Short-Term Obligations and Note 17, Retirement Plans.

Interest Rate Risk - Investments

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates. Declines in the fair value of investments are managed by limiting the length of the maturity of the securities. In general, the maximum maturity allowed is five years unless the Board has granted express authority either specifically or as part of an investment policy. Actual weighted average days to maturity by investment type for the funds invested in the Pools are presented in the table in the Investment Disclosures section.

The OCIP funds of $3,678,581 and the OCEIP funds of $4,248,731 portfolio at June 30, 2016 have over 36.6% and 46.6%, respectively, of the investments maturing in six months or less, 63.4% and 53.4%, respectively, maturing between six months and three years.

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – Investments (Continued)

As of June 30, 2016, variable-rate notes comprised 2.2% and 2.5% of the OCIP and the OCEIP, respectively. The notes are tied to the Federal Funds rate, 90-day Treasury Bill rate, one-month and three-month London Interbank Offered Rate (LIBOR) with daily, monthly and quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value because the variable-rate coupon resets back to a market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset. For purposes of computing weighted average maturity (WAM), the maturity date of variable-rate notes is the length of time until the next reset date rather than the stated maturity.

The annual average daily investment balance of the OCIP and the OCEIP was $3,820,526 and $3,833,613, respectively, with an annual net yield of 0.65% and 0.66% respectively for the pools, for the year ended June 30, 2016.

Interest Rate Risk-Weighted Average Maturity (Money Market Funds)
At June 30, 2016, the OCMMF and OCEMMF amounted to $928,469 and $1,611,312, respectively. In accordance with the Board formally approved IPS, the Treasurer manages the Pool's exposure to declines in fair value for deposits and investments by limiting the WAM to 60 days in the Money Market Funds. At June 30, 2016, the WAM of the OCMMF was 56 days and the OCEMMF was 57 days. At the same date, the NAV of the Money Market Funds for both pools was $1.00 (in absolute dollar amounts).

Interest Rate Risk-Duration (Extended Fund)
At June 30, 2016, the Extended Fund (which includes funds from both the OCIP and the OCEIP) balance was $5,387,531. Of this amount, the OCIP owned 51.1% and the OCEIP owned 48.9%. In accordance with the IPS, the Treasurer manages investment related risk for deposits and investments by limiting duration to +25% of a leading 1-3 Year index (2.35). The portfolio duration for the Extended Fund as of June 30, 2016 was 1.31 years. This was computed using the effective duration method, which takes into account the way in which changes in yield will affect the expected cash flows for callable bonds.

As of June 30, 2016, the Extended Fund had the following duration by investment type:

Investment Type		Fair Value	Portfolio %	Effective Duration (In Years)
Certificates Of Deposits	$	201,493	3.74%	2.25
Medium-Term Corporate Notes		362,354	6.73%	1.85
Municipal Debt		99,134	1.84%	0.78
U.S. Treasuries		1,568,807	29.12%	1.02
U.S. Government Agencies		3,155,743	58.57%	1.34
Total Fair Value	$	5,387,531		
Portfolio Duration				1.31

Custodial Credit Risk
For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The IPS does not permit investments in uninsured and unregistered securities not held by the County. The Treasurer utilizes third party delivery versus payment (DVP) which mitigates any custodial credit risk. Securities purchased by the Treasurer are held by third party custodians in their trust department to mitigate custodial credit risk. At year-end, in accordance with the IPS, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk, and the Treasurer did not have any securities lending during the year (or at year-end).

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk - Investments
This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. The IPS sets forth the minimum acceptable credit ratings for investments from any two of the following NRSROs: S&P, Moody's, or Fitch. For an issuer of short-term debt, the rating must be no less than A-1 or SP-1 (S&P), P-1 or MIG 1/VMIG 1 (Moody's), or F1 (Fitch), while an issuer of long-term debt shall be rated no less than an A in the Money Market Funds and AA in the Extended Fund. Municipal debt issued by the County is exempt from the above credit rating requirements. As of June 30, 2016, the County's investments were in compliance with the IPS limits.

Concentration of Credit Risk
This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2016, all investments were in compliance with state law and the IPS single issuer limits. See the County's investments table for concentrations of holdings in U.S. government agencies.

Foreign Currency Risk
The IPS requires all securities to be U.S. dollar denominated. The County Pools are not exposed to foreign currency risk.

Condensed Financial Statements
In lieu of separately issued financial statements for the entire pools and the external portion of the pools, condensed financial statements for both pools are presented below as of and for the year ended June 30, 2016:

Entire Pool

Statement of Net Position

		OCIP		OCEIP		Total
Net Position Held for Pool Participants	$	3,905,974	$	4,229,524	$	8,135,498
Equity of Internal Pool Participants	$	3,563,573	$	--	$	3,563,573
Equity of External Pool Participants		342,928		4,229,856		4,572,784
Undistributed and Unrealized (Loss)		(527)		(332)		(859)
Total Net Position	$	3,905,974	$	4,229,524	$	8,135,498

Statement of Changes in Net Position

		OCIP		OCEIP		Total
Net Position at July 1, 2015	$	3,630,316	$	3,828,819	$	7,459,135
Net Changes in Investments by Pool Participants		275,658		400,705		676,363
Net Position at June 30, 2016	$	3,905,974	$	4,229,524	$	8,135,498

(Dollar Amounts in Thousands)

B-61

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Condensed Financial Statements (Continued)

External Pool Portion

Combining Statement of Fiduciary Net Position

	OCIP	OCEIP	Total
Assets			
Pooled Cash/Investments	$ 342,206	$ 4,220,107	$ 4,562,313
Receivables			
Interest/Dividends	1,231	9,493	10,724
Total Assets	343,437	4,229,600	4,573,037
Liabilities			
Due to Other Governmental Agencies	509	76	585
Total Liabilities	509	76	585
Net Position			
Restricted for Pool Participants	342,928	4,229,524	4,572,452
Total Net Position	$ 342,928	$ 4,229,524	$ 4,572,452

Combining Statement of Changes in Fiduciary Net Position

	OCIP	OCEIP	Total
Additions:			
Contributions to Pooled Investments	$ 589,885	$ 7,657,559	$ 8,247,444
Other Revenues	--	446	446
Interest and Investment Income	2,459	36,376	38,835
Less: Investment Expense	(149)	(2,756)	(2,905)
Total Additions	592,195	7,691,625	8,283,820
Deductions:			
Distributions from Pooled Investments	526,023	7,290,920	7,816,943
Total Deductions	526,023	7,290,920	7,816,943
Change in Net Position Held in Trust For External Investment Pool	66,172	400,705	466,877
Net Position, Beginning of Year	276,756	3,828,819	4,105,575
Net Position, End of Year	$ 342,928	$ 4,229,524	$ 4,572,452

C. Restricted Deposits and Investments with Trustees

All monies for restricted investments held by trustees are invested in "permitted investments" as defined in the various trust agreements. Restricted deposits with trustees are insured by FDIC up to $250 and the excess amounts are collateralized.

D. CalOptima's Cash and Investments

The Organization categorizes its fair value investments within the fair value hierarchy established by GAAP. The hierarchy for fair value measurements is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

3. DEPOSITS AND INVESTMENTS (Continued)

D. CalOptima's Cash and Investments (Continued)

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly

Level 3 Significant unobservable inputs

The following is a description of the valuation methodologies used for instruments at fair value on a recurring basis and recognized in the accompanying consolidated statements of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Marketable Securities
Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These securities are classified within Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

	Investment Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	$ 594,011	--	--	$ 594,011
Money Market Funds	14,232	34,972	--	49,203
Government	7,576	72,626	--	80,202
U.S. Agencies	--	202,911	--	202,911
Asset-backed Securities	--	115,567	--	115,567
Corporate Bonds	--	332,854	--	332,854
Mortgage-backed Securities	--	39,117	--	39,117
Municipal Bonds	--	67,822	--	67,822
Tax Exempt	--	70	--	70
	$ 615,819	$ 865,939	--	$ 1,481,758

Cash and investments are reported in the June 30 consolidated statements of net position as follows:

	2016
Current Assets:	
Cash and Cash Equivalents	$ 258,846
Investments	1,019,265
Board-Designated Assets and Restricted Cash:	
Cash and Cash Equivalents	10,132
Investments	465,714
Restricted Deposit	300
Total	$ 1,754,257

Custodial Credit Risk-Deposits
Custodial credit risk is the risk that in the event of a bank failure the Organization may not be able to recover its deposits or collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under the state law. At June 30, 2016, no deposits were exposed to custodial credit risk, as CalOptima has pledged collateral to cover the amounts.

(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

D. CalOptima's Cash and Investments (Continued)

Investments

CalOptima invests in obligations of the U.S. Treasury, other U.S. government agencies and instrumentalities, state obligations, corporate securities, money market funds, and mortgage or asset-backed securities.

Interest Rate Risk

In accordance with its Annual Investment Policy (investment policy), CalOptima manages its exposure to decline in fair value from increasing interest rates by matching maturity dates to the extent possible with CalOptima's expected cash flow draws. Its investment policy limits maturities to five years, while also staggering maturities. CalOptima maintains a low-duration strategy, targeting a portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile because they are less sensitive to interest rate changes.

As of June 30, 2016, CalOptima's investments, including cash equivalents, had the following modified duration:

		Investment Maturities (In Years)	
	Fair Value	Less Than 1	1-5
U.S. Agencies	$ 207,912	$ 134,250	$ 73,661
Asset-Backed Securities	115,567	33,757	81,810
Corporate Bonds	342,562	182,151	160,411
Government	103,571	86,462	17,109
Money Market Funds	49,203	49,203	--
Mortgage-Backed Securities	39,117	4,572	34,545
Municipal Bonds	74,648	38,093	36,554
Tax Exempt	70	70	--
U.S. Treasury Notes	609,520	443,005	166,515
Cash Equivalents	145,777	102,544	43,233
Cash	2,435	2,435	--
Total	$ 1,690,382	$ 1,076,544	$ 613,839
Accrued Interest Receivable	3,545		
	$ 1,693,927		

Investment with Fair Values Highly Sensitive to Interest Rate Fluctuations

When interest rates fall, debt is refinanced and paid off early. The reduced stream of future interest payments diminishes the fair value of the investment. The mortgage-backed and asset-backed securities in the CalOptima portfolio are of high credit quality, with relatively short average lives that represent limited prepayment and interest rate exposure risk. CalOptima's investments include the following investments that are highly sensitive to interest rate and prepayment fluctuations to a greater degree than already indicated in the information provided above:

	Fair Value, June 30, 2016
Asset-Back Securities	$ 115,567
Mortgage-Backed Securities	39,117
	$ 154,684

3. DEPOSITS AND INVESTMENTS (Continued)

D. CalOptima's Cash and Investments (Continued)

Credit Risk

CalOptima's investment policy conforms to the California Government Code as well as to customary standards of prudent investment management. Credit risk is mitigated by investing in only permitted investments. The investment policy sets minimum acceptable credit ratings for investments from the three nationally recognized rating services: Standard and Poor's Corporation (S&P), Moody's Investor Service (Moody's) and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's) or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A."

As of June 30, 2016, following are the credit ratings of investments and cash equivalents:

				Rating as of Year-End					
Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	AAA	Aa & Aa+	Aa-	A+	A/A-1	A-
U.S. Treasury Notes	$ 616,852	N/A	$ 616,852	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Agency Notes	309,300	N/A	309,300	-	-	-	-	-	-
Corporate Bonds	291,879	A-	-	6,771	20,109	33,513	81,896	100,120	49,471
FRN Securities	109,241	A-	-	29,305	10,348	7,764	22,470	23,481	15,872
Asset-Backed Securities	124,658	AAA	-	87,933	15,579	15,523	1,836	3,787	-
Mortgage-Backed Securities	73,327	A	-	73,327	-	-	-	-	-
Municipal Bonds	36,798	AAA	-	4,763	17,751	12,010	2,274	-	-
Supranational	27,322	AAA	-	27,322	-	-	-	-	-
Commercial Paper	19,930	A1/P1	-	19,930	-	-	-	-	-
Money Market Mutual Funds	84,620	AAA	-	84,620	-	-	-	-	-
Total	$ 1,693,927		$ 926,152	$ 333,971	$ 63,787	$ 68,810	$ 108,476	$ 127,388	$ 65,343

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of CalOptima's investment in a single issuer. CalOptima's investment policy limits to no more than 5 percent of the total fair value of investments in the securities of any one issuer, except for obligations of the U.S. government, U.S. government agencies or government-sponsored enterprises; and no more than 10 percent may be invested in one money market mutual fund unless approved by the governing board. The investment policy also places a limit of 35 percent of the amount of investment holdings with any one government-sponsored issuer and 5 percent of all other issuers. At June 30, 2016, all holdings complied with the foregoing limitations. The following holdings exceeded 5 percent of the portfolio at June 30, 2016:

		Percentage of Portfolio
Investment Type	Issuer	2016
U.S. Treasury Notes	United States Treasury	35.14

(Dollar Amounts in Thousands)

4. CHANGES IN CAPITAL ASSETS

Increases and decreases in the County's capital assets for governmental and business-type activities during the fiscal year were as follows:

	Primary Government				
	Balance July 1, 2015	Increases	Decreases	Adjustments	Balance June 30, 2016
Governmental Activities:					
Capital Assets Not Depreciated/Amortized:					
Land	$ 823,484	$ 10,922	$ --	$ --	$ 834,406
Land Use Rights (Permanent)	6,992	610	--	--	7,602
Construction in Progress	109,789	77,073	(67,998)	--	118,864
Intangible in Progress	857	3,058	--	(462)	3,453
Total Capital Assets Not Being Depreciated/Amortized	941,122	91,663	(67,998)	(462)	964,325
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	1,219,901	19,080	(3,368)	--	1,235,613
Land Improvements	485	2,144	--	--	2,629
Equipment	391,888	33,054	(6,836)	(466)	417,640
Software	109,737	419	--	--	110,156
Infrastructure:					
Flood Channels	1,215,274	38,617	(1,420)	(7,757)	1,244,714
Roads	230,161	8,417	--	--	238,578
Bridges	106,722	73	--	--	106,795
Trails	44,073	--	--	--	44,073
Traffic Signals	11,621	335	--	--	11,956
Harbors and Beaches	41,238	--	--	--	41,238
Total Capital Assets, Depreciable/Amortizable	3,371,100	102,139	(11,624)	(8,223)	3,453,392
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(634,263)	(31,317)	2,298	--	(663,282)
Land Improvements	(12)	(181)	--	--	(193)
Equipment	(295,794)	(18,141)	6,292	--	(307,643)
Software	(63,148)	(8,295)	--	--	(71,443)
Infrastructure:					
Flood Channels	(302,465)	(16,022)	--	--	(318,487)
Roads	(123,557)	(10,976)	742	--	(133,791)
Bridges	(36,900)	(2,230)	--	--	(39,130)
Trails	(32,610)	(1,251)	--	--	(33,861)
Traffic Signals	(10,674)	(158)	--	--	(10,832)
Harbors and Beaches	(29,124)	(1,008)	--	--	(30,132)
Total Accumulated Depreciation/Amortization	(1,528,547)	(89,579)	9,332	--	(1,608,794)
Total Capital Assets, Depreciable/Amortizable (Net)	1,842,553	12,560	(2,292)	(8,223)	1,844,598
Governmental Activities Total Capital Assets, Net	$ 2,783,675	$ 104,223	$ (70,290)	$ (8,685)	$ 2,808,923

4. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				
	Balance July 1, 2015	Increases	Decreases	Adjustments	Balance June 30, 2016
Business-Type Activities:					
Capital Assets Not Depreciated/Amortized:					
Land	$ 37,842	$ --	$ --	$ --	$ 37,842
Construction in Progress	74,088	48,128	(81,661)	--	40,555
Intangible in Progress	879	1,189	--	--	2,068
Total Capital Assets Not Being Depreciated/Amortized	112,809	49,317	(81,661)	--	80,465
Capital Assets, Depreciable:					
Structures and Improvements	766,047	16,187	--	--	782,234
Equipment	78,513	7,614	(4,150)	--	81,977
Software	1,010	397	--	--	1,407
Infrastructure	536,391	66,298	--	--	602,689
Total Capital Assets, Depreciable/Amortizable	1,381,961	90,496	(4,150)	--	1,468,307
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(258,936)	(24,147)	--	--	(283,083)
Equipment	(56,515)	(5,518)	3,954	--	(58,079)
Software	(119)	(162)	--	--	(281)
Infrastructure	(344,024)	(14,376)	--	--	(358,400)
Total Accumulated Depreciation/Amortization	(659,594)	(44,203)	3,954	--	(699,843)
Total Capital Assets, Depreciable/Amortizable (Net)	722,367	46,293	(196)	--	768,464
Business-Type Activities Total Capital Assets, Net	$ 835,176	$ 95,610	$ (81,857)	$ --	$ 848,929

Depreciation/Amortization expense was allocated among functions of the primary government as follows:

Government Activities:	
General Government	$ 9,499
Public Protection	40,915
Public Ways and Facilities	15,653
Health and Sanitation	3,933
Public Assistance	4,710
Education	1,486
Recreation and Cultural Services	7,600
Internal Service Funds' Depreciation Expense Allocated to Various Functions	5,783
Total Governmental Activities Depreciation/Amortization Expense	89,579
Business-Type Activities:	
Airport	28,934
Waste Management	15,269
Total Business-Type Activities Depreciation/Amortization Expense	44,203
Total Depreciation/Amortization Expense	$ 133,782

(Dollar Amounts in Thousands)

4. CHANGES IN CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2016 includes the following adjustment amounts:

- Negative adjustment of $462 in Intangible Assets due to the capitalization of annual software support cost that should have been expensed in the prior year.
- Negative adjustment of $466 in Equipment due to prior years' accruals of non-capital expenses.
- Negative adjustment of $7,757 in Flood Channels Infrastructure due to a lawsuit settlement payout that resulted in the overstatement of a capital project.

Capital Asset Impairments:

The general governmental activity reported an impairment loss on the Statement of Activities related to the County building located at 601 N. Ross St., which is currently vacant. As part of the County of Orange Civic Center Facilities Master Plan, it is scheduled to be demolished in January 2017 during phase one. This building has a current net book value of $196. This amount was reported as a loss because the building's service utility has expired. No insurance recoveries were received for the building's impairment loss.

In addition, the general governmental activity reported an impairment loss of $765 on the Statement of Activities related to the County building located at 433 W. Civic Center Dr. This building was originally purchased to be used as the new Archives building; however, due to disrepair, the only use for the building has been to store records in the basement. Because only one of three floors is being utilized, the current value is impaired by 66%. No insurance recoveries were received for the building's impairment loss.

5. RECEIVABLES

GASB Statement No. 38, *"Certain Financial Statement Note Disclosures,"* requires identification of receivable balances not expected to be collected within one year. The details of the receivables reported in the government-wide Statement of Net Position that are not expected to be collected within the next fiscal year are identified below:

Accounts Receivable

Accounts Receivable had a balance of $26,117 as of June 30, 2016. Of this amount, $1,917 is not expected to be collected within the next fiscal year. This primarily consists of $1,513 for animal care delinquent invoices.

Deposits Receivable

Deposits Receivable had a balance of $4,767 as of June 30, 2016. Of this amount, $4,387 is not expected to be collected within the next fiscal year. This primarily consists of $2,883 in operating accounts for Dana Point Harbor operators and Green River Golf Course.

Due from Other Governmental Agencies

Due from Other Governmental Agencies had a balance of $429,675 as of June 30, 2016. Of this amount, $46,507 is not expected to be received within the next fiscal year, which primarily consists of $39,431 owed by the State of California to the County for various mandated cost reimbursements for programs and services the State requires the County to provide. $2,674 is for expected reimbursement for the Santa Ana River Subvention revenue claims to be submitted to the State Department of Water Resources and $3,295 is for behavioral health activities. In addition, $1,107 is owed by the City of Rancho Santa Margarita for amounts due under their Revenue Neutrality Agreement.

5. RECEIVABLES (Continued)

Notes Receivable

Notes Receivable had a balance of $27,900 as of June 30, 2016. Of this amount, $27,459 is not expected to be received within the next fiscal year. This primarily consists of $24,969 for loans to build affordable, low to moderate income, and senior housing and $2,030 is for housing loans for Mental Health Services Act (MHSA) programs. The remaining $460 is for loans provided to first time home buyers.

6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables may result from services rendered by one fund to another fund, or from interfund loans. "Due from" and "due to" balances are generally used to reflect short-term interfund receivables and payables whereas "advance from" and "advance to" balances are long-term.

The composition of interfund balances as of June 30, 2016 is as follows:

Due from/to other funds:

	Receivable Funds							
Payable Funds	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Waste Management	Compressed Natural Gas	Internal Service Funds	Total
General Fund	$ --	$ 723	$ 5,172	$ 24,763	$ 3,024	$ 2	$ 2,270	$ 35,954
Flood Control District	6,134	--	--	572	316	--	4	7,026
Other Public Protection	18,456	--	--	4	--	--	14	18,474
Mental Health Services Act	10,466	--	--	--	--	--	--	10,466
Other Governmental Funds	38,685	585	1	3,503	48	--	60	42,882
Airport	2,396	5	1	31	--	--	214	2,647
Waste Management	1,884	2	--	431	--	--	18	2,335
Compressed Natural Gas	20	252	--	--	--	--	--	272
Internal Service Funds	752	220	--	12	--	--	3	987
Total	$ 78,793	$ 1,787	$ 5,174	$ 29,316	$ 3,388	$ 2	$ 2,583	$ 121,043

Interfund transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	Amount
Primary Government – General Fund	Component Unit – Children and Families Commission of Orange County	$ 375
Component Unit – Children and Families Commission of Orange County	Primary Government – Other Governmental Funds	2

The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided, (2) transactions were recorded in the accounting system, and (3) payments between the funds were made.

Advances to/from other funds:

Receivable Entity	Payable Entity	Amount
General Fund	Other Governmental Funds	$ 3,800
Waste Management	Other Governmental Funds	4,000
Waste Management	General Fund	1,567

(Dollar Amounts in Thousands)

6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

The interfund loans represent an advance to the Courthouse Construction Fund from the General Fund to backfill the deficit as a result of a state audit of court revenues for FY 2003-04 through FY 2011-12. The Waste Management Fund made advances to the General Fund for various information technology capital projects and to Other Governmental Funds for the Sheriff-Coroner's James A. Musick Facility Expansion project, which was approved by the Board on December 11, 2012 to expand the Jame A. Musick Facility jail by more than 500 beds. The Sheriff-Coroner will repay all borrowed funds to the Waste Management Fund within the required three-year period.

7. COUNTY PROPERTY ON LEASE TO OTHERS

The County has noncancelable operating leases for certain buildings, which are not material to the County's general operations. The Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires, and the Waste Management Enterprise Fund derives revenue from landfill gas lease agreements, cell tower operators and a material recovery facility. The Enterprise Funds' property under operating leases, consisting primarily of structures and improvements, at June 30, 2016, approximates $57,273, net of accumulated depreciation.

The County leases real property to others under operating lease agreements for recreational boating, retail, restaurant, and other commercial operations. Future minimum rentals to be received under these noncancelable operating leases as of June 30, 2016 are as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2017	$ 13,601	$ 28,610
2018	13,317	25,963
2019	12,469	16,991
2020	11,988	10,804
2021	10,945	10,690
	62,320	93,058
2022-2026	50,597	14,774
2027-2031	47,387	12,368
2032-2036	50,550	3,153
2037-2041	34,662	--
2042-2046	3,892	--
2047-2048	223	--
	187,311	30,295
Total future minimum rentals	$ 249,631	$ 123,353

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately $32,383 (Enterprise Funds), $5,597 (Other Governmental Funds), $631 (Internal Service Funds) and $336 (Flood Control District) for the year ended June 30, 2016.

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016 were as follows:

	Transfer In Funds					
Transfer Out Funds	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Internal Service Funds	Total
General Fund	$ --	$ --	$ 11,541	$ 123,717	$ 10,399	$ 145,657
Flood Control District	2,017	--	--	1,300	1,136	4,453
Other Public Protection	28,183	--	--	85	715	28,983
Mental Health Services Act	115,081	--	--	--	--	115,081
Other Governmental Funds	80,299	--	--	12,181	719	93,199
Waste Management	21,238	--	--	--	29	21,267
Compressed Natural Gas	--	251	--	--	--	251
Internal Service Funds	843	216	--	--	10	1,069
Total	$ 247,661	$ 467	$ 11,541	$ 137,283	$ 13,008	$ 409,960

Interfund transfers reflect a flow of assets between funds and blended component units of the primary government without an equivalent flow of assets in return. Routine transfers were made in the current fiscal year to (1) relay cash/resources from contributing County funds to various debt service funds for the retirement of long-term obligations, (2) transfer Measure H Tobacco Settlement revenues and Public Safety Sales Tax (PSST) excess revenue in compliance with the specific statutory requirements, (3) provide resources for services provided within the County's Wraparound Program, (4) make available cash distributions based on the Bankruptcy Recovery Plan, (5) contribute resources to comply with Proposition 63 Mental Health Services Act, and (6) transfer excess unrestricted revenues to finance various County programs based on budgetary authorizations by the Board. The details of the significant transfers are outlined below:

Routine Transfers

From the General Fund

- $51,274 was transferred to Other Governmental Funds in connection with debt service payments for various County debt issues.
- $14,445 was transferred to Other Governmental Funds to finance the County's 60 percent share of the Social Services Agency Wraparound Program.
- $11,222 was transferred to Other Governmental Funds to distribute available cash to the remaining claimants of the bankruptcy loss as part of the Bankruptcy Recovery Plan.
- $10,505 was transferred to Other Governmental Funds for the maintenance and repair of various Probation Criminal Justice Facilities and Multipurpose Rehabilitation Center.
- $5,753 was transferred to Other Public Protection for the purchase of new equipment for the 800 MHz County-wide Coordination Communication system.
- $5,083 was transferred to Internal Service Funds primarily for the purchase of Sheriff-Coroner vehicles.
- $2,680 was transferred to Other Public Protection for the annual transfer of PSST excess revenue to meet future public protection needs.
- $1,052 was transferred to Internal Service Funds for medical reimbursements.

From Flood Control District

- $2,017 was transferred to the General Fund for the Watershed Management Program.

From Other Public Protection

- $10,948 was transferred to the General Fund for the reimbursement of various District Attorney programs, such as Proposition 64 Consumer Protection Fund, Real Estate Fraud, Orange County Auto Theft Task Force (OCATT), and Supplemental Law Enforcement Services Fund (SLESF).
- $9,373 was transferred to the General Fund to support the Sheriff-Coroner Department's operations.

(Dollar Amounts in Thousands)

8. INTERFUND TRANSFERS (Continued)

Routine Transfers (Continued)

- $3,799 was transferred to the General Fund for the reimbursement of qualifying Public Protection expenditures incurred by the Clerk-Recorder Department.
- $2,914 was transferred to the General Fund for the Sheriff-Coroner's Backbone Cost Sharing Program.

From Mental Health Services Act
- $115,081 was transferred to the General Fund for qualifying Proposition 63 Mental Health Services Act expenditures.

From Other Governmental Funds
- $35,620 was transferred to the General Fund for the reimbursement of various County programs as follows:
  - $21,436 for the Social Services Agency Wraparound Program
  - $7,973 for Emergency Medical Services
  - $5,074 for the Center for Disease Control pandemic flu H1N1 costs
  - $1,137 for the Alcohol & Drug Assessment and Automated Vital Health Statistics program
- $25,529 of tobacco settlement monies was transferred to the General Fund to finance Health Care Agency's various health care programs and Sheriff-Coroner Department's operational costs.
- $4,981 was transferred to the General Fund for reimbursement of Juvenile Justice Center debt service payments.
- $2,401 was transferred to the General Fund for reimbursement of debt service obligations associated with parking facilities.

From Enterprise Funds
- $21,238 was transferred from Waste Management to the General Fund primarily to pay bankruptcy related obligations in accordance with the County's comprehensive recovery plan.

In addition, the County had non-recurring transfers in the current fiscal year, which consisted of the following:

Non-Recurring Transfers

From the General Fund
- $25,999 was transferred to Other Governmental Funds for various capital projects including, the year-round homeless shelter and the purchase of the Santa Ana Transit Terminal. In addition, transfers for Sheriff-Coroner one-time equipment purchases and funding the automated jail system were made.
- $5,016 was transferred to Other Governmental Funds to reimburse for Sheriff-Coroner construction and facility development projects.
- $5,000 was transferred to Other Governmental Funds for the OC Animal Care Shelter project.
- $3,665 was transferred to Internal Service Funds for various data systems development projects.
- $1,820 was transferred to Other Public Protection to fund a mass notification system and to purchase kitchen appliances and equipment for the Inmate Services division.

From Flood Control District
- $1,300 was transferred to the Other Governmental Funds for the Coyote Creek Bikeway Project.
- $1,136 was transferred to Internal Service Funds for the centralization of the purchasing of light-duty vehicles.

From Other Public Protection
- $1,054 was transferred to the General Fund to cover the shortfall of state and federal appropriations over department expenditures in Child Support Services.

8. INTERFUND TRANSFERS (Continued)

Non-Recurring Transfers (Continued)

From Other Governmental Funds
- $10,820 was transferred to Other Governmental Funds for the Central Utility Facility (CUF) Infrastructure upgrade.
- $7,726 was transferred to the General Fund for unspent funding for multi-year capital projects for re-budgeting in the next fiscal year.
- $3,482 was transferred to the General Fund for the purchase of a year-round temporary homeless shelter and multi-service center.

9. SHORT-TERM OBLIGATIONS

Taxable Pension Obligation Bonds, 2015 Series A

On January 13, 2015, the County issued Taxable Pension Obligation Bonds, 2015 Series A (the 2015 POBs) in the principal amount of $339,625. The 2015 POBs were issued in order to prepay the County's FY 2015-16 pension contribution at a discount. The 2015 POBs were issued as standard bonds, with five fixed rate tranches, and with a final maturity date of June 30, 2016. The obligation of the County to pay principal and interest on the 2015 POBs is imposed by law and is absolute and unconditional. The County repaid in full the outstanding balance of the bonds on June 30, 2016.

Taxable Pension Obligation Bonds, 2016 Series A

On January 13, 2016, the County issued Taxable Pension Obligation Bonds, 2016 Series A (the 2016 POBs) in the principal amount of $334,275. The 2016 POBs were issued in order to prepay the County's FY 2016-17 pension contribution at a discount. The 2016 POBs were issued as standard bonds, with five fixed rate tranches, and with a final maturity date of June 30, 2017. The obligation of the County to pay principal and interest on the 2016 POBs is imposed by law and is absolute and unconditional. As of June 30, 2016, the outstanding principal amount of the 2016 POBs reported in the General Fund was $334,275. Refer to Note 3, Deposits and Investments and Note 17, Retirement Plans for additional information.

Description	Balance July 1, 2015	Issuances & Discount/ Premium Amortization	Retirements	Balance June 30, 2016	Amounts Due within One Year
County of Orange Taxable Pension Obligation Bonds, 2015 Series A					
Date Issued: January 13, 2015					
Interest Rate: 0.425% to 0.800%					
Original Amount: $339,625					
Maturing in installments through June 30, 2016	$ 339,625	$ --	$ (339,625)	$ --	$ --
County of Orange Taxable Pension Obligation Bonds, 2016 Series A					
Date Issued: January 13, 2016					
Interest Rate: 0.753% to 1.208%					
Original Amount: $334,275					
Maturing in installments through June 30, 2017	--	334,275	--	334,275	334,275
Total	$ 339,625	$ 334,275	$ (339,625)	$ 334,275	$ 334,275

10. LONG-TERM OBLIGATIONS

General Bonded Debt

General Obligation Bonded Debt

The amount of general obligation bonded indebtedness the County can incur is limited by law to 1.25% of the last equalized assessment property tax roll. At June 30, 2016, the County had no net general obligation bonded debt. The County's legal debt limit for the year was $6,308,130. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIIIA, Section 1 requires the approval of 2/3 of the voters voting on the proposition.

Bankruptcy Obligations

Lease Revenue Refunding Bonds, Series 2005

On August 16, 2005, the Orange County Public Financing Authority (OCPFA) issued its $419,755 Lease Revenue Refunding Bonds Series 2005 (Series 2005 Bonds) at a premium of $19,973. The proceeds of which, together with certain monies contributed by the County and other funds available to the trustee of the 1996 Recovery Certificates of Participation (Recovery COPs), were used to defease certain non-callable Recovery COPs, the remainder was used to fund a debt service reserve fund for the Series 2005 Bonds, and pay costs of issuance of the Series 2005 Bonds. As of June 30, 2016, the outstanding principal amount, including the premium of the Series 2005 Bonds, and remaining interest were $46,706 and $1,332, respectively.

The Series 2005 Bonds are limited obligations of the OCPFA payable through July 2017 and are payable solely from base rental payments to be made by the County pursuant to a lease, dated as of August 1, 2005, between the OCPFA and the County, and other amounts held by the trustee in the funds and accounts established under the indenture (other than the rebate fund), except as otherwise provided in the indenture.

Revenue Bonds Payable and Certificates of Participation

Refunding Certificates of Participation (Civic Center Parking Facilities Project)

In December 1987, Certificates of Participation (COPs) representing the proportionate interests of the owners thereof in lease payments made by the County under lease agreements between the County and the Orange County Public Facilities Corporation were delivered. The proceeds were used to finance the acquisition, construction, and installation of two parking structures located in the City of Santa Ana. These certificates were refunded in August 1991 with the $33,579 Refunding COPs (Civic Center Parking Facilities Project), which are payable through December 2018. At June 30, 2016, the outstanding principal amount, interest accretion, and unaccreted interest of the Refunding COPs were $1,262, $5,545 and $999, respectively.

The Refunding COPs are secured by lease payments made by the County through a facilities lease with the Orange County Public Facilities Corporation.

Lease Revenue Refunding Bonds, Series 2012 (Juvenile Justice Center Facility)

On April 25, 2012, the South Orange County Public Financing Authority (SOCPFA) issued the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012 Bonds, in the principal amount of $34,380, payable through June 2019, with a premium of $2,927. The Lease Revenue Refunding Bonds were issued to redeem the outstanding OCPFA Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002, fund a Reserve Fund, and pay costs relating to the issuance of the bonds. As of June 30, 2016, the outstanding principal amount, including the premium of the Series 2012 Bonds, and remaining interest were $17,576 and $1,452, respectively.

The bonds are special obligations of the SOCPFA payable solely from and secured by the base rental payments to be made by the County pursuant to a lease, dated as of April 1, 2012, between the SOCPFA and the County,

10. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Lease Revenue Refunding Bonds, Series 2012 (Juvenile Justice Center Facility) (Continued)

and other amounts held by the trustee in the funds and accounts established under the indenture (other than the rebate fund), except as otherwise provided in the indenture.

Lease Revenue Bonds, Series 2006

On October 19, 2006, the OCPFA issued its $32,700 Lease Revenue Bonds, Series 2006 (Series 2006 Bonds) at a premium of $2,140. The Lease Revenue Bonds, payable through June 2018, were issued to finance the construction of a cogeneration conversion project at the County's Central Utility Facility, fund a debt service reserve fund for the bonds, and pay costs relating to the issuance of the bonds. As of June 30, 2016, the outstanding principal amount, including the premium of the Series 2006 Bonds, and remaining interest were $8,574 and $591, respectively.

The bonds are limited obligations of the OCPFA payable solely from, and secured solely by revenues of the Authority, consisting primarily of certain rental payments to be made by the County pursuant to and as defined in the lease.

Taxable Refunding Pension Obligation Bonds, Series 1996A and 1997A

In September 1994, the County issued its Taxable Pension Obligation Bonds, Series 1994A in the aggregate principal amount of $209,840 and Series 1994B in the aggregate principal amount of $110,200 (Series 1994 Pension Bonds). The Series 1994 Pension Bonds were partially refunded with proceeds of the County's Taxable Refunding Pension Obligation Bonds, Series 1996A and Series 1997A.

On May 11, 2000, a cash tender offer of certain outstanding Pension Obligation Bonds was completed. The County purchased and canceled $288,290 (maturity value) of Pension Obligation Bonds for a cost of $179,016. On June 22, 2000, the debt service on the outstanding Pension Obligation Bonds was provided for through the deposit with the trustee of $175,492 principal amount of "AAA" rated debt securities issued by Fannie Mae, along with $9,151 in debt service funds already being held by the trustee. In accordance with irrevocable instructions, these securities, together with other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature. Because this was an economic defeasance and not a legal defeasance, this debt will be reported in the County's financial statements until it is fully redeemed. As of June 30, 2016, the outstanding principal amounts for the Series 1996A and 1997A Pension Bonds were $5,071 and $14,069, respectively and the interest accretion balances were $19,951 and $48,430, respectively. The unaccreted interest amounts for the Series 1996A and 1997A Pension Bonds were $1,034 and $14,106, respectively.

Airport Revenue Bonds, Series 2009A and 2009B

On July 9, 2009, the Airport issued the Airport Revenue Bonds, Series 2009A and 2009B (2009A and 2009B Bonds) in the aggregate principal amount of $233,115, with an original issue net premium of $288 and interest rates ranging from 3.00% to 5.75%. The 2009A and 2009B Bonds were issued to finance a portion of the Airport Improvement Program (AIP), fund the debt service requirement for the bonds, fund capitalized interest on a portion of the bonds and pay costs relating to the issuance of the bonds. The AIP consists of numerous direct improvements to the Airport facilities such as the construction of the new Terminal C, Parking Structure C and two new commuter/regional holdrooms at the north and south ends of the extended Terminal. For the year ended June 30, 2016, the total interest expense incurred and the amount included as part of the cost of capital assets under construction were $9,975 and $870, respectively. As of June 30, 2016, the outstanding principal amount, including net discount, of the 2009A and 2009B Bonds were $59,664 and $135,463, respectively. The interest expense of the 2009A and 2009B Bonds for the year ended June 30, 2016 were $3,094 and $7,085, respectively, including accrued interest of $1,547 and $3,543, respectively.

10. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Airport Revenue Bonds, Series 2009A and 2009B (Continued)

The 2009A and 2009B Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, (3) other miscellaneous revenue, and (4) available PFC revenue. The 2009A and 2009B Bonds are payable through July 2039. For each fiscal year, the pledged net operating revenues are expected to be a minimum of 125% of the aggregate debt service requirement over the life of the bonds. For the year ended June 30, 2016, the total principal and interest paid and total net revenues were $17,543 and $60,828, respectively. The total net revenues include $11,197 available PFC revenue for the year ended June 30, 2016.

Advance Refunding

In prior years, various bonds, COPs and other obligations have been advance refunded. These obligations are considered defeased, and the long-term debt liability has been removed from the related governmental funds and enterprise funds. As of June 30, 2016, $9,780 of legally defeased debt remains outstanding.

Fiscal Year 2015-16 Debt Obligation Activity

During FY 2015-16, the following events concerning County debt obligations took place:

Central Utility Facility Lease Revenue Bonds, Series 2016

On June 2, 2016, the SOCPFA issued its $56,565 Lease Revenue Bonds, Series 2016 at a premium of $11,724. The Lease Revenue Bonds, payable through April 2036, were issued to finance the acquisition, construction and installation of certain capital improvements to be owned by the County, and pay costs relating to the issuance of the bonds. As of June 30, 2016, the outstanding principal amount, including the premium of the Series 2016 Bonds, and remaining interest were $68,289 and $33,190, respectively.

The bonds are special obligations of the SOCPFA payable from and secured by the base rental payments to be made by the County under the lease and the amounts held in all funds and accounts (other than the rebate fund) under the indenture.

Teeter Plan Notes

On February 1, 2013, the County issued its three-year tax exempt Teeter Plan Notes, Series B with Wells Fargo Municipal Capital Strategies, LLC and Wells Fargo Bank, National Association, under the Note Purchase and Reimbursement Agreement. The Teeter Plan Notes are authorized for a total amount of $150,000, and certain delinquent taxes (excluding penalties and interest) are pledged revenues for the Teeter Plan Notes. The rate for the Teeter Plan Notes will be based on the weekly Securities Industry and Financial Markets Association (SIFMA) index plus 0.58%. All of the Teeter Plan Notes will be issued within three years of February 1, 2013, with a maturity date of January 29, 2016. The total amount of the notes issued on February 1, 2013 was $57,935, which reflects the issuance of the Teeter Plan Notes and the establishment of a Cost of Issuance Fund in the amount of $188. As of July 1, 2015, the outstanding balance was $33,823.

On July 15, 2015, the County issued an additional $30,542 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of $64,365. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

10. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year 2015-16 Debt Obligation Activity (Continued)

Teeter Plan Notes (Continued)

On December 30, 2015, the County used all of the accumulated base taxes to redeem $23,978 of the Teeter Plan Notes. The outstanding principal amount of the Teeter Plan Notes was $40,387, maturing January 29, 2016.

On January 29, 2016, the Note Purchase and Reimbursement Agreement was extended upon mutual agreement between Wells Fargo and the County. In addition, the authorized total was revised to not exceed $100,000 and all other terms and conditions in the Agreement remained unchanged. Teeter Plan Obligation Notes, Series B were issued for $40,387 to retire the old Teeter Notes maturing January 29, 2016. The new Notes have a maturity date of July 31, 2018. The outstanding amount of the Teeter Plan Notes was $40,387.

On June 28, 2016, the County used all of the accumulated base taxes to redeem $10,196 of the Teeter Plan Notes. As of June 30, 2016, the outstanding principal amount of the Teeter Plan Notes was $30,191. For additional information regarding the Teeter Plan Notes, refer to Note 20, Subsequent Events.

(Dollar Amounts in Thousands)

B-69

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2015-16

The table below summarizes the revenue bonds and certificates outstanding and related activity for the year ended June 30, 2016.

Description	Balance July 1, 2015	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2016	Amounts Due within One Year
Governmental Activities:						
Orange County Public Financing Authority						
Lease Revenue Refunding Bonds, Series 2005						
Date Issued: August 16, 2005 to Refund and						
Defease the 1996 Recovery Certificates of						
Participation - Series 1996A						
Interest Rate: 3.00% to 5.75%						
Original Amount: $419,755						
FY 2015-16 Principal and Interest: $24,453						
FY 2015-16 Total Pledged Revenues: $44,418						
Maturing in installments through July 1, 2017	$ 70,388	$ (1,892)	$ --	$ (21,790)	$ 46,706	$ 40,668
Orange County Public Facilities Corporation,						
Refunding Certificates of Participation						
(Civic Center Parking Facilities Project)						
Date Issued: August 1, 1991 - Current Interest						
Rate Bonds (CIB) and Capital Appreciation						
Bonds (CAB) to Refund the 1987 COPs Bond Issue						
Interest Rate: CIB - 4.40% to 6.75%						
Interest Rate: CAB - 6.85% to 7.05%						
Original Amount: CIB - $24,495						
Original Amount: CAB - $9,084						
FY 2015-16 Principal and Interest: $2,603						
FY 2015-16 Total Pledged Revenues: $2,470						
Maturing in Installments Through December 1, 2018	1,744	--	--	(482)	1,262	451
Interest Accretion on CAB	7,036	--	630	(2,121)	5,545	2,157
South Orange County Public Financing Authority						
Juvenile Justice Center Facility Lease Revenue						
Refunding Bonds - Series 2012						
Date Issued: April 25, 2012 to refund the 2002 Juvenile						
Justice Center Bonds issue						
Interest Rate: 1.00% to 5.00%						
Original Amount: $34,380						
FY 2015-16 Principal and Interest: $5,826						
FY 2015-16 Total Pledged Revenues: $5,557						
Maturing in installments through June 1, 2019	22,946	(450)	--	(4,920)	17,576	5,683
South Orange County Public Financing Authority						
Central Utility Facility Lease Revenue Bonds,						
Series 2016						
Date Issued: June 2, 2016						
Interest Rate: 3.00% to 5.00%						
Original Amount: $56,565						
FY 2015-16 Principal and Interest: $0						
FY 2015-16 Total Pledged Revenues: $5,557						
Maturing in installments through April 1, 2036	--	68,289	--	--	68,289	2,264
Orange County Public Financing Authority						
Lease Revenue Bonds, Series 2006						
Date Issued: October 19, 2006						
Interest Rate: 4.00% to 5.00%						
Original Amount: $32,700						
FY 2015-16 Principal and Interest: $4,202						
FY 2015-16 Total Pledged Revenues: $44,418						
Maturing in installments through June 1, 2018	12,546	(342)	--	(3,630)	8,574	4,178

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2015-16 (Continued)

Description	Balance July 1, 2015	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2016	Amounts Due within One Year
County of Orange						
Taxable Refunding Pension						
Obligation Bonds - Series 1996 A:						
Date Issued: June 1, 1996 - Current Interest Rate						
Bonds (CIB)						
Date Issued: June 12, 1996 - Capital Appreciation						
Bonds (CAB)						
To Refund the Taxable POBs Series 1994 B						
Interest Rate: CIB - 7.47% to 7.72%						
Interest Rate: CAB - 8.09% to 8.26%						
Original Amount: CIB - $81,680						
Original Amount: CAB - $40,000						
Maturing in installments through September 1,						
2010 (CIB) and September 1, 2016 (CAB)	$ 11,015	$ --	$ --	$ (5,944)	$ 5,071	$ 5,071
Interest Accretion on CAB	39,010	--	3,056	(22,115)	19,951	20,984
County of Orange						
Taxable Refunding Pension						
Obligation Bonds - Series 1997 A:						
Date Issued: January 1, 1997 - Current Interest						
Rate Bonds (CIB)						
Date Issued: January 14, 1997 - Capital Appreciation						
Bonds (CAB)						
To Refund the Taxable POBs Series 1994 A						
Interest Rate: CIB - 5.71% to 7.36%						
Interest Rate: CAB - 7.33% to 7.96%						
Original Amount: CIB - $71,605						
Original Amount: CAB - $65,318						
Maturing in installments through September 1,						
2010 (CIB) and September 1, 2021 (CAB)	16,212	--	--	(2,143)	14,069	2,849
Interest Accretion on CAB	50,257	--	5,026	(6,853)	48,430	10,214
County of Orange						
Teeter Plan Notes						
Date of Original Issuance: February 1, 2013						
Interest Rate: SIFMA Index + 0.58%						
Original Amount: $57,935	33,823	30,542	--	(64,365)	--	--
Maturing on January 29, 2016						
Date of Issuance: January 29, 2016						
Interest Rate: SIFMA Index + 0.58%						
Original Amount: $40,387	--	40,387	--	(10,196)	30,191	--
Maturing on July 31, 2018						
Subtotal - Governmental Activities	264,977	136,534	8,712	(144,559)	265,664	94,519
Business-Type Activities						
Airport Revenue Bonds -						
Series 2009A and 2009B:						
Date Issued: July 9, 2009						
Interest Rate: 3.00% to 5.75%						
Original Amount: $233,115						
FY 2015-16 Principal and Interest: $17,543						
FY 2015-16 Total Pledged Revenues: $60,828						
Maturing in Installments Through July 1, 2039	202,536	(204)	--	(7,205)	195,127	7,656
Subtotal - Business-Type Activities	202,536	(204)	--	(7,205)	195,127	7,656
Total	$ 467,513	$ 136,330	$ 8,712	$ (151,764)	$ 460,791	$ 102,175

(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Service Requirements to Maturity

The following is a schedule of all long-term debt service requirements to maturity by fund type on an annual basis.

	Governmental Activities		Business-Type Activities		
Fiscal Year(s) Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**	**Total**
2017	$ 56,941	$ 37,916	$ 7,530	$ 9,999	$ 112,386
2018	20,177	17,663	7,880	9,622	55,342
2019	40,284	17,898	8,275	9,239	75,696
2020	4,453	14,533	8,655	8,836	36,477
2021	4,506	15,481	9,085	8,392	37,464
2022-2026	12,448	13,537	52,940	34,131	113,056
2027-2031	15,230	7,215	56,950	18,655	98,050
2032-2036	19,424	3,009	22,815	9,137	54,385
2037-2040	--	--	22,939	2,485	25,424
Total	173,463	127,252	197,069	110,496	608,280
Add: Premium/(Discount)	18,275	--	(1,942)	--	16,333
Add: Interest Accretion on CAB	73,926	--	--	--	73,926
Total	$ 265,664	$ 127,252	$ 195,127	$ 110,496	$ 698,539

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2016, were as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within One Year
Governmental Activities:					
Bonds, COPs and Notes Payable:					
Revenue Bonds	$ 96,645	$ 56,565	$ (30,340)	$ 122,870	$ 48,570
Certificates of Participation	1,744	--	(482)	1,262	451
Pension Obligation Bonds	27,227	--	(8,087)	19,140	7,920
Teeter Plan Notes	33,823	70,929	(74,561)	30,191	--
Add: Premium/(Discount) on Bonds Payable	9,235	11,724	(2,684)	18,275	4,223
Total Bonds, COPs, and Notes Payable	168,674	139,218	(116,154)	191,738	61,164
Interest Accretion on CAB	96,303	8,712	(31,089)	73,926	33,355
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	174,386	157,504	(146,942)	184,948	103,758
Arbitrage Rebate Payable	856	230	(853)	233	--
Capital Lease Obligations Payable *	79,168	254	(11,494)	67,928	12,098
Insurance Claims Payable	207,577	119,994	(108,075)	219,496	60,214
SARI Line Loans	36,277	--	(8,255)	28,022	5,365
Estimated Liability - Litigation and Claims	145,500	--	(15,500)	130,000	25,000
Capital Asset Obligation	155	110	(194)	71	--
Total Other Long-Term Liabilities	643,919	278,092	(291,313)	630,698	206,435
Total Long-Term Liabilities ** For Governmental Activities	$ 908,896	$ 426,022	$ (438,556)	$ 896,362	$ 300,954

* Includes amount of $13,800 from an Internal Service Fund, for additional information refer to Note 12, Leases.

** The total long-term liabilities do not include Net Pension Liability. Refer to Note 17 for additional information on the Net Pension Liability.

10. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	$ 204,274	$ --	$ (7,205)	$ 197,069	$ 7,530
Add: Premium/(Discount) on Bonds Payable	(1,738)	--	(204)	(1,942)	126
Total Revenue Bonds Payable, Net	202,536	--	(7,409)	195,127	7,656
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	4,889	4,009	(4,105)	4,793	2,550
Landfill Site Closure/Postclosure Liabilities *	159,045	4,289	(2,659)	160,675	2,659
Pollution Remediation Obligation **	12,732	18	(566)	12,184	449
Capital Asset Obligation	--	261	--	261	108
Total Other Long-Term Liabilities	176,666	8,577	(7,330)	177,913	5,766
Total Long-Term Liabilities * For Business-Type Activities**	$ 379,202	$ 8,577	$ (14,739)	$ 373,040	$ 13,422

* Refer to Note 13 for additional information regarding the increase in Landfill Site Closure/Post Closure Liabilities.

** Refer to Note 16 for additional information regarding the decrease in Pollution Remediation Obligation.

*** The total long-term liabilities do not include Net Pension Liability. Refer to Note 17 for additional information on the Net Pension Liability.

Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2016 is $184,948. Employees are entitled to be paid annual leave, compensated time, and in some cases vacation and sick time depending on job classification, length of service, and other factors. For the governmental funds, most of the compensated absences liability will ultimately be paid from the General Fund.

OC Flood Control District, Santa Ana Regional Interceptor (SARI) Line Loans

On June 12, 2007, the Board approved a financing agreement between the Orange County Flood Control District (OCFCD) and Orange County Sanitation District (OCSD) for an amount equivalent to 60% ($60,000) of an estimated total project cost of $100,000. Concurrently, the Board also approved a financing agreement between the OCFCD and the Santa Ana Watershed Project Authority (SAWPA) for an amount equivalent to 10% ($10,000) of the total project cost. The loan proceeds will be used for the relocation of the SARI Line between Prado Dam and Weir Canyon Road for the following public benefits: protection of the sewer line from erosion, increased Prado Dam water releases, protection of the water supply, and uninterrupted use of the sewer line by residents. Subsequently, the agreements were amended to reflect the actual total project cost based on the awarded construction contracts. The SARI Line Project cost is not expected to exceed $85,560 plus 15% contingencies in the amount of $12,834 for a total of $98,394. The OCFCD would contribute the remaining 30% ($29,518) that would be expended to complete the SARI Line Project. As part of the terms of the agreement, the OCFCD agrees to pay SAWPA and OCSD as State subvention funding for the SARI Line Project is received by OCFCD. Repayment installments will be made within 30 days of OCFCD's receipt of State subvention funding in an amount equivalent to 10% of the funds received being paid to SAWPA and 60% of the funds received being paid to OCSD. The OCFCD is required to repay the entire loan to OCSD and SAWPA no later than July 1, 2022, regardless of whether OCFCD receives any State subvention funds for the SARI Line Project. For funds loaned by OCSD, interest shall accrue on the unpaid balance from July 1, 2018, at an annual interest rate of 2% until the unpaid balance is repaid. As for funds loaned by SAWPA, interest shall accrue on any such unpaid balance from July 1, 2018, at the State of California Local Agency Investment Fund interest rate in effect on July 1, 2018. To date, OCFCD received a $51,336 (60%) loan from OCSD and $8,556 (10%) from SAWPA based on the total project cost excluding contingencies. In May 2011,

(Dollar Amounts in Thousands)

B-71

10. LONG-TERM OBLIGATIONS (Continued)

OC Flood Control District, Santa Ana Regional Interceptor (SARI) Line Loans (Continued)

the Board awarded the construction contract for the SARI Yorba Linda Spur in the amount of $7,210, and the Board awarded the construction contract for the SARI Mainline in the amount of $42,000 in August 2011. In February 2013, construction of the SARI Yorba Linda Spur was completed and the total amount paid to the contractor was $7,067. Construction of the SARI Mainline was completed on August 17, 2015 and the total amount paid to the contractor was $38,511. As of June 30, 2016, the total outstanding loan principal was $28,022.

Special Assessment District Bonds

Special Assessment District Bonds consist of Assessment District Bonds and Community Facilities District Bonds.

Assessment District Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). Proportionate shares of principal and interest installments sufficient in aggregate to meet annual bond debt service requirements are included on the regular County tax bills sent to owners of property against which there are unpaid assessments. Neither the faith and credit nor the taxing power of the County, the State, or any political subdivision thereof is pledged to the payment of the bonds. Assessment District Bonds represent limited obligations of the County payable solely from special assessments paid by property owners within each district. Accordingly, such obligations are not included in the accompanying basic financial statements.

Community Facilities District Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and are payable from a portion of certain special taxes to be levied on property within the boundaries of the Community Facilities District. Except for the special taxes, no other taxes are pledged to the payment of the bonds. The bonds are not general or special obligations of the County nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the special tax fund. Accordingly, such obligations are not included in the accompanying basic financial statements.

The County is acting as an agent of the assessment and community facilities districts in collecting the assessments and special taxes, forwarding the collections to other paying agents or directly to bondholders, and initiating any necessary foreclosure proceedings. Because of the County's limited obligation in connection with special assessment district and community facilities district debt, related transactions are reflected in Agency Departmental Funds. Major capital outlay expenditures relating to these bonds are accounted for in the "Service Areas, Lighting Maintenance and Assessment Districts" Special Revenue Fund. Special assessment district and community facilities district bonds outstanding as of June 30, 2016, amounted to $428,295.

11. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT

Single and Multi-Family Housing Bonds

From 1980 through 2013, the County issued bonds under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. The purpose of the bonds is to finance the purchase of single-family homes and the construction of multi-family units to benefit low and moderate income families.

The bonds are secured by the property financed and are payable solely from revenue of the projects and payments received on the underlying mortgage loans.

The bonds do not constitute a liability of the County. Neither the County, the State of California, nor any political subdivisions thereof is obligated in any manner for the repayment of the bonds. In no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

11. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT (Continued)

Single and Multi-Family Housing Bonds (Continued)

As of June 30, 2016, there were 20 series of bonds outstanding with an aggregate principal amount payable of $220,909.

Orange County Development Agency (OCDA) Successor Agency Bond Debt

On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating Redevelopment Agencies (RDA) statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including OCDA, and charged with winding down the dissolved RDA's operations and performing enforceable obligations (as defined in the law). The OCDA Successor Agency assumed the dissolved RDA's enforceable obligations, which include bond debt obligations. The FY 2015-16 Neighborhood Development and Preservation Project (NDAPP) and Santa Ana Heights Project (SAHP) Refunding Bonds debt service obligations appeared on the OCDA Successor Agency Recognized Obligation Payment Schedule (ROPS) and were approved by the Successor Agency Oversight Board, the State Department of Finance, and were paid to bondholders according to the debt service schedule.

Effective with OCDA's dissolution on February 1, 2012, the assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the successor agency. As of June 30, 2016, the outstanding principal amount, including the premium of the OCDA Successor Agency bonds and remaining interest were $30,041 and $4,668, respectively.

The bonds do not constitute a liability of the County. Neither the County, the State of California, nor any political subdivisions thereof is obligated in any manner for the repayment of the bonds. In no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are reported as liabilities in the private-purpose trust fund.

12. LEASES

Operating Leases

The County is committed under various operating leases, primarily for office buildings, office equipment and other equipment. The following is a schedule of future minimum payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2016:

Fiscal Year Ending June 30	Equipment	Real Property	Total
2017	$ 1,615	$ 25,186	$ 26,801
2018	142	22,498	22,640
2019	95	18,975	19,070
2020	25	18,706	18,731
2021	8	18,696	18,704
2022 - 2026	--	59,317	59,317
2027 - 2031	--	9,611	9,611
Total	$ 1,885	$ 172,989	$ 174,874

Total expenditures for equipment rentals and building and improvements incurred for FY 2015-16 was $41,080.

(Dollar Amounts in Thousands)

12. LEASES (Continued)

Capital Leases

This year, the County entered into a lease agreement as lessee for financing the acquisition of repair and maintenance equipment valued at $254. The equipment has a five-year estimated useful life. This year, $49 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The following is an analysis of property the County has leased under capital leases, which includes $27,600 of equipment for an Internal Service Fund:

Land	$	14,831
Equipment		27,927
Less: Accumulated Depreciation		(3,259)
Structures and Improvements		64,180
Less: Accumulated Depreciation		(32,692)
Total	$	70,987

The following are the future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2016:

Fiscal Year Ending June 30		
2017	$	15,965
2018		16,139
2019		9,414
2020		9,538
2021		8,601
2022-2026		26,537
2027		490
Total Minimum Lease Payments		86,684
Less: Amount Representing Interest		(18,756)
Present Value of Net Minimum Lease Payments	$	67,928

13. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require OCWR to place final covers on its landfill sites when the landfills stop accepting waste and perform certain postclosure maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date each respective landfill stops accepting waste, OCWR will report a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of each Statement of Net Position date.

OCWR owns or operates the following waste disposal sites:

- Frank R. Bowerman (FRB) (Irvine – Active)
- Olinda Alpha (Brea – Active)
- Prima Deshecha (San Juan Capistrano – Active)
- Santiago Canyon (Orange – Ceased accepting waste in 1996, final closure certification in 2005)
- Coyote Canyon (Newport Beach – Ceased accepting waste in 1990, final closure certification in 1995)

The total landfill closure and postclosure care liability at June 30, 2016 was $160,675. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have

13. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

been used to date (30.38% for FRB, 78.70% for Olinda Alpha and 20.16% for Prima Deshecha), less actual costs disbursed related to both closure, and postclosure of the Santiago Canyon and Coyote Canyon landfills. OCWR will recognize the remaining estimated cost of closure and postclosure care of $179,764 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015 dollars (using the 2015 inflation factor of 1.010). OCWR has enough landfill capacity to operate the system for a minimum of 25 years. However, OCWR intends to operate the landfills well beyond this period as a result of approved and planned expansions.

In compliance with Title 27 – Environmental Protection of California Code of Regulations, OCWR makes annual cash contributions to its escrow funds to provide financial assurance for estimated future landfill closure costs based on the GASB Statement No. 18, "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*", formula. Also in compliance with regulations, OCWR has executed pledge of revenue agreements to provide financial assurance for estimated future landfill postclosure costs. The agreements state that OCWR pledges revenue from future gate fees deposited to pay for estimated postclosure maintenance or shall obtain alternative coverage within sixty (60) days if OCWR ceases at any time to retain control of its ability to allocate pledged revenue to pay postclosure maintenance costs. OCWR has proactively pre-funded this cost based on the State mandated formula that computes landfill capacity as a percentage of the total landfill capacity times the total estimated cost for postclosure maintenance. The estimated costs for future closure and postclosure maintenance are annually adjusted based on State provided inflation factors. The State mandated formula under which contributions to both closure and postclosure funds are calculated would provide for the accumulation of sufficient cash to cover all estimated costs when each landfill site reaches maximum capacity. If additional costs for closure or postclosure maintenance are determined due to changes in technology or higher regulatory requirements, these costs may need to be covered by increasing the amount charged to landfill customers.

As of June 30, 2016, a total of $90,848 has been set aside for estimated closure and postclosure costs and is included in the accompanying Proprietary Funds Statement of Net Position as Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs.

Regulations governing solid waste management are promulgated by government agencies on the federal, state and local levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities, acceptable and prohibited waste types, and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Refer to Note 16, Pollution Remediation, for additional discussion regarding pollution remediation liabilities.

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Encumbrances

The County has established a procedure for encumbering appropriations for purchase orders, contracts, and other commitments authorizing delivery of merchandise or rendering of services. An encumbrance system reduces the possibility of commitments being made in excess of budgeted appropriations due to the lag time between issuance of purchase orders, contracts, and other obligations, and the actual provision of services or goods and subsequent receipt of invoices and billings from the vendors and contractors. Depending on the source(s) of funding, encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. In accordance with GASB Statement No. 54, the County's total significant encumbrances for governmental funds in the aggregate are reported as follows, at June 30, 2016:

General Fund	$	47,058
Flood Control District		34,525
Other Public Protection		2,127
Other Governmental Funds		59,000
Total Encumbrances for Governmental Funds	$	142,710

(Dollar Amounts in Thousands)

B-73

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments

At June 30, 2016, the County's total commitments for major contracts entered into for equipment, land, and structures and improvements were as follows, listed by fund within governmental or business-type activities:

Project Title	Significant Commitments
Governmental Activities:	
General Fund	
Civic Center Building 16 - Phase 1A	$ 7,150
County Operations Center-Building A-Replace Air Handlers 1-3	4,475
Video Surveillance Equipment	2,359
Airbus Helicopter Installation	1,667
	15,651
Flood Control District	
Santa Ana River Interceptor Line Project	6,282
Greenville-Banning Channel Improvement Project	4,968
Edinger Storm Channel Improvement	3,900
Los Alamitos Pump Station and Pump House	3,338
Equipment Operations	2,169
Glassell Campus LID Retrofit Project	1,762
Fletcher Channel and Retarding Basin - From Santa Ana River to Upstream	1,269
	23,688
Other Governmental Funds	
Animal Care Shelter	31,034
La Pata Avenue Gap Closure/Widening	19,637
Purchase of Law Enforcement Vehicles	11,158
Sheriff-Coroner's Headquarters and Central Jails Replace Air Handlers	2,443
La Pata Avenue Off-site Mitigation	1,345
Juvenile Hall-Gym/Visitation Center	1,296
Sunset Harbor Channel Dredging	1,177
	68,090
Business-Type Activities:	
Airport	
Terminal A & B Improvements	94,053
Common Use Passenger Processing System Hardware and Software	4,893
Parking Structure C, Phase 2	2,652
Lighting Systems Upgrades	1,288
	102,886
Waste Management	
Frank R. Bowerman Landfill Soil Buttress and Liner	3,043
	3,043
Total Commitments	$ 213,358

In addition, the County is involved in the Santa Ana River Mainstem Project (SARMP). The SARMP is a major flood control project implemented and funded by the Federal government and three local sponsors – the Orange County Flood Control District (OCFCD), San Bernardino County Flood Control District, and Riverside County Flood Control and Water Conservation District. A component of the initial project has been re-designated as the Prado Dam Project (Project), which is being implemented and funded by the Federal Government and the

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

OCFCD through a separate Project Cooperation Agreement (PCA). The purpose of the SARMP is to prevent the devastating damage caused by large-scale flooding of the Santa Ana River flood plain. When the SARMP was initiated in 1989, the U.S. Army Corps of Engineers (COE) considered this flood plain to constitute the worst flood threat west of the Mississippi River as to impacts to the population and property. The Project involves a combination of flood channel improvements and constructing new channels in Orange, San Bernardino, and Riverside counties, construction of the Seven Oaks Dam in San Bernardino County, construction of improvements and protection at the Santiago retention basin and along the creek, raising the existing Prado Dam and increasing its flood flow outlet gates and reservoir capacity, along with several environmental mitigation related studies, habitat restoration and protection activities, recreation amenities, and preservation of historical sites and records.

The COE's estimated combined cost of all project components is $2,371,000. OCFCD's combined cost share is estimated to be $786,633 for the entire Santa Ana River Project. As of June 30, 2016, the OCFCD has expended about $610,014 on the entire Santa Ana River Project.

The construction of Seven Oaks Dam and most channel improvements in Riverside, San Bernardino, and Orange counties have been completed. The relocation and protection of State Route (SR) 71 adjacent to Prado Dam (a joint OCFCD and Caltrans project) and construction to raise the Prado Dam embankments and install new outlet gates is complete. Landscaping along the Santa Ana River in Orange County was completed in May 2010. Design for the construction of interior dikes in the Prado Dam reservoir, and for improvements and protection of SR-91 in the Santa Ana River canyon are also underway. The COE completed construction of National Housing Tract Dike and Sewage Treatment Plant in 2008. Landscaping for these dikes began in September 2009 and were completed in June 2011. Several environmental mitigation studies and restoration/preservation projects are underway in all three counties. All property right acquisitions for the Seven Oaks Dam and along the lower Santa Ana River in Orange County up to Weir Canyon Road are completed. The escrow for purchase of the Green River Golf Course was closed on September 29, 2006. This property is required for construction of protection along SR-91 and nearby mobile homes, open space/recreation mitigation, and to accommodate increased flooding when the Prado Dam outlet gates are constructed and operational. The first phase of SR-91 protection (Reach 9 Phase 2B Project) was completed in September 2014. The second phase (Reach 9 Phase 3) started construction in January 2014 and was completed in March 2015. As continuation to the ongoing Reach 9 Project, the COE determined that bank improvements needed to continue east on the south side of the Santa Ana River along SR-91. As such, the Reach 9 Phase 4 Project was developed and the project was awarded on April 13, 2016 at an estimated cost of $15,300. Completion of the Reach 9, Phase 4 Project is expected to occur in October 2018. The COE is also constructing bank improvements on the north side of the Santa Ana River adjacent to La Palma Avenue from Weir Canyon Road to the railroad (Reach 9 Phase 5A and Phase 5B). Phase 5A was awarded on September 28, 2015 at a cost of $22,500 and is expected to be completed in December 2017. The construction contract for Phase 5B was awarded in September 2016 with an estimated cost of $25,500 and expected to be completed in August 2019. The OCFCD awarded the construction contract on August 9, 2011 for the four miles of Santa Ana River Interceptor Line (SARI) relocation project, which was completed by August 2014. Phase I of the Auxiliary Embankment (an extension of Prado Dam) was completed in September 2012 and the earliest date for construction of Phase II would be September 2017. As an alternative, the COE may elect to make Phase II part of the contract awarded to construct the Prado Dam Spillway, which is planned for some time in the year 2020. A contract for the construction of the Yorba-Slaughter Adobe Dike was awarded in December of 2012 at a cost of $6,000 and is expected to be completed in December 2016. The Women's Prison Dike (to protect the California Institute of Women) was awarded September 2014 for $12,700 and is expected to be completed in February 2017 with a $3,400 modification which was awarded in August 2015. The OCFCD continues to acquire property rights for the Prado Dam Project, subject to the availability of funding.

The project has been authorized by the State Legislature for reimbursement of up to 70% of the Local Sponsors' expenses through the State Flood Control Subvention Fund, which is administered by the Department of Water Resources (DWR). As of June 30, 2016, OCFCD has submitted $400,122 in claims, and received $369,641 in reimbursements. An additional $11,680 in claims is in the process of being prepared for submittal to the DWR.

(Dollar Amounts in Thousands)

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

Of the total amount outstanding, $15,252 was accrued as revenue, and $19,121 was reported as deferred inflows of resources at the fund level and recognized as revenue in the government-wide financial statements. Once a claim is reviewed and approved by DWR, 90% of the eligible expenditures can be paid, subject to available funding, with the remaining 10% paid after an audit by the State Controller's Office.

15. SELF-INSURANCE

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment; salary continuance; and providing health benefits to employees, retirees and their dependents. The County has chosen to establish Internal Service Funds (ISFs) where assets are set aside for claim settlements and judgments associated with such losses.

The Workers' Compensation ISF addresses the risks related to employee injury through its Safety Program, which is responsible for injury and illness prevention. The Workers' Compensation Program ensures that all benefits are properly provided and administers the contract for the third party workers' compensation claims administration. Workers' compensation claims are self-funded up to $20,000.

The Property and Casualty Risk ISF is responsible for managing losses related to torts; theft of, damage to and destruction of assets, errors and omissions, civil rights claims, and natural disasters. Tort liability is also self-funded, up to $5,000. Commercial insurance is purchased for property and other risk exposures. Excess liability insurance provides up to an additional $100,000 in liability coverage. In the past three fiscal years, there were no losses that impacted the County's excess insurance coverage.

Independent actuarial studies are prepared annually for the Workers' Compensation and Property and Casualty Risk ISFs. The reported unpaid claims liabilities are based on the results of those annual actuarial studies and include case reserves, development of known claims, incurred but not reported claims, allocated loss adjustment expenses and unallocated loss adjustment expenses. Unpaid claims liabilities are calculated considering inflation, claims cost trends, including frequency and payout of settlements and judgments, interest earnings, and changes in legal and economic factors. Unpaid claims liabilities have been discounted at a rate of 3.50% in the Workers' Compensation ISF and 2.50% in the Property and Casualty Risk ISF to reflect anticipated future investment earnings.

All County departments and other governmental agencies authorized by the Board to participate in the Workers' Compensation ISF are charged for their pro rata share of costs based upon employee classification rates, claims experience, and funding for the Workers' Compensation program. All County departments participate in the Property and Casualty Risk self-insurance program and are charged for their pro rata share based upon claims experience, actual number of positions from a biweekly County payroll report, and funding for the Property and Casualty Risk program. The rate calculations for Workers' Compensation and Property and Casualty Risk ISFs are based upon guidelines established by the State Controller's Office for cost plan allocations.

The County has established: the Unemployment Insurance ISF, which covers all employees and is paid through the State of California; the County self-insured PPO Health Plans ISF, which provides health plan benefits; and the Health and Other Self-Insured Benefits ISF, which provides dental and short-term disability benefits for a portion of the County's employees and accidental death and dismemberment (AD&D) benefit for Reserve Deputy Sheriffs.

The County's Wellwise Choice, Wellwise Retiree, Sharewell Choice, and Sharewell Retiree plans have no lifetime coverage maximums. The dental insurance coverage is up to $1,500 annually (absolute dollars) for each covered employee or dependent. The short-term disability insurance coverage is up to 12 months or when

B-74

15. SELF-INSURANCE (Continued)

the employee returns to work, whichever occurs first. Unemployment benefits covered by law is up to 26 weeks per individual or when the employee returns to work or no longer meets the requirements for the benefit. The self-insured AD&D benefit is for Reserve Deputy Sheriffs only and has a maximum benefit of $5,000 (absolute dollars).

Changes in the balances of claims liabilities during the past two fiscal years for these self-insurance funds are as follows:

	Workers' Compensation	Property & Casualty Risk	Unemployment Insurance	Health & Other Self- Insured Employee	Total
Unpaid Claims, Beginning of FY 2014-15	$ 150,741	$ 39,248	$ 783	$ 12,327	$ 203,099
Claims and Changes in Estimates	40,937	14,392	1,112	58,850	115,291
Claim Payments	(36,104)	(14,349)	(943)	(59,417)	(110,813)
Unpaid Claims, End of FY 2014-15	155,574	39,291	952	11,760	207,577
Claims and Changes in Estimates	42,149	16,521	796	60,528	119,994
Claim Payments	(38,033)	(9,792)	(940)	(59,310)	(108,075)
Unpaid Claims, End of FY 2015-16	$ 159,690	$ 46,020	$ 808	$ 12,978	$ 219,496

16. POLLUTION REMEDIATION

GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*," requires state and local governments to provide the public with better information about the financial impact of environmental cleanup and identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. The County has identified several environmental sites at John Wayne Airport (JWA) and OC Waste and Recycling (OCWR) for which a pollution remediation liability has been recorded in the County's financial statements. The following describes the nature of the obligating events, and the estimated liability as they relate to JWA and OCWR.

John Wayne Airport (JWA)

In 1988 and 2006, JWA was named as the responsible party in a cleanup and abatement order for two sites on Airport property by the California Regional Water Quality Control Board (RWQCB). The sites, the Old Fuel Farm and the Former Fire Station #33, were identified as having chemical impacts to the soil and groundwater. In 1994 and 2002, JWA began to monitor and remediate the Old Fuel Farm and the Former Fire Station #33 sites, respectively.

In 2008, the sites were sampled as part of an assessment and the results revealed that the soil and groundwater were still impacted by chemical pollutants. In an effort to increase the removal of the chemicals, JWA's environmental consultant reevaluated the sites and recommended a change to the remediation plan. The consultant calculated the new estimated pollution remediation liability based on a more active method of remediation that includes remedial technologies such as soil vapor extraction, dual phasing sparging, and bioremediation.

JWA started implementing the new remediation method in the fiscal year ending June 30, 2011. Following a remedial pilot test, JWA has been performing monthly free-product removal at the Old Fuel Farm and performing annual groundwater monitoring at both sites. Active remediation has been delayed pending further guidance from the RWQCB, which could possibly affect the estimated pollution remediation liability as well as cause changes to the remedial technologies used to remediate the sites. As of June 30, 2016, JWA has a liability of $994 based on management's assessment and the results of the consultant's evaluation of potential remediation costs. The liability will not decrease any further until active remediation begins or a closure plan is accepted by the RWQCB.

In 1995, JWA entered into Memorandum of Understanding (MOU) with one of its fixed-base operator (FBO) lessees to address the remediation of the Old Fuel Farm. The FBO was identified as the operator of the site

(Dollar Amounts in Thousands)

16. POLLUTION REMEDIATION (Continued)

John Wayne Airport (JWA) (Continued)

and the other responsible party. The lessee agreed to be obligated to pay 50% of the remediation costs associated with the Old Fuel Farm site. Reported in the Statement of Net Position – Proprietary Funds as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is $261 as of June 30, 2016.

The estimated pollution remediation obligation as of June 30, 2016 is:

Old Fuel Farm Site	$	785
Former Fire Station #33 Site		692
Less: Remediation Activity		(483)
JWA Pollution Remediation Obligation	$	994

Orange County Waste and Recycling (OCWR)

Five closed sites were identified. The remediation costs and time periods were calculated for each of these sites based upon the type of remediation needed and historical trend data for closed landfill sites. The combined pollution remediation obligation ending balance as of June 30, 2016, after deducting actual pollution remediation expenses incurred, is $11,190.

Cannery Former Refuse Disposal Station A park owned by the City of Huntington Beach (City) and an elementary school playground are located on a site that was formerly used as a refuse disposal station operated by the County from 1957 to 1969. Levels of methane gas that exceed regulatory limits were detected on the property. The Local Enforcement Agency (LEA) issued a Notice and Order to the City requiring the City to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, the City and the Huntington Beach City School District (School District) issued the Notices of Intent to sue under the Resource Conservative and Recovery Act, and the Comprehensive Environmental Response, Compensation, and Liability Act to the County in 2004. The City's and School District's claims were tolled until June 2006 under a tolling agreement with the County. The City, County and School District entered into a Settlement Agreement in 2007, whereby the City would be responsible for maintaining the cover of the former disposal site and the County would assume responsibility for the collection and control of landfill gas.

Based on engineering estimates and existing contracts for the operation and maintenance of other disposal sites of a similar size, the age of the site, the length of time that the wastes have been buried, and other factors, the County anticipates that the landfill gas collection system will operate fully for 15 years.

The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is $44.

Lane Road Former Refuse Disposal Station The site located in the City of Irvine and owned by NGP Realty Sub, L.P. and others, was leased and operated by the County as a refuse disposal facility from 1961 until its closure in 1964. An investigation revealed that landfill gas is present above regulatory limits in close proximity to residential housing units. The LEA issued a Notice and Order to the property owners requiring them to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, a claim was filed with CEO Risk Management. The County entered into a Settlement Agreement with the property owners in 2005. Per terms of that Settlement Agreement, the County funded the construction of a landfill gas collection and control system, including a carbon treatment element, for the eastern portion of the site. After verification that the system was operating as planned, the County assumed ownership of the system and responsibility for its operation, maintenance and monitoring in 2008. Also in 2008, it was discovered that landfill gas was elevated in the northern portion of the site. Pursuant to the Settlement Agreement, the County designed and constructed an upgrade and enhancement to the existing landfill gas system to control landfill gas migration on the northern portion of the site.

16. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (OCWR) (Continued)

Lane Road Former Refuse Disposal Station (Continued)

Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 25 years, then will most likely either be inactive or be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the carbon canisters needed more regular replacement. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is $310.

The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is $2,694.

San Joaquin Former Refuse Disposal Station The site, owned by the University of California at Irvine, was leased and operated by the County as a refuse disposal facility from 1954 to 1961. In 1996, a portion of the site was sold to the United States Food and Drug Administration. Levels of methane gas that exceed regulatory limits were detected on the property. As both parties expressed an interest in avoiding costly litigation, the County entered into negotiations to cooperatively address site concerns, resulting in a Cooperative Agreement with the University that was approved by the Board in May 2005. Pursuant to the Cooperative Agreement, the County constructed a landfill gas collection and control system including a carbon treatment element.

The County retains responsibility for the operation, maintenance, and monitoring of that system. Based on engineering estimates and existing contracts for the operation and maintenance of similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 15 years. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is $135.

The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is $952.

La Veta Former Refuse Disposal Station Located in the City of Orange, La Veta is a former burn, dump and refuse disposal station leased to and operated by the County from 1946 to 1956. The site has multiple owners and was developed into a YMCA facility, apartments, a mobile home park and a small amount of open space. Recently, the County learned that the California Department of Toxic Substances Control (DTSC) and the United States Environmental Protection Agency had previously performed limited soil and groundwater testing at the site. According to DTSC, the results of these tests indicated that further site assessment was warranted.

DTSC requested that the County enter into a Voluntary Cleanup Agreement with DTSC. In lieu of entering into a Voluntary Cleanup Agreement, the County conducted a series of additional site investigations and assessments. Based on the findings of the site investigations, the YMCA is performing required methane monitoring. The County reimburses the YMCA for the costs associated with the monitoring efforts and are accrued as estimable at June 30, 2016.

In addition, the findings of site investigations identified the existence of subsurface refuse extending laterally onto a single-family residence located within the lease boundaries of the former La Veta solid waste disposal site and immediately adjacent to land owned by the YMCA (also covering a portion of the former disposal site). Buried waste was discovered under part of the back yard of the residence, which includes a swimming pool. Since then, CalRecycle and the LEA have required continuous methane monitoring at the property. The current owners have not cooperated with County or regulator attempts to monitor or remediate potential pollution of the property.

The County will continue to attempt to work with the property owner to ensure that the property is maintained and monitored in a manner that is consistent with the former use of the property as a municipal solid waste disposal facility.

(Dollar Amounts in Thousands)

B-76

16. POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (OCWR) (Continued)

Forster Former Refuse Disposal Station The site, located in the City of San Juan Capistrano, was formerly leased and operated as a refuse disposal station by the County from 1958 to 1976. The current owner, Advanced Group 99-SJ, proposed a change in land use for the property and has notified the County of its position that the County was responsible for re-closure of the site to meet current commercial and redevelopment requirements. The County disputed responsibility for site development related costs. In early 2010, the City of San Juan Capistrano approved the proposed project and certified the Environmental Impact Report (EIR). The EIR was a subject of a citizen's referendum that ultimately resulted in affirmation of the proposed project. Subsequent to the City approval of the proposed development plan, Advanced Group 99-SJ and the County entered into negotiations to resolve issues related to environmental responsibility at the site. These negotiations resulted in a settlement agreement and release of claims, brought about by a threat of litigation over the California Environmental paid by the County for environmental controls to be installed at the site, an operation and maintenance fund and for environmental insurance, subject to conditions such as obtaining grading permits for the site for its actual development. In exchange, indemnification and environmental releases were provided by the developer to the County.

Total obligation by the County for environmental infrastructure and controls at the site as agreed upon in the Settlement Agreement is $7,500. The entire sum is expected to be released within a five year period, but is dependent upon actions by the owner and regulatory approvals for the project. As of June 30, 2016, the County has not released payment. The County will continue to incur additional costs for work related to the County's current obligation to monitor the groundwater underlying the site. This responsibility will be transferred to the site owner upon completion of one of the settlement agreement milestones. But due to the uncertainty of specific timing, the County is unable to fully estimate the remaining ground water obligations.

The remaining balance for landfill gas remediation at the Forster site is $7,500. Distribution of these funds will occur over time, based on specific milestones in the development of the site.

The estimated pollution remediation obligation as of June 30, 2016 is:

Cannery	$ 44
Lane Road	2,694
San Joaquin	952
Forster	7,500
OCWR Pollution Remediation Obligation	$ 11,190

17. RETIREMENT PLANS

Orange County Employees Retirement System (OCERS)

Plan Description: Substantially all County employees participate in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer public employee retirement system established by the voters of Orange County in 1945 pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31451 et. seq. (the Retirement Law). OCERS is an independent defined-benefit retirement plan in which employees of the County, Orange County Superior Court, and employees of certain cities and special districts within the County participate. OCERS is governed by the Board of Retirement (the OCERS Board). Certain attributes of independence of OCERS are guaranteed under the California Constitution. The OCERS Board consists of nine regular members and one alternate. Four OCERS Board members are appointed by the Board, three members plus one alternate are elected from active County employees, one member is elected from retirees, and the County Treasurer-Tax Collector is a statutory member.

The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS.

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Plan Description (Continued)

The Retirement Law requires an actuarial valuation to be performed at least once every three years. OCERS' practice has been to conduct an actuarial valuation annually as of December 31, which is the end of the OCERS fiscal year.

According to OCERS' most recent public report, entities paying into the OCERS, also known as plan sponsors, include the County of Orange, City of San Juan Capistrano, Orange County Cemetery District, Children and Families Commission of Orange County, Orange County Department of Education (closed to new members), OCERS, Orange County Fire Authority, Orange County In-Home Supportive Services Public Authority, Orange County Local Agency Formation Commission, Orange County Public Law Library, Orange County Sanitation District, Orange County Superior Court, Orange County Transportation Authority, Transportation Corridor Agencies, and the University of California, Irvine Medical Center and Campus (closed to new members).

Benefits Provided: OCERS provides for retirement, death, disability, and cost-of-living benefits. Under OCERS, each County employee receives a defined-benefit pension at retirement, that is, a specific amount per month determined in accordance with the Retirement Law, which amount is not dependent upon the amount of money credited to the employee's account at the time of retirement. An OCERS member may be eligible for a Disability Retirement allowance. The member will be asked to designate a beneficiary or beneficiaries, who may be entitled to receive lifetime and/or lump sum benefits that may be payable upon a member's death. OCERS also provides two types of disability benefits, a nonservice-connected disability retirement or service-connected disability retirement. Under each type, the eligibility requirements are different. More information can be found on www.ocers.org. The OCERS Board does not set the benefit amounts. OCERS administers benefits that are set by the County Board through the collective bargaining process with County employees in accordance with the Retirement Law.

Effective June 28, 2002, Safety members, including Probation Services employees, became eligible for an annual annuity equal to a retirement benefit formula of 3% of the member's "final compensation" for each year of service rendered at age 50. Law enforcement management, which includes executives in the Sheriff-Coroner and District Attorney departments, and employees represented by the Association of Orange County Deputy Sheriffs hired after April 9, 2010, receive an annual annuity equal to a retirement benefit formula of 3% of the member's "final compensation" for each year of service rendered at age 55.

Effective July 1, 2005, as part of collective bargaining agreements with County employees, most General Members who work for the County of Orange (approximately 14,000) became eligible for an enhanced annual annuity equal to a retirement benefit formula of 2.7% of the member's "final compensation" for each year of service rendered at age 55. In collective bargaining agreements with General Members, the employee associations agreed to pay the increased retirement costs related to the difference between the prior retirement benefit formulas and the new 2.7% at age 55 enhanced formula, as well as the annual amortization of the unfunded liability created by the retroactive application of the increased benefit. Members of the American Federation of State, County and Municipal Employees (AFSCME) did not elect the 2.7% at age 55 retirement formula and remain at the previous benefit formulas. The benefit formulas for AFSCME are an annual annuity equal to 2% of the "final compensation" for each year of service rendered at age 57 for Tier I General members and 1.667% of the member's "final compensation" for each year of service rendered at age 57.5 for Tier II General members. Due to the passage of the Public Employees' Pension Reform Act (PEPRA) of 2013, most new employees hired on or after January 1, 2013, except for Safety members and members represented by AFSCME and the Orange County Attorneys Association (OCAA), will receive an annual annuity equal to a retirement benefit formula of 1.62% of the member's "final compensation" for each year of service rendered at age 65. The 1.62% at age 65 retirement formula includes a voluntary defined contribution component with an employer match.

Non-vested Supplemental Targeted Additional Retiree Cost of Living Adjustment (STAR COLA) benefits are also paid by OCERS to eligible retirees and survivors. Pursuant to Government Code Section 31874.3 of the Retirement Law, the OCERS Board has the sole authority to grant STAR COLA each year. The OCERS Board

(Dollar Amounts in Thousands)

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Benefits Provided (Continued)

understands that granting STAR COLA may increase the Unfunded Actuarial Accrued Liability (UAAL) and therefore asks for comments from plan sponsors prior to voting on approval of the annual benefit.

Retirees who have lost more than 20% of their purchasing power since retirement are eligible for this benefit, and currently, approximately 346 retirees (of which 337 are County retirees) who retired before April 1, 1980, and their survivors receive the STAR COLA. The STAR COLA benefits are excluded from the actuarial valuation and are funded annually through current employer contributions. Benefits are considered immaterial to the plan.

Contributions: In accordance with various Board resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employee contributions and investment income, will fully provide for member benefits by the time they retire. Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. The California Supreme Court's 1997 Ventura decision stated that, for the purpose of calculating pension benefits, “final compensation” means not only base salaries, but also other components. The County employee contributions under current contracts are calculated on base salary, eligible premium pay and some categories of overtime as defined in the 1997 Ventura decision.

Employer contributions are based on what is needed to properly fund the system. The law, however, does allow employers and employees to negotiate some variation in who pays the contributions. OCERS' responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For FY 2015-16, employer's contributions, as a percentage of covered payrolls, were 37.02% for General members, 56.35% for Safety-Law Enforcement members and 40.70% for Safety-Probation members, as determined by the December 31, 2013, actuarial valuation.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2016, the County reported a liability of $4,391,967 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability (TPL) used to calculate the net pension liability was determined using actuarial valuation results. At December 31, 2015, the County's proportion was 76.83%, which was an increase of .15% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the County recognized pension expense of $488,205. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 620,500	$ -
Differences Between Expected and Actual Experience	-	301,781
Changes of Assumptions	93,961	152,605
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,767	106
County Contributions Subsequent to the Measurement Date	217,218	-
County Prepaid Pension Contribution	178,459	-
Total	$ 1,115,905	$ 454,492

$217,218 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

The County reported the full amount of prepaid pension contribution as a part of the prepaid cost at the fund level. However, due to the difference in the County's fiscal year end date and the net pension liability measurement date, half of the prepaid pension contribution of $178,459 is recognized as deferred outflows of resources, and the other half will remain as a prepaid cost on the government-wide statement.

In September 1994, the County issued $320,000 of pension obligation bonds, of which $318,000 in proceeds were paid to OCERS. OCERS maintains the proceeds in a County Investment Account. Amounts in the County Investment Account have been used to fund a portion of the County's contributions over time, pursuant to agreements between OCERS and the County, which allows the County significant discretion in applying the credit. As of June 30, 2016, $111,639 of such proceeds remains in the County Investment Account available for future credits to the County's pension obligations. For the year ended June 30, 2016, the County did not utilize funds available in the County Investment Account to meet its annual required contribution. The County's total contribution to OCERS for the year ended June 30, 2016 was $384,133.

On January 13, 2016, the County issued its short-term Taxable Pension Obligation Bonds, 2016 Series A in the amount of $334,275. Of the $334,275 bond proceeds, $333,811 was combined with $23,106 in contributions from certain County agencies and departments to prepay the estimated FY 2016-17 actuarially required contribution related to both the amortization of the UAAL and the normal annual contribution to OCERS. In return, the County received a 5.80% discount or $20,701 on the required employer contribution amount. The discount, combined with the interest and issuance costs, resulted in a net savings of $16,236 to the County. Refer to Note 3, Deposits and Investments, and Note 9, Short-term Obligations, for additional information.

Amounts, provided by OCERS' actuarial study reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

Year ending June 30:	
2017	$ 86,792
2018	86,792
2019	86,792
2020	42,840
2021	(35,899)
2022	(1,581)
Thereafter	-

Actuarial Assumptions: The actuarial assumptions included a 3.0% inflation rate, 4.25% to 13.5% projected salary increases to general members and 5.00% to 17.50% to safety members, and a 7.25% investment rate of return, net of investment expense. The mortality assumptions used were based on the results of the actuarial experience study for the period of January 1, 2011 through December 31, 2013 using the RP-2000 Combined Healthy Mortality Table projected with the Society of Actuaries Scale BB to 2020.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%, the long-term expected rate of return on plan assets. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the actuarially determined contribution rates.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.25% investment return assumption used in this accounting valuation is net of investment expenses. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The difference is not material to the County's financial statements.

(Dollar Amounts in Thousands)

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Discount Rate (Continued)
The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage adding expected inflation and deducting expected investment expenses and a risk margin.

The target allocation (approved by the OCERS Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (US Credit)	8.00%	4.97%
Diversified Credit (Non-US Credit)	2.00%	6.76%
Hedge Funds	7.00%	4.13%
Global Tactical Asset Allocation	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100.00%	

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:
The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability	$6,172,769	$4,391,967	$2,926,682

Pension Plan Fiduciary Net Position: OCERS issues an audited stand-alone annual financial report for each year ending December 31. Detailed information about the pension plan's fiduciary net position is available and can be obtained online at www.ocers.org, in writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

County Administered Pension Plans

County of Orange - 1.62% at 65 Retirement, 401(a) Defined Contribution Plan

Plan Description: On April 20, 2010, the Board approved and adopted the resolution implementing the 1.62% at 65 retirement formula for certain eligible employees. Effective May 7, 2010, as amended and restated on

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

County of Orange - 1.62% at 65 Retirement, 401(a) Defined Contribution Plan (Continued)

Plan Description (Continued)

July 1, 2011, the Board approved the County 1.62% Defined Contribution Plan for the benefit of employees in the 1.62% at 65 retirement formula. The 1.62% Defined Contribution Plan is a combination governmental 457(b) and 401(a) retirement plan. Employee contributions are deposited into a 457(b) plan and employer-matching contributions are deposited into a 401(a) plan. Participation in the 1.62% Defined Contribution Plan is voluntary and is designed to supplement the "1.62% at 65" retirement benefit. Only employees in the "1.62% at 65" retirement benefit formula are eligible to participate in the 1.62% Defined Contribution Plan. Participation in the Plan is strictly voluntary.

On September 12, 2012, the Governor signed the PEPRA of 2013. PEPRA created a new pension retirement formula, commonly referred to as 2% at 62 retirement formula, for all new non-safety public employees hired on or after January 1, 2013. PEPRA also allowed a public employer to continue to offer another retirement formula, if offered before December 31, 2012, to new public employees if the retirement formula has a lower benefit factor at normal retirement age and results in a lower normal cost than the 2% at 62 PEPRA retirement formula. On December 18, 2012, the Board approved and adopted the 1.62% at 65 retirement formula for certain general (non-safety) public employees hired on or after January 1, 2013.

The Board has the authority to amend the plan. The plan is intended to comply with the requirements of Internal Revenue Code (IRC) Section 401(a) and is intended for retirement. Matching employer contributions are determined by the County and approved by the Board, as stipulated in the Participants' bargaining units Memorandum of Understanding (MOU) or Personnel and Salary Resolution, as applicable. Employer contributions vest on employees' behalf after five years of continuous service with the County. For the purposes of eligibility and vesting, year of service means a 12-consecutive-month period during which the employee completes at least 2080 hours of service, exclusive of overtime. If the employee leaves employment with the County prior to the vesting period, the employee will only be entitled to the employee contributions to the plan.

Funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the early or normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2016, the plan had 980 participants with a balance in the plan, with 934 participants actively contributing to the plan as of the end of June payroll.

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. As of June 30, 2016, the County provides up to a 2% match per pay period of the employee's voluntary contribution to the IRC Section 457 element of the 1.62% Defined Contribution Plan. Employer contributions are deposited into the 401(a) Plan. Total contributions for the fiscal year as of June 30, 2016, were $736 by the County and zero by the employees.

Empower Retirement, formerly Great West Retirement Services, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the age-appropriate target-date fund upon initial enrollment. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2016, total plan assets were $1,293.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at $100. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period, and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

County of Orange 401(a) Defined Contribution Plan

Plan Description: Effective January 1, 1999, as amended and restated on March 24, 2015, the Board established the County 401(a) Plan for the benefit of eligible employees, elected officials, which includes members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered in the plan, attorneys represented by the Orange County Attorney's Association, and certain other employee classifications as defined in the plan document. The Board also has the authority to amend the plan. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers included in the Executive Policy Unit effective June 23, 2006. The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2016, the plan had 662 participants with a balance in the plan, with 109 participants actively contributing to the plan as of the end of June payroll.

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. County contributions to the plan vary according to employee classification and range from 4% to 8% of bi-weekly compensation. Total contributions for the fiscal year as of June 30, 2016, were $991 by the County and zero by the employees.

Empower Retirement, formerly Great West Retirement Services, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan default to the County's Stable Value Fund upon initial enrollment, which is offered through Empower Retirement and designed to protect principal and maximize earnings. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2016, total plan assets were $14,261.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at $100. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period, and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

Extra-Help Defined Benefit Plan

Plan Description: The plan is a cost-sharing multiple-employer defined benefit retirement plan for employees working less than half-time or as extra-help for the County and six (6) other cost-sharing agencies. Eligible employees of this plan are not covered by OCERS or Social Security. Initially, the normal retirement benefits for a participant who retired on or after the normal retirement date was a monthly amount equal to one-twelfth of 2% of the participant's career earnings during the final 30 years of credited service. There are no automatic cost-of-living adjustment (COLA) increases and no ad hoc COLAs have ever been granted. The current benefit for a participant who terminates or retires after November 20, 2008 is a lump sum payment, which is equal to the actuarial equivalent of the participant's contribution plus interest earnings. The normal retirement date is the first day of the month coinciding with or immediately preceding a participant's 65th birthday.

The plan was adopted to comply with the Omnibus Budget Reconciliation Act of 1990. The Board has full authority to amend or establish plan or benefit provisions at any time in accordance with the plan. The County is the named fiduciary and has the duty and full power to administer the plan. The Chief Financial Officer of the County is the trustee of the plan, and has authority over the management and investment of plan assets.

The plan was adopted in January 1992 and was closed to new participants as of February 28, 2002. This plan subsequently froze benefit accruals and stopped collecting employee contributions effective November 21, 2008. As of that date, the normal retirement benefit was changed to a single lump sum distribution equal to the

B-79

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Plan Description (Continued)

greater of the participant's account balance or the present value of their normal retirement benefit. As of June 30, 2016, the plan consists of 42 active plan participants, 225 terminated plan participants entitled to but not yet receiving benefits, and 41 retirees receiving benefits.

The plan financial statements are prepared using the accrual basis of accounting. County contributions are recognized in the period in which contributions are due, pursuant to the plan documentation and as may be required by statutory requirements. The benefits paid to participants and refunds of prior contributions are recognized when due and payable, in accordance with the terms of the plan.

The County charges a benefits administration fee to County agencies, which funds the cost of administering all of the County benefit programs, including the Extra-Help Defined Benefit Retirement Plan. The County Treasurer-Tax Collector charges its normal investment management fee related to the Pension Trust Fund's participation in the County Pool.

Contributions: The County has the authority to determine plan contributions. GASB Statement No. 67 requires the County to have an actuarial valuation performed at least biennially to determine the plan's total pension liability. This valuation is currently performed biennially. The plan's total pension liability was calculated using the data and assets as of July 01, 2015, rolled forward to June 30, 2016 and June 30, 2017 using actual benefit payments for FY 2015-16 and FY 2016-17. In both the 2015 valuation and the 2016 roll forward calculations the actuarial assets are valued at market value. The actuary has determined the County's actuarially determined contribution using the projected unit credit method, which is (a) normal cost, plus (b) 5-year amortization of the UAAL. Further information on the County's net pension liability and contributions can be found in the Required Supplementary Information (RSI) section following the notes to the basic financial statements. Based on the plan actuary's advice, the County determines the amount necessary for contribution to the plan. Since the plan's inception, the County and six (6) cost-sharing agencies have contributed $5,688. For the year ended June 30, 2016, the County and six (6) cost-sharing agencies contributed the total actuarially determined contribution of $784, which is equal to normal cost plus 5-year amortization of the UAAL. The County's proportionate share of the contribution was $769.

Plan participants do not contribute to the fund effective November 21, 2008 (the date of the freeze). Note that effective November 21, 2008, the normal cost is $0 due to the plan freeze.

Investment policy: The County has sole authority for establishing and amending the plan's investment policy and allocation of the invested assets. The plan's policy in regard to the allocation of invested assets may be established and amended by the plan's Trustee. The plan may invest in bonds, mortgages, notes, common or preferred stock, mutual funds, or other securities, policies of life insurance, annuity contracts, or property (real, bank deposits, or retain in cash or other property).

Concentrations: The plan invested 80% with Empower Retirement, and held 20% of its investments in the Orange County Investment Pool (OCIP). See Note 3, Deposits and Investments for information about OCIP. The plan has stated its assets with Empower Retirement and its investments in OCIP at fair value based on information provided by Empower Retirement and OCIP respectively.

Discount Rate: For the year ended June 30, 2016, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, was 2.22%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the total pension liability was 5.25%, the same as long-term expected rate of return on plan assets.

(Dollar Amounts in Thousands)

B-80

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Discount Rate (Continued)

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in this accounting valuation is 5.25%.

The long-term expected rate of return on plan investments was determined using a building-block method equal to the expected future real rate of return on the investment with Empower Retirement and the OCIP plus expected inflation, rounded to the nearest 0.25%. The target investment allocation is 27% equities, 53% fixed incomes, and 20% cash and equivalents. The best estimate of the long-term expected geometric real rate of return for these asset classes (net of investment expense and inflation) are 5.35%, 1.55%, and 0.45%, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions: The components of the collective net pension liability of the County and the six (6) cost-sharing agencies at June 30, 2016 were as follows:

Total Pension Liability	$	8,498
Plan's Fiduciary Net Position		(5,599)
Plan's Net Pension Liability	$	2,899
Plan Fiduciary Net Position as a percentage of the Total Pension Liability		65.89%

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and rolled forward to the measurement date of June 30, 2016. The County's proportionate share of the June 30, 2016 net pension liability is $2,845. The County's proportion of 98.12% is based on an employer contribution allocation and has not changed since June 30, 2015.

For the year ended June 30, 2016, the County recognized pension expense of $357. At June 30, 2016, the County reported deferred outflows of resources of $214, which represents the net difference between projected and actual earnings on plan investments.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ 214	$ -
Total	$ 214	$ -

The deferred outflows of resources related to this pension plan will be recognized as pension expense for the County as follows:

Year ended June 30:	
2017	$ 61
2018	61
2019	61
2020	31

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Actuarial Assumptions: The total pension liability based on the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement: (a) 3% inflation, (b) 5.25% investment return, (c) the 417(e) lump sum mortality table used for ERISA-governed plans and the 30-year Treasury rate with a look-back month of November grading into the long-term assumption of 5.0%, and (d) RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020. This plan does not have a salary increase assumption or post-retirement benefit increase assumption as these factors do not impact the benefits of this frozen plan.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the collective plan and the County's proportionate share, calculated using the discount rate of 5.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

Net Pension Liability	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Collective plan	$3,212	$2,899	$2,642
County's proportionate share	$3,152	$2,845	$2,592

Extra-Help Defined Contribution Plan

Plan Description: Effective March 1, 2002, as amended and restated on February 10, 2015, the Board established the Extra-Help Defined Contribution Plan to replace the Extra-Help Defined Benefit Retirement Plan for (a) new employees hired on or after March 1, 2002, and supplements the benefits of the Extra-Help Defined Benefit Retirement Plan for employees hired prior to March 1, 2002 and (b) effective February 10, 2015, employees hired on or after such date (i) who attained age 60 by such hire date, (ii) who waive membership in the Orange County Employees Retirement System (OCERS), do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS, (iii) whose Employer has signed the OCERS Employer's Concurrence – Waiver of Membership form or any other documents that may be required by OCERS, and (iv) who sign the OCERS Employees' Waiver of Membership form and provide any other documents required by OCERS to waive membership. Eligible employees of this plan are not covered by OCERS or Social Security. This plan is a tax-deferred retirement plan, established in accordance with IRC Sections 457 and 3121 and is intended to comply with the Omnibus Budget Reconciliation Act of 1990 and meet the requirements to be a Social Security replacement plan. The Board has the authority to amend the plan. As of June 30, 2016, there were 3,840 participants with a balance in the plan, with 404 participants actively contributing to the plan as of the end of June payroll.

The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return.

If a participant's employment status changes from a part-time or extra-help employee to a permanent full-time employee or a part-time employee working 20 hours or more per week, those participants may elect to transfer the balance to the County's Section 457 Defined Contribution Plan or leave the balance in the plan until they are no longer employed with the County.

Funding Policy: Participants in the plan are required to contribute 7.5% of compensation each pay period. The contributions are invested in the County's Stable Value Fund offered through Empower Retirement, which is designed to protect principal and maximize earnings. Empower Retirement serves on behalf of the County as

(Dollar Amounts in Thousands)

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Contribution Plan (Continued)

Funding Policy (Continued)

the third party administrator of the plan and holds all plan assets in trust. In the current fiscal year there was no additional contribution made by the County, and total employee contributions were $951. As of June 30, 2016, total plan assets were $7,359.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at $100. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period, and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered retirement funds, condensed financial statements are presented below as of and for the year ended June 30, 2016:

Statement of Fiduciary Net Position

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
Assets					
Pooled Cash/Investments	$ 1,398	$ 1,398	$ --	$ --	$ --
Restricted Cash and Investments					
Restricted Investments with Trustee	26,937	4,194	7,299	14,207	1,237
Receivables:					
Interest Receivable	7	7	--	--	--
Due from Other Governmental Agencies	170	--	60	54	56
Total Assets	28,512	5,599	7,359	14,261	1,293
Net Position					
Restricted for Retirement Plans Benefits	28,512	5,599	7,359	14,261	1,293
Total Net Position	$ 28,512	$ 5,599	$ 7,359	$ 14,261	$ 1,293

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Condensed Financial Statements (Continued)

Statement of Changes in Fiduciary Net Position

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
Additions:					
Contributions to Pension Trust:					
Employer	$ 2,511	$ 784	$ --	$ 991	$ 736
Employee	951	--	951	--	--
Other Revenues	7	7	--	--	--
Interest and Investment Income	317	123	158	19	17
Less: Investment Expense	(28)	(4)	(8)	(14)	(2)
Total Additions	3,758	910	1,101	996	751
Deductions:					
Benefits Paid to Participants	2,507	428	1,339	740	--
Total Deductions	2,507	428	1,339	740	--
Change in Net Position for Employees's Retirement	1,251	482	(238)	256	751
Net Position at July 1, 2015	27,261	5,117	7,597	14,005	542
Net Position at June 30, 2016	$ 28,512	$ 5,599	$ 7,359	$ 14,261	$ 1,293

18. POSTEMPLOYMENT HEALTH CARE BENEFITS

County of Orange Retiree Medical Plan

Plan Description: The County of Orange Third Amended Retiree Medical Plan (the Retiree Medical Plan) is a single employer defined benefit OPEB plan, intended to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan was established by the Board. The Board is also the authority for amending the Retiree Medical Plan. The Retiree Medical Plan is not required by the Retirement Law – the statute governing County employee retirement benefits. Eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The Retiree Medical Plan specifically states that it does not create any vested right to the benefits.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and be able to receive a monthly benefit payment from OCERS. To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2015 was $21.13 (absolute dollars) per year of County service, and the maximum base monthly Grant was $528.25 (absolute dollars). The base number for calendar year 2016 is $21.45 (absolute dollars) per year of County

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Plan Description (Continued)

service, and the maximum monthly Grant is $536.25 (absolute dollars). The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. In no case shall the Grant exceed the actual cost to a retiree for the Qualified Health Plan and Medicare premiums.

The Grant is reduced by 50% once the retiree becomes Medicare A and B eligible. Retirees who were age 65 and/or Medicare A and B eligible on the effective date are not subject to the Medicare reduction. For employees retiring after the effective date, the Grant is reduced or increased by 7.5% based on the employee's age at retirement, such that the Grant is reduced 7.5% for each year under age 60 and increased by 7.5% for each year of age worked after age 60 up to age 70. The effective date varies by labor agreement. Safety employees and disability retirements are exempt from the age adjustment.

The base number for the Grant is adjusted annually based on a formula defined in the Retiree Medical Plan document with a maximum increase/decrease of 3%. Surviving dependents of a deceased employee or retiree eligible for the Grant are entitled to receive 50% of the Grant that the employee/retiree was eligible to receive.

In addition to the Grant, the Retiree Medical Plan provides a frozen lump sum payment to terminated employees not eligible for the Grant. The qualifying hours of service for calculation of the lump sum payment is frozen and the effective date varies by labor agreement. The frozen lump sum payment is equal to 1% of the employee's final average hourly pay (as defined in the Retiree Medical Plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Employees represented by the AFSCME who retired before September 30, 2005 are not subject to the Medicare reduction or age adjustment to the Grant. The base number for these retirees is adjusted annually with a maximum increase/decrease of 5%. AFSCME employees who were employed on or after September 30, 2005 are not eligible for the Grant or the lump sum payment. They may participate in the County-offered health plans at their own cost if they meet the minimum plan requirements.

Employees represented by the Association of Orange County Deputy Sheriffs (AOCDS) who were hired on or after October 12, 2007 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant and lump sum calculations for employees represented by AOCDS who were hired before October 12, 2007 were frozen. A Defined Contribution Plan (Health Reimbursement Arrangement) was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Employees represented by the Association of County Law Enforcement Managers (ACLEM) who were hired on or after June 19, 2009 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant calculations for law enforcement management employees who were hired before June 19, 2009 were frozen. The qualifying hours of service for calculation of the lump sum payment for law enforcement management employees were frozen as of June 23, 2006. A Defined Contribution Plan (Health Reimbursement Arrangement) was established to replace the Grant for new employees and to supplement the frozen grants for current employees.

Effective January 1, 2008, health insurance premium rates were separately pooled for the active and retired employees, except for employees represented by the AOCDS. Effective July 1, 2008, retiree health insurance premium rates for retired employees enrolled in the AOCDS health plans have been 10% higher than active employees.

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Plan Description (Continued)

On May 12, 2015, the Board approved the restructuring of the Retiree Medical Plan for employees represented by Orange County Attorneys Association (OCAA). Effective July 8, 2016, all active OCAA employees are no longer eligible for the Retiree Medical Grant or Lump Sum. A Defined Contribution Plan (HRA) was established to replace the Grant or Lump Sum for all active employees.

Funding Policy: The County implemented an employer contribution in an amount equal to the Annual Required Contribution (ARC) for the affected labor groups except AOCDS. In order to more adequately fund benefits under the Retiree Medical Plan, on June 19, 2007, the Board adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust for which the County Chief Financial Officer is the Trustee. In addition, OCERS has established an Internal Revenue Code section 401(h) account to invest monies and acts as Trustee for the 401(h) account which is used to pay the Grant. OCERS issues a Comprehensive Annual Financial Report (CAFR) for each year ending on December 31, which includes the Retiree Medical Trust. OCERS' CAFR can be obtained online at www.ocers.org, by written request to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

The County is currently setting aside contributions of 0.4% for AFSCME, 0.4% for OCAA, 3.3% for AOCDS, 6.9% for law enforcement management, 3.9% for the Probation Department safety personnel, and 4.0% of payroll for all other labor groups, which is the ARC for those groups. Additionally, effective July 10, 2015, contributions by employees represented by AOCDS and ACLEM hired before April 4, 2009 were reduced from 2.6% to 1.6% of base, while employees hired on or after April 4, 2009 were reduced from 1% to 0%.

Funds were initially deposited into the Trust in December 2007, with subsequent deposits made throughout each fiscal year. The costs to administer the Trust are paid from the Trust.

Actuarial Methods and Assumptions: The County contracts with an outside actuarial consultant to prepare a biennial actuarial valuation in conformance with GASB Statement No. 45. The County received a June 30, 2015 valuation for FY 2015-16, 2016-17 and 2017-18 for the Retiree Medical Plan (the Report). Among the actuarial methods and assumptions used in the Report are:

- The entry age normal actuarial cost method
- Closed period amortization of the June 30, 2008 UAAL over 29 years as a level percentage of payroll (21 years remaining as of June 30, 2016)
- A 7.25% long-term expected rate of return on funds held in the Trusts
- A 3.50% per annum payroll increase assumption
- A 3.00% per annum general inflation rate assumption
- The assumed annual increases in the monthly Grant of 3% for non-AFSCME employees and 5% for AFSCME employees. The healthcare trend was assumed to be greater than or equal to the annual increase to the Grant through 2021 and beyond. Therefore, healthcare trend rates have little impact on the projected benefits and the UAAL due to the 3% (or 5% for AFSCME) cap on Grant annual increases.
- There are an estimated 26,218 participants in the plan of which 17,925 are employees, 25 are deferred retirees, and 8,268 are retirees.

Annual OPEB Cost and Net OPEB Obligation/(Asset): The County's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of time not to exceed 30 years.

(Dollar Amounts in Thousands)

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation/(Asset) (Continued)

The following table shows the components of the County's annual OPEB cost, the amount actually contributed to the 115 and 401(h) Trusts and changes in the County's Net OPEB Obligation (NOO) for the current year:

	FY 2015-16
Total Annual Required Contribution	$ 44,368
Interest on Net OPEB Asset	(3,470)
Amortization on Net OPEB Asset	3,541
Annual OPEB Cost	44,439
Contributions Made	(42,490)
Decrease in Net OPEB Asset	1,949
Net OPEB Asset, Beginning of year	(45,056)
Net OPEB Asset, End of year	$ (43,107)

The County's annual OPEB Cost, the percentage of annual OPEB cost contribution to the plan, and the NOO for FY 2015-16 and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset)
6/30/2014	$ 43,136	116%	$ (48,729)
6/30/2015	44,854	92%	(45,056)
6/30/2016	44,439	96%	(43,107)

Funded Status and Funding Progress: The funded status of the OPEB Plan as of June 30, 2015 is as follows:

Actuarial Accrued Liability (AAL)	$ 614,500
Actuarial Value of Plan Assets	217,556
Unfunded Actuarial Accrued Liability (UAAL)	$ 396,944
Funded Ratio (Actuarial Value of Plan Assets/AAL)	35.4%
Covered Payroll	$ 1,188,727
UAAL as Percentage of Covered Payroll	33.4%

The preceding noted actuarial accrued liability was based on the June 30, 2015 actuarial valuation. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial valuations contained in the report involve estimates of the values of reported amounts and assumptions about the probability of events far into the future and will be subject to continual revision as they reflect a long-term perspective. Assumptions used in the report also include techniques designed to reduce short-term volatility in AAL and the actuarial value of assets. Current estimates of the funded status and trend information about the funding progress and the employer contributions are presented in the Required Supplementary Information section following the notes to the basic financial statements.

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Health Reimbursement Arrangement (HRA)

Plan Description: On October 23, 2007, the Board approved and adopted a Memorandum of Understanding (MOU) agreement with the AOCDS. The MOU restructured the Retiree Medical Plan and established a Defined Contribution Plan (Health Reimbursement Arrangement) to replace the Retiree Medical Plan for new employees, and to supplement the current employees' frozen service hour accruals for the Grant.

On June 24, 2008, the Board approved the County of Orange Health Reimbursement Arrangement (HRA) Plan Document. The HRA Plan is not required by the Retirement Law. The plan is intended to fund the reimbursement accounts of eligible employees on a pre-tax basis and reimburse the eligible unreimbursed and substantiated qualified medical expenses of retired participants.

On March 10, 2009, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan HRA for employees represented by ACLEM effective June 19, 2009. The HRA replaces the Retiree Medical Plan for new employees, and supplements the current ACLEM employees' frozen service hour accruals for the Grant.

On May 12, 2015, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan HRA for employees represented by OCAA effective July 8, 2016. The HRA will replace the Retiree Medical Plan for all active attorney employees.

Administration of the HRA by the third party administrator began in August 2009. The HRA is intended to comply with the requirements of IRC Sections 105 and 106 and meets the requirements of a health reimbursement arrangement as defined under IRS Notice 2002-45. The contributions made to reimbursement accounts, any investment gains and qualified medical expenses reimbursed under this plan are intended to be eligible for exclusion from the gross income of eligible employees, participants and retired participants (including the spouses and dependents of each) under IRC Section 105(b). The HRA may be amended by the employer or the plan administrator to comply with federal, state, or local laws, statues, regulations, or guidelines. The Plan Document was amended and restated on January 1, 2011 to reflect changes to the definition of dependent due to healthcare reform.

The Plan Document was amended and restated on June 1, 2016 to provide for the transition of the OCAA to the HRA Plan in July 2016. Prior employee contributions for employees represented by OCAA to the retiree medical program and the interest earnings thereon through, July 5, 2016 were transferred as a lump sum deposit for eligible employees to their HRA accounts.

As of June 30, 2016, the plan had 2,072 active and 572 inactive participants.

Funding Policy: Employer and mandatory employee contributions were effective October 12, 2007, for employees represented by AOCDS and were effective June 19, 2009, for employees represented by ACLEM. Employer and mandatory employee contributions were effective July 8, 2016, for OCAA represented employees. All contributions made to the HRA are deemed to be employer contributions. Employee contributions for employees represented by each of the bargaining units are mandatory pursuant to their bargaining unit MOU and mandatory pursuant to Board action. On March 15, 2016, the Board approved for employees represented by AOCDS, an increase in the County's contribution from 3.0% to 5.0% of base salary each pay period. Furthermore, required contributions by employees represented by AOCDS were decreased from 2.0% to 0% of base salary for each pay period. Employee contributions for employees represented by ACLEM and OCAA are mandatory pursuant to the MOU. For employees represented by ACLEM, the County contributes 1.0% of base salary each pay period and employees are also required to contribute 1.0% of base salary each pay period. When implemented, for employees represented by OCAA, the County will contribute 1.0% of base salary each pay period and employees will also be required to contribute 1.0% of base salary each pay period.

(Dollar Amounts in Thousands)

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Health Reimbursement Arrangement (HRA) (Continued)

Funding Policy (Continued)

ICMA Retirement Corporation serves on behalf of the County as the third party administrator of the HRA. Contributions to the HRA Plan default to the age-appropriate target-date fund upon initial enrollment. Once enrolled, HRA participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the HRA. As of June 30, 2016, the value of HRA assets was $78,286.

Administrative Cost: Annual administrative fees include a plan asset fee of 0.40% and annual account fee of $80. Each quarter, 25% of the fees are assessed to participant accounts and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered postemployment health care benefit trust funds, condensed financial statements are presented below as of and for the year ended June 30, 2016:

Statement of Fiduciary Net Position	Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Assets			
Pooled Cash/Investments	$ 7,257	$ 7,211	$ 46
Restricted Cash and Investments			
Restricted Investments with Trustee	77,716	--	77,716
Restricted Cash with OCERS	214,769	214,769	--
Interest Receivable	58	58	--
Due from Other Governmental Agencies	3,778	3,254	524
Total Assets	303,578	225,292	78,286
Net Position			
Restricted for OPEB Benefits	303,578	225,292	78,286
Total Net Position	$ 303,578	$ 225,292	$ 78,286

Statement of Changes in Fiduciary Net Position	Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Additions:			
Employer Contributions	$ 51,349	$ 42,490	$ 8,859
Employee Contributions	2,310	2,310	--
Interest and Investment Income/(Loss)	(2,340)	(1,504)	(836)
Less: Investment Expense	(241)	(8)	(233)
Total Additions	51,078	43,288	7,790
Deductions:			
Benefits Paid to Participants	32,180	30,533	1,647
Administrative Expense	90	90	--
Total Deductions	32,270	30,623	1,647
Change in Net Position	18,808	12,665	6,143
Net Position at July 1, 2015	284,770	212,627	72,143
Net Position at June 30, 2016	$ 303,578	$ 225,292	$ 78,286

19. CONTINGENCIES

Estimated Liability for Litigation and Claims

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, a liability has been accrued in the accompanying financial statements. Litigation where loss to the County is reasonably possible has not been accrued and at this time an estimate cannot be made. For information regarding accrued liabilities for self-insurance claims incurred but not reported, refer to Note 15, Self-Insurance.

Sales and Use Taxes

The Board of Equalization (BOE) recently participated in an Internal Accounting and Administrative Controls Review by the California State Controller's Office (SCO). The SCO released a report in November 2015 identifying several issues with the allocation of the Sales and Use Taxes for the period of July 1, 2011 through March 31, 2016. The SCO recommendations contain some future negative adjustments that would potentially affect the County's Proposition 172 Public Safety Sales Tax revenues, 1991 Realignment and 2011 Realignment revenues. The BOE is currently working with the California Department of Finance (DOF) to determine the potential adjustments. The DOF has assured the BOE that any retroactive adjustments will be made in partnership with localities and conducted in such a manner as to minimize fiscal impacts. The amount of impact to the County is unknown at this time.

20. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2016:

Teeter Plan Notes: On July 13, 2016, the County issued an additional $31,536 in Teeter Plan Series B Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of $61,727. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. For additional information regarding the Teeter Plan Series B Notes, refer to Note 10, Long-Term Obligations.

Moody's Credit Rating Upgrades: On October 4, 2016, Moody's Investors Service upgraded the ratings on the County's 1991 Civic Center Parking Facilities Project Refunding Certificates of Participation, 2005 Lease Revenue Refunding Bonds, 2006 Lease Revenue Bonds, and the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012 to Aa2 from Aa3.

Labor Negotiations: On September 6, 2016, the Board approved and adopted the 2016 – 2019 Memorandum of Understanding (MOU) between the County of Orange and the Association of Orange County Deputy Sheriffs for the Peace Officer and Supervising Peace Officer Unit for the period of July 1, 2016 through June 30, 2019. The estimated total cost resulting from this labor negotiation is $7,200 ($4,300 Net County Cost) over the term of the MOU. $1,100 ($651 Net County Cost) of the total estimated cost will occur in FY 2016-17; $2,600 ($1,600 Net County Cost) will occur in FY 2017-18; $3,500 ($2,100 Net County Cost) will occur in FY 2018-19.

On December 13, 2016, the Board approved and adopted the 2016-2019 MOU between the County of Orange and the Teamsters Local 952, which will ratify the terms and conditions of employment. The MOU will be effective upon Board of Supervisors' adoption through June 20, 2019. The estimated total cost incurred over the term of the MOU is $5,527, $109 of which is Net County Cost. $727 ($14 Net County Cost) of the total estimated costs will occur in FY 2016-2017; $2,000 ($40 Net County Cost) will occur in FY 2017-2018; $2,800 ($55 Net County Cost) will occur in FY 2018-2019.

Investment Policy Statement: On November 22, 2016, the Board of Supervisors adopted Resolution 16-115 approving the 2017 Investment Policy Statement (IPS) and delegating investment and deposit for safekeeping

20. SUBSEQUENT EVENTS (Continued)

Investment Policy Statement (Continued)

authority to the Treasurer-Tax Collector for calendar year 2017. The main changes to the 2017 IPS is the decreasing of the allowed maturity for Negotiable CD's and Medium Term Notes from five years to three years and the increasing of the issuer limit of U.S. Government Agency Securities to 50% from 33%.

Main St, Huntington Beach

B-87

Required Supplementary Information
(Dollar Amounts in Thousands)

Orange County Extra-Help Defined Benefit Plan

Schedule of Changes in the Collective Plan Net Pension Liability and Related Ratios

	2016	2015	2014
Total Pension Liability			
Service cost	$ --	$ --	$ --
Interest	435	271	282
Difference between expected and actual experience	73	--	--
Changes of assumptions	73	--	--
Benefit payments, including refunds of member contributions	(424)	(522)	(695)
Net change in Total Pension Liability	157	(251)	(413)
Total Pension Liability-beginning	8,341	8,592	9,005
Total Pension Liability-ending (a)	$ 8,498	$ 8,341	$ 8,592
Plan Fiduciary Net Position			
Contributions-employer	$ 784	$ 421	$ 421
Contributions-member	--	--	--
Net investment income	123	17	15
Investment Expense	(4)	--	--
Benefit payments, including refunds of member contributions	(428)	(522)	(695)
Administrative expense (1)	--	--	--
Other	7	--	--
Net change in Plan Fiduciary Net Position	482	(84)	(259)
Plan Fiduciary Net Position- beginning	5,117	5,201	5,460
Plan Fiduciary Net Position-ending (b)	$ 5,599	$ 5,117	$ 5,201
Plan Net Pension Liability-ending (a) – (b)	$ 2,899	$ 3,224	$ 3,391
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	65.89%	61.35%	60.53%
Covered employee payroll	$ 1,747	$ 1,829	$ 1,876
Plan Net Pension Liability as a percentage of covered employee payroll	165.94%	176.27%	180.76%

(1) Administrative expense does not round up to $1 in thousands.

Schedule of Investment Returns

	2016	2015	2014
Actual money-weighted rate of return, net of investment expense	2.22%	0.35%	0.26%

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

Orange County Extra-Help Defined Benefit Plan (Continued)

Schedule of County's Proportionate Share of the Net Pension Liability

	2016	2015
County's proportion of the net pension liability	98.12%	98.12%
County's proportionate share of the net pension liability	$ 2,845	$ 3,163
Covered-employee payroll	$ 1,747	$ 1,829
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	162.85%	172.94%
Plan fiduciary net position as a percentage of the total pension liability	65.89%	61.35%

Schedule of Collective Plan Contributions

	2016	2015	2014
Actuarially determined contribution	$ 784	$ 421	$ 421
Contributions in relation to the actuarially determined contribution	784	421	421
Contribution deficiency (excess)	$ --	$ --	$ --
Covered-employee payroll	$ 1,747	$ 1,829	$ 1,876
Contributions as a percentage of covered-employee payroll	44.88%	23.02%	22.44%

Schedule of County Contributions

	2016	2015	2014
Actuarially determined contribution	$ 769	$ 413	$ 421
Contributions in relation to the actuarially determined contribution	769	413	421
Contribution deficiency (excess)	$ --	$ --	$ --
Covered employee payroll	$ 1,747	$ 1,829	$ 1,876
Contributions as a percentage of covered - employee payroll	44.02%	22.58%	22.44%

The schedules are presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

(Dollar Amounts in Thousands)

B-88

Orange County Extra-Help Defined Benefit Plan (Continued)

Notes to Schedule

Valuation date	July 01, 2015
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open
Remaining amortization period	5 years
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	n/a
Investment rate of return	5.25%, net of investment expenses
Retirement age	100% retirement at age 65
Participation assumption	100%
Mortality	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020
Actuarial Equivalence for Lump Sums – Mortality	417(e) lump sum table
Actuarial Equivalence for Lump Sums – Interest Rate	30-year Treasury rate with look-back month of November, current rates grading into 5% long-term assumption

Orange County Employees Retirement System (OCERS)

Schedule of County's Proportionate Share of the Net Pension Liability (1)

	2016	2015	2014
County's proportion of the net pension liability	76.83%	76.68%	74.20%
County's proportionate share of the net pension liability	$ 4,391,967	$ 3,897,223	$ 3,925,919
Covered-employee payroll (2)	$ 1,118,395	$ 1,198,458	$ 1,176,008
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	392.70%	325.19%	333.83%
Plan fiduciary net position as a percentage of the total pension liability	65.66%	68.16%	66.88%

(1) Information is from OCERS' actuary report for OCERS' fiscal year ended December 31, 2015.

(2) OCERS implemented GASB Statement No. 82 early. In accordance with GASB Statement No. 82, payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions.

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

Orange County Employees Retirement System (OCERS) (Continued)

Schedule of County Contributions (1)

	2016	2015
Actuarially determined contribution	$ 358,103	$ 340,626
Contributions in relation to the actuarially determined contribution	358,103	340,626
Contribution deficiency (excess)	$ --	$ --
Covered employee payroll (2)	$ 1,118,395	$ 1,198,458
Contributions as a percentage of covered - employee payroll	32.02%	28.42%

(1) Information is from OCERS' actuary report for OCERS' fiscal year ended December 31, 2015.

(2) Source of covered employee payroll is from OCERS, who implemented GASB Statement No. 82 early. In accordance with GASB Statement No. 82, payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions.

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

Orange County Retiree Medical Plan

County of Orange Retiree Medical Plan
Schedule of Funding Progress
For Years Ended June 30

Actuarial Valuation as of June 30 (2)	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
2011	$ 116,804	$ 528,639	$ 411,835	22.1%	$ 1,273,636	32.3%
2013	155,702	573,763	418,061	27.1%	1,217,052	34.4%
2015	217,556	614,500	396,944	35.4%	1,188,727	33.4%

(1) The County's outside actuarial consultant prepares a biennial actuarial valuation in conformance with GASB Statement Nos. 43 and 45.

Welfare Building, 1970

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources (other than the permanent fund or for major capital projects) that have either legal or operational requirements to restrict expenditures for specified purposes.

Parking Facilities
This fund is used to account for revenues and expenditures related to parking facilities. This includes costs to lease parking spaces for County staff, costs and revenue from the Manchester and Hall of Administration lots, interest revenue, and the County's operating and maintenance costs.

Service Areas, Lighting, Maintenance and Assessment Districts
This group of funds is used to account for the construction of public facilities from the proceeds of various Mello-Roos districts (also known as Community Facilities Districts) bond issues, special assessment district bond issues, and interfund transfers from County Service Area operating funds. Upon completion of construction, the public facilities are transferred to the Special Assessment and Community Facilities Districts. It is also used to account for local park and recreation facilities, highway lighting, and street sweeping services within unincorporated areas of the County. Revenues consist primarily of property taxes and state grants.

Other Environmental Management
This group of funds is used to account for Local Redevelopment Authority (LRA) activities, fees from violations of fish and game laws, usage of various state tidelands held in trust by the County, registration of off-highway vehicles, and motor vehicle fees levied by the South Coast Air Quality Management District.

Tobacco Settlement
This fund accounts for tobacco settlement monies allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. On November 7, 2000, Orange County voters passed Measure H. This measure requires the County to utilize its share of the national tobacco litigation settlement revenues in the following percentages:

- *80% for specified health care services*
- *20% for public safety*

Community and Welfare Services
This group of funds is used to account for the Orange County Workforce Investment Act, Welfare-to-Work, Shelter Care Facilities, In Home Supportive Services, Housing and Community Development, Substance Abuse Treatment, and Other Community and Welfare Social Programs. Revenues consist primarily of Federal grants passed through the State, as well as State grants.

OC Parks
This fund accounts for the development and maintenance of County tidelands and related aquatic recreational facilities, as well as the acquisition, operation and maintenance of County beaches, inland, regional park facilities and community park sites in the unincorporated areas. Revenues consist primarily of property taxes, state aid, lease and concession revenues, and park and recreation fees.

OC Dana Point Harbor
This fund accounts for monies received primarily through rent and concession revenues which are dedicated to providing public coastal access, environmental stewardship, and a diverse regional recreational facility so all users and visitors may experience the unique Dana Point Harbor resource in a safe and enjoyable way.

Housing Asset
The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with Health and Safety Code 34172. The Orange County Housing Authority assumed the housing functions

previously performed by OCDA. The Housing Asset Fund was established and the housing assets from the OCDA Low and Moderate Income Housing Fund were transferred into the Fund.

Schedule I County-Administered Accounts
These funds are used to account for the portion of the 1996 Recovery Certificates of Participation which were used to reimburse certain County-administered accounts for their allocated share of the Orange County Investment Pool loss, in accordance with the County's Modified Second Amended Plan of Adjustment ("Plan of Adjustment"), Exhibit 8 - "Schedule I - County-Administered Accounts." In addition, on February 2, 2000, the Bankruptcy Court ordered a segregation of litigation proceeds to ensure indemnification of the representative, Tom Hayes, and others pursuant to the plan, to pay future expenses, fees, and charges incurred by the representative, and to pay litigation costs. The residual balances in these funds were distributed in FY 2015-16.

OC Public Libraries
This fund accounts for library services for the unincorporated areas as well as some of the incorporated areas within the County. Property taxes provide most of the fund's revenue and licenses, permits, federal and state aid, and charges for services provide the remaining revenue.

Plan of Adjustment Available Cash
This group of funds is used to account for monies set aside, pursuant to the Plan of Adjustment, for specified parties to the 1994 bankruptcy and for County-Administered Accounts. These monies are then distributed from these funds in accordance with the provisions in the Plan of Adjustment.

Health Care Programs
This group of funds is used to account for Board-approved Realignment Reserves for Health Care, Medi-Cal Mental Health Managed Care programs, Medi-Cal Administrative Activities and Targeted Case Management, Bioterrorism Preparedness grant funds, Emergency Medical Services allocations, and other purpose-restricted revenues related to health care programs. Revenues consist primarily of State grants and allocations, and Federal grants passed through the State.

Roads
This fund accounts for proceeds restricted for the maintenance and construction of roadways, and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of state highway users' taxes, federal funds, and charges for engineering services provided.

Orange County Housing Authority
This fund is used to account for revenues received from the Federal Government for Section 8 Rental Assistance Program expenditures. This program assists low-income families to obtain decent, safe and sanitary housing through a system of rental subsidies.

Other Governmental Resources
This group of funds is used to account for fees charged for property characteristics information that are purpose-restricted for technological and capital acquisitions and/or improvements.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

DEBT SERVICE FUNDS

These funds are used to account for the accumulation and disbursement of taxes and other revenues for the periodic payment of principal and interest on general long-term debt that includes general obligation, revenue, and demand bond issues.

Teeter Plan Notes
This fund accounts for the financing of the County's purchase of delinquent taxes receivable pursuant to the Teeter Plan. The Teeter Plan is an alternate secured property tax distribution plan, whereby, the County distributes 100% of the local secured levy to the taxing agencies participating in the Teeter Plan and in exchange receives the right to keep the delinquent taxes, penalties and interest.

Orange County Public Facilities Corporation Bonds, Master Lease
This non-budgeted fund is used to account for Orange County Public Facilities Corporation Revenue Bonds (governmental fund type components only) and for Master Lease Obligations.

Pension Obligation Bonds
This fund is used to account for the debt service expenditures for the Orange County Taxable Pension Obligation Bonds.

South OC Public Financing Authority
This non-budgeted fund was established to account for the debt service expenditures for the South Orange County Financing Authority (SOCPFA). Included is the Lease Revenue Refunding Bonds, Series 2012, which were issued to redeem the outstanding OCPFA 2012 JJC bonds and pay costs relating to the issuance. On June 2, 2016 SOCPF issued the Central Utility Facility Lease Revenue Bonds, Series 2016 to finance the acquisition, construction and installation of certain capital improvements.

Orange County Public Financing Authority
This fund was established to account for the debt service expenditures for the Orange County Public Financing Authority (OCPFA). On August 16, 2005, OCPFA issued Lease Revenue Refunding Bonds Series 2005 to defease certain non-callable Recovery COPs, refund the remaining COPs, fund a debt service reserve fund, and pay the cost of issuance of the Series 2005 Bonds.

CAPITAL PROJECTS FUNDS

These funds are used to account for the acquisition and construction of major capital facilities (other than those financed by the proprietary funds).

Criminal Justice Facilities
This group of funds is used to account for monies received from surcharges and penalty assessments on offenses used for capital improvements to court and other criminal justice facilities.

Countywide Capital Projects Non-General Fund
This fund was established to budget and account for the multi-year approved capital projects funded primarily with Net County Cost or general purpose revenue.

PERMANENT FUND

A Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Regional Park Endowment
This fund is used to account for costs associated with the repair and maintenance of a mitigation area in Limestone Regional Park.

(Dollar Amounts in Thousands)

B-93

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

	Total Nonmajor Governmental Funds	Special Revenue							
		Parking Facilities	Service Areas, Lighting, Maintenance, & Assessment Districts	Other Environmental Management	Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	Housing Asset
ASSETS									
Pooled Cash/Investments	$ 642,887	$ 3,447	$ 55,583	$ 4,700	$ 14,535	$ 108,751	$ 97,781	$ 67,978	$ 12,912
Restricted Cash and Investments with Trustee	226,789	--	--	--	--	--	--	--	--
Investments	84	--	--	--	--	84	--	--	--
Deposits In-Lieu of Cash	25	--	--	--	--	--	--	25	--
Receivables									
Accounts	2,276	21	--	1	--	100	1,066	421	--
Taxes	20,171	--	18	--	--	--	1,330	--	--
Interest/Dividends	923	7	89	8	--	172	163	110	21
Deposits	2,159	--	--	--	--	--	7	2,083	--
Allowance for Uncollectible Receivables	(84)	--	--	--	--	--	(11)	--	--
Due from Other Funds	29,316	409	--	--	--	3,977	9	--	15
Due from Other Governmental Agencies	11,471	276	--	40	--	2,726	198	75	--
Prepaid Costs	14,087	56	--	--	--	240	4,166	227	--
Notes Receivable, Net	27,900	--	--	368	--	6,403	--	--	19,074
Total Assets	$ 978,004	$ 4,216	$ 55,690	$ 5,117	$ 14,535	$ 122,453	$ 104,709	$ 70,919	$ 32,022
LIABILITIES									
Accounts Payable	$ 34,889	$ 189	$ 15,612	$ 8	$ --	$ 2,508	$ 2,973	$ 1,242	$ --
Retainage Payable	2,418	--	1	--	--	68	767	537	--
Salaries and Employee Benefits Payable	4,764	27	--	--	--	70	1,463	64	--
Interest Payable	24	--	--	--	--	--	--	--	--
Deposits from Others	39,064	--	--	--	--	1	1,370	2,938	--
Due to Other Funds	42,882	132	13	31	2,025	17,524	2,511	711	154
Due to Component Unit	2	--	--	--	--	--	--	--	--
Due to Other Governmental Agencies	9,048	765	2,690	--	--	773	19	101	--
Unearned Revenue	19,721	--	--	--	--	410	1,654	2	--
Advances from Other Funds	7,800	--	--	--	--	--	--	--	--
Total Liabilities	160,612	1,113	18,316	39	2,025	21,354	10,757	5,595	154
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue - Intergovernmental Revenues	5,140	--	--	--	--	992	--	--	--
Unavailable Revenue - Property Taxes	1,620	--	9	--	--	--	945	--	--
Unavailable Revenue - Long-Term Notes Receivables	368	--	--	368	--	--	--	--	--
Unavailable Revenue - Other	12	--	--	--	--	--	--	--	--
Total Deferred Inflows of Resources	7,140	--	9	368	--	992	945	--	--
FUND BALANCES									
Nonspendable	14,280	56	--	--	--	240	4,166	227	--
Restricted	666,190	2,207	37,365	1,869	12,510	58,663	76,842	65,097	31,868
Assigned	129,782	840	--	2,841	--	41,204	11,999	--	--
Total Fund Balances	810,252	3,103	37,365	4,710	12,510	100,107	93,007	65,324	31,868
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 978,004	$ 4,216	$ 55,690	$ 5,117	$ 14,535	$ 122,453	$ 104,709	$ 70,919	$ 32,022

(Dollar Amounts in Thousands)

B-94

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue					Special Revenue		Debt Service		
	Schedule I County - Administered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs	Roads	Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Orange County Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds
ASSETS										
Pooled Cash/Investments	$ 15	$ 36,394	$ 2,378	$ 50,432	$ 101,324	$ 11,205	$ 1,194	$ 30,716	$ --	$ 107
Restricted Cash and Investments with Trustee	--	--	--	--	--	3,559	--	25	3,154	100,493
Investments	--	--	--	--	--	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--	--	--	--	--	--
Receivables								--		
Accounts	--	25	--	--	145	497	--	--	--	--
Taxes	--	969	--	--	--	--	--	17,854	--	--
Interest/Dividends	--	58	4	--	188	18	1	62	--	--
Deposits	--	--	--	--	69	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	(4)	(69)	--	--	--	--
Due from Other Funds	--	90	11,222	--	1,820	270	--	--	--	--
Due from Other Governmental Agencies	--	30	--	713	6,221	772	--	--	--	--
Prepaid Costs	--	4,168	--	--	3,827	1,403	--	--	--	--
Notes Receivable, Net	--	--	--	--	--	2,055	--	--	--	--
Total Assets	$ 15	$ 41,734	$ 13,604	$ 51,145	$ 113,590	$ 19,710	$ 1,195	$ 48,657	$ 3,154	$ 100,600
LIABILITIES										
Accounts Payable	$ --	$ 291	$ --	$ --	$ 6,926	$ 725	$ --	$ --	$ --	$ --
Retainage Payable	--	25	--	--	690	--	--	--	--	--
Salaries and Employee Benefits Payable	--	1,469	--	--	1,230	441	--	--	--	--
Interest Payable	--	--	--	--	--	--	--	24	--	--
Deposits from Others	--	447	--	--	34,308	--	--	--	--	--
Due to Other Funds	--	4,615	--	7,503	2,585	1,669	--	1	--	2
Due to Component Unit	--	--	--	2	--	--	--	--	--	--
Due to Other Governmental Agencies	--	6	--	4,629	41	1	--	--	--	--
Unearned Revenue	--	13	--	5,073	12,569	--	--	--	--	--
Advances from Other Funds	--	--	--	--	--	--	--	--	--	--
Total Liabilities	--	6,866	--	17,207	58,349	2,836	--	25	--	2
DEFERRED INFLOWS OF RESOURCES										
Unavailable Revenue - Intergovernmental Revenues	--	--	--	--	4,148	--	--	--	--	--
Unavailable Revenue - Property Taxes	--	666	--	--	--	--	--	--	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	--	--	--	--	--	--
Unavailable Revenue - Other	--	--	--	--	--	--	--	--	--	--
Total Deferred Inflows of Resources	--	666	--	--	4,148	--	--	--	--	--
FUND BALANCES										
Nonspendable	--	4,168	--	--	3,827	1,403	--	--	--	--
Restricted	15	30,034	13,604	20,350	47,266	15,471	1,195	20,935	3,154	100,598
Assigned	--	--	--	13,588	--	--	--	27,697	--	--
Total Fund Balances	15	34,202	13,604	33,938	51,093	16,874	1,195	48,632	3,154	100,598
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 15	$ 41,734	$ 13,604	$ 51,145	$ 113,590	$ 19,710	$ 1,195	$ 48,657	$ 3,154	$ 100,600

(Dollar Amounts in Thousands)

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service		Capital Projects		Permanent
	South OC Public Financing Authority	Orange County Public Financing Authority	Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Regional Park Endowment
ASSETS					
Pooled Cash/Investments	$ --	$ --	$ 13,841	$ 29,258	$ 336
Restricted Cash and Investments with Trustee	63,994	55,564	--	--	--
Investments	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables					
Accounts	--	--	--	--	--
Taxes	--	--	--	--	--
Interest/Dividends	--	--	21	--	1
Deposits	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	--	--	6,099	5,405	--
Due from Other Governmental Agencies	--	--	420	--	--
Prepaid Costs	--	--	--	--	--
Notes Receivable, Net	--	--	--	--	--
Total Assets	$ 63,994	$ 55,564	$ 20,381	$ 34,663	$ 337
LIABILITIES					
Accounts Payable	$ --	$ --	$ 1,381	$ 3,034	$ --
Retainage payable	--	--	330	--	--
Salaries and Employee Benefits Payable	--	--	--	--	--
Interest Payable	--	--	--	--	--
Deposits from Others	--	--	--	--	--
Due to Other Funds	3,050	--	340	16	--
Due to Component Unit	--	--	--	--	--
Due to Other Governmental Agencies	--	--	23	--	--
Unearned Revenue	--	--	--	--	--
Advances from Other Funds	--	--	7,800	--	--
Total Liabilities	3,050	--	9,874	3,050	--
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Intergovernmental Revenues	--	--	--	--	--
Unavailable Revenue - Property Taxes	--	--	--	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	--
Unavailable Revenue - Other	--	--	12	--	--
Total Deferred Inflows of Resources	--	--	12	--	--
FUND BALANCES					
Nonspendable	--	--	--	--	193
Restricted	60,944	55,564	10,495	--	144
Assigned	--	--	--	31,613	--
Total Fund Balances	60,944	55,564	10,495	31,613	337
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 63,994	$ 55,564	$ 20,381	$ 34,663	$ 337

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

		Special Revenue							
	Total Nonmajor Governmental Funds	Parking Facilities	Service Area, Lighting, Maintenance, & Assessment Districts	Other Environmental Management	Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	Housing Asset
Revenues									
Taxes	$ 114,697	$ --	$ 589	$ --	$ --	$ --	$ 66,375	$ --	$ --
Licenses, Permits, and Franchises	1,985	--	--	--	--	757	412	10	--
Fines, Forfeitures and Penalties	12,459	--	--	--	--	--	47	254	--
Use of Money and Property	57,012	11,727	464	429	128	1,362	11,240	26,148	267
Intergovernmental	354,620	1,457	88,704	537	--	31,879	3,209	10	--
Charges for Services	52,077	303	29	549	--	3,081	9,240	1,021	--
Other	34,747	41	4	216	25,946	1,043	1,530	89	35
Total Revenues	627,597	13,528	89,790	1,731	26,074	38,122	92,053	27,532	302
Expenditures									
Current									
General Government	85,385	--	57,342	91	11	--	--	--	--
Public Protection	2,525	--	--	99	--	2,426	--	--	--
Public Ways and Facilities	92,348	7,574	184	188	--	--	--	--	--
Health and Sanitation	1,103	--	--	--	--	--	--	--	--
Public Assistance	180,386	--	--	--	--	22,465	--	--	576
Education	43,928	--	--	--	--	--	--	--	--
Recreation and Cultural Services	100,381	--	--	--	--	--	77,039	23,342	--
Capital Outlay	62,583	--	--	72	--	548	7,851	1,084	--
Debt Service									
Principal Retirement	113,484	--	--	--	--	--	--	--	--
Interest	35,578	--	--	--	--	--	--	--	--
Total Expenditures	717,701	7,574	57,526	450	11	25,439	84,890	24,426	576
Excess (Deficit) of Revenues Over Expenditures	(90,104)	5,954	32,264	1,281	26,063	12,683	7,163	3,106	(274)
Other Financing Sources (Uses)									
Transfers In	137,283	--	--	--	11	19,647	1,300	--	--
Transfers Out	(93,199)	(3,770)	(1)	--	(25,643)	(25,161)	(132)	(18)	--
Debt Issued	127,494	--	--	--	--	--	--	--	--
Premium on Debt Issued	11,724	--	--	--	--	--	--	--	--
Total Other Financing Sources (Uses)	183,302	(3,770)	(1)	--	(25,632)	(5,514)	1,168	(18)	--
Net Change in Fund Balances	93,198	2,184	32,263	1,281	431	7,169	8,331	3,088	(274)
Fund Balances - Beginning of Year	717,054	919	5,102	3,429	12,079	92,938	84,676	62,236	32,142
Fund Balances - End of Year	$ 810,252	$ 3,103	$ 37,365	$ 4,710	$ 12,510	$ 100,107	$ 93,007	$ 65,324	$ 31,868

(Dollar Amounts in Thousands)

B-97

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue				
	Schedule I County - Administered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs	Roads
Revenues					
Taxes	$ --	$ 47,733	$ --	$ --	$ --
Licenses, Permits, and Franchises	--	--	--	--	806
Fines, Forfeitures and Penalties	--	8	--	8,293	7
Use of Money and Property	9	386	40	396	780
Intergovernmental	--	439	--	6,206	66,105
Charges for Services	--	1,197	--	1,230	35,219
Other	--	654	2,344	1	1,819
Total Revenues	9	50,417	2,384	16,126	104,736
Expenditures					
Current					
General Government	6,029	--	20,879	--	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	84,402
Health and Sanitation	--	--	--	1,103	--
Public Assistance	--	--	--	--	--
Education	--	43,928	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	284	--	--	30,578
Debt Service					
Principal Retirement	--	14	--	--	--
Interest	--	1	--	--	--
Total Expenditures	6,029	44,227	20,879	1,103	114,980
Excess (Deficit) of Revenues Over Expenditures	(6,020)	6,190	(18,495)	15,023	(10,244)
Other Financing Sources (Uses)					
Transfers In	--	--	11,222	127	--
Transfers Out	(1)	(46)	--	(14,626)	(465)
Debt Issued	--	--	--	--	--
Premium on Debt Issued	--	--	--	--	--
Total Other Financing Sources (Uses)	(1)	(46)	11,222	(14,499)	(465)
Net Change in Fund Balances	(6,021)	6,144	(7,273)	524	(10,709)
Fund Balances - Beginning of Year	6,036	28,058	20,877	33,414	61,802
Fund Balances - End of Year	$ 15	$ 34,202	$ 13,604	$ 33,938	$ 51,093

	Special Revenue		Debt Service		
	Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Orange County Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds
Revenues					
Taxes	$ --	$ --	$ --	$ --	$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	--	--	--	--	--
Use of Money and Property	159	10	315	69	2,149
Intergovernmental	156,074	--	--	--	--
Charges for Services	13	195	--	--	--
Other	878	62	1	--	--
Total Revenues	157,124	267	316	69	2,149
Expenditures					
Current					
General Government	--	3	210	--	44
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	--
Public Assistance	157,345	--	--	--	--
Education	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	20	--	--	--	--
Debt Service					
Principal Retirement	--	--	74,561	482	8,087
Interest	--	--	347	2,121	28,968
Total Expenditures	157,365	3	75,118	2,603	37,099
Excess (Deficit) of Revenues Over Expenditures	(241)	264	(74,802)	(2,534)	(34,950)
Other Financing Sources (Uses)					
Transfers In	--	--	--	2,401	--
Transfers Out	(75)	(2)	--	--	--
Debt Issued	--	--	70,929	--	--
Premium on Debt Issued	--	--	--	--	--
Total Other Financing Sources (Uses)	(75)	(2)	70,929	2,401	--
Net Change in Fund Balances	(316)	262	(3,873)	(133)	(34,950)
Fund Balances - Beginning of Year	17,190	933	52,505	3,287	135,548
Fund Balances - End of Year	$ 16,874	$ 1,195	$ 48,632	$ 3,154	$ 100,598

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service		Capital Projects		Permanent
	South OC Public Financing Authority	Orange County Public Financing Authority	Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Regional Park Endowment
Revenues					
Taxes	$ --	$ --	$ --	$ --	$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	--	--	3,850	--	--
Use of Money and Property	2	669	100	160	3
Intergovernmental	--	--	--	--	--
Charges for Services	--	--	--	--	--
Other	--	--	79	--	5
Total Revenues	2	669	4,029	160	8
Expenditures					
Current					
General Government	271	--	--	505	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	--
Public Assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	12,791	9,355	--
Debt Service					
Principal Retirement	4,920	25,420	--	--	--
Interest	906	3,235	--	--	--
Total Expenditures	6,097	28,655	12,791	9,860	--
Excess (Deficit) of Revenues Over Expenditures	(6,095)	(27,986)	(8,762)	(9,700)	8
Other Financing Sources (Uses)					
Transfers In	5,826	43,749	17,221	35,779	--
Transfers Out	(10,820)	(974)	(3,634)	(7,831)	--
Debt Issued	56,565	--	--	--	--
Premium on Debt Issued	11,724	--	--	--	--
Total Other Financing Sources (Uses)	63,295	42,775	13,587	27,948	--
Net Change in Fund Balances	57,200	14,789	4,825	18,248	8
Fund Balances - Beginning of Year	3,744	40,775	5,670	13,365	329
Fund Balances - End of Year	$ 60,944	$ 55,564	$ 10,495	$ 31,613	$ 337

(Dollar Amounts in Thousands)

B-99

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Parking Facilities				
Revenues and Other Financing Sources				
Use of Money and Property	$ 2,983	$ 6,567	$ 5,830	$ (737)
Charges for Services	3,779	235	303	68
Other	16	16	41	25
Total Revenues and Other Financing Sources	6,778	6,818	6,174	(644)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Parking Facilities	6,778	6,818	5,855	963
Total Expenditures and Other Financing Uses	6,778	6,818	5,855	963
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	--	319	$ 319
Fund Balances - Beginning of Year	1,292	1,292	1,292	
Net Decrease in Fund Balances - Non-Budgeted Fund	(774)	(774)	(774)	
Fund Balances - End of Year	$ 518	$ 518	$ 837	
Service Area, Lighting, Maintenance and Assessment Districts				
Revenues and Other Financing Sources				
Taxes	$ 569	$ 569	$ 589	$ 20
Use of Money and Property	10	16	310	294
Intergovernmental	4	4	4	--
Charges for Services	29	29	29	--
Other	98	98	4	(94)
Premiums on Bonds Issued	--	--	5,803	5,803
Bond Issuance Proceeds	--	85,000	82,896	(2,104)
Total Revenues and Other Financing Sources	710	85,716	89,635	3,919
Expenditures and Other Financing Uses				
General Government:				
Special Assessment-Top of the World Improvement	55	55	--	55
CFD 2002-1 Ladera Construction	--	741	741	--
CFD 2004-1 Ladera Construction	4	1,441	1,437	4
CFD 2015-1 RMV (Village of Esencia) Construction	--	85,000	55,163	29,837
Public Ways and Facilities:				
North Tustin Landscaping and Lighting Assessment District	2,996	2,996	136	2,860
County Service Area No. 13- La Mirada	18	18	9	9
County Service Area No. 20- La Habra	200	200	1	199
County Service Area No. 22- East Yorba Linda	105	120	39	81
Total Expenditures and Other Financing Uses	3,378	90,571	57,526	33,045
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,668)	(4,855)	32,109	$ 36,964
Fund Balances - Beginning of Year	5,100	5,100	5,100	
Fund Balances - End of Year	$ 2,432	$ 245	$ 37,209	
Other Environmental Management				
Revenues and Other Financing Sources				
Use of Money and Property	$ 399	$ 399	$ 418	$ 19
Intergovernmental	249	249	537	288
Charges for Services	75	75	549	474
Other	169	169	216	47
Total Revenues and Other Financing Sources	892	892	1,720	828
Expenditures and Other Financing Uses				
General Government:				
Real Estate Development Program	419	1,129	41	1,088
Air Quality Improvement	358	603	122	481
Public Protection:				
Survey Monument Preservation	331	331	100	231
Public Ways and Facilities:				
El Toro Improvement Fund	335	335	188	147
Total Expenditures and Other Financing Uses	1,443	2,398	451	1,947
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(551)	(1,506)	1,269	$ 2,775
Fund Balances - Beginning of Year	3,427	3,427	3,427	
Fund Balances - End of Year	$ 2,876	$ 1,921	$ 4,696	

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Tobacco Settlement				
Revenues and Other Financing Sources				
Other	$ 25,708	$ 25,708	$ 25,946	$ 238
Total Revenues and Other Financing Sources	25,708	25,708	25,946	238
Expenditures and Other Financing Uses				
General Government:				
Orange County Tobacco Settlement Fund	34,690	37,752	25,529	12,223
Total Expenditures and Other Financing Uses	34,690	37,752	25,529	12,223
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(8,982)	(12,044)	417	$ 12,461
Fund Balances - Beginning of Year	12,044	12,044	12,044	
Fund Balances - End of Year	$ 3,062	$ --	$ 12,461	
Community and Welfare Services				
Revenues and Other Financing Uses				
Licenses, Permits, and Franchises	$ 1,100	$ 1,100	$ 757	$ (343)
Use of Money and Property	822	822	1,093	271
Intergovernmental	41,431	41,431	29,754	(11,677)
Charges for Services	3,506	3,506	3,081	(425)
Other	452	482	1,043	561
Transfers In	21,214	19,749	19,645	(104)
Total Revenues and Other Financing Sources	68,525	67,090	55,373	(11,717)
Expenditures and Other Financing Uses				
Public Assistance:				
MHSA Housing Fund	1,513	1,513	18	1,495
OC Animal Care Donations	--	30	--	30
Dispute Resolution Program	1,167	1,120	661	459
Domestic Violence Program	1,319	1,319	785	534
Facilities Development and Maintenance	12,343	12,343	394	11,949
Workforce Investment Act	23,297	22,918	14,729	8,189
County Executive Office- Single Family Housing	11,795	5,330	3,806	1,524
OC Housing	7,884	7,884	4,606	3,278
Strategic Priority Affordable Housing	143	143	52	91
In-Home Support Services Public Authority	1,723	1,723	1,427	296
SSA Donations and Fees	1,248	1,248	831	417
SSA Wraparound	28,982	29,067	19,937	9,130
CalHome Program Reuse Fund	655	655	27	628
OC Animal Shelter Fund	--	5,000	2,853	2,147
SARC Lease Conveyance	330	330	329	1
Total Expenditures and Other Financing Uses	92,399	90,623	50,455	40,168
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(23,874)	(23,533)	4,918	$ 28,451
Fund Balances - Beginning of Year	95,997	95,997	95,997	
Fund Balances - End of Year	$ 72,123	$ 72,464	$ 100,915	
OC Parks				
Revenues and Other Financing Sources				
Taxes	$ 62,668	$ 62,668	$ 66,366	$ 3,698
Licenses, Permits, and Franchises	205	205	412	207
Fines, Forfeitures and Penalties	10	10	47	37
Use of Money and Property	9,576	9,576	11,025	1,449
Intergovernmental	6,496	6,496	3,209	(3,287)
Charges for Services	7,019	7,019	9,240	2,221
Other	1,305	1,305	1,384	79
Transfers In	14,535	19,310	19,310	--
Total Revenues and Other Financing Sources	101,814	106,589	110,993	4,404
Expenditures and Other Financing Sources				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	6,272	6,272	4,159	2,113
OC Parks	94,398	98,398	87,136	11,262
OC Capital	26,576	32,733	11,452	21,281
Total Expenditures and Other Financing Uses	127,246	137,403	102,747	34,656
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(25,432)	(30,814)	8,246	$ 39,060
Fund Balances - Beginning of Year	83,711	83,711	83,711	
Fund Balances - End of Year	$ 58,279	$ 52,897	$ 91,957	

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
OC Dana Point Harbor				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ 10	$ 10	$ 10	$ --
Fines, Forfeitures and Penalties	113	113	254	141
Use of Money and Property	24,183	24,183	25,734	1,551
Intergovernmental	--	--	10	10
Charges for Services	745	745	1,021	276
Other	82	82	82	--
Transfers In	300	3,244	2,944	(300)
Total Revenues and Other Financing Sources	25,433	28,377	30,055	1,678
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
OC Dana Point Harbor	36,888	36,888	24,568	12,320
Dana Point Marina Department of Boating and Waterways Emergency Repair Fund	3,243	3,247	2,945	302
Total Expenditures and Other Financing Uses	40,131	40,135	27,513	12,622
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(14,698)	(11,758)	2,542	$ 14,300
Fund Balances - Beginning of Year	62,591	62,591	62,591	
Fund Balances - End of Year	$ 47,893	$ 50,833	$ 65,133	
Housing Asset				
Revenues and Other Financing Sources				
Use of Money and Property	$ 208	$ 208	$ 239	$ 31
Other	95	95	121	26
Total Revenues and Other Financing Sources	303	303	360	57
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Development Agency Housing Asset	6,911	6,911	576	(6,335)
Total Expenditures and Other Financing Uses	6,911	6,911	576	(6,335)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,608)	(6,608)	(216)	$ (6,278)
Fund Balances - Beginning of Year	32,134	32,134	32,134	
Fund Balances - End of Year	$ 25,526	$ 25,526	$ 31,918	
Schedule I County-Administered Accounts				
Revenues and Other Financing Sources				
Use of Money and Property	$ 20	$ 20	$ 12	$ (8)
Total Revenues and Other Financing Sources	20	20	12	(8)
Expenditures and Other Financing Uses				
General Government:				
Indemnification Reserve	1,397	1,397	1,392	5
Litigation Reserve	4,655	4,655	4,637	18
Total Expenditures and Other Financing Uses	6,052	6,052	6,029	23
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,032)	(6,032)	(6,017)	$ (31)
Fund Balances - Beginning of Year	6,032	6,032	6,032	
Fund Balances - End of Year	$ --	$ --	$ 15	

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
OC Public Libraries				
Revenues and Other Financing Sources				
Taxes	$ 43,104	$ 43,104	$ 47,725	$ 4,621
Licenses, Permits, and Franchises	186	186	--	(186)
Fines, Forfeitures and Penalties	19	19	8	(11)
Use of Money and Property	166	166	305	139
Intergovernmental	562	562	439	(123)
Charges for Services	1,064	1,064	1,197	133
Other	633	633	654	21
Transfers In	1,550	1,550	1,550	--
Total Revenues and Other Financing Sources	47,284	47,284	51,878	4,594
Expenditures and Other Financing Uses				
Education:				
OC Public Libraries - Capital	3,752	3,854	389	3,465
OC Public Libraries	53,586	58,300	45,583	12,717
Total Expenditures and Other Financing Uses	57,338	62,154	45,972	16,182
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(10,054)	(14,870)	5,906	$ 20,776
Fund Balances - Beginning of Year	27,882	27,882	27,882	
Fund Balances - End of Year	$ 17,828	$ 13,012	$ 33,788	
Plan of Adjustment Available Cash				
Revenues and Other Financing Sources				
Use of Money and Property	$ 20	$ 20	$ 34	$ 14
Other	--	--	2,344	2,344
Transfers In	3,274	11,509	11,222	(287)
Total Revenues and Other Financing Sources	3,294	11,529	13,600	2,071
Expenditures and Other Financing Sources				
General Government:				
Recovery Plan of Adjustment Available Cash	3,294	32,403	20,879	11,524
Total Expenditures and Other Financing Uses	3,294	32,403	20,879	11,524
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	(20,874)	(7,279)	$ 13,595
Fund Balances - Beginning of Year	20,876	20,876	20,876	
Fund Balances - End of Year	$ 20,876	$ 2	$ 13,597	
Health Care Programs				
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties	$ 9,727	$ 9,727	$ 8,292	$ (1,435)
Use of Money and Property	140	140	165	25
Intergovernmental	5,824	8,324	6,206	(2,118)
Charges for Services	1,372	1,372	1,230	(142)
Other	260	235	1	(234)
Transfers In	410	635	110	(525)
Total Revenues and Other Financing Sources	17,733	20,433	16,004	(4,429)
Expenditures and Other Financing Uses				
Health and Sanitation:				
Medi-Cal Administrative Activities Targeted Case Management	1,607	1,627	1,229	398
Emergency Medical Services	9,795	9,795	7,977	1,818
HCA Purpose Restricted Revenues	2,479	2,679	1,088	1,591
HCA Interest Bearing Purpose Restricted Revenues	106	106	43	63
Bioterrorism Center for Disease Control	4,421	7,053	5,206	1,847
Total Expenditures and Other Financing Uses	18,408	21,260	15,543	5,717
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(675)	(827)	$ 461	$ 1,288
Fund Balances - Beginning of Year	33,396	33,396	33,396	
Fund Balances - End of Year	$ 32,721	$ 32,569	$ 33,857	

(Dollar Amounts in Thousands)

B-101

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Roads				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ 472	$ 472	$ 806	$ 334
Fines, Forfeitures and Penalties	6	6	7	1
Use of Money and Property	258	258	572	314
Intergovernmental	69,540	69,552	52,099	(17,453)
Charges for Services	20,783	37,409	35,407	(2,002)
Other	38,204	38,204	1,803	(36,401)
Transfers In	19,316	19,316	--	(19,316)
Total Revenues and Other Financing Sources	148,579	165,217	90,694	(74,523)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
OC Road	132,369	137,750	86,251	51,499
Foothill Circulation Phasing Plan	1,079	1,079	712	367
South County Roadway Improve Prog (SCRIP)	7,481	54,060	28,647	25,413
Total Expenditures and Other Financing Uses	140,929	192,889	115,610	77,279
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	7,650	(27,672)	(24,916)	$ 2,756
Fund Balances - Beginning of Year	76,943	76,943	76,943	
Fund Balances - End of Year	$ 84,593	$ 49,271	$ 52,027	

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Orange County Housing Authority				
Revenues and Other Financing Sources				
Use of Money and Property	$ 108	$ 108	$ 134	$ 26
Intergovernmental	164,546	164,562	156,071	(8,491)
Charges for Services	3	3	13	10
Other	1,142	1,142	878	(264)
Total Revenues and Other Financing Sources	165,799	165,815	157,096	(8,719)
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Housing Authority-Operating Reserve	3,092	3,092	1,280	1,812
Orange County Housing Authority	168,755	168,770	156,156	12,614
Total Expenditures and Other Financing Uses	171,847	171,862	157,436	14,426
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,048)	(6,047)	(340)	$ 5,707
Fund Balances - Beginning of Year	17,186	17,186	17,186	
Fund Balances - End of Year	$ 11,138	$ 11,139	$ 16,846	

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Other Governmental Resources				
Revenues and Other Financing Sources				
Use of Money and Property	$ 3	$ 3	$ 6	$ 3
Charges for Services	30	30	196	166
Other	24	24	62	38
Transfers In	86	86	--	(86)
Total Revenues and Other Financing Sources	143	143	264	121
Expenditures and Other Financing Uses				
General Government:				
Remittance Processing Equipment Replacement	394	394	3	391
Assessor Property Characteristic	30	30	--	30
Deferred Compensation Reimbursement - CEO	--	--	--	--
Total Expenditures and Other Financing Uses	424	424	3	421
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(281)	(281)	261	$ 542
Fund Balances - Beginning of Year	932	932	932	
Fund Balances - End of Year	$ 651	$ 651	$ 1,193	

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Teeter Plan Notes				
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties	$ 10,500	$ 10,500	$ --	$ (10,500)
Use of Money and Property	200	200	242	42
Other	--	--	2	2
Bond Issuance Proceeds	81,535	81,535	30,542	(50,993)
Total Revenues and Other Financing Sources	92,235	92,235	30,786	(61,449)
Expenditures and Other Financing Uses				
General Government:				
Teeter Series A Debt Service	97,235	97,235	34,731	62,504
Total Expenditures and Other Financing Uses	97,235	97,235	34,731	62,504
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(5,000)	(5,000)	(3,945)	$ 1,055
Fund Balances - Beginning of Year	52,469	52,469	52,469	
Fund Balances - End of Year	$ 47,469	$ 47,469	$ 48,524	

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Pension Obligation Bonds				
Revenues and Other Financing Sources				
Use of Money and Property	$ 19,807	$ 19,807	$ 19,808	$ 1
Total Revenues and Other Financing Sources	19,807	19,807	19,808	1
Expenditures and Other Financing Uses				
General Government:				
Pension Obligation Bonds Debt Service	37,101	37,101	37,099	2
Total Expenditures and Other Financing Uses	37,101	37,101	37,099	2
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(17,294)	(17,294)	(17,291)	$ 3
Fund Balances - Beginning of Year	63,634	63,634	63,634	
Fund Balances - End of Year	$ 46,340	$ 46,340	$ 46,343	

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Criminal Justice Facilities				
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties	$ 4,198	$ 4,198	$ 3,849	$ (349)
Use of Money and Property	26	26	75	49
Charges for Services	300	300	--	(300)
Other	66	66	79	13
Transfers In	25,158	32,446	21,222	(11,224)
Total Revenues and Other Financing Sources	29,748	37,036	25,225	(11,811)
Expenditures and Other Financing Uses				
Public Protection:				
Criminal Justice Facilities Accumulated Capital Outlay	8,334	9,578	7,365	2,213
Courthouse Temporary Construction	3,943	3,943	3,687	256
Sheriff-Coroner Construction and Facility Development	19,071	18,366	5,518	12,848
Total Expenditures and Other Financing Uses	31,348	31,887	16,570	15,317
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,600)	5,149	8,655	$ 3,506
Fund Balances - Beginning of Year	5,806	5,806	5,806	
Fund Balances - End of Year	$ 4,206	$ 10,955	$ 14,461	
Countywide Capital Projects Non-General Fund				
Revenues and Other Financing Sources				
Transfers In	$ --	$ 40,989	$ 35,770	$ (5,219)
Bond Issuance Proceeds	65,332	45,759	--	(45,759)
Total Revenues and Other Financing Sources	65,332	86,748	35,770	(50,978)
Expenditures and Other Financing Uses				
Capital Improvements:				
Countywide Capital Projects Non-General	78,023	83,754	17,576	66,178
Total Expenditures and Other Financing Uses	78,023	83,754	17,576	66,178
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(12,691)	2,994	18,194	$ 15,200
Fund Balances - Beginning of Year	13,363	13,363	13,363	
Fund Balances - End of Year	$ 672	$ 16,357	$ 31,557	

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUND

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Regional Park Endowment				
Revenues and Other Financing Sources				
Use of Money and Property	$ 1	$ 1	$ 2	$ 1
Other	2	2	5	3
Total Revenues and Other Financing Sources	3	3	7	4
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Limestone Regional Park Mitigation Maintenance Endowment	3	3	1	2
Total Expenditures and Other Financing Uses	3	3	1	2
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	--	6	$ 6
Fund Balances - Beginning of Year	173	173	173	
Fund Balances - End of Year	$ 173	$ 173	$ 179	

INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods or services provided by one County department or agency to other County departments or agencies, or to other governmental entities, on a cost-reimbursement basis.

Health and Other Self-Insured Employee Benefits
These funds are used to account for the County's self-funded health insurance programs, group salary continuance plan, and group dental insurance programs.

Health Maintenance Organization (HMO) Health Insurance
This fund is used to account for the fully insured health plans for the County employees and retirees, the wellness program, and flexible spending accounts.

Life Insurance
This fund is used to account for the County's life insurance and accidental death and dismemberment insurance for employees.

Workers' Compensation
This fund is used to account for the County's self-funded workers' compensation insurance program.

Unemployment Insurance
This fund is used to account for the County's self-funded unemployment insurance program.

Property and Casualty Risk
This fund is used to account for the County's self-funded property and casualty risk insurance program.

Transportation
This fund is used to account for motor pool repair and maintenance, and for other transportation services, which are provided to departments and agencies on a cost-reimbursement basis.

Reprographics
This fund is used to account for printing and graphic services, which are provided to departments and agencies on a cost-reimbursement basis.

Information and Technology
This fund is used to account for voice and data services to departments and agencies on a cost-reimbursement basis.

(Dollar Amounts in Thousands)

B-104

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance	Workers' Compensation	Unemployment Insurance
ASSETS						
Current Assets						
Pooled Cash/Investments	$ 230,786	$ 30,299	$ 2,809	$ 122	$ 74,550	$ 10,037
Imprest Cash Funds	133	125	--	--	--	--
Restricted Cash and Investments with Trustee	10	10	--	--	--	--
Receivables						
Accounts	118	6	8	--	--	--
Interest/Dividends	383	52	--	--	130	16
Allowance for Uncollectible Receivables	(62)	--	--	--	--	--
Due from Other Funds	2,583	700	--	--	--	--
Due from Other Governmental Agencies	655	293	--	--	2	--
Inventory of Materials and Supplies	412	--	--	--	--	--
Prepaid Costs	1,613	--	--	--	176	--
Total Current Assets	236,631	31,485	2,817	122	74,858	10,053
Noncurrent Assets						
Capital Assets						
Construction in Progress	899	--	--	--	--	--
Structures and Improvements	11,788	--	--	--	--	--
Accumulated Depreciation	(6,110)	--	--	--	--	--
Equipment	119,648	--	--	--	8	--
Accumulated Depreciation	(73,906)	--	--	--	(8)	--
Total Capital Assets	52,319	--	--	--	--	--
Total Assets	288,950	31,485	2,817	122	74,858	10,053
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows of Resources Related to Pension	11,484	--	--	--	2,698	--
Total Deferred Outflows of Resources	11,484	--	--	--	2,698	--
LIABILITIES						
Current Liabilities						
Accounts Payable	21,012	290	--	--	1,418	23
Retainage Payable	3	--	--	--	--	--
Salaries and Employee Benefits Payable	1,154	--	--	--	144	--
Due to Other Funds	987	1	--	--	3	--
Due to Other Governmental Agencies	5	--	--	--	--	--
Insurance Claims Payable	60,214	12,978	--	--	29,650	808
Compensated Employee Absences Payable	1,151	--	--	--	148	--
Capital Lease Obligations Payable	6,900	--	--	--	--	--
Total Current Liabilities	91,426	13,269	--	--	31,363	831
Noncurrent Liabilities						
Insurance Claims Payable	159,282	--	--	--	130,040	--
Compensated Employee Absences Payable	963	--	--	--	128	--
Capital Lease Obligations Payable	6,900	--	--	--	--	--
Net Pension Liability	42,523	--	--	--	8,580	--
Total Noncurrent Liabilities	209,668	--	--	--	138,748	--
Total Liabilities	301,094	13,269	--	--	170,111	831
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows of Resources Related to Pension	4,410	--	--	--	896	--
Total Deferred Inflows of Resources	4,410	--	--	--	896	--
NET POSITION						
Net Investment in Capital Assets	38,519	--	--	--	--	--
Unrestricted	(43,589)	18,216	2,817	122	(93,451)	9,222
Total Net Position	$ (5,070)	$ 18,216	$ 2,817	$ 122	$ (93,451)	$ 9,222

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF NET POSITION (Continued)
INTERNAL SERVICE FUNDS

	Property & Casualty Risk	Transportation	Reprographics	Information & Technology
ASSETS				
Current Assets				
Pooled Cash/Investments	$ 50,953	$ 19,139	$ 2,531	$ 40,346
Imprest Cash Funds	5	--	--	3
Restricted Cash and Investments with Trustee	--	--	--	--
Receivables				
Accounts	14	56	--	34
Interest/Dividends	89	18	3	75
Allowance for Uncollectible Receivables	(10)	(51)	--	(1)
Due from Other Funds	190	1,432	--	261
Due from Other Governmental Agencies	20	53	85	202
Inventory of Materials and Supplies	--	412	--	--
Prepaid Costs	123	553	91	670
Total Current Assets	51,384	21,612	2,710	41,590
Noncurrent Assets				
Capital Assets				
Construction in Progress	--	138	--	761
Structures and Improvements	--	8,986	--	2,802
Accumulated Depreciation	--	(5,278)	--	(832)
Equipment	--	42,332	1,536	75,772
Accumulated Depreciation	--	(25,453)	(1,234)	(47,211)
Total Capital Assets	--	20,725	302	31,292
Total Assets	51,384	42,337	3,012	72,882
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to Pension	779	3,455	611	3,941
Total Deferred Outflows of Resources	779	3,455	611	3,941
LIABILITIES				
Current Liabilities				
Accounts Payable	1,676	1,094	80	16,431
Retainage Payable	--	2	--	1
Salaries and Employee Benefits Payable	79	373	72	486
Due to Other Funds	45	686	45	207
Due to Other Governmental Agencies	--	2	3	--
Insurance Claims Payable	16,778	--	--	--
Compensated Employee Absences Payable	121	359	62	461
Capital Lease Obligations Payable	--	--	--	6,900
Total Current Liabilities	18,699	2,516	262	24,486
Noncurrent Liabilities				
Insurance Claims Payable	29,242	--	--	--
Compensated Employee Absences Payable	81	379	49	326
Capital Lease Obligations Payable	--	--	--	6,900
Net Pension Liability	3,109	13,633	2,629	14,572
Total Noncurrent Liabilities	32,432	14,012	2,678	21,798
Total Liabilities	51,131	16,528	2,940	46,284
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to Pension	322	1,411	272	1,509
Total Deferred Inflows of Resources	322	1,411	272	1,509
NET POSITION				
Net Investment in Capital Assets	--	20,725	302	17,492
Unrestricted	710	7,128	109	11,538
Total Net Position	$ 710	$ 27,853	$ 411	$ 29,030

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance	Workers' Compensation	Unemployment Insurance
Operating Revenues						
Use of Money and Property	$ 1,770	$ --	$ --	$ --	$ --	$ --
Charges for Services	92,115	692	--	--	--	--
Insurance Premiums	304,693	63,912	161,772	756	45,936	--
Total Operating Revenues	398,578	64,604	161,772	756	45,936	--
Operating Expenses						
Salaries and Employee Benefits	20,563	--	--	--	2,323	--
Services and Supplies	28,963	1,815	--	--	312	--
Professional Services	59,447	5,084	5	--	4,846	65
Operating Leases	1,787	--	--	--	196	--
Insurance Claims and Premiums	284,500	60,872	163,377	785	42,149	796
Other Charges	363	363	--	--	--	--
Taxes and Other Fees	21	--	--	--	--	1
Depreciation	5,783	--	--	--	--	--
Total Operating Expenses	401,427	68,134	163,382	785	49,826	862
Operating Income (Loss)	(2,849)	(3,530)	(1,610)	(29)	(3,890)	(862)
Nonoperating Revenues (Expenses)						
Intergovernmental Revenues	1,062	1,062	--	--	--	--
Interest Revenue	1,882	278	58	1	588	89
Gain (Loss) on Disposition of Capital Assets	150	--	--	--	--	--
Other Revenue	4,908	2,302	381	--	496	9
Total Nonoperating Revenues	8,002	3,642	439	1	1,084	98
Income (Loss) Before Contributions and Transfers	5,153	112	(1,171)	(28)	(2,806)	(764)
Transfers In	13,008	1,052	5	--	594	--
Transfers Out	(1,069)	--	(52)	(1)	(10)	--
Change in Net Position	17,092	1,164	(1,218)	(29)	(2,222)	(764)
Net Position - Beginning of Year	(22,162)	17,052	4,035	151	(91,229)	9,986
Net Position - End of Year	$ (5,070)	$ 18,216	$ 2,817	$ 122	$ (93,451)	$ 9,222

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2016
(Dollar Amounts in Thousands)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (Continued)
INTERNAL SERVICE FUNDS

	Property & Casualty Risk	Transportation	Reprographics	Information & Technology
Operating Revenues				
Use of Money and Property	$ --	$ --	$ --	$ 1,770
Charges for Services	--	20,285	3,639	67,499
Insurance Premiums	32,317	--	--	--
Total Operating Revenues	32,317	20,285	3,639	69,269
Operating Expenses				
Salaries and Employee Benefits	1,539	7,351	1,205	8,145
Services and Supplies	8,127	8,790	1,099	8,820
Professional Services	732	2,486	861	45,368
Operating Leases	191	20	354	1,026
Insurance Claims and Premiums	16,521	--	--	--
Other Charges	--	--	--	--
Taxes and Other Fees	--	11	6	3
Depreciation	--	2,959	60	2,764
Total Operating Expenses	27,110	21,617	3,585	66,126
Operating Income (Loss)	5,207	(1,332)	54	3,143
Nonoperating Revenues (Expenses)				
Intergovernmental Revenues	--	--	--	--
Interest Revenue	361	106	16	385
Gain (Loss) on Disposition of Capital Assets	--	156	--	(6)
Other Revenue	1,048	286	206	180
Total Nonoperating Revenues	1,409	548	222	559
Income (Loss) Before Contributions and Transfers	6,616	(784)	276	3,702
Transfers In	--	7,663	--	3,694
Transfers Out	--	(215)	--	(791)
Change in Net Position	6,616	6,664	276	6,605
Net Position - Beginning of Year	(5,906)	21,189	135	22,425
Net Position - End of Year	$ 710	$ 27,853	$ 411	$ 29,030

Supplemental Information
(Dollar Amounts in Thousands)

B-108

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance	Workers' Compensation	Unemployment Insurance	Property & Casualty Risk
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers	$ 26,321	$ 698	$ 16	$ --	$ --	$ --	$ --
Cash Received for Premiums Within the County's Entity	304,693	63,912	161,772	756	45,936	--	32,317
Payments to Suppliers for Goods and Services	(366,461)	(66,369)	(163,382)	(785)	(43,010)	(983)	(19,081)
Payments to Employees for Services	(19,418)	--	--	--	(2,211)	--	(1,445)
Payments for Interfund Services	(946)	(700)	--	--	(3)	--	--
Receipts for Interfund Services	68,688	--	--	--	--	--	322
Taxes and Other Fees	(21)	--	--	--	--	(1)	--
Other Operating Receipts	4,907	2,302	381	--	495	9	1,048
Other Operating Payments	(2,161)	(363)	--	--	(196)	--	(202)
Net Cash Provided (Used) by Operating Activities	15,602	(520)	(1,213)	(29)	1,011	(975)	12,959
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers In	13,008	1,052	5	--	594	--	--
Transfers Out	(1,069)	--	(52)	(1)	(10)	--	--
Intergovernmental Revenues	1,062	1,062	--	--	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	13,001	2,114	(47)	(1)	584	--	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of Capital Assets	(6,619)	--	--	--	--	--	--
Principal Paid on Capital Lease Obligations	(6,900)	--	--	--	--	--	--
Net Cash Used by Capital and Related Financing Activities	(13,519)	--	--	--	--	--	--
CASH FLOW FROM INVESTING ACTIVITIES							
Interest on Investments	1,797	266	57	1	567	88	332
Net Cash Provided by Investing Activities	1,797	266	57	1	567	88	332
Net Increase (Decrease) in Cash and Cash Equivalents	16,881	1,860	(1,203)	(29)	2,162	(887)	13,291
Cash and Cash Equivalents - Beginning of Year	214,048	28,574	4,012	151	72,388	10,924	37,667
Cash and Cash Equivalents - End of Year	$ 230,929	$ 30,434	$ 2,809	$ 122	$ 74,550	$ 10,037	$ 50,958
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities							
Operating Income (Loss)	$ (2,849)	$ (3,530)	$ (1,610)	$ (29)	$ (3,890)	$ (862)	$ 5,207
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	5,783	--	--	--	--	--	--
Other Revenue	4,908	2,302	381	--	496	9	1,048
(Increases) Decreases In:							
Accounts Receivable	(9)	7	16	--	--	--	(1)
Due from Other Funds	74	(700)	--	--	--	--	279
Due from Other Governmental Agencies	(69)	(1)	--	--	(1)	--	(11)
Inventory of Materials and Supplies	41	--	--	--	--	--	--
Prepaid Costs	44	--	--	--	7	--	8
Deferred Outflows of Resources Related to Pension	(5,067)	--	--	--	(1,525)	--	(305)
Increases (Decreases) In:							
Accounts Payable	(5,727)	184	--	--	--	23	(438)
Retainage Payable	174	--	--	--	175	--	--
Salaries and Employee Benefits Payable	253	--	--	--	41	--	8
Due to Other Funds	167	--	--	--	(4)	(1)	43
Due to Other Governmental Agencies	--	--	--	--	--	--	--
Insurance Claims Payable	11,919	1,218	--	--	4,116	(144)	6,729
Compensated Employee Absences Payable	10	--	--	--	31	--	(3)
Net Pension Liability	5,303	--	--	--	1,396	--	352
Deferred Inflows of Resources Related to Pension	647	--	--	--	169	--	43
Total Adjustments	18,451	3,010	397	--	4,901	(113)	7,752
Net Cash Provided (Used) by Operating Activities	$ 15,602	$ (520)	$ (1,213)	$ (29)	$ 1,011	$ (975)	$ 12,959
Reconciliation of Cash and Cash Equivalents to Statement of Net Position							
Pooled Cash/Investments	$ 230,786	$ 30,299	$ 2,809	$ 122	$ 74,550	$ 10,037	$ 50,953
Imprest Cash Funds	133	125	--	--	--	--	5
Restricted Cash and Investments with Trustee	10	10	--	--	--	--	--
Total Cash and Cash Equivalents	$ 230,929	$ 30,434	$ 2,809	$ 122	$ 74,550	$ 10,037	$ 50,958

(Dollar Amounts in Thousands)

B-109

COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS

	Transportation	Reprographics	Information & Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 20,282	$ 3,620	$ 1,705
Cash Received for Premiums Within the County's Entity	--	--	--
Payments to Suppliers for Goods and Services	(10,424)	(2,030)	(60,397)
Payments to Employees for Services	(6,902)	(1,121)	(7,739)
Payments for Interfund Services	--	(243)	--
Receipts for Interfund Services	201	--	68,165
Taxes and Other Fees	(11)	(6)	(3)
Other Operating Receipts	286	206	180
Other Operating Payments	(20)	(354)	(1,026)
Net Cash Provided (Used) by Operating Activities	3,412	72	885
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	7,663	--	3,694
Transfers Out	(215)	--	(791)
Intergovernmental Revenues	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	7,448	--	2,903
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(5,588)	--	(1,031)
Principal Paid on Capital Lease Obligations	--	--	(6,900)
Net Cash Used by Capital and Related Financing Activities	(5,588)	--	(7,931)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on Investments	106	16	364
Net Cash Provided by Investing Activities	106	16	364
Net Increase (Decrease) in Cash and Cash Equivalents	5,378	88	(3,779)
Cash and Cash Equivalents - Beginning of Year	13,761	2,443	44,128
Cash and Cash Equivalents - End of Year	$ 19,139	$ 2,531	$ 40,349
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	$ (1,332)	$ 54	$ 3,143
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,959	60	2,764
Other Revenue	286	206	180
(Increases) Decreases In:			
Accounts Receivable	(4)	--	(27)
Due from Other Funds	(97)	--	592
Due from Other Governmental Agencies	1	(19)	(38)
Inventory of Materials and Supplies	41	--	--
Prepaid Costs	17	22	(10)
Deferred Outflows of Resources Related to Pension	(1,363)	(211)	(1,663)
Increases (Decreases) In:			
Accounts Payable	791	(90)	(6,197)
Retainage Payable	1	--	(2)
Salaries and Employee Benefits Payable	42	13	149
Due to Other Funds	298	(243)	74
Due to Other Governmental Agencies	2	(2)	--
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	39	(42)	(15)
Net Pension Liability	1,543	287	1,725
Deferred Inflows of Resources Related to Pension	188	37	210
Total Adjustments	4,744	18	(2,258)
Net Cash Provided (Used) by Operating Activities	$ 3,412	$ 72	$ 885
Reconciliation of Cash and Cash Equivalents to Statement of Net Position			
Pooled Cash/Investments	$ 19,139	$ 2,531	$ 40,346
Imprest Cash Funds	--	--	3
Restricted Cash and Investments with Trustee	--	--	--
Total Cash and Cash Equivalents	$ 19,139	$ 2,531	$ 40,349

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the County in a trustee or agency capacity on behalf of outside parties, including employees, individuals, private organizations, or other governments. These funds cannot be used to support the County's programs. When these assets are held under a formal trust agreement, a trust fund is used. Agency funds are generally used to account for assets that the County holds on behalf of others as their agent in a purely custodial capacity.

PRIVATE-PURPOSE TRUST FUNDS

Public Administration Trust Funds

These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, and decedents' property held for escheatment.

County of Orange Redevelopment Successor Agency

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with Health and Safety Code 34172. A successor agency was designated as the successor entity to the former redevelopment agency in accordance with Health and Safety Code 34173. The Successor Agency holds the assets of the dissolved OCDA pending liquidation and distribution.

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

Extra-Help Defined Benefit Plan

This fund is used to account for the retirement plan for employees working less than half-time or as extra-help. This retirement plan was closed to new participants as of February 28, 2002. The eligible employees of these plans are not covered by the Orange County Employees Retirement System (OCERS).

Extra-Help Defined Contribution Plan

This fund is used to account for the defined contribution retirement plan for extra-help and part-time employees. This plan replaced the Extra-Help Defined Benefit Retirement Plan and was effective for new employees on March 1, 2002. Effective February 10, 2015, the plan also includes new employees who have attained age 60 at date of hire, who waive membership in OCERS, and do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS. The eligible employees of these plans are not covered by OCERS.

401(a) Defined Contribution Plan

This fund accounts for the 401(a) defined contribution plan, which was established in January 1999 for eligible employees, including the members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered in the plan, attorneys represented by the Orange County Attorney's Association and certain other employee classifications as defined in the plan document. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers and to all grandfathered administrative managers, effective June 23, 2016 and December 28, 2012, respectively.

1.62% at 65 Retirement, 401(a) Defined Contribution Plan

This fund is used to account for the matching 401(a) employer contributions for eligible employees in the "1.62% at 65" Retirement (OCERS) formula who voluntarily contribute to the "1.62% at 65" Retirement, 457(b) defined contribution plan. The Plan was established on May 7, 2010.

Retiree Medical Plan

This fund is used to account for the annual required contributions, benefit payments, and investment losses and gains in the Retiree Medical Trust which was established effective July 2, 2007. The Retiree Medical Trust was established exclusively for the Retiree Medical Plan which is a single employer Other Postemployment Benefit plan that was established on August 1, 1993 for eligible employees as defined in the plan document.

Health Reimbursement Arrangement Plan

This fund is used to account for the employer contributions to the Health Reimbursement Arrangement (HRA), a defined contribution plan, which was established on June 17, 2008 for eligible employees, including employees represented by the Association of Orange County Deputy Sheriffs and Law Enforcement Management employees as defined in the plan document. The HRA was amended and restated on June 1, 2016 to provide for the transition of the Orange County Attorney's Association to the HRA Plan in July 2016.

AGENCY FUNDS

Unapportioned Tax and Interest Funds

This group of funds is used to account for the collection of property taxes, and later distribution of such taxes, as well as the interest earned on them. Included are taxes collected by the County for other governmental units using the County treasury, as well as governmental units not using the County treasury, such as cities.

Departmental Funds

This group of funds is used by certain County officers to hold various types of cash receipts and deposits in a fiduciary capacity. Disbursements are made from these funds by checks issued by the County Auditor-Controller upon requisition of the responsible officer.

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS

	Total	Public Administration Trust Funds	Successor Agency
ASSETS			
Pooled Cash/Investments	$ 54,761	$ 46,644	$ 8,117
Restricted Cash and Investments			
Restricted Investments with Trustee	4,647	--	4,647
Receivables			
Interest/Dividends	186	154	32
Land and Improvements Held for Resale	133	--	133
Total Assets	59,727	46,798	12,929
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	394	--	394
Total Deferred Outflows of Resources	394	--	394
LIABILITIES			
Bonds Payable	30,041	--	30,041
Interest Payable	386	--	386
Due to Other Governmental Agencies	350	348	2
Total Liabilities	30,777	348	30,429
DEFERRED INFLOWS OF RESOURCES			
Deferred Charge on Refunding	132	--	132
Total Deferred Inflows of Resources	132	--	132
NET POSITION			
Restricted for Private-Purpose Trust Funds	29,212	46,450	(17,238)
Net Position (Deficit)	$ 29,212	$ 46,450	$ (17,238)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Total	Public Administration Trust Funds	Successor Agency
Additions:			
Contributions to Private-Purpose Trust	$ 64,627	$ 64,627	$ --
Intergovernmental Revenues	300	--	300
Other Revenues	1,191	--	1,191
Interest and Investment Income	699	592	107
Less: Investment Expense	(8)	--	(8)
Total Additions	66,809	65,219	1,590
Deductions:			
Distributions from Private-Purpose Trust	59,924	59,924	--
Professional Services	182	26	156
Other Expenses	712	--	712
Tax Pass-Throughs	4,000	--	4,000
Interest Expense	1,141	--	1,141
Total Deductions	65,959	59,950	6,009
Change in Net Position	850	5,269	(4,419)
Net Position (Deficit), Beginning of Year	28,362	41,181	(12,819)
Net Position (Deficit), End of Year	$ 29,212	$ 46,450	$ (17,238)

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
ASSETS							
Pooled Cash/Investments	$ 8,655	$ 1,398	$ --	$ --	$ --	$ 7,211	$ 46
Restricted Cash and Investments							
Restricted Investments with Trustee	104,653	4,194	7,299	14,207	1,237	--	77,716
Restricted Cash with OCERS	214,769	--	--	--	--	214,769	--
Receivables							
Interest/Dividends	65	7	--	--	--	58	--
Due from Other Governmental Agencies	3,948	--	60	54	56	3,254	524
Total Assets	332,090	5,599	7,359	14,261	1,293	225,292	78,286
NET POSITION							
Restricted for Pension and OPEB Benefits	332,090	5,599	7,359	14,261	1,293	225,292	78,286
Net Position	$ 332,090	$ 5,599	$ 7,359	$ 14,261	$ 1,293	$ 225,292	$ 78,286

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62%@65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Additions:							
Contributions to Pension and Other Employee Benefits Trust:							
Employer	$ 53,860	$ 784	$ --	$ 991	$ 736	$ 42,490	$ 8,859
Employee	3,261	--	951	--	--	2,310	--
Other Revenues	7	7	--	--	--	--	--
Interest and Investment Income/(Loss)	(2,023)	123	158	19	17	(1,504)	(836)
Less: Investment Expense	(269)	(4)	(8)	(14)	(2)	(8)	(233)
Total Additions	54,836	910	1,101	996	751	43,288	7,790
Deductions:							
Benefits Paid to Participants	34,687	428	1,339	740	--	30,533	1,647
Administrative Expense	90	--	--	--	--	90	--
Total Deductions	34,777	428	1,339	740	--	30,623	1,647
Change in Net Position	20,059	482	(238)	256	751	12,665	6,143
Net Position, Beginning of Year	312,031	5,117	7,597	14,005	542	212,627	72,143
Net Position, End of Year	$ 332,090	$ 5,599	$ 7,359	$ 14,261	$ 1,293	$ 225,292	$ 78,286

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL AGENCY FUNDS

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
ASSETS			
Pooled Cash/Investments	$ 274,484	$ 134,680	$ 139,804
Cash/Cash Equivalents	270	--	270
Restricted Cash and Investments with Trustee	29,465	--	29,465
Investments	1,082	--	1,082
Deposits In-Lieu of Cash	19,454	--	19,454
Receivables			
Accounts	28	--	28
Taxes	340,178	340,178	--
Interest/Dividends	9,022	8,632	390
Allowance For Uncollectible Receivables	(167,621)	(167,620)	(1)
Due from Other Governmental Agencies	3,266	510	2,756
Notes Receivable	29,674	--	29,674
Total Assets	539,302	316,380	222,922
LIABILITIES			
Interest Payable	8,269	8,269	--
Deposits from Others	14,505	--	14,505
Monies Held for Others	147,095	--	147,095
Due to Other Governmental Agencies	61,324	2	61,322
Unapportioned Taxes	308,109	308,109	--
Total Liabilities	539,302	316,380	222,922
NET POSITION	$ --	$ --	$ --

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CHANGES ASSETS AND LIABILITIES
ALL AGENCY FUNDS

UNAPPORTIONED TAX AND INTEREST FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	$ 189,325	$ 8,008,476	$ 8,063,121	$ 134,680
Receivables				
Taxes	317,620	17,392,696	17,370,138	340,178
Interest	6,995	66,509	64,872	8,632
Allowance for Uncollectible Receivables	(154,805)	--	12,815	(167,620)
Due from Other Governmental Agencies	2,126	16,635	18,251	510
Total Assets	$ 361,261	$ 25,484,316	$ 25,529,197	$ 316,380
LIABILITIES				
Interest Payable	$ 6,015	$ 29,898	$ 27,644	$ 8,269
Due to Other Governmental Agencies	2,329	39,282	41,609	2
Unapportioned Taxes	352,917	10,910,882	10,955,690	308,109
Total Liabilities	$ 361,261	$ 10,980,062	$ 11,024,943	$ 316,380

DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	$ 148,761	$ 3,380,410	$ 3,389,367	$ 139,804
Cash/Cash Equivalents	326	509	565	270
Restricted Cash and Investments with Trustee	31,075	92,068	93,678	29,465
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	19,247	2,636	2,429	19,454
Receivables				
Accounts	3	1,678	1,653	28
Interest	333	1,033	976	390
Allowance for Uncollectible Receivables	(2)	1	--	(1)
Due from Other Governmental Agencies	3,439	664,924	665,607	2,756
Notes Receivable	30,376	--	702	29,674
Total Assets	$ 234,640	$ 4,143,259	$ 4,154,977	$ 222,922
LIABILITIES				
Deposits From Others	$ 30,386	$ 39,850	$ 55,731	$ 14,505
Monies Held for Others	155,775	6,043,260	6,051,940	147,095
Due to Other Funds	--	37	37	--
Due to Other Governmental Agencies	48,479	1,100,821	1,087,978	61,322
Total Liabilities	$ 234,640	$ 7,183,968	$ 7,195,686	$ 222,922

TOTAL - ALL AGENCY FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	$ 338,086	$ 11,388,886	$ 11,452,488	$ 274,484
Cash/Cash Equivalents	326	509	565	270
Restricted Cash and Investments with Trustee	31,075	92,068	93,678	29,465
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	19,247	2,636	2,429	19,454
Receivables				
Accounts	3	1,678	1,653	28
Taxes	317,620	17,392,696	17,370,138	340,178
Interest	7,328	67,542	65,848	9,022
Allowance for Uncollectible Receivables	(154,807)	1	12,815	(167,621)
Due from Other Governmental Agencies	5,565	681,559	683,858	3,266
Notes Receivable	30,376	--	702	29,674
Total Assets	$ 595,901	$ 29,627,575	$ 29,684,174	$ 539,302
LIABILITIES				
Interest Payable	$ 6,015	$ 29,898	$ 27,644	$ 8,269
Deposits from Others	30,386	39,850	55,731	14,505
Monies Held for Others	155,775	6,043,260	6,051,940	147,095
Due to Other Funds	--	37	37	--
Due to Other Governmental Agencies	50,808	1,140,103	1,129,587	61,324
Unapportioned Taxes	352,917	10,910,882	10,955,690	308,109
Total Liabilities	$ 595,901	$ 18,164,030	$ 18,220,629	$ 539,302

ORANGE COUNTY AUDITOR-CONTROLLER
CALIFORNIA

Dana Point Harbor

B-117

STATISTICAL SECTION
(UNAUDITED)

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the Comprehensive Annual Financial Report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the basic financial statements, notes to the basic financial statements, and required supplementary information to understand and assess a government's economic condition.

Contents | Page

Source: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

(Dollar Amounts in Thousands)

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year 2015-16	2014-15	2013-14 [3]	2012-13	2011-12 [3]	2010-11	2009-10	2008-09	2007-08	2006-07
Governmental Activities										
Net Investment in Capital Assets	$ 2,707,493	$ 2,670,577	$ 2,646,812	$ 2,563,976	$ 2,699,809	$ 2,626,281	$ 2,560,468	$ 2,445,397	$ 2,302,926	$ 2,273,891
Restricted for:										
Expendable										
Other Postemployment Benefits	--	--	--	--	-- [1]	41,609	43,580	57,322	46,442	--
Pension Benefits	111,639	112,544	109,986	105,900	96,604	107,807	--	--	--	--
Capital Projects	10,836	6,154	8,661	11,904	16,269	56,219	58,947	85,197	211,426	247,277
Debt Service	36,380	37,734	37,639	31,965	-	87,253	76,936	66,515	168,468	155,918
Legally Segregated for Grants and Other Purposes	1,103,257	1,045,897	1,190,106	1,174,791	1,077,117	1,133,256	1,069,801	1,047,284	990,198	916,563
Regional Park Endowment	144	141	140	139	--	--	--	--	--	--
Nonexpendable										
Regional Park Endowment	193	188	185	183	319	315	154	149	139	125
Unrestricted	(2,979,945)	(2,991,814)	331,408	196,850	37,790	(73,741)	(9,986)	(1,271)	57,812	135,826
Total Governmental Activities Net Position	$ 989,997	$ 881,421	$ 4,324,937	$ 4,085,708	$ 3,927,908	$ 3,978,999	$ 3,799,900	$ 3,700,593	$ 3,777,411	$ 3,729,600
Business-Type Activities										
Net Investment in Capital Assets	$ 663,280	$ 642,427	$ 624,621	$ 587,934	$ 574,982	$ 591,664	$ 537,375	$ 493,658	$ 395,227	$ 359,544
Restricted for:										
Expendable										
Debt Service	8,499	7,324	7,090	58,772	--	--	--	--	--	--
Passenger Facility Charges Approved Capital Projects	14,705	70,538	62,522	55,331	--	--	--	--	--	--
Replacements and Renewals	1,000	1,000	1,000	1,000	--	--	--	--	--	--
Landfill Closure/Postclosure	33,997	33,337	37,412	40,355	--	--	--	--	--	--
Landfill Corrective Action	8,245	8,174	7,141	6,109	--	--	--	--	--	--
Wetland	879	879	879	879	--	--	--	--	--	--
Prima Deshecha/La Pata Closure	104	104	104	104	--	--	--	--	--	--
Airport [2]	--	--	--	--	58,149	50,899	48,225	176,225	218,293	194,038
Waste Management [2]	--	--	--	--	82,205	84,070	86,943	284,943	294,068	292,847
Unrestricted	465,003	362,546	384,871	335,122	350,474	313,568	321,778	--	--	--
Total Business-Type Activities Net Position	$ 1,195,712	$ 1,126,329	$ 1,125,640	$ 1,085,606	$ 1,065,810	$ 1,040,201	$ 994,321	$ 954,826	$ 907,588	$ 846,429

Notes:
(1) In FY 2011-12, it was determined that the Restricted Net Position for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.
(2) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
(3) The balances shown have not been restated to include the prior period adjustments.

(Dollar Amounts in Thousands)

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting) (Continued)

	Fiscal Year									
	2015-16	2014-15	2013-14 (1)	2012-13	2011-12 (1)	2010-11	2009-10	2008-09	2007-08	2006-07
Primary Government										
Net Investment										
in Capital Assets	$ 3,370,773	$ 3,313,004	$ 3,271,433	$ 3,151,910	$ 3,274,791	$ 3,217,945	$ 3,097,843	$ 2,939,055	$ 2,698,153	$ 2,633,435
Restricted for:										
Expendable										
Other Postemployment										
Benefits	--	--	--	--	--	41,609	43,580	57,322	46,442	--
Pension Benefits	111,639	112,544	109,986	105,900	96,604	107,807	--	--	--	--
Capital Projects	10,836	6,154	8,661	11,904	16,269	56,219	58,947	85,197	211,426	247,277
Debt Service	44,879	45,058	44,729	90,737	--	87,253	76,936	66,515	168,468	155,918
Legally Segregated										
for Grants and										
Other Purposes	1,103,257	1,045,897	1,190,106	1,174,791	1,077,117	1,133,256	1,069,801	1,047,284	990,198	916,563
Regional Park Endowment	144	141	140	139	--	--	--	--	--	--
Passenger Facility Charges										
Approved Capital Projects	14,705	70,538	62,522	55,331	--	--	--	--	--	--
Replacements and Renewals	1,000	1,000	1,000	1,000	--	--	--	--	--	--
Landfill Closure/Postclosure	33,997	33,337	37,412	40,355	--	--	--	--	--	--
Landfill Corrective Action	8,245	8,174	7,141	6,109	--	--	--	--	--	--
Wetland	879	879	879	879	--	--	--	--	--	--
Prima Deshecha/La Pata										
Closure	104	104	104	104	--	--	--	--	--	--
Airport (2)	--	--	--	--	58,149	50,899	48,225	176,225	218,293	194,038
Waste Management (2)	--	--	--	--	82,205	84,070	86,943	284,943	294,068	292,847
Nonexpendable										
Regional Park Endowment	193	188	185	183	319	315	154	149	139	125
Unrestricted	(2,514,942)	(2,629,268)	716,279	531,972	388,264	239,827	311,792	(1,271)	57,812	135,826
Total Primary Government										
Net Position	$ 2,185,709	$ 2,007,750	$ 5,450,577	$ 5,171,314	$ 4,993,718	$ 5,019,200	$ 4,794,221	$ 4,655,419	$ 4,684,999	$ 4,576,029

Notes: (1) The balances shown have not been restated to include prior period adjustments.
(2) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.

B-119

(Dollar Amounts in Thousands)

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year 2015-16	2014-15	2013-14 (1)	2012-13	2011-12 (1)	2010-11	2009-10	2008-09	2007-08	2006-07
Expenses										
Governmental Activities:										
General Government	$ 203,394	$ 191,793	$ 131,026	$ 221,110	$ 161,615	$ 223,710	$ 165,489	$ 268,092	$ 264,049	$ 281,739
Public Protection	1,433,421	1,326,028	1,261,984	1,264,354	1,231,925	1,174,859	1,160,823	1,230,894	1,164,458	1,055,593
Public Ways and Facilities	142,071	114,398	127,561	137,651	144,382	136,017	120,135	108,748	131,563	96,776
Health and Sanitation	554,872	537,580	626,063	621,381	593,657	586,525	578,983	593,331	576,160	527,541
Public Assistance	1,097,129	1,049,665	988,735	944,230	930,348	931,263	931,469	898,668	862,709	794,862
Education	46,170	43,314	41,240	38,548	41,226	39,788	41,009	41,265	37,728	32,722
Recreation and Cultural Services	115,136	102,069	96,820	101,232	102,762	101,993	90,649	81,896	75,612	80,279
Interest on Long-Term Debt	20,112	23,560	28,028	31,269	56,765	53,806	53,782	59,751	76,210	65,961
Subtotal Governmental Activities	3,612,305	3,388,407	3,301,457	3,359,775	3,262,680	3,247,961	3,142,339	3,282,645	3,188,489	2,935,473
Business-Type Activities:										
Airport	120,921	124,778	120,731	122,568	107,120	88,059	92,068	91,959	86,750	90,524
Waste Management	96,301	69,307	94,161	94,737	94,553	93,985	84,754	79,374	101,990	85,378
Compressed Natural Gas	283	331	379	305	306	349	95	--	--	--
Subtotal Business-Type Activities	217,505	194,416	215,271	217,610	201,979	182,393	176,917	171,333	188,740	175,902
Total Primary Government Expenses	$ 3,829,810	$ 3,582,823	$ 3,516,728	$ 3,577,385	$ 3,464,659	$ 3,430,354	$ 3,319,256	$ 3,453,978	$ 3,377,229	$ 3,111,375
Program Revenues										
Governmental Activities:										
Charges for Services										
General Government	$ 34,048	$ 36,924	$ 32,016	$ 32,127	$ 26,942	$ 33,561	$ 27,452	$ 44,782	$ 40,659	$ 45,647
Public Protection	288,185	286,644	273,215	283,031	271,423	310,773	278,355	289,014	295,740	283,215
Public Ways and Facilities	63,487	53,834	53,071	39,981	62,653	53,960	45,809	47,283	45,898	41,014
Health and Sanitation	85,392	102,599	93,470	81,039	86,027	93,815	86,430	82,059	95,069	85,305
Public Assistance	37,975	37,650	42,300	34,780	35,036	36,304	30,914	26,636	6,360	5,372
Education	1,426	1,480	2,059	1,327	1,437	1,576	1,449	1,338	1,349	4,743
Recreation and Cultural Cultural Services	46,937	43,882	39,251	39,637	38,888	37,560	38,223	40,138	40,449	39,028
Operating Grants and Contributions	2,037,311	1,996,861	2,033,550	1,904,858	1,800,296	1,706,231	1,741,762	1,641,501	1,735,820	1,759,887
Capital Grants and Contributions	105,776	33,241	54,478	62,893	39,010	170,516	16,828	94,031	46,308	69,340
Subtotal Governmental Activities Program Revenues	2,700,537	2,593,115	2,623,410	2,479,673	2,361,712	2,444,296	2,267,222	2,266,782	2,307,652	2,333,551
Business-Type Activities:										
Charges for Services										
Airport	149,894	141,563	136,359	132,941	129,213	124,298	126,656	125,095	126,139	127,747
Waste Management	147,130	139,493	125,106	106,876	99,249	102,595	82,442	93,456	99,548	111,362
Compressed Natural Gas	269	312	392	385	293	242	129	--	--	--
Operating Grants and Contributions	171	255	900	200	212	657	1,432	171	569	691
Capital Grants and Contributions	2,174	9,215	5,277	3,839	5,216	6,544	8,077	7,466	15,188	6,731
Subtotal Business-Type Activities Program Revenues	299,638	290,838	268,034	244,241	234,183	234,336	218,736	226,188	241,444	246,531
Total Primary Government Program Revenues	$ 3,000,175	$ 2,883,953	$ 2,891,444	$ 2,723,914	$ 2,595,895	$ 2,678,632	$ 2,485,958	$ 2,492,970	$ 2,549,096	$ 2,580,082

Notes: (1) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

B-121

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting) (Continued)

	Fiscal Year									
	2015-16	2014-15	2013-14 (3)	2012-13	2011-12 (3)	2010-11	2009-10	2008-09	2007-08	2006-07
Net (Expense)/Revenue										
Governmental Activities	$ (911,768)	$ (795,292)	$ (678,047)	$ (880,102)	$ (900,968)	$ (803,665)	$ (875,117)	$ (1,015,863)	$ (880,837)	$ (601,922)
Business-Type Activities	82,133	96,422	52,763	26,631	32,204	51,943	41,819	54,855	52,704	70,629
Total Primary Government Net Revenue/(Expense)	$ (829,635)	$ (698,870)	$ (625,284)	$ (853,471)	$ (868,764)	$ (751,722)	$ (833,298)	$ (961,008)	$ (828,133)	$ (531,293)
General Revenue and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes, Levied for General Fund	$ 311,902	$ 328,500	$ 277,591	$ 313,299	$ 311,779	$ 298,953	$ 290,054	$ 263,893	$ 273,259	$ 283,112
Property Taxes, Levied for Flood Control District	82,193	77,090	72,737	69,321	68,184	73,260	67,103	68,747	68,042	63,209
Property Taxes, Levied for OC Parks	61,048	57,266	54,042	51,550	51,168	51,554	49,857	51,076	50,551	46,965
Property Taxes, Levied for OC Public Libraries	45,364	42,333	39,734	37,961	37,389	37,590	37,057	37,932	37,454	34,427
Property Tax Increments (2)	--	--	--	--	18,308	30,755	31,917	35,276	32,376	25,828
Property Taxes in-Lieu of Motor Vehicle License Fees	333,595	314,957	295,798	309,745	303,955	228,421	229,635	232,760	224,210	206,933
Other Taxes	78,184	71,613	73,178	108,430	43,568	83,938	93,024	94,184	84,434	54,644
Grants and Contributions Not Restricted to Specific Programs	4,583	49,476	14,192	6,711	9,377	27,457	10,299	27,637	23,434	1,917
State Allocation of Motor Vehicle License Fees	1,100	764	895	1,659	2,667	49,889	46,697	50,390	54,656	58,487
Unrestricted Investment Earnings	17,032	6,796	18,459	11,559	4,195	23,703	15,541	13,583	27,773	60,856
Miscellaneous	63,825	69,789	54,412	48,478	57,125	64,563	54,496	49,438	66,887	60,762
Gain on Sale of Capital Assets	--	--	--	--	34	--	--	--	--	31,460
Transfers	21,518	19,959	17,557	10,276	11,767	12,681	11,188	14,129	16,802	14,130
Subtotal Governmental Activities	1,020,344	1,038,543	918,595	968,989	919,516	982,764	936,868	939,045	959,878	942,730
Extraordinary Gain/(Loss)										
Dissolution of OCDA (1)	--	--	--	1,800	(69,639)	--	--	--	--	--
Business-Type Activities:										
Other Taxes	72	109	101	93	134	-	--	--	--	--
Unrestricted Investment Earnings	6,526	3,042	3,064	2,113	3,530	5,509	6,411	17,332	29,206	34,500
Miscellaneous Revenues	2,170	1,597	3,177	1,235	1,508	1,109	2,453	786	2,886	1,206
Special Items	--	--	--	--	--	--	--	--	(6,835)	--
Transfers	(21,518)	(19,959)	(17,557)	(10,276)	(11,767)	(12,681)	(11,188)	(14,129)	(16,802)	(14,130)
Subtotal Business-Type Activities	(12,750)	(15,211)	(11,215)	(6,835)	(6,595)	(6,063)	(2,324)	3,989	8,455	21,576
Total Primary Government	$ 1,007,594	$ 1,023,332	$ 907,380	$ 963,954	$ 843,282	$ 976,701	$ 934,544	$ 943,034	$ 968,333	$ 964,306
Change in Net Position										
Governmental Activities	$ 108,576	$ 243,251	$ 240,548	$ 90,687	$ (51,091)	$ 179,099	$ 61,751	$ (76,818)	$ 79,041	$ 340,808
Business-Type Activities	69,383	81,211	41,548	19,796	25,609	45,880	39,495	58,844	61,159	92,205
Total Primary Government	$ 177,959	$ 324,462	$ 282,096	$ 110,483	$ (25,482)	$ 224,979	$ 101,246	$ (17,974)	$ 140,200	$ 433,013

Notes:
(1) Extraordinary item results from dissolution of OCDA which is now reported as a private-purpose trust fund.
(2) Starting in FY 2012-13, there were no property tax increment revenues due to dissolution of OCDA.
(3) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

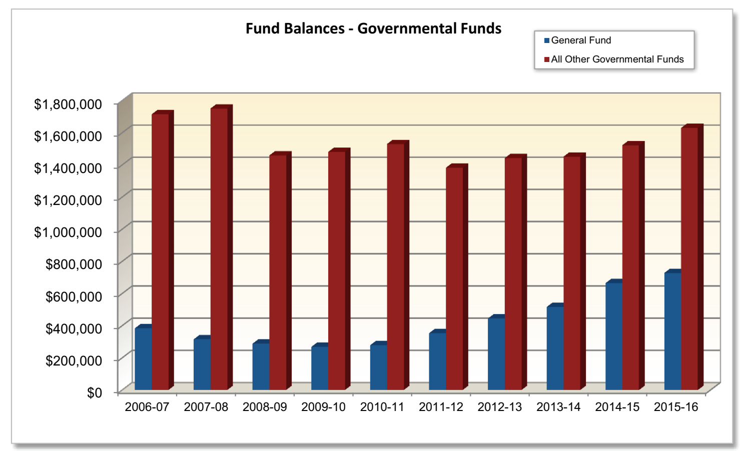
B-122

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2015-16	2014-15	2013-14	2012-13(2)	2011-12
General Fund					
Reserved	$ --	$ --	$ --	$ --	$ --
Unreserved	--	--	--	--	--
Nonspendable (1)	331,889	336,606	321,022	263,446	225,460
Restricted (1)	49,230	31,486	42,028	34,679	26,336
Assigned (1)	321,064	269,529	153,336	68,157	100,448
Unassigned (1)	25,655	26,887	--	78,264	990
Total General Fund	$ 727,838	$ 664,508	$ 516,386	$ 444,546	$ 353,234
All Other Governmental Funds					
Reserved	$ --	$ --	$ --	$ --	$ --
Unreserved,					
Reported in:					
Special Revenue Funds	--	--	--	--	--
Debt Service Funds	--	--	--	--	--
Capital Projects Funds	--	--	--	--	--
Permanent Fund	--	--	--	--	--
Nonspendable (1)	20,501	21,296	21,207	18,929	23,057
Restricted (1)	1,479,405	1,417,122	1,362,102	1,357,556	1,318,071
Assigned (1)	129,782	83,765	67,929	65,556	43,900
Unassigned (1)	--	--	--	--	(3,016)
Total All Other Governmental Funds	$ 1,629,688	$ 1,522,183	$ 1,451,238	$ 1,442,041	$ 1,382,012

Note: (1) In accordance with GASB Statement No. 54, which was implemented in FY 2010-11, the classification of fund balance was redefined.
(2) The balances shown have not been restated to include prior period adjustments.

	Fiscal Year				
	2010-11	2009-10	2008-09	2007-08	2006-07
General Fund					
Reserved	$ --	$ 53,190	$ 49,423	$ 99,877	$ 89,001
Unreserved	--	215,094	238,621	215,096	294,739
Nonspendable (1)	266,328	--	--	--	--
Restricted (1)	10,872	--	--	--	--
Assigned (1)	1,394	--	--	--	--
Unassigned (1)	--	--	--	--	--
Total General Fund	$ 278,594	$ 268,284	$ 288,044	$ 314,973	$ 383,740
All Other Governmental Funds					
Reserved	$ --	$ 540,745	$ 517,375	$ 671,739	$ 626,134
Unreserved,					
Reported in:					
Special Revenue Funds	--	894,148	878,113	880,288	838,291
Debt Service Funds	--	(1,813)	(9,903)	--	17,456
Capital Projects Funds	--	47,362	73,045	198,348	232,317
Permanent Fund	--	154	149	139	125
Nonspendable (1)	20,802	--	--	--	--
Restricted (1)	1,482,755	--	--	--	--
Assigned	34,173	--	--	--	--
Unassigned (1)	(8,074)	--	--	--	--
Total All Other Governmental Funds	$ 1,529,656	$ 1,480,596	$ 1,458,779	$ 1,750,514	$ 1,714,323



(Dollar Amounts in Thousands)

B-123

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Basis of Accounting)

	Fiscal Year 2015-16	2014-15	2013-14	2012-13	2011-12 [1]
Revenues					
Taxes	$ 876,808	822,511	$ 778,936	$ 854,587	$ 784,797
Licenses, Permits and Franchises	27,659	24,583	24,920	15,213	18,046
Fines, Forfeitures and Penalties	61,669	108,115	62,081	79,267	80,180
Use of Money and Property	88,211	73,700	63,611	58,441	81,088
Intergovernmental	2,125,136	2,064,354	2,070,245	1,940,687	1,846,311
Charges for Services	466,659	480,023	470,899	439,224	435,920
Other	69,436	71,207	54,406	77,464	66,920
Total Revenues	3,715,578	3,644,493	3,525,098	3,464,883	3,313,262
Expenditures					
General Government	261,387	212,805	172,195	186,145	170,156
Public Protection	1,289,902	1,230,878	1,194,069	1,157,676	1,125,831
Public Ways and Facilities	123,140	102,732	127,506	112,294	126,809
Health and Sanitation	527,482	515,560	621,891	611,369	580,791
Public Assistance	1,061,647	1,030,404	972,156	932,414	909,296
Education	43,928	41,949	40,008	37,239	37,621
Recreation and Cultural Services	100,381	98,001	98,388	94,051	91,753
Capital Outlay	116,569	102,863	125,781	122,639	105,207
Debt Service					
Principal Retirement	126,319	104,756	111,486	72,499	95,429
Escrow Bond Agent	--	--	--	--	--
Interest	43,039	31,513	35,107	43,777	46,152
Debt Issuance Costs	--	--	200	--	--
Total Expenditures	3,693,794	3,471,461	3,498,787	3,370,103	3,289,045
Excess (Deficit) of Revenues Over Expenditures	21,784	173,032	26,311	94,780	24,217
Other Financing Sources (Uses)					
Capital Contribution	--				
Transfers In	396,952	338,055	294,374	274,363	345,692
Transfers Out	(387,373)	(323,604)	(279,287)	(268,110)	(336,157)
Debt Issued	127,494	31,541	39,639	78,419	10,000
Premium on Debt Issued	11,724	--	--	--	2,927
Principal Payment on Demand Bonds	--	--	--	--	--
Refunding Bonds Issued	--	--	--	--	34,380
Payment to Refunded Bond Escrow	--	--	--	--	(40,491)
Provisions for Increase in Land Held for Resale	--	--	--	--	43
Capital Leases	254	43	--	--	-
Total Other Financing Sources	149,051	46,035	54,726	84,672	16,394
Extraordinary Gain/(Loss)	--	--	--	1,800	(113,615)
Net Change in Fund Balances	$ 170,835	219,067	$ 81,037	$ 181,252	$ (73,004)
Debt Service as a Percentage of Noncapital Expenditures:	4.73%	4.04%	4.34%	3.60%	4.44%

Notes: (1) The balances shown have not been restated to include prior period adjustments.

Fiscal Year 2010-11	2009-10	2008-09	2007-08	2006-07	
					Revenues
$ 738,109	$ 741,850	$ 727,159	$ 719,742	$ 674,278	Taxes
16,831	14,976	17,965	20,516	23,289	Licenses, Permits and Franchises
93,461	102,959	112,882	89,700	73,353	Fines, Forfeitures and Penalties
89,514	88,350	69,667	146,983	165,042	Use of Money and Property
1,745,066	1,769,253	1,697,017	1,743,637	1,722,951	Intergovernmental
478,916	418,373	443,456	423,611	406,071	Charges for Services
64,125	65,727	89,064	91,197	104,046	Other
3,226,022	3,201,488	3,157,210	3,235,386	3,169,030	Total Revenues
					Expenditures
207,193	211,434	277,369	252,781	204,585	General Government
1,068,267	1,054,947	1,117,882	1,103,442	1,005,737	Public Protection
110,789	106,985	110,548	117,963	90,683	Public Ways and Facilities
576,793	559,315	576,964	564,335	516,901	Health and Sanitation
911,704	903,733	878,436	851,836	788,326	Public Assistance
37,671	38,921	39,666	37,091	35,904	Education
84,506	82,826	79,889	70,084	73,386	Recreation and Cultural Services
84,311	124,077	155,286	143,468	154,373	Capital Outlay
					Debt Service
87,685	88,962	205,268	301,066	191,012	Principal Retirement
--	--	--	--	--	Escrow Bond Agent
40,634	39,565	46,697	53,478	58,586	Interest
--	--	--	--	799	Debt Issuance Costs
3,209,553	3,210,765	3,488,005	3,495,544	3,120,292	Total Expenditures
16,469	(9,277)	(330,795)	(260,158)	48,738	Excess (Deficit) of Revenues Over Expenditures
					Other Financing Sources (Uses)
395,752	382,154	793,528	359,791	298,138	Transfers In
(388,274)	(370,820)	(781,397)	(345,674)	(288,045)	Transfers Out
36,000	--	--	--	32,700	Debt Issued
--	--	--	--	2,140	Premium on Debt Issued
--	--	--	211,065	105,991	Principal Payment on Demand Bonds
--	--	--	--	--	Refunding Bonds Issued
(710)	--	--	--	--	Payment to Refunded Bond Escrow
--	--	--	--	--	Provisions for Increase in Land Held for Resale
133	--	--	2,400	--	Capital Leases
42,901	11,334	12,131	227,582	150,924	Total Other Financing Sources
--	--	--	--	--	Extraordinary Loss
$ 59,370	$ 2,057	$ (318,664)	$ (32,576)	$ 199,662	Net Change in Fund Balances
4.12%	4.18%	7.54%	10.43%	8.44%	Debt Service as a Percentage of Noncapital Expenditures:

(Dollar Amounts in Thousands)

Assessed Value of Taxable Property [(1)]

Last Ten Fiscal Years

Fiscal Year	Residential Property	Industrial/ Commercial Property	Other Property [(2)]	Unsecured Roll Gross Total [(3)]	Total Taxable Assessed Value	Less: Exempt & Non-Reimbursed Exemptions	Net Taxable Assessed Value	Total Direct Tax Rate Percent [(1)]
2015-16	$ 377,592,570	$ 110,440,476	$ 3,294,159	$ 20,394,462	$ 511,721,667	$ (12,722,344)	$ 498,999,323	1.00
2014-15	352,800,864	105,523,254	3,694,094	20,902,660	482,920,872	(11,661,965)	471,258,907	1.00
2013-14	328,138,473	102,580,010	3,792,261	19,281,087	453,791,831	(10,943,554)	442,848,277	1.00
2012-13	315,635,908	100,074,695	3,489,057	19,905,480	439,105,140	(10,634,193)	428,470,947	1.00
2011-12	310,211,002	96,431,670	2,848,162	20,634,672	430,125,506	(9,729,486)	420,396,020	1.00
2010-11	304,895,403	97,097,750	3,038,747	21,198,638	426,230,538	(9,452,472)	416,778,066	1.00
2009-10	302,855,181	100,686,715	2,814,952	21,516,171	427,873,019	(9,063,739)	418,809,280	1.00
2008-09	310,398,180	97,515,067	3,125,331	21,026,522	432,065,100	(8,051,290)	424,013,810	1.00
2007-08	302,853,813	89,547,612	2,772,022	20,318,430	415,491,877	(6,757,810)	408,734,067	1.00
2006-07	277,879,918	82,230,790	2,948,207	20,831,767	383,890,682	(6,613,199)	377,277,483	1.00

Notes:
(1) Article XIIIA, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 percent, the current market value at time of ownership change and the market value for new construction. Estimated actual value of taxable property cannot easily be determined as the property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.
(2) Other property includes: timeshares, rural/agricultural land, unique miscellaneous, mineral rights, water rights and personal property and fixtures.
(3) Unsecured roll includes properties for which taxes assessed are not a lien on real property and are not sufficient, in the opinion of the Assessor, to secure payment of taxes. It consists of improvements, business personal property, boats and aircrafts, and it can also include land and improvements that are identified as real estate of others, as defined by the Assessor (reference Revenue and Taxation Code Section 134).

Source: Orange County Assessor Department

(Dollar Amounts in Thousands)

COUNTY OF ORANGE
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per $1,000 of Assessed Value)

	Direct Rate [1]	Overlapping Rates [2]				
Fiscal Year	County General	School Districts	Local Special Districts	Cities	Public Utility	Total Direct & Overlapping Rates
2015-16	1.00000	0.05101	0.01455	0.00670	0.00227	1.07453
2014-15	1.00000	0.04579	0.04438	0.00681	-- [3]	1.09698

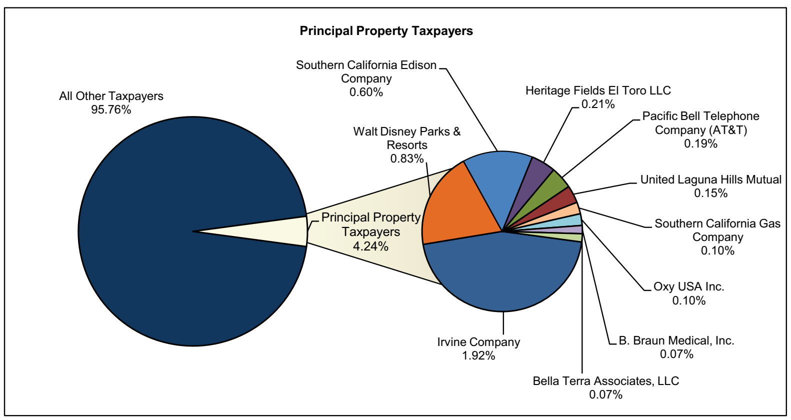
Notes:
(1) Article XIIIA, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 percent, the current market value at time of ownership change and the market value for new construction. Estimated actual value of taxable property cannot easily be determined as the property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.
(2) These overlapping rates are in addition to the County General rate, but only apply to taxpayers within the borders of the school districts, local special districts, cities, and public utilities that lie within the County.
(3) No rate was available for Public Utility in FY 2014-15.
(4) The schedule is presented to show information for 10 years. However, a full 10-year trend is not currently available; the County will be adding years in the future.

Source: Treasurer-Tax Collector, County of Orange

(Dollar Amounts in Thousands)

Principal Property Taxpayers
Current Year and Nine Years Ago

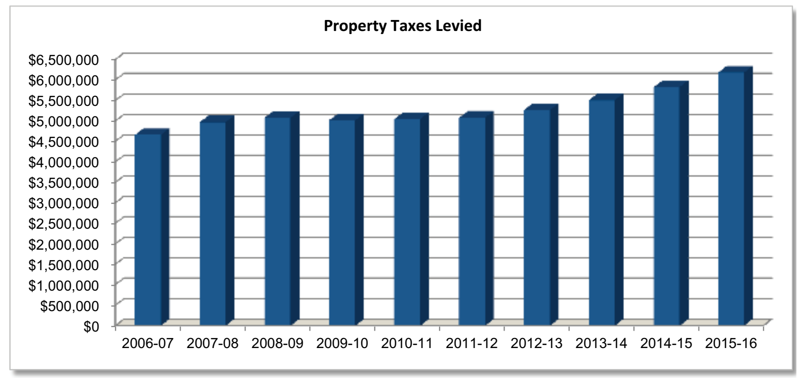
Taxpayer	2016 Actual Taxes Levied	2016 Rank	2016 Percentage of Total Taxes Levied	2007 Actual Taxes Levied	2007 Rank	2007 Percentage of Total Taxes Levied
Irvine Company	$ 111,040	1	1.92%	$ 50,787	1	1.09%
Walt Disney Parks & Resorts	48,011	2	0.83%	37,935	2 & 6	0.81%
Southern California Edison Company	34,709	3	0.60%	18,548	4	0.40%
Heritage Fields El Toro LLC	11,943	4	0.21%	8,424	5	0.18%
Pacific Bell Telephone Company (AT&T)	10,921	5	0.19%	6,464	8	0.14%
United Laguna Hills Mutual	8,735	6	0.15%	7,470	7	0.16%
Southern California Gas Company	5,934	7	0.10%			
Oxy USA Inc.	5,575	8	0.10%			
B. Braun Medical, Inc.	4,302	9	0.07%			
Bella Terra Associates, LLC	3,999	10	0.07%			
Irvine Apartment Communities				19,409	3	0.42%
Irvine Co. of W VA				5,382	9	0.12%
Irvine Community Development				5,148	10	0.11%
Total	$ 245,169		4.24%	$ 159,567		3.43%



Source: Treasurer-Tax Collector, County of Orange

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year[1]	Collections Within the Fiscal Year of the Levy[2] Amount	Collections Within the Fiscal Year of the Levy[2] Percentage of Levy	Collections of Delinquent Taxes from Prior Years[4]	Total Collections for the Fiscal Year[3] Amount	Total Collections for the Fiscal Year[3] Percentage of Levy
2015-16	$ 6,183,862	$ 6,119,771	98.96%	$ -	$ 6,119,771	98.96%
2014-15	5,828,106	5,759,699	98.83%	40,387	5,800,086	99.52%
2013-14	5,509,379	5,444,912	98.83%	35,142	5,480,054	99.47%
2012-13	5,265,844	5,194,193	98.64%	36,579	5,230,772	99.33%
2011-12	5,079,589	5,002,490	98.48%	58,963	5,061,453	99.64%
2010-11	5,045,802	4,960,748	98.31%	17,752	4,978,500	98.67%
2009-10	5,019,061	4,904,188	97.71%	8,628	4,912,816	97.88%
2008-09	5,076,796	4,901,574	96.55%	6,882	4,908,456	96.68%
2007-08	4,965,990	4,784,438	96.34%	4,088	4,788,526	96.43%
2006-07	4,661,169	4,499,537	96.53%	1,333	4,500,870	96.56%
2005-06	4,323,550	4,133,562	95.61%	425	4,133,987	95.62%



Notes:
(1) Total tax levy includes secured, supplemental, unsecured and former redevelopment agency increment, including penalties.
(2) Total tax collections include penalties.
(3) Total collections include collections of current year taxes and collections related to prior year levies.
The percentage of levy represents the ratio of total collections to the taxes levied for that fiscal year.
(4) No amounts are shown because the property taxes levied will be collected in the following year.

Source: Auditor-Controller, County of Orange

Ratios of Outstanding Debt [1] by Type
Last Ten Fiscal Years (in Thousands Except Per Capita)
(Accrual Basis of Accounting)

	Governmental Activities						Business-Type Activities							
Fiscal Year	Refunding Recovery Bonds [6]	Redevelopment Bonds [2]	Certificates of Participation [5]	Pension Obligation Bonds [5]	Teeter Plan Revenue Bonds	Teeter Plan Notes	Lease Revenue Bonds [6], [7]	Capital Lease Obligations [3]	Interest Accretion on CAB	Airport Revenue Bonds [7]	Waste Management System Revenue Bonds	Total Primary Government	Percentage of Personal Income [4]	Per Capita [4]
2015-16	$ --	$ --	$ 1,262	$ 19,140	$ --	$ 30,191	$ 141,145	$ 67,928	$ 73,926	$ 195,127	$ --	$ 528,719	0.28%	$ 166
2014-15	--	--	1,744	27,227	--	33,823	105,880	79,168	96,303	202,536	--	546,681	0.29%	174
2013-14	19,172	--	2,262	32,193	--	39,830	137,115	62,446	103,377	209,804	--	606,199	0.34%	195
2012-13	35,317	--	2,822	37,925	--	43,486	155,828	67,353	110,084	240,540	7,018	700,373	0.41%	227
2011-12	51,600	--	3,422	47,523	--	--	181,097	71,755	--	248,900	13,666	617,963	0.37%	202
2010-11	67,028	47,009	4,064	54,680	--	--	249,924	76,074	--	256,683	19,921	775,383	0.49%	258
2009-10	81,619	49,729	4,758	59,331	--	--	309,517	80,114	--	264,099	25,738	874,905	0.57%	276
2008-09	95,206	52,306	5,502	69,711	--	--	365,850	84,952	--	33,502	31,144	738,173	0.50%	235
2007-08	108,175	54,750	6,306	72,728	123,725	--	420,668	90,769	--	89,897	36,177	1,003,195	0.65%	321
2006-07	120,019	57,122	7,165	89,891	123,725	--	470,616	93,533	--	101,925	40,881	1,104,877	0.72%	357

Notes:
(1) Details regarding the County's outstanding debt can be found in Note 10, Long-Term Obligations.
(2) Redevelopment Bonds are no longer County debt due to the dissolution of Redevelopment Agency on February 1, 2012. Details regarding the Redevelopment Bonds can be found in Note 11, Conduit Debt Obligations and Successor Agency Debt.
(3) Capital lease obligations arise from lease agreements which are in-substance like purchases. The agreements convey property rights to the lessee and the lessee assumes substantially all the risks and benefits of ownership.
(4) See demographic and economic statistics schedule for personal income and population data. For years prior to FY 2012-13, the personal income ratio and the debt per capita amounts were calculated using personal income and population from the prior fiscal year.
(5) Beginning FY 2012-13, outstanding debt does not include Interest Accretion on capital appreciation bonds (CAB), this was separated and numbers were restated.
(6) Beginning FY 2013-14, outstanding debt does not include deferred amount on refunding due to implementation of GASB Statement No. 65. Prior years have not been restated.
(7) Lease Revenue bonds and Airport Revenue bonds include unamortized premiums and discounts.

Source: Auditor-Controller, County of Orange

Ratios of Net General Bonded Debt [1] Outstanding
Last Ten Fiscal Years (in Thousands Except Per Capita)
(Accrual Basis of Accounting)

	General Debt Outstanding					
Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds [3]	Restricted for Debt Payments [3]	Total (Excess)/ Under	Percentage of Assessed Value	Per Capita [2]
2015-16	$ -	$ 87,521	$ 87,521	$ -	0.00%	$ -
2014-15	-	116,494	116,494	-	0.00%	-
2013-14	19,172	127,206	127,206	19,172	0.00%	6
2012-13	35,317	138,484	138,484	35,317	0.01%	11
2011-12	51,600	47,523	47,523	51,600	0.01%	17
2010-11	67,028	54,680	54,680	67,028	0.02%	22
2009-10	81,619	59,331	59,331	81,619	0.02%	26
2008-09	95,206	69,711	69,711	95,206	0.02%	30
2007-08	108,175	72,728	72,728	108,175	0.03%	35
2006-07	120,019	89,891	89,891	120,019	0.04%	39
2005-06	131,420	99,714	99,714	131,420	0.04%	43

Notes:
(1) Details regarding the County's outstanding debt can be found in Note 10, Long-Term Obligations.
(2) See demographic and economic statistics schedule for population data. For years prior to FY 2012-13, the debt per capita amount was calculated using the population for the prior fiscal year.
(3) Beginning in FY 2012-13, outstanding debt includes accreted interest on capital appreciation bonds.

Source: Auditor Controller, County of Orange

Legal Debt Margin as a Percentage of Debt Limit
Last Ten Fiscal Years

Fiscal Year	Assessed Value	Legal Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2015-16	$ 504,650,360	$ 6,308,130	$ --	$ 6,308,130	0%
2014-15	476,303,290	5,953,791	--	5,953,791	0%
2013-14	447,749,156	5,596,864	--	5,596,864	0%
2012-13	432,902,274	5,411,278	--	5,411,278	0%
2011-12	424,769,642	5,309,621	--	5,309,621	0%
2010-11	420,751,575	5,259,395	--	5,259,395	0%
2009-10	422,965,596	5,287,070	--	5,287,070	0%
2008-09	428,809,224	5,360,115	--	5,360,115	0%
2007-08	412,669,779	5,158,372	--	5,158,372	0%
2006-07	377,277,483	4,715,969	--	4,715,969	0%

Note:
(1) Starting from FY 2007-08, Assessed Value includes for the State assessed properties.
(2) The amount of the general obligation bonded indebtedness the County can incur is limited by law to 1.25 percent of the equalized assessment property tax roll. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIIIA, section 1 requires the approval of 2/3 of the voting on the proposition.

Source: Auditor-Controller, County of Orange

B-129

Pledged Revenue Coverage[1]
Last Ten Fiscal Years

South Orange County Public Financing Authority

Funding Source: Interest Earnings, Rents and Concessions, and Transfers

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2015-16	$ 5,828	$ 271	$ 5,557	$ 4,920	$ 906	0.95
2014-15	5,830	--	5,830	4,780	1,049	1.00
2013-14	5,825	--	5,825	4,680	1,143	1.00
2012-13	5,841	--	5,841	4,520	1,307	1.00
2011-12	--	262	(262)	--	--	--
2010-11	--	--	--	--	--	--
2009-10	--	--	--	--	--	--
2008-09	--	--	--	--	--	--
2007-08	--	--	--	--	--	--
2006-07	--	--	--	--	--	--

Orange County Public Facilities Corporation Bonds

Funding Source: Interest Earnings and Transfers

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2015-16	$ 2,470	$ --	$ 2,470	$ 482	$ 2,121	0.95
2014-15	2,475	--	2,475	518	2,090	0.95
2013-14	2,459	--	2,459	560	2,045	0.94
2012-13	2,403	44	2,359	600	2,005	0.91
2011-12	2,770	--	2,770	642	1,958	1.07
2010-11	2,525	--	2,525	694	1,906	0.97
2009-10	2,743	--	2,743	744	1,861	1.05
2008-09	2,700	--	2,700	804	1,801	1.04
2007-08	2,789	--	2,789	859	1,741	1.07
2006-07	2,605	--	2,605	927	1,678	1.00

Orange County Public Financing Authority

Funding Source: Interest Earnings, Rents and Concessions, and Transfers

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2015-16	$ 44,418	--	$ 44,418	$ 25,420	$ 3,235	1.55
2014-15	29,928	--	29,928	24,235	4,455	1.04
2013-14	29,949	--	29,949	23,115	5,605	1.04
2012-13	29,952	--	29,952	22,160	6,638	1.04
2011-12	35,697	--	35,697	61,630	10,837	0.49
2010-11	74,725	--	74,725	58,990	13,643	1.03
2009-10	74,838	--	74,838	56,580	16,151	1.03
2008-09	77,027	--	77,027	56,225	18,385	1.03
2007-08	77,308	--	77,308	51,680	20,283	1.07
2006-07	76,162	2,137	74,025	52,050	21,656	1.00

Teeter Plan Notes

Funding Source: Delinquent Property Taxes Collected

Fiscal Year (3)	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2015-16	$ 316	$ 210	$ 106	$ 74,561	$ 347	0.00
2014-15	174	2,954	(2,780)(4)	37,548	352	(0.07)
2013-14	11,147	251	10,896	43,295	413	0.25
2012-13	15,706	1,032	14,674	14,449	327	0.99
2011-12	--	--	--	--	--	--
2010-11	--	--	--	--	--	--
2009-10	--	--	--	--	--	--
2008-09	--	--	--	--	--	--
2007-08	--	--	--	--	--	--
2006-07	--	--	--	--	--	--

Airport Revenue Bonds

Funding Source: Rents and Concessions, Other Charges for Services, Misc Revenue, Interest Earnings, and Available Passenger Facility Charge Revenue

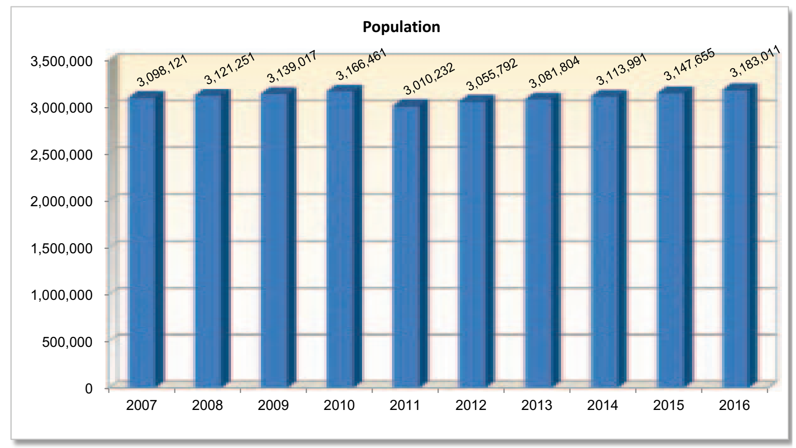
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2015-16	$ 143,661	$ 82,833	$ 60,828	$ 7,205	$ 10,338	3.47
2014-15	135,491	82,558	52,933	6,995	10,603	3.01
2013-14	131,285	84,708	46,577	30,473	11,395	1.11
2012-13	126,966	79,739	47,227	9,250	12,250	2.20
2011-12	124,403	77,628	46,775	7,851	12,592	2.29
2010-11	120,088	70,521	49,567	7,460	12,906	2.43
2009-10	121,761	68,771	52,990	2,865	7,163	5.28
2008-09	115,026	67,749	47,277	13,480	4,567	2.62
2007-08	118,105	63,174	54,931	12,765	5,280	3.04
2006-07	117,879	82,383	35,496	12,120	6,249	1.93

Notes:
(1) Details regarding the County's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.
(2) For FY 2008-09, there is a deficit balance for Net Available Revenue due to additional expenditures resulting from the establishment of the Teeter tax loss reserves in the Tax Loss Reserve Agency Fund during the first year of the program.
(3) Teeter Plan Notes were converted from short-term commercial paper to long-term note in FY 2012-13, therefore, only long-term note information is presented.
(4) For FY 2014-15, there is a deficit balance for Net Available Revenue due to the change in Teeter Plan Reserve methodology.

Source: Auditor-Controller, County of Orange

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population [1]	Personal Income [2]	Per Capita Personal Income (Absolute Dollars) [2]	Median Age [3]	Public School Enrollment (In Thousands) [4]	Unemployment Rate [5]
2016	3,183,011	$ 190,978,000	$ 59,999	N/A	493,030	4.4%
2015	3,147,655	185,500,000	58,933	36.7	497,116	4.0%
2014	3,113,991	177,412,900	56,973	36.4	500,487	5.4%
2013	3,081,804	168,966,400	54,827	36.2	501,801	6.7%
2012	3,055,792	166,345,500	54,436	36.7	502,195	8.1%
2011	3,010,232	159,007,100	52,822	37.3	502,895	8.6%
2010	3,166,461	153,098,600	48,350	37.2	502,239	9.6%
2009	3,139,017	148,372,600	47,267	36.9	504,136	9.6%
2008	3,121,251	155,068,400	49,681	36.1	503,225	5.7%
2007	3,098,121	153,446,600	49,529	35.9	503,955	3.8%



N/A means Not Available

Sources:
(1) California Department of Finance, Demographic Research Unit, http://www.dof.ca.gov
(2) Chapman University Economic & Business Review.
(3) U.S. Census Bureau, American Community Survey, http://www.census.gov, 2016 N/A
(4) California Department of Education, http://www.cde.ca.gov
(5) State of California, Employment Development Department, http://www.edd.ca.gov/

(Dollar Amounts in Thousands)

Principal Employers
Current Year and Nine Years Ago

2016

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	27,000	1	1.67%
University of California, Irvine	22,385	2	1.39%
County of Orange	18,190	3	1.13%
St. Joseph Health System	12,227	4	0.76%
Kaiser Permanente	7,000	5	0.43%
Boeing Co.	6,890	6	0.43%
Wal-Mart	6,000	7	0.37%
Memorial Care Health System	5,650	8	0.35%
Bank of America	5,500	9	0.34%
Target Corporation	5,400	10	0.33%

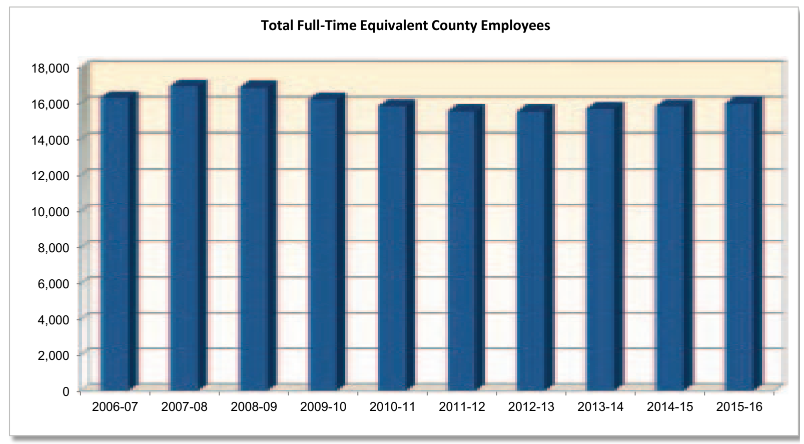
2007

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	20,000	1	1.22%
County of Orange	18,301	2	1.12%
University of California, Irvine	17,579	3	1.08%
St. Joseph Health System	10,047	4	0.61%
Boeing Co.	9,961	5	0.61%
Yum! Brands Inc.	7,200	6	0.44%
AT&T Incorporated	6,000	7	0.37%
California State University, Fullerton	5,634	8	0.34%
Home Depot, Incorporated	5,450	9	0.33%
Bank of America Corp.	5,000	10	0.31%

Note: For 2016, used 2015 data for the number of employees, except County of Orange
Source: Source: Orange County Business Journal Book of Lists - County of Orange
http://www.locationOC.com
http://www.labormarketinfo.edd.ca.gov

Full-time Equivalent County Employees by Function
Last Ten Fiscal Years

Function/Program	2015-16	2014-15	2013-14	2012-13(2)	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
General Government	1,419	1,341	1,322	1,273	1,279	1,314	1,346	1,383	1,377	1,334
Public Protection	6,642	6,674	6,760	6,781	6,653	6,692	6,879	7,298	7,226	6,943
Public Ways and Facilities	435	440	478	508	542	569	585	622	621	579
Health and Sanitation	2,253	2,198	2,128	2,137	2,209	2,292	2,346	2,507	2,550	2,441
Public Assistance	4,306	4,239	4,043	3,876	3,867	3,935	4,023	4,000	4,123	3,992
Education	302	286	290	286	307	324	325	350	360	351
Recreation and Cultural Services	272	265	274	268	283	289	285	277	264	257
Airport	154	159	162	167	168	168	169	168	161	157
Waste Management	233	241	249	255	257	261	267	272	270	258
Children and Families Commission of Orange County	11	11	11	11	13	14	16	17	17	16
Total Full-time Equivalent Employees (1)	16,027	15,854	15,717	15,562	15,578	15,858	16,241	16,894	16,969	16,328



Note: (1) Full-time equivalent employment is calculated by dividing total labor hours by the total of hours in a fiscal year (2,080 hours).
(2) Updated FY 2012-13 numbers due to revaluation of methodology. It was subsequently determined that prior methodology was appropriate.

Source: County Executive Office, County of Orange

(Dollar Amounts in Thousands)

Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
Function/Program	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
General Government										
Auditor-Controller										
Property Tax Bills Prepared	1,141,652	1,216,325	1,220,750	1,186,238	1,153,816	1,189,320	1,144,933	1,148,720	1,149,007	1,164,584
Assessor										
Number of Real Property Valued	930,470	924,791	918,672	914,489	901,840	899,644	897,547	888,770	881,233	872,439
Number of Unsecured Property Assessed	141,224	145,151	135,551	139,865	159,464	161,005	168,208	169,821	176,584	171,542
New Parcels Created and Mapped	6,665	6,918	4,519	8,175	3,649	2,739	9,413	9,185	10,252	14,760
New Construction Events	19,397	18,530	16,904	17,173	17,129	9,372	13,172	16,565	19,380	19,991
County Executive Office										
Volunteer Program Service Hours	613,277	638,230	700,759	815,407	885,416	935,284	882,680	839,125	675,285	923,689
Clerk-Recorder										
Marriage Licenses Issued	23,725	23,553	25,244	22,502	22,415	20,868	20,292	21,339	20,894	21,088
Marriage Ceremonies Performed	11,122	11,213	12,056	*	*	*	*	*	*	*
Copies of Birth Certificates Issued	74,508	79,826	82,268	81,775	83,611	85,773	87,999	98,231	117,226	120,817
Property-Related Document Recordings	617,914	651,866	580,899	839,353	741,935	725,323	669,332	629,373	658,005	849,739
Passport Applications Filed	7,093	5,016	2,686	*	*	*	*	*	*	*
Treasurer-Tax Collector										
Orange County Investment Pool Income	$ 24,877	$ 14,581	$ 11,298	$ 12,958	$ 17,978	$ 22,295	$ 35,656	$ 67,242	$ 141,824	$ 167,107
Assets Under Management	$ 8,271,502	$ 7,604,246	$ 6,566,145	$ 6,490,056	$ 5,922,768	$ 6,183,195	$ 5,975,392	$ 5,963,577	$ 6,064,067	$ 6,186,614
Number of Property Tax Bills	1,367,275	1,381,808	1,421,654	1,347,596	1,257,709	1,382,198	1,362,221	1,367,901	1,472,466	1,477,237
Percentage of Secured Tax Bill Collection	99.26%	99.21%	99.16%	98.94%	98.51%	98.35%	97.61%	96.30%	96.13%	97.18%
Number of Incoming Phone Calls	111,948	121,461	115,123	150,830	148,463	162,955	160,067	178,420	175,149	161,832
Percentage of Electronic Payments	54.9%	54.2%	53.8%	49.4%	51.1%	49.3%	43.8%	40.8%	41.2%	*
Secured Tax Bill Reminders	38,213	35,917	31,988	28,664	25,451	21,027	*	*	*	*
Property Tax Payments by eCheck	309,977	285,932	248,908	213,146	181,151	143,136	126,942	112,114	105,396	*
Registrar of Voters										
Registered Voters	1,395,380	1,424,216	1,411,232	1,683,001	1,612,145	1,621,934	1,603,312	1,607,989	1,566,951	1,497,397
Highest Number of Ballots Cast	691,802	640,358	340,187	1,133,204	145,474	898,205	482,708	1,167,657	748,910	756,348
Elections Conducted	4	7	3	2	2	5	5	4	5	3
Public Protection										
Sheriff-Coroner										
Patrolled Cities Population	641,753	637,261	631,934	627,447	557,403	553,148	584,947	581,109	575,909	571,648
Patrolled Unincorporated Areas Population	125,420	124,014	121,473	120,396	119,698	121,488	120,088	119,480	118,136	120,174
Number of Bookings to Orange County Jail System	56,163	56,135	61,262	63,439	65,256	63,615	58,322	61,778	64,596	66,869
Average Daily Jail Head Count	6,028	6,055	7,039	6,805	6,265	5,721	5,171	6,090	6,183	6,571
District Attorney										
Defendants Prosecuted - Adult	61,521	56,233	55,906	57,873	61,759	64,418	64,969	70,058	69,507	74,010
Defendants Prosecuted - Juvenile	3,564	4,482	5,103	6,651	6,743	7,907	6,894	7,740	9,076	8,763
Probation										
Physical Arrests - Adult	*	*	*	2,947	2,307	1,926	1,822	1,725	2,470	3,000
Physical Arrests - Juvenile	*	*	*	640	467	488	685	595	1,051	1,363
Probationers under Supervision as of June 30th-Adult	11,714	10,725	14,425	14,186	14,788	13,243	13,476	15,022	16,223	16,646
Probationers under Supervision as of June 30th-Juvenile	2,550	3,124	4,156	4,984	5,399	5,792	6,527	6,492	6,569	6,112
Avg. Daily Juvenile Hall Population	130	150	229	320	315	417	428	455	490	502
Avg. Daily Camp Population	143	203	182	193	169	194	191	310	438	333
Public Defender										
Cases Appointed Annually	65,574	79,119	74,101	77,073	73,487	77,661	76,191	83,029	79,052	83,299

* means Not Available
Sources: County Departments

B-131

B-132

Operating Indicators by Function/Program
Last Ten Fiscal Years (Continued)

Function/Program	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Parks & Recreation										
OC Community Resources										
Exotic Invasive Plant Removal (acres)	2,782	1,466	1,154	4,102	4,042	629	61	1,475	*	30
Native Vegetation Restoration (acres)	293	312	368	843	994	2,448	82	144	*	13
New Open Space Management (acres)	-	--	--	--	--	--	--	--	250	--
Dana Point Harbor										
Slip and Dry Storage Tenants	2,903	3,204	2,679	2,700	2,237	2,748	2,750	2,836	2,932	2,932
Boat Launches	17,695	15,511	15,606	15,037	14,327	15,150	18,759	19,903	22,247	22,159
Sailing and Event Center Participants	50,000	75,000	111,838	115,996	111,959	108,070	83,738	66,163	54,371	54,539
Ocean Institute Students	192,384	41,000	100,000	108,668	110,059	125,000	125,060	126,957	116,218	149,220
Hotel Guests	29,010	43,073	42,887	41,141	36,800	26,972	25,252	28,650	26,940	29,580
Catalina Express Passengers	25,711	123,688	123,257	123,257	120,945	114,176	106,305	111,648	114,000	114,708
Special Events at the Harbor	8	12	15	16	16	16	16	16	16	16
Public Ways and Facilities										
OC Public Works (OCPW)										
Building and Home Inspections	40,662	30,324	31,772	19,368	15,591	13,215	11,222	24,731	31,363	32,365
Health and Sanitation										
OC Community Resources										
Animal Licenses	192,470	198,358	192,320	191,098	200,755	173,570	176,123	158,202	155,875	166,137
Health Care Agency										
911 Emergency Medical Services Responses	193,538	183,794	170,804	171,420	168,172	156,638	158,863	160,369	150,545	147,067
Retail Food Facility Inspections Conducted	26,195	31,397	32,689	34,953	35,025	34,962	36,445	33,146	33,451	31,475
Hazardous Waste Inspections Conducted	8,328	5,950	4,616	6,058	5,444	6,237	6,600	5,847	6,194	6,223
Number of Home Visits by Public Health Nurses	29,219	31,258	35,101	34,953	32,498	29,260	30,091	29,505	30,447	38,245
Number of Low Income Children Dental Health Services	496	755	1,225	1,107	1,344	1,533	1,520	979	660	1,055
Number of Ocean Water Days of Closure (In Beach-Miles)	22	24	20	8	0.93	61	20	26	11	3
Public Assistance										
OC Community Resources										
Adult Day Care Hours of Service	49,971	43,010	50,944	49,129	70,267	93,425	92,964	101,732	89,584	76,005
Elderly Nutrition Program Meals Delivered	1,374,275	1,406,526	1,347,251	1,360,601	1,636,379	1,846,571	1,796,596	1,725,058	1,736,877	1,606,272
One-Way Transportation Trips Provided to Seniors	198,851	180,899	187,864	155,003	184,476	287,611	213,832	233,382	225,783	242,415
Social Service Agency										
Average Monthly Medi-Cal Recipients	810,388	718,061	521,078	430,559	418,649	403,142	376,101	343,222	326,506	317,771
Average Monthly Child Abuse Hotline Calls	4,259	4,049	3,674	3,009	2,880	3,003	3,165	3,242	3,427	3,049
Average Monthly CalFresh (formerly Food Stamp) Recipients	263,556	258,676	247,517	230,964	213,919	185,489	150,141	109,491	88,284	82,132
Average Monthly In-Home Supportive Services	22,635	20,787	19,652	19,663	19,240	18,335	17,595	16,364	14,425	12,765
Average Persons Receiving Cash Assistance	52,081	55,921	55,225	55,008	56,847	58,770	53,214	44,115	38,840	38,790
Average Children in Foster Care/Relative Care	1,791	1,924	2,119	2,213	2,128	2,148	2,336	2,466	2,797	2,692
Average Elder and Adult Abuse Unduplicated Reports Received	942	815	710	636	630	604	598	531	549	509
Education										
OC Community Resources										
Total Volumes Borrowed at Library Branches	6,634,747	6,411,127	6,642,739	6,564,262	6,741,380	7,796,954	7,629,378	7,314,615	6,908,477	6,767,502
Airport										
Passengers	10,503,228	9,608,873	9,304,295	9,124,172	8,642,116	8,611,054	8,812,169	8,552,590	9,566,043	9,910,016
Air Cargo Tonnage	18,568	16,997	17,564	17,821	16,831	15,150	14,870	15,197	21,084	22,853
Takeoffs & Landings	276,817	264,726	252,166	252,506	251,191	260,466	213,404	215,585	319,791	343,572
Waste Management										
Solid Waste Tonnage	4,772,722	4,581,359	4,070,238	3,428,657	3,304,643	3,495,649	3,502,715	3,876,902	4,207,649	4,706,367
Gallons of Leachate and Impacted Ground Water Collected	3,542,736	5,510,821	3,854,530	3,116,108	3,448,964	3,209,725	3,390,965	3,441,343	3,766,898	3,695,743

* means Not Available
Sources: County Departments

(Dollar Amounts in Thousands)

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
	Fiscal Year					Fiscal Year				
General Government										
Auditor-Controller										
Hall of Finance and Records	1	1	1	1	1	1	1	1	1	1
Clerk-Recorder										
OC Archives Building	1	1	1	1	1	1	1	1	1	-
Registrar of Voters										
Trailer	1	1	1	1	1	1	1	1	1	1
Vehicle/Truck	4	4	3	3	3	3	3	3	3	2
Public Protection										
Sheriff-Coroner										
Crime/Forensic Lab	1	1	1	1	1	1	1	1	1	1
Jail Facilities	3	3	3	3	3	3	3	3	3	3
Vehicles	917	916	911	918	838	844	844	859	855	777
Buses	11	11	11	11	11	13	13	13	12	14
Helicopters	4	3	3	2	2	2	2	2	2	3
Boats	10	10	10	9	9	5	5	5	5	3
Robot Andros	3	3	3	3	3	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4	4	4	4	4	4
K-9 units	28	22	18	13	10	14	14	14	13	12
District Attorney										
Justice Center Offices	5	5	5	5	5	5	5	5	6	6
Probation Department										
Juvenile Institutions	4	4	4	4	5	5	5	5	6	6
Vehicles/Trucks	155	159	156	*	*	*	*	*	*	*
Equipment	12	16	12	*	*	*	*	*	*	*
Parks and Recreation										
OC Community Resources										
Park Land (acres)	62,900	62,900	60,500	59,318	57,688	57,688	39,490	39,490	32,000	32,000
Recreational Trails (in miles)	295	295	295	295	295	295	292	300	300	300
Zoo	1	1	1	1	1	1	1	1	1	1
Urban Regional Parks	15	15	15	15	12	12	12	12	12	12
Wilderness Parks	5	5	5	5	5	5	5	5	5	5
Nature Preserves	4	4	4	4	4	4	4	3	3	3
Harbors	3	3	3	3	2	2	2	2	2	2
Beaches	11	11	11	11	9	9	9	9	9	9
Historical Sites	7	7	7	7	7	7	7	7	7	7
Boats	8	7	7	9	21	15	14	14	15	9
Tractors	25	26	28	24	26	22	18	17	9	16
Trailers	31	27	29	33	30	24	20	17	15	21
Vehicles/Trucks	204	174	170	211	188	233	208	176	165	135
Dana Point Harbor										
Harbor	1	1	1	1	1	1	1	1	1	1
Marinas	2	2	2	2	2	2	2	2	2	2
Public Parking Areas	9	9	9	9	9	9	9	9	9	9

* means Not Available
Source: County Departments

(Dollar Amounts in Thousands)

Capital Asset Statistics by Function
Last Ten Fiscal Years (Continued)

Function/Program	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Parks and Recreation (Continued)										
Dana Point Harbor (Continued)										
Beaches	1	1	1	1	1	1	1	1	1	1
Access Points to Ocean	6	6	6	6	6	6	6	6	6	6
Hotel	1	1	1	1	1	1	1	1	1	1
Ocean Education Center	1	1	1	1	1	1	1	1	1	1
Sailing and Events Center	1	1	1	1	1	1	1	1	1	1
Shops	24	23	23	23	25	25	25	26	26	26
Restaurants	16	16	16	16	16	15	16	15	15	15
Fuel Dock	1	1	1	1	1	1	1	1	1	1
Shipyard	1	1	1	1	1	1	1	1	1	1
Boater Service Buildings	15	15	15	15	15	15	15	15	15	15
Parcel 11 (Former Restaurant)	1	*	*	*	*	1	*	*	*	*
Parcel 23 (Yacht Club)	1	*	*	*	*	1	*	*	*	*
Public Ways and Facilities										
OC Public Works										
Hall of Administration	1	1	1	1	1	1	1	1	1	1
Data Center	1	1	1	1	1	1	1	1	1	1
Alternate Fuel Vehicles	50	51	60	60	59	59	59	59	59	50
Vehicles/Trucks	42	53	54	51	50	50	50	47	47	48
OC Flood Control District										
Watersheds	19	13	13	13	13	19	11	11	11	13
Dams	3	3	3	3	3	3	3	3	3	3
Dump Trucks	7	7	12	5	5	13	13	13	14	14
Tractors	20	14	19	5	5	10	19	19	20	20
Trailers	14	24	17	8	12	15	14	14	13	13
Vehicles/Trucks	79	156	156	156	165	161	122	166	162	154
Roads										
Street Miles	330	320	320	319	320	320	320	320	320	317
Dump Trucks	12	11	9	4	11	9	1	8	8	8
Tractors	30	18	9	6	3	4	3	12	13	13
Trailers	32	30	18	10	5	9	11	14	14	14
Health										
Clinics [1]	4	4	3	3	3	2	2	2	49	37
Laboratories [1]	2	2	2	2	2	2	2	1	2	2
Trailers [1]	12	12	8	11	27	27	27	27	25	25
Vehicles and Trucks [1]	24	24	25	25	24	27	26	25	68	68
OC Community Resources										
Animal Care Center	1	1	1	1	1	1	1	1	1	1
Trailers	3	3	3	3	3	3	3	3	2	2

Note: (1) Presentation changed in FY 2014-15 to summarize by asset
(2) * means Not Available

Source: County Departments

(Dollar Amounts in Thousands)

B-135

Capital Asset Statistics by Function
Last Ten Fiscal Years (Continued)

	Fiscal Year									
Function/Program	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Public Assistance										
Social Service Agency										
Vehicles	5	5	5	6	10	10	8	7	8	7
Office Locations	20	20	19	20	20	19	20	21	27	27
Education										
Library Branches	33	33	33	33	33	33	33	33	33	32
Library Headquarters	*	*	*	*	*	1	1	1	1	1
Airport										
Acres	501	501	501	501	501	501	501	501	501	501
Runways	2	2	2	2	2	2	2	2	2	2
Public Parking Structures/Lots	5	5	5	5	5	5	5	5	5	5
Terminals	3	3	3	3	3	1	1	1	1	1
Fire Trucks	4	4	4	4	4	4	4	4	4	4
Waste Management										
Active Landfills	3	3	3	3	3	3	3	3	3	3
Inactive Landfills	2	2	2	2	2	2	2	2	2	2
Household Hazardous Waste Collection Centers	4	4	4	4	4	4	4	4	4	4
Dozers	8	7	7	7	8	8	10	10	10	12
Dump Trucks	10	10	10	12	12	14	14	14	14	14
Loaders	21	20	20	20	21	22	21	21	21	21
Scrapers	8	8	8	8	8	11	13	13	15	15
Excavator	2	2	2	2	2	2	-	-	-	-
Tractors	30	28	29	28	29	29	29	28	27	26
Graders	4	4	4	4	4	4	3	6	5	5
Compactors	8	8	8	8	8	8	5	5	6	5
Water/Fuel Trucks	13	13	13	11	11	11	12	13	12	12

* means Not Available

Source: County Departments

Orange County Auditor-Controller
12 Civic Center Plaza, Suite 200
Santa Ana, California 92701

www.ac.ocgov.com

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Indenture, the Loan Agreement, the Facility Lease and the Ground Lease are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

*"**Act**"* means the Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

*"**Additional Bonds**"* means the additional bonds authorized by a Supplemental Indenture that are authenticated and delivered by the Trustee under and pursuant to the Indenture.

*"**Additional Payments**"* means the amounts payable by the County in each year as shall be required for the payment of all costs and expenses set forth in the Facility Lease.

*"**Additional Project**"* means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Bonds.

*"**Administrative Fees and Expenses**"* means any application, commitment, financing, issuance, ongoing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee in connection with the Bonds, including Additional Payments.

*"**Articles of Incorporation**"* means the Articles of Incorporation creating the Corporation filed with the California Secretary of State on May 10, 2017.

*"**Authority**"* means the California Municipal Finance Authority, or its successors and assigns, a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of January 1, 2004 by and among certain California cities, counties and special districts, as may be amended from time to time pursuant to the provisions of the Act.

*"**Authority Issuance Fee**"* means that amount set forth in the Indenture as the initial issuance fee due at closing of the Bonds.

*"**Authority Representative**"* means with respect to the Authority, any member of the Board of Directors of the Authority or the Executive Director of the Authority, or any other person designated as an Authority Representative by a certificate signed by a member of such Board of Directors or such Executive Director and filed with the Trustee.

*"**Authorized Corporation Representative**"* means any Director of the Corporation, the County Chief Financial Officer, the County Public Finance Director, and any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee by any Director of the Corporation, as a person authorized to act on behalf of the Corporation. Such certificate shall contain the specimen signature of such person, shall be signed on behalf of the Corporation by any officer of the Corporation and may designate an alternate or alternates.

*"**Authorized Denominations**"* means $5,000 and any integral multiple of $5,000 in excess thereof.

*"**Authorized Signatory**"* means any Authority Representative and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

*"**Base Rental Payment Date**"* means 15th day of the month preceding each Interest Payment Date.

*"**Base Rental Payments**"* means the amounts payable pursuant to the Facility Lease by the County to the Corporation for the use and occupancy of the Leased Property.

*"**Beneficial Owner**"* means, (i) when used with reference to the Book Entry Only System, the person who is considered the beneficial owner of the Bonds and, with respect to the Bonds pursuant to the arrangements for book entry determination of ownership applicable to the Depository and, (ii) for purposes of the Indenture as summarized herein under the caption "INDENTURE – Particular Covenants – Continuing Disclosure," any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding such through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

*"**Bondholder**"* or *"**Holder**"* means, with respect to any Bond, the person in whose name such Bond is registered.

*"**Bond Purchase Agreement**"* means and refers to that certain Bond Purchase Agreement, dated June 13, 2017, among the Authority, the Underwriter, and the Corporation.

*"**Bonds**"* means the Series 2017A Bonds and any Additional Bonds.

*"**Bond Year**"* means the period from each June 1 to and including the following May 31 during the term of the Indenture; *provided* that the final Bond Year shall terminate on the Expiry Date.

*"**Business Day**"* means any day other than a Saturday, a Sunday or a day on which banking institutions in the city in which the Principal Corporate Trust Office is located are authorized or obligated by law or executive order to be closed.

*"**Capitalized Interest Account**"* means the account by that name established pursuant to the Indenture.

*"**Certificate of the Authority,**" "**Consent of the Authority,**" "**Order of the Authority,**" "**Request of the Authority**"* or *"**Requisition of the Authority**"* mean, respectively, a written certificate, consent, order, request or requisition of the Authority signed by or on behalf of the Authority by an Authorized Signatory authorized by the Authority to execute such a document on its behalf.

*"**Certificate of the Corporation,**" "**Consent of the Corporation,**" "**Request of the Corporation,**" "**Requisition of the Corporation**"* or *"**Statement of the Corporation**"* mean, respectively, a written certificate, request, requisition or statement of the Corporation executed on its behalf by any Director of the Corporation, the County Chief Financial Officer, the County Public Finance Director, and any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee by any Director of the Corporation, as a person authorized to act on behalf of the Corporation.

*"**Certificate of the County,**" "**Consent of the County,**" "**Order of the County,**" "**Request of the County**"* or *"**Requisition of the County**"* mean, respectively, a written certificate, consent, order, request or requisition of the County signed by or on behalf of the County by the Chair or Vice Chair of the County Board of Supervisors, the County Executive Officer, the County Chief Financial Officer, or the County Public Finance Director and any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee as a person authorized to act on behalf of the County.

*"**Certificate of Substantial Completion**"* means a Certificate of the Corporation substantially in the form attached to the Loan Agreement and the Development Agreement, stating that construction of the Project has been substantially completed.

"***Closing Date***" means June 22, 2017, the date of original issuance and delivery of the Series 2017A Bonds.

*"**Code**"* means the Internal Revenue Code of 1986, or any successor code or law, and any regulations in effect or promulgated thereunder.

"Construction Costs" means all costs of constructing the Project, including, but not limited to:

(1) all costs which the County or the Corporation shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the construction, installation or improvement of the Project;

(2) obligations of the Corporation, the County or others incurred for labor and materials (including obligations payable to the Corporation, the County or others for actual out-of-pocket expenses of the Corporation, the County or others) in connection with the construction, installation or improvements of the Project, including reimbursement to the Corporation, the County or others for all advances and payments made in connection with the Project prior to or after delivery of the Bonds.

(3) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of construction, installation or improvement of the Project;

(4) all costs of engineering and architectural services, including the actual out-of-pocket costs of the Corporation or the County for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper construction, installation or improvement of the Project; and

(5) any sums required to reimburse the Corporation or the County for advances made by the Corporation or the County for any of the above items or for any other costs incurred and for work done by the Corporation or the County which are properly chargeable to the construction, installation or improvement of the Project.

*"**Continuing Disclosure Certificate**"* means the Continuing Disclosure Certificate, dated the Closing Date, to be executed and delivered by the County, as originally executed and delivered and as it may from time to time be amended in accordance therewith.

*"**Corporation**"* means Capital Facilities Development Corporation, a California nonprofit public benefit corporation, its successors and assigns.

"Corporation Documents" means Loan Agreement, the Ground Lease, the Facility Lease and the Development Agreement.

"Corporation Resolution" means the resolution or other authorizing action adopted by the Corporation authorizing the Loan and execution and delivery of the Corporation Documents.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority, the County or the Corporation and related to the original authorization, execution, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, fees and expenses of the Authority, the Trustee, legal fees and charges of bond counsel, special counsel, disclosure counsel and Trustee's counsel, underwriters' discount, rating agency fees and any other costs, charges or fees in connection with the original delivery of the Bonds.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"County" means the County of Orange, a politic al subdivision duly organized and existing under the Constitution and laws of the State of California.

"Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all indebtedness of the applicable entity, (b) that portion of the principal amount of all Indebtedness of the applicable entity maturing on each principal payment date during such period, and (c) that portion of the principal amount of all indebtedness of the applicable entity that are required to be redeemed or paid from sinking fund installments during such period (together with the redemption premiums, if any, thereon).

"Default Rate" means the maximum annual rate of interest borne by any of the Series 2017A Bonds.

"Depository" means The Depository Trust Company and its successors and assigns, or any other depository selected as set forth in the Indenture which agrees to follow the procedures required to be followed by such depository in connection with the Bonds.

"Developer" means Griffin Structures, Inc., a California corporation, and its successors and permitted assigns.

"Development Agreement" means that certain Development Agreement, between the Corporation and the Developer with respect to the Project, as the same may be amended from time to time, pursuant to which the Developer will acquire, construct and equip the Project on the Real Property.

"Electronic Notice" means notice through telecopy, facsimile, transmission, internet, e-mail or other electronic means of communication, capable of making a written record.

"Eligible Securities" means any of the following obligations as and to the extent that such obligations are at the time legal investments under the Act for moneys held under the Indenture and then proposed to be invested therein (*provided* that the Trustee shall be entitled to rely upon a Request of the Corporation as conclusive evidence that the investments described therein are so authorized under the laws of the State) and shall be the sole investments in which amounts on deposit in any fund or account created under the Indenture or under the Loan Agreement shall be invested:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of

America or any Federal Reserve Bank and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, *provided* that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself); U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration;

(3) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System;

(4) bonds or notes issued by any state or municipality which are rated by S&P, Fitch and Moody's in one of the three highest rating categories assigned by such agencies;

(5) repurchase agreements with either a primary dealer on the reporting dealer list of the Federal Reserve or any bank, which, in either case, is rated "A" or better by S&P and Moody's, *provided* that (a) the term of such repurchase agreement is not greater than thirty days, (b) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (c) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA, 105%) of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus interest, (d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately, I the repurchase securities are either obligations of, or fully guaranteed as to principal and interest by, the United States or any federal agency backed by the full faith and credit of the United States; (f) the repurchase securities are free and clear of any third-party lien or claim; and (g) there shall have been delivered to the Trustee, the Authority and the Corporation an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of public funds;

(6) investment agreements, including guaranteed investment contracts ("GICs") with providers in one of the two highest rating categories of Moody's and S&P;

(7) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating, at the time of purchase, by S&P of "AAAm-G", "AAA-m", or "AA-m" and if rated by Moody's rated "Aaa", "Aa1" or "Aa2", including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(8) certificates of deposit or similar bank deposit products secured at all times by collateral described in (1) and/or (2) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the Trustee on behalf of the Bondholders has a perfected first security interest;

(9) certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF;

(10) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating, at the time of purchase, of "Prime-1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P;

(11) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State as it may be amended;

(12) the Orange County Investment Pool;

(13) the State of California's Pooled Money Investment Account;

(14) the State of California's Local Agency Investment Fund; and

(15) obligations of a bank or other financial institution rated, at the time of purchase, at least "Aa3" by Moody's or "AA-" by S&P.

"***Environmental Regulations***" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

*"**Event of Default**"* means any of the events specified in the Indenture as summarized herein under the caption "INDENTURE – Events of Default; Remedies on Default – Events of Default; Waiver of Default."

*"**Expiry Date**"* means June 1, 2047.

*"**Facility Lease**"* means that certain Facility Lease (Phase I), dated as of June 1, 2017, by and between the Corporation as lessor and the County as lessee, for use and occupation of the premises described therein, as the same may be amended and supplemented in accordance with its terms and with the terms of the Loan Agreement.

*"**Fiscal Year**"* means, with respect to the Corporation, the twelve-month period beginning July 1 and ending on June 30, or such other twelve-month period as may be designated in a written Statement of the Corporation delivered to the Authority and the Trustee and with respect to the County, as of the date of the Indenture, the period from July 1 to and including the following June 30.

*"**Fitch**"* means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County.

"Government Obligations" means noncallable and nonprepayable direct obligations of the United States of America or obligations which as to full and timely payment of principal and interest constitute full faith and credit obligations of the United States of America (excluding therefrom unit investment trusts and money market funds comprised of such securities).

"Governmental Unit" shall have the meaning set forth in Section 150 of the Code.

"Gross Revenues" means, for any Fiscal Year, all of the revenues, income, cash receipts and other money received by the Corporation, or received by the Trustee on behalf of the Corporation pursuant to the Indenture, that are legally available for payment of the obligations of the Corporation under the Loan Agreement.

"***Ground Lease***" means that certain Ground Lease (Phase I), executed and entered into as of June 1, 2017, by and between the County and the Corporation, as originally executed and entered into and as it may from time to time be amended in accordance with the Indenture and therewith.

"***Hazardous Substances***" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 *et seq.*; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 *et seq.*; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety Code §§ 25100 *et seq.*; the Hazardous Substance Account Act ("HSAA"), Cal. Health & Safety Code §§ 25300 *et seq.*; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 *et seq.*; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code §§ 13000 *et seq.*, the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; or I any other chemical, materials or substance which may or could pose a hazard to the environment.

"***Holder***" means the registered owner of any Outstanding Series 2017A Bond.

"***Indenture***" means the Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions of the Indenture.

"Independent Consultant" means a Person that does not have any direct financial interest or any material indirect financial interest in the Corporation or the County and is not connected with the Corporation as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and designated by the Corporation, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the County and having a favorable reputation for skill and experience in the financial affairs of such facilities.

*“**Insurance Proceeds and Condemnation Awards Fund**”* means the fund by that name established pursuant to the Indenture.

*“**Interest Account**”* means the account by that name in the Revenue Fund established pursuant to the Indenture.

*“**Interest Payment Date**”* means each June 1 and December 1, commencing December 1, 2017.

*“**Irrevocable Deposit**”* means the irrevocable deposit in trust of cash in an amount (or Government Obligations the principal of and interest on which will be in an amount), and under terms sufficient to pay all or a portion of the principal of and/or premium, if any, and interest on, as the same shall become due, of any indebtedness of the Corporation which would otherwise be considered Outstanding. The trustee of such deposit may be any trustee or escrow agent authorized to act in such capacity.

*“**Leased Property**”* means the Real Property and the Project (as the same may be changed from time to time by Removal or Substitution).

*“**Lien**”* means any mortgage or pledge of, security interest in or lien or encumbrance on the Leased Property or the Gross Revenues.

*“**Loan**”* means the loan of Bond proceeds from the Authority to the Corporation pursuant to the Loan Agreement.

*“**Loan Agreement**”* means that certain loan agreement, dated as of June 1, 2017, between the Authority and the Corporation, as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof and of the Indenture.

*“**Loan Repayments**”* has the meaning given such term in the Loan Agreement.

*“**Mandatory Sinking Account Payment**”* means the amount so designated which is established pursuant to the Indenture with respect to the Series 2017A Bonds.

*“**Moody’s**”* means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County.

*“**Opinion of Bond Counsel**”* means an Opinion of Counsel by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

*“**Opinion of Counsel**”* means a written opinion of counsel (which may be counsel for the Authority) selected by the Authority. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

*“**Optional Redemption Account**”* means the account by that name in the Redemption Fund established pursuant to the Indenture.

*"**Outstanding**,"* when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture as summarized herein under the caption "INDENTURE – Miscellaneous – Non-Liability of Authority,") all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture as summarized herein under the caption "INDENTURE – Defeasance – Discharge of Liability on Bonds," and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

*"**Payments**"* means (i) all moneys, if any, received by the Trustee directly from, or on behalf of, the Corporation, pursuant to the Loan Agreement (excluding Additional Payments), and (ii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture.

*"**Permitted Encumbrances**"* means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Indenture, permit to remain unpaid; (ii) the Facility Lease, as it may be amended from time to time; (iii) the Loan Agreement, as it may be amended from time to time; (iv) the Ground Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of Orange; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of the Facility Lease and to which the Corporation and the County consent in writing and certify to the Trustee will not materially impair the leasehold interests of the Corporation or use of the Leased Property by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest on the Series 2017A Bonds.

*"**Person**"* means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

*"**Principal Account**"* means the account by that name in the Revenue Fund established pursuant to the Indenture.

*"**Principal Corporate Trust Office**"* means for the Trustee originally appointed under the Indenture, the corporate trust office of the Trustee which at the date of execution of the Indenture is that specified in the Indenture, *provided* however, that for purposes of presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

*"**Principal Payment Date**"* means each principal and Mandatory Sinking Account Payment date for the Bonds, which shall occur on June 1 of each year, commencing June 1, 2021 with respect to the Series 2017A Bonds.

*"**Project**"* means the facilities described in the Facility Lease.

*"**Project Fund**"* means the fund by that name established pursuant to the Indenture.

*"**Purchase Agreement**"* means the Bond Purchase Agreement among the Authority, the Corporation and the Underwriter.

*"**Rating Agency**"* means at any time any nationally recognized rating agency including Fitch, Moody's or S&P, then rating the Bonds at the request of the Authority or the County.

*"**Rating Category**"* means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

*"**Real Property**"* means the real property described in the Facility Lease (as the same may be changed from time to time by Removal or Substitution).

*"**Rebate Analyst**"* means the Person engaged by the Corporation to calculate any rebate liability under the Code.

*"**Rebate Fund**"* means the fund by that name established pursuant to the Indenture.

*"**Record Date**"* means, with respect to the Interest Payment Date for the Bonds, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

*"**Redemption Fund**"* means the fund by that name established pursuant to the Indenture.

*"**Reimbursement Account**"* means the account by that name established pursuant to the Indenture.

"Reimbursement Amount" means the amount of $0.00, representing the soft and hard costs of the Project incurred by the County for which the County is entitled to reimbursement from proceeds of the Series 2017A Bonds deposited into the Reimbursement Account within the Project Fund, which Amount the County may instruct the Corporation to pay Persons listed on Schedule I attached to the form of Requisition from the Project Fund which may represent payment for any authorized expenditures of the County.

*"**Removal**"* means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Ground Lease as provided in the Facility Lease.

*"**Responsible Officer**"* of the Trustee means and includes a duly authorized officer of the Trustee, with regular responsibility for the administration of matters related to the Indenture.

"***Retained Rights***" means Authority right to payment of the Administrative Fees and Expenses, any Additional Payments, any right to be indemnified, held harmless or defended, the right to enforce venue provisions, any right to receive information, reports, certifications or other documents and any right to notice, consent or inspection under the Indenture or under the Loan Agreement.

*"**Revenue Fund**"* means the fund by that name established pursuant to the Indenture.

*"**S&P**"* means S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, or, if such corporation shall be dissolved or liquidated or

shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County.

*"**Securities Depositories**"* means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attention: Call Notification Department, Fax (212) 855-7232 or to such other addresses and/or such other securities depositories as the Authority may designate to the Trustee in writing.

"Series 2017A Bonds" means the California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program – Phase I).

"***Sinking Fund Installment***" means, with respect to any Term Bonds, each amount so designated for such Term Bonds requiring payments by the Corporation from the Payments to be applied to the retirement of such Bonds on and prior to the stated maturity date thereof.

*"**Special Record Date**"* means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on Bonds.

*"**Special Redemption Account**"* means the account by that name in the Redemption Fund established pursuant to the Indenture.

*"**State**"* means the State of California.

*"**Substitution**"* means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Ground Lease, and the lease of substituted real property and improvements under the Facility Lease and under the Ground Lease as provided in the Facility Lease.

*"**Supplemental Indenture**"* means any indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of the Indenture.

*"**Tax Certificate**"* means the respective Tax Certificate of the Authority and the County dated the date of issuance of the Tax Exempt Bonds, as the same may be amended or supplemented in accordance with its terms.

"Tax Exempt" means, with respect to interest on any obligations of a state or local government, that such interest is excluded from the gross income of the owners thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

*"**Term Bonds**"* means Bonds which are payable on or before their specified maturity dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

*"**Trustee**"* means Zions Bank, a Division of ZB, National Association or the successor as Trustee under the Indenture as provided in the Indenture.

*"**Underwriter**"* means Citigroup Global Markets Inc., its successors and assigns.

INDENTURE

The Bonds

Terms of Series 2017A Bonds. The Series 2017A Bonds shall be issued as registered bonds in Authorized Denominations. The Series 2017A Bonds shall be dated their date of issuance. Interest on the Series 2017A Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months and shall be payable in arrears on each Interest Payment Date. The Series 2017A Bonds shall mature on June 1 in each of the years and in the principal amounts and shall bear interest at the rates in the Indenture.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of the Depository, and shall be evidenced by one Bond for each maturity in the total aggregate principal amount of the Bonds of such maturity. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Indenture as summarized herein under the caption "INDENTURE – The Bonds – Use of Depository." So long as Cede & Co. is the registered owner of the Bonds, as nominee of the Depository, references in the Indenture to the Bondholders, holders or registered owners shall mean Cede & Co. as aforesaid and shall not mean the "beneficial owners" of the Bonds.

The principal of and interest on the Bonds shall be payable in lawful money of the United States of America upon surrender at the Principal Corporate Trust Office. So long as the registered owner of the Bonds is Cede & Co., payment of principal and redemption shall be made without presentment. The interest on any Bond shall be payable to the person whose name appears on the registration books of the Trustee as the registered owner thereof as of the close of business on the Record Date for the Interest Payment Date, such interest to be paid by check mailed by first class mail, postage prepaid, on the Interest Payment Date, to the registered owner at his or her address as it appears on such registration books. Notwithstanding the foregoing, however, any Holder of $1,000,000 or more in an aggregate principal amount of the Bonds shall be entitled to receive payments of interest on the Bonds held by it by wire transfer of immediately available funds to such bank or trust company located within the United States of America as such other Holder shall designate in writing to the Trustee by the first Record Date for such payment. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable in same day funds by the Trustee to Cede & Co., as nominee for the Depository.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest. The Special Record Date shall be fixed by the Trustee, notice thereof being given to the Bondholders not less than 10 days prior to such Special Record Date.

Transfer of Bonds. The registration of any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, and there shall be no other charge to any Holder for any such transfer. The Trustee shall not be required to register the transfer of any Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Bond selected for redemption in whole or in part as provided in the Indenture, or as provided in any Supplemental Indenture, or during the period established by the Trustee for selection of Bonds for redemption.

Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of the Bonds of the same maturity of other authorized denominations. The Trustee shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there shall be no other charge to any Holder for any such exchange. No exchange of Bonds shall be required to be made during the period established by the Trustee for selection of Bonds for redemption and after a Bond has been selected for redemption.

Bond Register. The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient books for the registration of transfer of the Bonds, which shall at all reasonable times during normal business hours upon reasonable notice be open to inspection by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on said books, of Bonds as provided in the Indenture.

Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Authority, shall be in registered form and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations, of the same maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond issued under the Indenture shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. If any Bond mutilated, lost, destroyed or stolen shall have matured, instead of issuing a substitute Bond the Trustee may pay the same without surrender upon receipt of indemnity satisfactory to the Trustee. The Authority may require payment from the Holder of a sum not exceeding the actual cost of preparing each new Bond issued under the Indenture as summarized in this section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture as summarized in this section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Bonds that the same are issued pursuant to the Act and the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

Execution and Delivery of Additional Bonds. At the written request of the Corporation, the Authority and the Trustee may, by execution of a Supplemental Indenture without the consent of the Bondholders, provide for the execution and delivery of Additional Bonds payable from additional Payments. The Trustee may authenticate and deliver to or upon the written request of the Corporation such Additional Bonds, and the proceeds of such Additional Bonds may be applied to any lawful purposes of the Corporation or the Authority, but such Additional Bonds may only be authenticated and delivered upon compliance by the Corporation with the provisions of the Indenture as summarized herein under the caption "INDENTURE – The Bonds – Proceedings for Authorization of Additional Bonds," and subject to the following specific conditions, which are made conditions precedent to the execution and delivery of any such Additional Bonds:

(a) Neither of the Corporation nor the Authority shall be in default under the Indenture nor any Supplemental Indenture or the Loan Agreement nor any supplemental loan agreement; neither of the County nor the Corporation shall be in default under the Facility Lease or the Ground Lease nor any supplement or amendment to either;

(b) The dated date and the maturity dates of, and the Mandatory Sinking Account Payment dates, if any, for such Additional Bonds; provided that (i) each maturity date shall fall upon June 1, (ii) the final maturity date shall not exceed the remaining useful life of the Leased Property, (iii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination and (iv) serial maturities for serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective maturity dates;

(c) The interest payment dates for such Additional Bonds, which shall be Interest Payment Dates;

(d) The aggregate principal amount of Bonds authenticated and delivered and at any time Outstanding under the Indenture or under any Supplemental Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture;

(e) The Loan Agreement shall have been amended, to the extent necessary, so as to increase the Payments payable by the Corporation thereunder by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due.

(f) The Ground Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due provided, however, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County, as required by the Indenture; and

Any Additional Bonds shall be on a parity with the Bonds and each Bondholder thereof shall have the same rights upon an Event of Default as the Bondholder of any other Bonds executed and delivered under the Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are executed and delivered.

The Corporation shall cause to be given to each rating agency rating the Bonds notice of any execution and delivery of Additional Bonds.

Proceedings for Authorization of Additional Bonds. Whenever the Corporation shall by written request, pursuant to the Indenture, request the execution and delivery of any Additional Bonds, the Authority and the Trustee shall enter into a Supplemental Indenture without the consent of the Bondholders of any Bonds, providing for the execution and delivery of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

Such Supplemental Indenture shall prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Indenture, shall provide for the distinctive designation, denominations, method of numbering, dates, Principal Payment Dates, interest rates, Interest Payment Dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be executed and delivered, the Corporation and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel (which may rely upon the Certificate of the County required by section (c) summarized below and such other opinions and certificates as may be appropriate) substantially to the effect (1) that such Counsel has examined the Supplemental Indenture and the amendment, if any, to the Loan Agreement required by the Indenture that the execution and delivery of the Additional Bonds has been sufficiently and duly authorized by the Authority; (3) that said amendments to the Loan Agreement, when duly executed by the Corporation and the Authority, will be valid and binding obligations of the Corporation and the Authority; (4) that said amendments to the Loan Agreement have been duly authorized, executed and delivered; and (5) that the amendments to the Loan Agreement do not adversely affect the tax-exempt status of interest on by Outstanding Bonds

(b) An Opinion of Counsel (which may rely upon the Certificate of the County required by section (c) summarized below and such other opinions and certificates as may be appropriate) substantially to the effect (1) that such Counsel has examined the Supplemental Indenture and the amendment, if any, to the Ground Lease and the Facility Lease required by the Indenture; (2) that said amendments to the Ground Lease and the Facility Lease, when duly executed by the County and the Corporation, will be valid and binding obligations of the County and the Corporation; (4) that said amendments to the Ground Lease and the Facility Lease have been duly authorized, executed and delivered; and (5) that the amendments to the Ground Lease and the Facility Lease do not adversely affect the tax-exempt status of interest on by Outstanding Bonds;

(c) A Certificate of the County as to the annual fair rental value of the Leased Property; which Certificate may assume the timely construction and completion of any Additional Project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee (i) in the Project Fund, in an amount reasonably expected to be sufficient to provide for the construction costs of such Additional Project, and (ii) in the Capitalized Interest Account, in an amount sufficient to pay interest on the Additional Bonds for the period of time from their date of issuance until 6 months following the expected delivery date of the certificate of substantial completion or similar evidence of beneficial use and possession with respect to such Additional Project;

(d) Certified copies of the resolutions of the County and the Corporation, authorizing the execution of the amendments to the Ground Lease and Facility Lease required by the Indenture;

(e) Certified copies of the resolutions of the Authority and the Corporation, authorizing the execution of the amendments to the Loan Agreement required by the Indenture;

(f) An executed counterpart or duly authenticated copy of the amendments to the Loan Agreement, the Ground Lease and Facility Lease required by the Indenture;

(g) Certified copies of the policies of insurance required by the Facility Lease or certificates thereof, which shall evidence that the amounts of the insurance required under the Facility Lease have been increased, if necessary, to cover the amount of such Additional Bonds; and

(h) A CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in the Facility Lease.

Upon the delivery to the Trustee of the foregoing instruments so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee, the Trustee shall authenticate and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the request of, the Corporation.

Pledge and Assignment; Establishment and Application of Funds and Accounts

Pledge and Assignment.

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, there are pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture, all of the Payments and any other amounts (excluding proceeds of the sale of Bonds) held in any fund or account (other than the Rebate Fund) established pursuant to the Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

(b) The Authority assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Payments and other amounts pledged in paragraph (a) above and all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the Retained Rights). The Trustee shall be entitled to and shall receive all of such assigned Payments, and any such Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall (subject to the provisions of the Indenture) take all steps, actions and proceedings following any event of default under the Loan Agreement reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Corporation under the Loan Agreement.

(c) All Payments, the proceeds of rental interruption insurance, and liquidated damages and delay damages, if any, under Section 7.2(b) and Section 8.13 of the Development Agreement attached as Appendix G to this Official Statement and subject to the terms of the Facility Lease, shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee is directed to establish, maintain and hold in trust. All Payments shall be held in trust for the benefit of the Holders from time to time of the Bonds but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture; provided, however, and notwithstanding the foregoing, if the Trustee receives Payments in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date or Principal Payment Date, as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose under the Indenture, then amounts in the Revenue Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the Corporation, for any other purpose.

(d) The Bonds do not constitute a debt or liability of the State of California, the County or of any political subdivision thereof, other than the Authority, but shall be payable solely from the funds provided therefor. The Authority shall not be obligated to pay the principal of the Bonds, or the redemption premium or interest thereon, except from the funds provided therefor under the Indenture and neither the faith and credit nor the taxing power of the Authority, the State of California, or of any political subdivision thereof, including the County, is pledged to the payment of the principal of or the redemption premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State of California, or any political subdivision thereof, including the County, to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power. Moreover, neither the Authority nor the County shall be liable for any other costs, expenses, losses, damages, claims or actions, in connection with the Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement.

Allocation of Revenues. Except as otherwise provided in the Indenture as summarized in this section, the Trustee shall deposit the Payments in the Revenue Fund at the time and in the priority and manner provided in the Indenture in the following respective accounts, each of which the Trustee agrees to establish and maintain and hold in trust until all required Payments are paid in full or until such date as the Bonds are no longer Outstanding, and the moneys in each of such accounts shall be disbursed only for the purposes and uses authorized in the Indenture. The Trustee shall establish and maintain the Capitalized Interest Account within the Interest Account until the date all amounts are transferred therefrom in accordance with subparagraph (1) summarized below.

(1) The Trustee, on each Interest Payment Date, shall transfer to the Interest Account, the aggregate amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding; provided, however, that on each Interest Payment Date occurring on or before the later of July 15, 2020 or the delivery to the Trustee of the Certificate of Substantial Completion, before making said deposit, if and to the extent available in the Capitalized Interest Account within the Interest Account, an amount equal to the aggregate amount of interest coming due on such Interest Payment Date, shall be transferred from the Capitalized Interest Account within the Interest Account to the Interest Account. Upon the later of July 15, 2020 or the delivery to the Trustee of the Certificate of Substantial Completion, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Account to the Interest Account; and

(2) The Trustee, on each Principal Payment Date, shall transfer to the Principal Account, a sufficient amount of money such that the aggregate of amounts therein equal the principal or Mandatory Sinking Account Payment coming due on such Principal Payment Date.

Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Application of Principal Account. (a) All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the Bonds, as provided in the Indenture with respect to Bonds.

(b) The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Bonds, designated as the "____ Sinking Account," inserting therein the Series and maturity (if more than one such account established) for each Term Bond. On or before June 1 in each year, the Trustee shall transfer the amount deposited in the Principal Account on that date pursuant to the Indenture from the Principal Account to the Sinking Account for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month). With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Trustee shall transfer the amount deposited in the Principal Account pursuant to the Indenture for the purpose of applying the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds, upon the notice and in the manner provided in the Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee shall apply such moneys to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, in writing, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Corporation has deposited Bonds with the Trustee, or Bonds were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be delivered to the Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Bonds are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Revenue Fund. All Bonds purchased from the Sinking Account or deposited by the Corporation with the Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as the Corporation directs in writing along with a revised sinking fund schedule giving effect to the purchase so completed.

(c) Subject to the terms and conditions set forth in the Indenture, the Term Bonds shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and on the dates in the Indenture.

Establishment and Application of Redemption Fund. The Trustee shall establish and maintain a special fund designated as the Redemption Fund. Within the Redemption Fund, the Trustee shall establish separate accounts designated as the Optional Redemption Account and the Special Redemption Account. The Trustee shall accept all moneys deposited for redemption and shall deposit such moneys into the Optional Redemption Account or the Special Redemption Account, as applicable. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be accepted and used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon written direction of the Corporation, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation.

Rebate Fund. (a) The Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary to comply with written instructions of the Corporation given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. Neither the Authority, the Corporation nor the Holder of any Tax Exempt Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture as summarized in this section, by the Indenture as summarized herein under the caption "INDENTURE – Particular Covenants – Tax Covenants," and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Corporation including supplying all necessary information in the manner provided in the Tax Certificate, and shall have no liability or responsibility to enforce compliance by the Corporation or the Authority with the terms of the Tax Certificate or any other tax covenants contained in the Indenture. The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee shall have no independent duty to review such calculations or enforce the compliance by the Corporation with such rebate requirements. The Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written instructions provided by the Corporation.

(b) Upon the Corporation's written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Corporation, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Corporation in accordance with the Tax Certificate. The Trustee shall supply to the Corporation and/or the Authority all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Trustee.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to the Indenture as summarized in this section, other than from moneys held in the funds and accounts created under the Indenture or from other moneys provided to it by the Corporation.

(d) At the written direction of the Corporation, which shall include a statement to the effect that such direction complies with the restrictions set forth in the Tax Certificate, the Trustee shall invest all amounts held in the Rebate Fund in Eligible Securities. Moneys shall not be transferred from the Rebate Fund except as provided in paragraph (e) below. The Trustee shall not be liable for any consequences arising from such investment.

(e) Upon receipt of the Corporation's written directions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Corporation so directs, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Corporation's written directions; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Corporation or the Authority, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States of America, redemption and payment of all of the Tax Exempt Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Corporation.

(f) Notwithstanding any other provision of the Indenture, including in particular the provisions of the Indenture as summarized herein under the caption "INDENTURE – Defeasance," the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of the Indenture as summarized in this section, the Indenture as summarized herein under the caption "INDENTURE – Particular Covenants – Tax Covenants," and the Tax Certificate shall survive the defeasance or payment in full of the Tax Exempt Bonds.

Establishment and Application of Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund," and within the Project Fund a separate account designated the "Reimbursement Account. The moneys in the Project Fund and/or the Reimbursement Account shall be disbursed upon the presentation of a duly made Requisition of the Corporation, signed by an Authorized Representative of the Corporation, payable to the Developer in accordance with an attached Project Application for Payment completed substantially in the form of Exhibit P to the Development Agreement attached as Appendix G to this Official Statement or to such other persons by invoice listed in a schedule to be attached thereto. Each such Requisition of the Corporation shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. The Trustee shall not be required to independently verify and shall not be responsible for information set forth in any Requisition or attachment thereto. Amounts in the Reimbursement Account may be used to pay the Reimbursement Amount and/or costs of the Project. No moneys in the Project Fund shall be used to pay Costs of Issuance.

Upon final completion of the Project, the Corporation shall deliver a Certificate to the Trustee substantially in the form of Exhibit L to the Development Agreement attached as Appendix G to this Official Statement (the "Certificate of Final Completion") and make the final requisition of funds from the Project Fund. Upon such payment, the Project Fund shall be closed.

Upon the delivery to the Trustee of such Certificate of Final Completion, the Trustee shall, pursuant to written instructions from the Corporation, transfer any remaining balance of money in the Project Fund, first, to the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, and the remainder to a separate subaccount within the Principal Account, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Subaccount." The moneys in the Surplus Subaccount shall be applied (unless some other application of such moneys would not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of interest on the Tax Exempt Bonds) as directed in writing by the Corporation to pay principal on the Bonds as such principal becomes due and payable, in annual amounts which bear the same ratio to the principal amount of Bonds maturing in such year that the amount deposited in the Surplus Subaccount bears to the original principal amount of Bonds. Notwithstanding the Indenture as summarized herein under the caption "INDENTURE – Particular Covenants – Tax Covenants," the moneys in the Surplus Subaccount shall be invested at a yield no higher than the yield on the Outstanding Tax Exempt Bonds (unless, in the opinion of Bond Counsel, investment at a higher yield would not adversely affect the tax-exempt status of interest on the Tax Exempt Bonds), and all such investment income shall be deposited in the Surplus Subaccount and expended or reinvested as provided above.

Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." Moneys deposited in said fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Bonds upon the presentation of a duly made Requisition of the Corporation, signed by an Authorized Representative of the Corporation, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund, and including a copy of the invoice or statement evidencing the costs incurred. Each such Written Requisition of the Corporation shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the one hundred eightieth (180^{th}) day following the initial issuance of the Bonds, or upon the earlier Request of the Corporation, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Project Fund and the Costs of Issuance Fund shall be closed.

Application of Insurance Proceeds and Condemnation Awards. The Trustee shall not be responsible for the sufficiency of any insurance required by the Facility Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County or the Corporation. Delivery to the Trustee of the schedule of insurance policies under the Facility Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as provided in the Indenture, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to the Facility Lease, the County and the Corporation shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Revenue Fund) to be used in accordance with the Facility Lease. The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund." The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Corporation, which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Redemption Fund and applied in the manner provided by the Indenture. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Redemption Fund and used for the redemption of Outstanding Bonds pursuant to the Indenture; provided, that if the County elects to so prepay the Outstanding Bonds, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision in the Indenture, the County shall only prepay less than all of the Outstanding Bonds if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest of the Outstanding Bonds not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Redemption Fund and applied to the redemption of Outstanding Bonds pursuant to the Indenture.

Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts or subaccounts thereof established pursuant to the Indenture, shall be invested by the Trustee solely in such Eligible Securities as are specified in a Request of the Corporation, provided, however, that, if the Corporation does not file such a Request with the Trustee, the Trustee shall invest to the extent practicable in investments described in clause (7) of the definition of the term “Eligible Securities” in the Indenture; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Request of the Corporation specifying a specific money market fund and, if no such Request of the Corporation is so received, the Trustee shall hold such moneys uninvested.

All interest, profits and other income received from the investment of moneys shall be deposited in the Revenue Fund; provided that interest, profits and other income received from the investment of moneys in each of the Capitalized Interest Account and the Project Fund shall be retained therein.

Investments in any and all funds and accounts established pursuant to the Indenture may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in a particular fund amounts received or held by the Trustee under the Indenture, provided that the Trustee shall at all times account for such investments strictly in accordance with the particular funds to which they are credited and otherwise as provided in the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. To the extent Eligible Securities are registrable, such investments shall be registered in the name of the Trustee. The Trustee may sell or present for redemption, any securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities are credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

The Trustee is authorized, in making or disposing of any investment permitted by the Indenture as summarized in this section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

No float forward or forward purchase agreement or other arrangement, agreement or financial product may be utilized in connection with the Revenue Fund.

The Corporation acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation the right to receive brokerage confirmations of security transactions as they occur, the Corporation specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Corporation periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Particular Covenants

Punctual Payment. The Authority shall punctually pay, but only out of Payments and pledged funds as provided in the Indenture, the principal and interest to become due in respect of every Bond issued under the Indenture at the times and places and in the manner provided in the Indenture and in the Bonds, according to the true intent and meaning thereof.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement except with the written consent of the Bondholders and, if the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended without the written consent of the Bondholders, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture as summarized in this section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Encumbrance Upon Payments. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Payments and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Payments and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the valid and binding limited obligations of the Authority, and the Authority and Trustee shall at all times, to the extent permitted by law and subject to the provisions of the Indenture, defend, preserve and protect said pledge and assignment of Payments and other assets and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Trustee's accounting practices for books of record and account relating to similar trust accounts and in accordance with the customary standards of the corporate trust industry for such books of record and account, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Payments, the Loan Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the Corporation and any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable circumstances.

Other Covenants; Amendment of the Loan Agreement and the Facility Lease. (a) Subject to the provisions of the Indenture, the Trustee shall promptly collect all amounts due pursuant to the Loan Agreement and diligently enforce and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority under the Loan Agreement assigned to it pursuant to the Indenture.

(b) The Authority shall not amend, modify or terminate any of the terms of the Loan Agreement or the Facility Lease, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if but only if (1) the Trustee has received written certification to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds; provided that, if an Event of Default described in paragraph (a), (b) or (c) of the Indenture as summarized herein under the caption "INDENTURE – Events of Default; Remedies on Default – Events of Default; Waiver of Default" has occurred and is continuing, the Trustee rather than the Corporation shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), or (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments payable to the Authority, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in the Indenture.

Continuing Disclosure. Pursuant to provisions of the Facility Lease as summarized herein under the caption "FACILITY LEASE – MISCELLANEOUS – Continuing Disclosure" and the Continuing Disclosure Certificate, the County has undertaken all responsibility for compliance with continuing disclosure requirements with respect to the Series 2017A Bonds pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5), and the Authority shall have no liability to the Holders of the Bonds or any other person with respect to Securities and Exchange Commission Rule 15c2-12. The Trustee covenants and agrees that, subject to the provisions of the Indenture, it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate applicable to it in its capacity as the Trustee. Notwithstanding any other provision of the Indenture, failure of the County or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee at the written request of the Underwriter (as defined in the Continuing Disclosure Certificate) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall (but only to the extent the Trustee has been tendered funds in an amount satisfactory to it or it has been otherwise indemnified from and against any loss, liability, cost or expense, including without limitation, fees and expenses of its counsel and agents and additional fees and charges of the Trustee) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Facility Lease as summarized herein under the caption "FACILITY LEASE – MISCELLANEOUS – Continuing Disclosure" or, as to any Bondholder or Beneficial Owner, to cause the Trustee to comply with its obligations under the Indenture as summarized in the Indenture as summarized in this section. For purposes of the Indenture as summarized in this section, "Beneficial Owner" means any person which (1) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (2) is treated as the owner of any Tax Exempt Bonds for federal income tax purposes.

Tax Covenants. The covenants of the Authority in the Indenture as summarized in this section are made solely in reliance on the representations and covenants of the Corporation set forth in the Loan Agreement and the Tax Certificate and a default by the Corporation with respect thereto shall not be considered a default of the Authority under the Indenture. The covenants of the Authority in the Indenture as summarized in this section are limited to those actions within its control, and further limited to the extent that the costs and expenses of taking such actions are borne by the Corporation or a third party. Subject to the foregoing:

(a) The Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Tax Exempt Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. This covenant shall survive the payment in full or the defeasance of the Tax Exempt Bonds.

(b) In the event that at any time the Authority is of the opinion that for purposes of the Indenture as summarized in this section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, and provided that such action shall not conflict with the requirements of the Tax Certificate, the Authority shall so instruct the Trustee in a Request of the Authority (which may be accompanied by a supporting Opinion of Bond Counsel), and the Trustee shall take such action as may be directed in accordance with such instructions.

(c) Notwithstanding any provisions of the Indenture as summarized in this section, if the Authority shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under the Indenture as summarized in this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax Exempt Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the Indenture as summarized in this section and the Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

Events of Default; Remedies on Default

Events of Default; Waiver of Default. If one or more of the following events ("Events of Default") shall happen, that is to say-

(a) if default shall be made by the Authority in the due and punctual payment of the principal of any Bond as the same shall become due and payable (whether at maturity, by declaration or otherwise);

(b) if default shall be made by the Authority in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable; or

(c) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority, the Corporation and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding;

then and in each and every such case during the continuance of such Event of Default, the provisions of the Indenture as summarized herein under the caption "INDENTURE – Events of Default; Remedies on Default – Institution of Legal Proceedings by Trustee" shall apply.

Institution of Legal Proceedings by Trustee.

(a) If one or more of the Events of Default shall occur, the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall proceed to protect or enforce its rights or the rights of the holders of Bonds under the Indenture, the Loan Agreement and the Facility Lease, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture, provided that any such request from the Bondholders shall not be in conflict with any rule of law or with the Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein.

(b) Notwithstanding anything to the contrary in the Indenture, the Authority shall have no obligation to, and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to the Indenture) under the Indenture or the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Corporation under the Loan Agreement.

Application of Moneys Collected by Trustee. Any moneys collected by the Trustee pursuant to the Indenture as summarized herein under the caption "INDENTURE – Events of Default; Remedies on Default – Institution of Legal Proceedings by Trustee" and any other amounts then held by the Trustee under the Indenture, shall be applied in the following order, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal upon presentation of the Bonds, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of costs and expenses of collection and reasonable compensation to the Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and all other expenses and liabilities incurred, and for advances made pursuant to the provisions of the Indenture.

Second: In case the principal of any of the Bonds shall have become due and remains unpaid, first to the payment of interest in default, and then to the payment of the principal of all Bonds then due and unpaid, in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference.

Whenever moneys are to be applied pursuant to the provision of the Indenture as summarized in this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be the Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and past-due interest to be paid on such date shall cease to accrue.

Whenever all principal of and interest on all Bonds have been paid under the provisions of the Indenture as summarized in this section and all fees, expenses and charges of the Trustee (including without limitation those of its attorneys) have been paid, any balance remaining in the funds and accounts under the Indenture shall be paid to the Corporation.

Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee or of any Holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by the Indenture as summarized in this section "INDENTURE – Events of Default; Remedies on Default," to the Trustee or to the Holders of Bonds may be exercised from time to time, and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under the Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority and the Trustee, and the Holders of the Bonds, severally and respectively, shall be restored to their former positions and rights under the Indenture in respect to the trust estate; and all remedies, rights and powers of the Authority, the Trustee and the Holders of the Bonds shall continue as though no such proceedings had been taken.

Remedies Cumulative. No remedy in the Indenture conferred upon or reserved to the Trustee or to any Holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity.

Covenant to Pay Bonds in Event of Default. The Authority covenants that, upon the happening of any Event of Default, the Authority will pay, but only out of Payments, to the Trustee, upon demand, for the benefit of the Holders of the Bonds, the whole amount then due and payable thereon (by declaration or otherwise) for interest and principal as the case may be, and all other sums which may be due under the Indenture or secured by the Indenture, including reasonable compensation to the Trustee and its agents and counsel and any expenses or liabilities incurred by the Trustee under the Indenture and, its agents and counsel. In case the Authority shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Payments as provided in the Indenture and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of the Indenture.

Trustee Appointed Agent for Bondholders. The Trustee is appointed the agent and attorney-in-fact of the Holders of all Bonds Outstanding under the Indenture for the purpose of filing any claims relating to the Bonds.

Power of Trustee to Control Proceedings. Subject to the Indenture as summarized herein under the caption "INDENTURE – Events of Default; Remedies on Default – Limitation on Bondholders' Right to Sue," in the event that the Trustee, upon the happening of an Event of Default, shall have taken some action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondholders' Right to Sue. Notwithstanding any other provision of the Indenture, no Holder of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Holders of the Outstanding Bonds.

The right of any Holder of any Bond to receive payment of the principal of and interest on such Bond out of Payments and the funds pledged in the Indenture, as provided in the Indenture, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, notwithstanding the foregoing provisions of the Indenture as summarized in this section or "Authority Retained Rights" summarized immediately below or any other provision of the Indenture.

Authority Retained Rights. Nothing in the Indenture as summarized herein under the caption "INDENTURE – Events of Default; Remedies on Default," shall limit in any respect the right of the Authority to enforce or waive any of its Retained Rights under the Loan Agreement.

The Trustee

Duties, Immunities and Liabilities of Trustee. (a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Authority may remove the Trustee at any time, after giving Trustee thirty (30) days' notice of such removal, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by the Corporation (unless an Event of Default shall have occurred and then be continuing) or at any time by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) summarized below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint, with the written consent of the Corporation (unless an Event of Default has occurred and is continuing, at which time consent of the Corporation shall not be required) and Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority, and by giving the Bondholders notice of such resignation by mail at the addresses shown on the Bond registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall appoint, with the written consent of the Corporation (unless an Event of Default has occurred and is continuing, at which time consent of the Corporation shall not be required) and Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and conveying to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall mail a notice of the succession of such Trustee to the trusts under the Indenture to the Bondholders at the addresses shown on the Bond registration books maintained by the Trustee. If the Authority fails to mail such notice within thirty (30) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under the provisions of the Indenture shall be a national banking association, a trust institution or banking institution having trust powers, doing business and having a principal corporate trust office in California or, if it shall not have a principal corporate trust office in California, having the power under California law to perform all the duties of the Trustee under the Indenture as evidenced by an opinion of its counsel, having, or if it is a member of a bank holding company system its parent shall have, a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000 and subject to supervision or examination by State or federal authorities. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture as summarized in this section.

(f) Notwithstanding anything contained in the Indenture to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Trustee to liability under any Environmental Law, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The term "Environmental Laws" shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto. The term "Hazardous Substances" shall mean any chemical, substance or material classified or designated as hazardous, toxic or radioactive, or other similar term, and regulated under any Environmental Law, including without limitation, asbestos, petroleum and hydrocarbon products. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action.

Merger or Consolidation. Any company into which any successor Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the successor Trustee, if any, may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Indenture, shall be the successor to such successor Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Modification of Indenture

Modification without Consent of Bondholders. Subject to the conditions and restrictions contained in the Indenture, the Authority and the Trustee, from time to time and at any time may enter into an indenture or indentures supplemental to the Indenture, which indenture or indentures thereafter shall form a part of the Indenture, including, without limitation, for one or more of the following purposes, provided that the Authority and the Trustee shall have received an Opinion of Bond Counsel to the effect that such amendment or modification will not cause the interest on the Tax Exempt Bonds to be included as gross income for federal income tax purposes and that such amendment or modification is permitted by the Indenture:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Authority in the Indenture; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision, contained in the Indenture, or in regard to such matters or questions arising under the Indenture as the Authority may deem necessary or desirable and not inconsistent with the Indenture; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(c) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture or thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(d) in connection with an amendment of any agreement permitted by the Indenture for the purpose of conforming the terms, conditions and covenants of the Indenture to the corresponding or related provisions of such amended agreement;

(e) to modify or eliminate the book-entry registration system for the Bonds; or

(f) to comply with requirements of a Rating Agency in order to obtain or maintain a rating on any Bonds.

Any supplemental indenture authorized by the provisions of the Indenture as summarized in this section may be executed by the Authority and the Trustee without the consent of the Holders of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of the Indenture as summarized herein under the caption "INDENTURE – Modification of Indenture – Modification With Consent of Bondholders," but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Modification with Consent of Bondholders. With the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding), the Authority and the Trustee may from time to time and at any time, with an Opinion of Bond Counsel to the effect that such amendment or modification will not, in and of itself, cause the interest on the Tax Exempt Bonds to be included as gross income for federal income tax purposes, enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall (1) extend the fixed maturity of any Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof or (2) reduce the aforesaid percentage of Holders of Bonds whose consent is required for the execution of such supplemental indentures or extend the time of payment or permit the creation of any lien on the Payments or the assets pledged in the Indenture to or on a parity with the lien of the Indenture or deprive the Holders of the Bonds of the lien created by the Indenture upon the Payments or the assets pledged in the Indenture, without the consent of the Holders of all of the Bonds then Outstanding. Upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Authority in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Bondholders under the Indenture as summarized in this section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Authority and the Trustee of any supplemental indenture pursuant to the provisions as summarized under this caption, the Authority shall mail a notice to the Trustee setting forth in general terms the substance of such supplemental indenture, and the Trustee, upon receipt of such notice, shall mail such notice to the Corporation and the Bondholders at the addresses shown on the Bond registration books maintained by the Trustee, at the expense of the Corporation. Any failure of the Authority or the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

The Trustee shall mail an executed copy of such supplemental indenture and any amendment of the Loan Agreement permitted under the Indenture to the Corporation, each Rating Agency then rating the Bonds promptly after execution by the Authority, the Trustee, and in the case of the Loan Agreement, the Corporation. The Authority shall mail drafts of any such documents to such parties prior to execution thereof.

Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions of the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Holders of Outstanding Bonds shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of the Indenture for any and all purposes.

Opinion of Counsel as to Supplemental Indenture. Subject to the provisions of the Indenture and the requirement in the Indenture as summarized herein under the caption "INDENTURE – Modification of Indenture – Modification Without Consent of Bondholders" and "– Modification With Consent of Bondholders" for an Opinion of Bond Counsel, the Trustee and the Authority may receive an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of the Indenture complies with the requirements of the Indenture and shall have no liability to Holders in excluding any Supplemental Indenture in reliance on an Opinion of Bond Counsel.

Defeasance

Discharge of Indenture. (a) Bonds may be paid or caused to be paid in any of the following ways, provided any other sums payable under the Indenture have also been paid or caused to be paid:

(i) by paying or causing to be paid the principal of and interest on the Bonds Outstanding as and when the same become due and payable;

(ii) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Bonds Outstanding; or

(iii) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding.

(b) If all Bonds then Outstanding are paid or caused to be paid as provided above and all other sums payable under the Indenture shall also be paid or caused to be paid, then and in that case, at the election of the Corporation (evidenced by a Certificate of the Corporation, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Payments made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture as summarized herein under the caption "INDENTURE – Defeasance – Discharge of Liability on Bonds." In such event, upon request of the Corporation, the Trustee shall cause an accounting for such period or periods as may be requested by the Corporation to be prepared and filed with the Corporation and shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Corporation all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment and which are not required for the payment of fees and expenses of the Trustee.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay any Outstanding Bond, whether upon or prior to its maturity, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond, and the Authority shall remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment; provided further, however, that the provisions of the Indenture as summarized herein under the caption "INDENTURE – Defeasance – Payment of Bonds after Discharge of Indenture" shall apply in all events.

The Bonds may at any time be surrendered to the Trustee for cancellation by the Authority or the Corporation, which may have been acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the amount necessary to pay any Bonds, such amount (which may include money or securities held by the Trustee in the funds established pursuant to the Indenture) shall be equal (taking into account income which will accrue from the investment thereof on the date of deposit of such funds but without taking into account any income from the subsequent reinvestment thereof) to the principal amount of such Bonds and all unpaid interest thereon to maturity, and shall be:

(a) lawful money of the United States of America; or

(b) noncallable bonds, bills and bonds issued by the Department of the Treasury (including without limitation (1) obligations issued or held in book-entry form on the books of the Department of the Treasury and (2) the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form), United States Treasury Obligations State and Local Government Series and Zero Coupon United States Treasury Bonds;

(c) provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Corporation or the Authority) to apply such money to the payment of such principal of and interest on such Bonds and provided, further, that the Trustee shall have received (i) an Opinion of Bond Counsel to the effect that such deposit shall not cause interest on the Tax Exempt Bonds to be included in the gross income of the Holder thereof for federal income tax purposes and that the Bonds to be discharged are no longer Outstanding; and (ii) a verification report of a firm of certified public accountants or other financial services firm acceptable to the Trustee verifying that the money or securities so deposited or held together with earnings thereon will be sufficient to make all payments of principal of and interest on the Bonds to be discharged to and including their maturity date.

Payment of Bonds after Discharge of Indenture. Notwithstanding any provision of the Indenture, and subject to applicable escheat laws, any moneys held by the Trustee in trust for the payment of the principal of or interest on any Bonds and remaining unclaimed for one year after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or by declaration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Corporation free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Trustee may (at the cost of the Corporation) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

Miscellaneous

Non-Liability of Authority. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Payments and other moneys and assets received by the Trustee pursuant to the Loan Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Loan

Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement.

The Trustee acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Corporation to the Trustee pursuant to the Loan Agreement, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if the payments to be made under the Loan Agreement shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then the Trustee shall give notice to the Corporation in accordance with the Indenture as summarized herein under the caption "INDENTURE – Events of Default; Remedies on Default – Events of Default; Waiver of Default," to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Corporation, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA, THE COUNTY OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA, THE COUNTY OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA, THE COUNTY OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER (A) NEITHER THE AUTHORITY NOR THE CORPORATION SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT AND (B) THE COUNTY SHALL NOT BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE GROUND LEASE AND THE FACILITY LEASE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE COUNTY UNDER THE GROUND LEASE AND THE FACILITY LEASE.

Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties, Corporation and Bondholders. Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the Corporation and the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein contained;

and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the Corporation and the Holders of the Bonds

Waiver of Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Authority, if the Authority shall so require) and at the request of the Authority deliver a certificate of such destruction to the Authority.

Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained in the Indenture. The Authority declares that it would have entered into the Indenture and each and every other section, paragraph, sentence, clause or phrase of the Indenture and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in the Indenture as summarized in this section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the Authority or the Corporation or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Corporation shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the Indenture as summarized in this section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Corporation. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority and the Corporation shall specify in a certificate to the Trustee those Bonds disqualified pursuant to the Indenture as summarized in this section and the Trustee may conclusively rely on such certificate.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

Funds and Accounts. Any fund required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of the Indenture related to tax covenants (and the Tax Certificate) and for the protection of the security of the Bonds and the rights of every Holder thereof.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal (or redemption price) of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Governing Law; Venue. The Indenture shall be construed in accordance with and governed by the laws of the State applicable to contracts made and performed in the State. The Indenture shall be enforceable in the State, and any action arising under the Indenture shall (unless waived by the Authority in writing) be filed and maintained in the Superior Court of California, County of San Diego.

LOAN AGREEMENT

Findings, Representations, Covenants and Warranties

Representations and Warranties of the Authority. The Authority represents and warrants to the Corporation that, as of the date of execution of the Loan Agreement and as of the date of delivery of the Series 2017A Bonds to the initial purchasers thereof:

(a) The Authority is a joint exercise of powers agency duly organized and existing under the laws of the State and is duly authorized to issue the Series 2017A Bonds and to perform its obligations under the Loan Agreement.

(b) All requirements have been met and procedures have occurred in order to authorize the execution and delivery of the Loan Agreement. The Authority has taken all necessary action and has complied with all provisions of the law required to make the Loan Agreement a valid and binding limited obligation of the Authority, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(c) The Series 2017A Bonds have been duly authorized, executed and delivered by the Authority. Nothing in the Loan Agreement shall be construed as requiring the Authority to provide any financing for the Project other than the proceeds of the Series 2017A Bonds or to provide sufficient moneys for all of the cost of financing the Project.

(d) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Authority that (i) affects or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of the Series 2017A Bonds, the origination of the loan or the lending of the proceeds of the Series 2017A Bonds to the Corporation, or the execution and delivery of the Indenture or the Loan Agreement, (ii) affects or questions the validity or enforceability of the Series 2017A Bonds or the Indenture or the Loan Agreement or (iii) questions the tax-exempt status of interest on the Series 2017A Bonds.

Representations and Warranties of the Corporation. The Corporation represents and warrants to the Authority that, as of the date of execution of the Loan Agreement and as of the date of delivery of the Series 2017A Bonds to the initial purchasers thereof (such representations and warranties to remain operative and in full force and effect regardless of the issuance of the Series 2017A Bonds or any investigations by or on behalf of the Authority or the results thereof):

(a) The Corporation is a California nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State, and has full legal right, power and authority to enter into the Ground Lease, the Facility Lease, the Development Agreement and the Loan Agreement (the "Corporation Documents"), and to carry out all of its obligations under and consummate all transactions contemplated by the Loan Agreement and by the Corporation Documents, and by proper corporate action has duly authorized the execution, delivery and performance of the Corporation Documents.

(b) The officers of the Corporation executing the Corporation Documents are duly and properly in office and fully authorized to execute the same.

(c) The Corporation Documents have been duly authorized, executed and delivered by the Corporation.

(d) The Corporation Documents, when assigned to the Trustee pursuant to the Indenture, will constitute the legal, valid and binding agreements of the Corporation enforceable against the Corporation by the Trustee in accordance with their terms for the benefit of the Holders, provided that any obligations of the Corporation not so assigned to the Trustee constitute the legal, valid, and binding agreements of the Corporation enforceable against the Corporation by the Authority in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(e) The execution and delivery of the Corporation Documents, the consummation of the transactions therein contemplated and the fulfillment of or compliance with the terms and conditions of the Loan Agreement and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the Articles of Incorporation of the Corporation, its bylaws, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Corporation Documents, or the financial condition, assets, properties or operations of the Corporation.

(f) No consent or approval of any trustee or holder of any indebtedness of the Corporation or any guarantor of indebtedness of or other provider of credit or liquidity of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Corporation Documents, or the consummation of any transaction therein contemplated, or the fulfillment of or compliance with the terms and conditions of the Loan Agreement or thereof, except as have been obtained or made and as are in full force and effect.

(g) There is no action, suit, proceeding, inquiry or investigation, before or by any State or federal court or any State, municipal or other governmental authority, pending, or to the knowledge of the Corporation, after reasonable investigation, threatened, against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Corporation Documents, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, State, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Corporation Documents, or the financial condition, assets, properties or operations of the Corporation. All tax returns (federal, State and local) required to be filed by or on behalf of the Corporation have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Corporation in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. Subject to the Facility Lease, the Corporation enjoys the peaceful and undisturbed possession of all of the premises upon which the Project is located.

(h) No written information, exhibit or report furnished to the Authority by the Corporation in connection with the negotiation of the Corporation Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) The Corporation has full power and authority to carry on its business as now being conducted and to enter into the Corporation Documents and the transactions contemplated therein.

(j) Except as provided in the Indenture and the Loan Agreement, the Corporation shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under the Loan Agreement and shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the redemption date of an equal principal amount of the Bonds.

(k) All representations, warranties and certifications made by the Corporation in connection with the delivery of the Series 2017A Bonds on the Closing Date, including, but not limited to, those representations, warranties and certifications contained in any certificate or agreement concerning the exclusion of interest on the Series 2017A Bonds from gross income for purposes of federal income taxation executed by the Corporation, are true, correct, and complete in all material respects as of the Closing Date.

(l) The Corporation has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement, or other agreement or instrument to which the Corporation is a party or by which the Corporation is otherwise bound, other than the obligations under the Loan Agreement, obligations subordinate to the Corporation's obligations under the Loan Agreement, and obligations incurred in the ordinary course of its operations.

(m) The Corporation has not borrowed or received other debt financing that has not been heretofore repaid in full other than with respect to the debt financing under the Loan Agreement, and any debt financing of the Corporation that is subordinate to the Corporation's obligations under the Loan Agreement.

(n) The Corporation is in compliance in all material respects with all applicable Environmental Regulations.

(o) Neither the Corporation nor the Project is the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by Environmental Regulations or to respond to a release of any Hazardous Substances into the environment.

(p) The Corporation does not have any material contingent liability in connection with the release of any Hazardous Substances into the environment, and has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Corporation is a party or by which the Corporation is otherwise bound, other than the obligations set forth in the Corporation Documents, and other indebtedness evidenced by the Permitted Encumbrances.

Loan Financing; Loan Repayments; Indemnification; Construction Draws

Agreement to Issue Bonds and Application of Bond Proceeds. In order to fund the Loan and for the other purposes set forth in the Indenture, the Authority, concurrently with the execution of the Loan Agreement, will issue, sell and deliver the Series 2017A Bonds and direct the proceeds thereof to be deposited with the Trustee and applied as provided in the Indenture. The Authority and the Corporation agree that the proceeds of the Bonds shall be applied solely in accordance with the Indenture.

The Corporation approves the terms and provisions of the Indenture and, to the extent applicable, agrees to be bound by such terms.

The Loan; Loan Repayments; Additional Payments.

(a) *The Loan*. The Authority agrees, upon the terms and conditions specified in the Loan Agreement, to loan to the Corporation an amount equal to the principal amount of the Series 2017A Bonds and to deposit that portion of the proceeds received by the Authority from the sale of the Series 2017A Bonds with the Trustee for disposition as provided in the Indenture. The obligation of the Authority to make the Loan is limited solely to such sale proceeds of the Series 2017A Bonds received by the Authority and shall be deemed fully discharged upon the deposit of the proceeds of the Bonds with the Trustee pursuant to the Loan Agreement.

(b) *Loan Repayments*. The Corporation shall pay, or cause to be paid, solely from Gross Revenues, to or upon the order of the Authority as repayment of the Loan, the following amounts (which collectively constitute the "Loan Repayments"):

(i) an amount equal to the aggregate amount of interest payable by the Authority on the Outstanding Bonds on each Interest Payment Date;

(ii) on or before the maturity of the Bonds, an amount equal to the principal amount of the Bonds; and

(iii) on or before any redemption date, such amounts as shall, together with any other money available therefor, be sufficient to pay all amounts required to redeem the Bonds pursuant to the provisions of the Indenture, including any related redemption premium.

The Loan Repayments and all other amounts provided in the Loan Agreement as summarized in this section, shall be payable in such lawful money of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. All deposits under the Loan Agreement shall be made at the corporate trust office of the Trustee, or at such other location as shall be designated in writing by the Trustee to the County and the Corporation.

The Corporation shall pay, or cause to be paid, the Loan Repayments from the Gross Revenues of the Corporation without any further notice thereof except as may be specifically required by the Loan Agreement as summarized in this section. The Loan Repayments payable by the Corporation under the Loan Agreement are expected to be equal in the aggregate to an amount which, together with other funds in the Revenue Fund then available for the payment of principal and interest on the Bonds, shall be sufficient to provide for the payment in full of the interest on, premium, if any, and principal of the Bonds as the same become due and payable.

(c) *Additional Payments*. In addition to the Loan Repayments, the Corporation shall also pay to the Authority or to the Trustee, as the case may be, "Additional Payments," as defined in the Facility Lease (unless such Additional Payments are paid directly by the County to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Trustee under the Indenture). Such Additional Payments to be made by the Corporation shall be payable solely from Gross Revenues.

(d) *Net Proceed Payments*. The Corporation shall pay, or cause to be paid, to the Authority or to the Trustee, as the case may be, the proceeds of rental interruption insurance and liquidated damages and delay damages, if any, under Section 7.2(b) and Section 8.13 of the Development Agreement attached as Appendix G to this Official Statement and subject to the terms of the Facility Lease, for deposit by the Trustee upon receipt thereof in the Revenue Fund.

(e) *Failure to Make Payments*. In the event that Gross Revenues are insufficient to pay, or the Corporation shall fail to deposit, or fail to cause to be deposited, with the Trustee such Gross Revenues sufficient to pay any Loan Repayments, Additional Payments or other payments required under the Loan Agreement, the Loan Repayments, Additional Payments or other payments required under the Loan Agreement not paid shall continue to be an obligation under the Loan Agreement of the Corporation until the amount in default shall have been fully paid; provided any such Loan Repayments or Additional

Payments or other payments required under the Loan Agreement shall be paid solely from Gross Revenues.

The obligation of the Corporation to make the payments as required in the Loan Agreement as summarized in this section, and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement, shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim which the Corporation may otherwise have against the Authority; provided the sole source of payment of any such amounts shall be Gross Revenues. The Corporation shall not: (1) suspend, discontinue, or abate any payment required by the Loan Agreement as summarized in this section (except as expressly provided in the Loan Agreement); (2) fail to observe any of its other covenants or agreements in the Loan Agreement; or (3) terminate the Loan Agreement for any cause whatsoever (except as provided in the Loan Agreement as summarized herein under the caption "LOAN AGREEMENT – Prepayment – Prepayment of the Loan"), including without limiting the generality of the foregoing, any declaration or finding that the Bonds, the Indenture, or any portion of the Loan Agreement are invalid or unenforceable, and, any failure of the Authority to perform and observe any agreement, whether expressed or implied, or any duty, liability, or obligation, arising out of or in connection with the Loan Agreement or otherwise.

(f) *Pledge of Gross Revenues*.

(i) As provided in the Facility Lease, the Corporation has directed the County to pay Base Rental Payments directly to the Trustee and the Corporation covenants and agrees that, so long as any of the Bonds remain Outstanding, all of the Gross Revenues shall be deposited directly with the Trustee. Should the Corporation itself receive any Base Rental Payments, the Corporation covenants and agrees that, so long as any of the Bonds remain Outstanding, the Corporation shall immediately transfer such Gross Revenues to the Trustee.

(ii) Subject only to the provisions of the Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Loan Agreement, the Corporation, pledges, and to the extent permitted by law grants a security interest to the Trustee in, all of the Gross Revenues of the Corporation to secure the Loan Repayments and the Additional Payments and the performance by the Corporation of its other obligations under the Loan Agreement. The Corporation agrees to take any other action as may be necessary or reasonably requested by the Trustee or the Authority in order to perfect or maintain as perfected such security interest or give public notice thereof.

(iii) The Corporation further agrees that a failure to comply with the terms of the Loan Agreement as summarized in this section shall cause irreparable harm to the Holders from time to time of the Bonds, and shall entitle the Trustee, as assignee of the Authority, with or without notice to the Corporation, to take immediate action to compel the specific performance of the obligations of the Corporation as provided in the Loan Agreement as summarized in this section.

Costs of Issuance and Other Expenses. In addition to the payments required to be paid by the Corporation under the Loan Agreement, the Corporation agrees that it shall pay from the proceeds of the Bonds or Gross Revenues all Costs of Issuance of the Bonds. The Corporation agrees that it also shall pay all expenses incurred by it, including the expenses of its counsel.

The Corporation acknowledges that certain provisions of the Indenture set forth Administrative Fees and Expenses of the Trustee as the amount of annual compensation and reimbursement payable from funds held under the Indenture to the Trustee. In the event that the Trustee incurs fees and expenses in the course of performing its duties in excess of Administrative Fees and Expenses or in excess of the funds available for the payment thereof under the Indenture, the Corporation agrees to compensate and reimburse the Trustee from Gross Revenues for Administrative Fees and Expenses and for any extraordinary fees and expenses, which compensation to the Trustee shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust.

The Corporation covenants and agrees to pay and indemnify the Authority and the Trustee, against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Trustee, without negligence) and arising out of or in connection with the Corporation Documents, the Bonds or the Indenture. These obligations and those in the Loan Agreement as summarized herein under the caption "LOAN AGREEMENT – Loan Financing; Loan Repayments; Indemnification; Construction Draw – Indemnification" shall remain valid and in effect notwithstanding repayment of the Loan under the Loan Agreement or the Bonds or termination of the Loan Agreement or the Indenture or resignation or removal of the Trustee, but shall be payable solely from Gross Revenues.

Assignment of Authority's Rights. As security for the payment of the Bonds, the Authority in the Indenture assigns to the Trustee certain of the Authority's rights under the Loan Agreement, including the right to receive payments under the Loan Agreement, but excluding any deposits to the Rebate Fund; and the Corporation assents to such assignment and agrees that all Gross Revenues shall be paid directly to the Trustee, without defense or set-off by reason of any dispute between the Corporation and the Authority or the Trustee. By virtue of such assignment and certain obligations of the Corporation to the Trustee, the Trustee shall be a third-party beneficiary of the Loan Agreement and shall have the right to enforce the obligations of the Corporation under the Loan Agreement, subject to the limitations of the Loan Agreement, including the limitations in the Loan Agreement as summarized herein under the caption "LOAN AGREEMENT – Loan Financing; Loan Repayments; Indemnification; Construction Draw – The Loan; Loan Repayments; Additional Payments."

Indemnification. To the fullest extent permitted by law, the Corporation agrees to indemnify, hold harmless and defend the Authority, the Trustee, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Indenture, the Corporation Documents or the Tax Certificate or the execution or amendment of the Loan Agreement or thereof or in connection with transactions contemplated thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the Corporation or the County or any of their agents, contractors, servants, employees, tenants or licensees in connection with the Loan, the Project or the Facility Lease, the operation of the Project or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof;

(iii) any lien or charge upon payments by the Corporation to the Authority and the Trustee under the Loan Agreement, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Project;

(iv) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, or any failure to timely file any continuing disclosure document in connection with the Bonds required by any undertaking or by any applicable law, rule or regulation;

(vii) any declaration of taxability of interest on the Bonds, or allegations that interest on the Bonds is taxable or any regulatory audit or inquiry regarding whether interest on the Bonds is taxable; and

(viii) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (A) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under the Loan Agreement, the Corporation, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Corporation shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Corporation if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

The rights of any persons to indemnity under the Loan Agreement and rights to payment of fees and reimbursement of expenses pursuant to the Loan Agreement shall survive the final payment or defeasance of the Bonds and in the case of the Trustee any resignation or removal. The provisions of the Loan Agreement as summarized in this section shall survive the termination of the Loan Agreement.

Construction Draws. The Corporation may draw the amounts from the Project Fund for construction advances subject to the requirements of the Indenture and the Loan Agreement, upon submission to the Trustee of a Requisition of the Corporation, pursuant to the Indenture. Upon the final disbursement from the Project Fund, an Authorized Representative of the Corporation shall provide a Certificate of the Corporation certifying same to the Authority and the Trustee. The Authority makes no express or implied warranty that the moneys deposited in the Project Fund and available for payment of the Project costs under the provisions of the Loan Agreement, will be sufficient to pay all the amounts which may be incurred for such Project costs. The Corporation agrees that if, after exhaustion of the moneys in the Project Fund, the Corporation should pay, or deposit moneys in the Project Fund for the payment of, any portion of the Project costs pursuant to the provisions of the Loan Agreement as summarized in this section, it shall not be entitled to any reimbursement therefor from the Authority, the Trustee or the Holders of any of the Bonds, nor shall it be entitled to any diminution of the amounts payable under the Loan Agreement. Upon completion of the Project, the Corporation shall file with the Trustee and the Authority the Certificate of Final Completion (as defined in the Indenture) with respect to the Project pursuant to the Indenture.

Construction and Lease of Project

Construction Authorization and Permits. The Corporation shall obtain all authorizations and permits relating to construction of the Project that are necessary to complete the Project from all applicable governmental authorities.

Facility Lease. If any Bonds are Outstanding, the Corporation may not voluntarily terminate the Facility Lease prior to completion of its stated terms nor amend the Facility Lease to result in an earlier end of its stated term; provided nothing in the Loan Agreement as summarized in this section limits the exercise of any remedy provided in the Facility Lease in the event of default by the County.

Lease of the Leased Property. The Corporation shall not lease the Leased Property as lessor except pursuant to the Facility Lease.

Additional Covenants and Agreements of Corporation

Inspection of Books. (a) The Authority and the Trustee shall have the right, but not obligation, upon reasonable notice, during business hours, to examine and audit any and all of the Corporation's records or accounts pertaining to the Loan, the Facility Lease, the Indenture, and the Loan Agreement.

(b) Upon written notice to the Corporation delivered at least five Business Days in advance of an inquiry, the Corporation shall make its management personnel available for periodic inquiries from the Authority; provided that the Corporation shall not be obligated to incur any material out-of-pocket costs in connection with such meetings or inquiries.

Reports and Information. At the request of the Authority or the Trustee, their agents, employees or attorneys, the Corporation shall furnish to the Authority and the Trustee, such information as may be reasonably requested in writing from time to time relative to compliance by the Corporation with the provisions of the Loan Agreement.

Notice. Upon obtaining knowledge of an Event of Default under any Corporation Document, the Corporation agrees to provide to the Trustee and to the Authority notice of such Event of Default (such notice to include a description of the nature of such event and what steps are being taken to remedy such Event of Default).

Reliance. The Corporation recognizes and agrees that the representations and covenants set forth in the Loan Agreement may be relied upon by all Persons interested in the legality and validity of the Bonds and in the exemption from federal income taxation of the interest on the Bonds including, without limitation, the Trustee for the benefit of the Holders of the Bonds. In performing their duties and obligations under the Loan Agreement, the Trustee may rely upon statements and certificates of the

Corporation believed in good faith to be genuine and upon audits of the books and records of the Corporation pertaining to the Loan. The Trustee, in its name or as assignee of the Authority, may, for and on behalf of the Bondholders, enforce all rights of the Authority which have been assigned to and are held by the Trustee and all obligations of the Corporation under and pursuant to the Loan Agreement, whether or not the Authority has pursued or attempted to enforce any of such rights and obligations. In addition, the Authority and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Authority or the Trustee under the Loan Agreement in good faith and in conformity with the opinion of such counsel. In determining whether any default or lack of compliance by the Corporation exists under the Loan Agreement, none of the Trustee or the Authority shall be required to conduct any investigation into or review of the operations or records of the Corporation and may rely solely upon any notice or certificate delivered to the Trustee by the Corporation with respect to the occurrence or absence of a default.

Tax Covenants.

(a) It is the intention of the Corporation that interest on the Series 2017A Bonds shall be and remain excluded from the gross income of the owners thereof for federal income tax purposes, and to that end the covenants and agreements of the Corporation in the Loan Agreement as summarized in this section and in the Tax Certificate are for the benefit of the Trustee on behalf of and for each and every owner of the Series 2017A Bonds.

(b) The Corporation covenants and agrees that it will not use or permit the use of any of the funds provided by the Authority under the Loan Agreement or any other funds of the Corporation, directly or indirectly, or direct the Trustee to invest any funds held by it under the Loan Agreement or under the Indenture, in such manner as would, or enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, that would, or take or omit to take any other action that would cause any Series 2017A Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

(c) In the event that at any time the Corporation is of the opinion or becomes otherwise aware, including from the County, that for purposes of the Loan Agreement as summarized in this section or the Indenture as summarized herein under the caption "INDENTURE – Particular Covenants – Tax Covenants," it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Corporation shall determine the limitations and so instruct the Trustee in writing and cause the Trustee to comply with those limitations under the Indenture. The Corporation will take such action or actions as may be reasonably necessary in the opinion of Bond Counsel, or of which it otherwise becomes aware, to comply fully with Section 148 of the Code.

(d) The Corporation shall not, pursuant to an arrangement, formal or informal, purchase Series 2017A Bonds in an amount related to the amount of the Loan, except as otherwise permitted under the Indenture.

(e) In order to maintain the exclusion of interest on the Series 2017A Bonds from the gross income of the owners thereof for federal income purposes and to assure compliance with the laws of the State, the Corporation agrees that it shall, concurrently with or before the execution and delivery of the Series 2017A Bonds, execute and deliver the Tax Certificate, and shall comply with every term of the Tax Certificate. The Corporation covenants with the Authority, for the benefit of the owners of the Series 2017A Bonds from time to time outstanding, that so long as any Series 2017A Bonds remain Outstanding, moneys on deposit in any fund, or account in connection with the Series 2017A Bonds, whether or not such moneys were derived from the proceeds of the sale of the Series 2017A Bonds or from any other sources, and moneys pledged directly or indirectly to the payment or for the securing of the Series 2017A Bonds, will not be used by or for the Corporation in a manner that will cause the Series 2017A Bonds to be "arbitrage Series 2017A Bonds" within the meaning of Section 148 of the Code. The Corporation expressly recognizes that, to the extent required by Section 148 of the Code, "proceeds" of the Series 2017A Bonds (including investment proceeds and "replacement" proceeds) may be required to be invested at a yield not exceeding the yield on the Series 2017A Bonds in order to comply with the Loan Agreement as summarized in this section. In furtherance of the covenant in the Loan Agreement as summarized in this section, the Corporation agrees that it will not direct any investments or reinvestments that would contravene either the investment representations made by the Authority in the Tax Certificate or any investment directions provided by the Authority and deemed reasonably necessary in the opinion of Bond Counsel to preserve the exclusion from gross income of interest on the Series 2017A Bonds for federal income tax purposes.

(f) In the event of any conflict between the terms of the Loan Agreement and the requirements of the Tax Certificate, the Tax Certificate shall control.

Warranty of Truth. The Corporation covenants that no information, certificate, statement in writing or report required by the Loan Agreement, any other Corporation Documents or otherwise furnished by the Corporation to the Authority or the Trustee shall contain any untrue statement of a material fact or omit a material fact necessary to make such information, certificate, statement or report not misleading as it relates to the Corporation.

Sufficiency of Gross Revenues. The Corporation confirms that its Gross Revenues are expected to be made in an amount sufficient (without any other borrowing) to pay all Loan Repayments.

Indenture Provisions. The execution and delivery of the Loan Agreement shall constitute conclusive evidence of approval of the Indenture by the Corporation. Whenever the Indenture by its terms imposes a duty or obligation upon the Corporation, such duty or obligation shall be binding upon the Corporation to the same extent as if the Corporation were an express party to the Indenture, and the Corporation shall carry out and perform all of its obligations under the Indenture as fully as if the Corporation were a party to the Indenture.

Compliance with Laws. The Corporation will comply in all material respects with all laws, statutes, ordinances, regulations, covenants, conditions and restrictions affecting the Corporation or its operations, and it will not commit, suffer or permit any act to be done in violation of any law, ordinance or regulation, except, in each case, where such noncompliance or act would not have a material adverse effect upon the Corporation's assets, operations or financial condition or upon the Bonds.

Qualification in California. The Corporation agrees that throughout the term of the Loan Agreement it, or any successor, will be qualified to do business in the State of California as a nonprofit public benefit corporation.

Defaults and Remedies

Events of Default. Any one of the following which occurs and continues shall constitute an Event of Default under the Loan Agreement:

(a) failure by the Corporation to cause Gross Revenues to be deposited with the Trustee resulting in the Loan Repayments not being paid when due, or

(b) failure by the Corporation to cause Gross Revenues to be deposited with the Trustee resulting in a failure to pay any other amounts required to be paid under the Loan Agreement and continuation of such failure to pay for ten (10) Business Days following the giving of written notice thereof to the Corporation; or

(c) failure of the Corporation to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement (other than failure by the Corporation to pay the amounts required to be paid under the Loan Agreement, as referred to in subparagraphs (a) or (b) summarized above, and other than as provided in subparagraph (d) summarized below) after the Corporation shall have been given 30 days' written notice specifying such default and requesting it be remedied, unless the Trustee shall have consented to an extension beyond such 30-day period, which extension shall not exceed 90 days; provided that the Corporation shall have commenced cure and be diligently pursuing cure in good faith; or

(d) voluntary initiation by the Corporation of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Corporation of any such proceeding that shall remain undismissed for 60 calendar days, or failure by the Corporation to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Corporation to carry on its operations, or assignment by the Corporation for the benefit of creditors, or the entry by the Corporation into an agreement of composition with creditors or the failure generally by the Corporation to pay its debts as they become due;

(e) occurrence and continuance of an "Event of Default" under the Indenture, provided, however, that an Event of Default under the Indenture arising solely from the actions or inactions of the Authority or the Trustee shall not be an Event of Default under the Loan Agreement;

(f) occurrence and continuance of an "Event of Default" under any of the Corporation Documents, including an "event of default" under the Facility Lease as summarized herein under paragraphs (a) or (b) under the caption "FACILITY LEASE – Default; Remedies – Events of Default and Remedies"; or

(g) any representation or warranty made in the Loan Agreement or any statement or representation made by the Corporation in any certificate, report, opinion, financial statement or other instrument furnished in connection with the Loan or any of the Corporation Documents proves to be false or misleading in any material respect when made.

Remedies.

(a) Upon the occurrence of an Event of Default pursuant to the Loan Agreement and at any time thereafter during the continuance of such Event of Default, the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Loan Agreement, or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Loan Agreement, the Bonds or any other Corporation Document.

Any amounts collected pursuant to action taken by the Trustee under the Loan Agreement as summarized in this section shall be applied in accordance with provisions of the Indenture.

(b) If the Trustee shall have proceeded to enforce the rights of the Authority under the Loan Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then the Corporation, the Trustee and the Authority shall be restored respectively to their several positions and rights under the Loan Agreement, and all rights, remedies and powers of the Corporation, the Authority and the Trustee shall continue as though no such proceedings had taken place.

Additional Remedies. In addition to the above remedies, if an Event of Default occurs under the Loan Agreement, the Authority and the Trustee shall have the right and remedy, without posting bond or other security, to have the provisions of the Loan Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach will cause irreparable injury to the Trustee and the Authority and that money damages will not provide an adequate remedy thereto.

No Remedy Exclusive. No remedy conferred upon or reserved to the Authority in the Loan Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement or existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Authority to exercise any remedy reserved to it in the Loan Agreement, it shall not be necessary to give notice, other than such notice as may be required in the Loan Agreement. Such rights and remedies as are given the Authority under the Loan Agreement shall also extend to Trustee on behalf of the Holders of the Bonds, who shall be entitled to the benefit of all covenants and agreements contained in the Loan Agreement.

No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in the Loan Agreement should be breached by the Corporation and thereafter waived by the Authority or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Loan Agreement.

Agreement to Pay Fees and Expenses Upon Default. In the event the Corporation is in default under any provision of the Loan Agreement or causes an event of default under the other Corporation Documents, the Corporation shall be liable to, and upon demand shall pay to, the Authority and the Trustee all reasonable fees and disbursements of such Persons and their agents (including attorneys' fees and expenses) that are reasonably connected therewith or incidental thereto, except with respect to the Trustee and the Authority, such payment obligation shall be reduced to the extent such fees and disbursements are paid to the Trustee and the Authority from money available therefor under the Indenture.

Prepayment

Prepayment of the Loan. *General*. As further described below, the Corporation shall have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash or surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable redemption price, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the applicable account of the Redemption Fund and, at the request of and as determined by the Corporation, credited against payments due under the Loan Agreement or used for the redemption of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Indenture or as provided in any Supplemental Indenture. The Corporation also shall have the right to surrender Bonds acquired by it in any manner whatsoever to the Trustee for cancellation, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made under the Loan Agreement remain unpaid, the Corporation shall not be relieved of its obligations under the Loan Agreement.

(b) *Prepayment in Whole or in Part*. The Loan may be prepaid in whole or in part at any time by delivering to the Trustee amounts sufficient to defease a like principal amount of Bonds to their optional redemption date pursuant to the Indenture, or as provided in any Supplemental Indenture.

(c) *Prepayment in Whole or in Part from Amounts Transferred from Insurance and Condemnation Proceeds.* The Loan may be prepaid in whole or in part at any time in a principal amount corresponding to amounts transferred from the Insurance Proceeds and Condemnation Awards Fund pursuant to the Indenture, or as provided in any Supplemental Indenture, and used to redeem Bonds at the option of the Corporation pursuant to the Indenture.

Redemption of Bonds Upon Prepayment. Upon prepayment of the Loan as provided in the Loan Agreement, the Trustee shall do any of the following, as applicable: (1) call all or part of the Bonds for redemption, as required by the Indenture in the respective amounts set forth in the applicable paragraph of the Indenture, or as provided in any Supplemental Indenture, and (2) provide for the defeasance of Bonds pursuant to the Indenture.

Amount of Prepayment. In the event of any prepayment pursuant to the Loan Agreement as summarized herein under the caption "LOAN AGREEMENT – Prepayment – Prepayment of the Loan," the amount of the Loan deemed to be prepaid shall be equal to the principal amount of Bonds defeased or redeemed as described in the Indenture, or as provided in any Supplemental Indenture. In the case of prepayment of the Loan in full, the Corporation shall pay to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay all reasonable and necessary fees and expenses (including attorneys' fees) of the Authority, the Trustee and any paying agent accrued and to accrue through final payment of the Bonds and all other liabilities of the Corporation accrued and to accrue under the Loan Agreement and shall pay to the Authority an amount required by the Loan Agreement as summarized herein under the caption "LOAN AGREEMENT – Loan Financing; Loan Repayments; Indemnification; Construction Draw – The Loan; Loan Repayments; Additional Payments." In the case of partial prepayment of the Loan, the Corporation shall pay or cause to be paid to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay expenses of redemption of the Bonds to be redeemed upon such prepayment.

The Corporation agrees that it will not prepay the Loan or any part thereof, except in amounts sufficient to redeem Bonds in Authorized Denominations.

Miscellaneous

Notice. All notices, certificates or other communications under the Loan Agreement shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or by messenger or overnight delivery service or by Electronic Notice, to the notice addresses set forth in the Indenture.A duplicate copy of each notice, certificate or other communication given under the Loan Agreement by the Authority or the Corporation shall also be given to the Trustee. The Authority, the Corporation and the Trustee may, by notice given under the Loan Agreement, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Concerning Successors and Assigns. All covenants, agreements, representations and warranties made in the Loan Agreement and in the certificates delivered pursuant to the Loan Agreement shall survive the execution and delivery of the Loan Agreement by the Authority and the Corporation. Whenever in the Loan Agreement any of the parties to the Loan Agreement is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Corporation that are contained in the Loan Agreement shall bind its successors and assigns and inure to the benefit of the successors and assigns of the Authority.

Governing Law; Venue. The Loan Agreement shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in California. The Loan Agreement shall be enforceable in the State of California, and any action arising under the Loan Agreement shall (unless waived by the Authority in writing) be filed and maintained in the Superior Court of California, County of San Diego.

Amendments; Modifications in Writing. Except as otherwise provided in the Loan Agreement or the Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, the Loan Agreement may be effectively amended, changed, modified, altered or terminated only as permitted under the Indenture, by written instrument executed by the parties to the Loan Agreement and the County. The Authority agrees that it will not consent to an amendment of the Indenture without the approval of the Corporation and the County.

Severability. In the event any provision of the Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Loan Agreement.

Effective Date and Term. The Loan Agreement shall become effective upon its execution and delivery by the Parties to the Loan Agreement, shall remain in full force from the date thereof and, subject to the provisions of the Loan Agreement, shall continue in effect as long as any of the Bonds are outstanding or the Trustee holds any money under the Indenture.

Non-Liability of Authority; Liability of Corporation Limited to Gross Revenues. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Loan Repayments and other moneys and assets received by the Trustee pursuant to the Loan Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Loan Agreement, the Bonds, the Corporation Documents or the Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement.

The Corporation acknowledges that the Authority's sole source of moneys to repay the Bonds (whether by maturity, redemption, acceleration or otherwise) will be provided by the Loan Repayments made by the Corporation to the Trustee pursuant to the Loan Agreement, together with amounts on deposit in and investment income on certain funds and accounts held by the Trustee under the Indenture. The Corporation agrees that if the payments to be made under the Loan Agreement shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due then upon notice from the Trustee, the Corporation shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Corporation, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor; provided, however, that the Corporation and the Authority each acknowledge and agree that the obligations of the Corporation under the Loan Agreement, including all payment obligations under the Loan Agreement, are payable solely from Gross Revenues; and provided further, that any insufficiency in the amount of Gross Revenues to make required payments under the Loan Agreement will not, in itself, constitute an Event of Default under the Loan Agreement.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the Corporation, or the County shall be individually or personally liable for the payment of any principal (or redemption price) of or interest on the Bonds or any other sum under the Loan Agreement or under the Indenture or be subject to any personal liability or accountability by reason of the execution and delivery of the Loan Agreement; but nothing contained in the Loan Agreement shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by the Loan Agreement.

No Prevailing Party Provision. Nothing in the Loan Agreement shall be construed to provide for award of attorneys' fees and costs to the Authority or the Corporation for the enforcement of the Loan Agreement as described in Section 1717 of the Civil Code. Nothing in the Loan Agreement as summarized in this section affects the rights of the Trustee provided in the Loan Agreement.

Binding Effect. The Loan Agreement shall inure to the benefit of and shall be binding upon the Authority, the Trustee, the Corporation and their respective successors and assigns, subject, however, to the limitations contained in the Loan Agreement.

FACILITY LEASE

The Leased Property; Term of the Facility Lease

Lease of the Leased Property. The Corporation leases to the County, and the County rents and hires from the Corporation, the Leased Property on the conditions and terms set forth in the Facility Lease. The County, pursuant to the Facility Lease, agrees and covenants that during the term of the Facility Lease, except as provided in the Facility Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated by the Facility Lease and so as to permit the Corporation to carry out its agreements and covenants contained in the Facility Lease, in the Loan Agreement and in the Indenture, and the County further agrees and covenants that during the term of the Facility Lease that it will not abandon the Leased Property.

Right of Entry and Inspection. The Corporation shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Corporation's rights or obligations under the Facility Lease and for all other lawful purposes.

Prohibition Against Encumbrance or Sale. The County and the Corporation will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances. The County and the Corporation will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, the County may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Corporation under the Facility Lease, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations under the Facility Lease, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other section of the Facility Lease, and (d) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted under the Facility Lease by an amendment to the Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Liens. In the event the County shall at any time during the term of the Facility Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Corporation's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Corporation's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Corporation and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Corporation's interest therein.

Substitution or Removal of Leased Property.

(a) The County may amend the Facility Lease and the Ground Lease in writing from time to time by mutual agreement of the parties to the Facility Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property upon compliance with all of the conditions set forth in subsection (b) below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Ground Lease.

(b) No Substitution or Removal shall take place under the Facility Lease until the County delivers to the Corporation and the Trustee the following:

(i) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(ii) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal (which commercially reasonable evidence may include, but not necessitate, appraisals undertaken by appraisers who are employed by the County or independent of the County, or other information provided to or maintained by the County), which determination shall be final and conclusive; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(iii) An Opinion of County Counsel to the effect that the amendments to the Facility Lease and to the Ground Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms;

(iv) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease multiplied by a fraction, the numerator of which is that portion of the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease attributable to the Substituted Property and the denominator of which is the principal portion of the then-remaining Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Holders of the Series 2017A Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(v) In the event of a Substitution, the Corporation and the County shall consent in writing and certify to the Trustee that such exceptions and Permitted Encumbrances, if any, contained in the title insurance policy referred to in (iv) above will not materially impair the leasehold interests of the Corporation or the beneficial use and occupancy of the Substituted Property described in such policy by the County and will not result in an abatement of Base Rental Payments payable by the County under the Facility Lease;

(vi) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Series 2017A Bonds to be includable in gross income of the owners thereof for federal income tax purposes; and

(vii) Evidence that the County has complied with the covenants contained in clauses (i), (ii) and (iii) summarized herein under the caption "THE FACILITY LEASE – Maintenance Operation and Use; Taxes; Insurance and Other Charges – Insurance," with respect to the Substituted Property.

Commencement of the Facility Lease. The effective date of the Facility Lease is the Closing Date, and the term of the Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as provided in the Facility Lease. If on the Expiry Date, the rental payable under the Facility Lease shall not be fully paid, payment obligations under the Loan Agreement shall not be fully paid and satisfied, and all Series 2017A Bonds shall not be fully paid and retired, then the term of the Facility Lease shall be extended, to the extent permitted by law, until ten days after the rental payable under the Facility Lease shall be fully paid, payment obligations under the Loan Agreement shall be fully paid and satisfied, and all Series 2017A Bonds shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond June 1, 2057. If prior to the Expiry Date, the rental payable under the Facility Lease shall be fully paid, payment obligations under the Loan Agreement shall be fully paid and satisfied, and all Series 2017A Bonds shall have been fully paid, or deemed fully paid, in accordance with the Indenture, the term of the Facility Lease shall thereupon terminate.

Use of Proceeds; Tax Covenants

Use of Proceeds. The parties to the Facility Lease agree that the proceeds of the Series 2017A Bonds will be used by the Corporation to pay Construction Costs with respect to the Leased Property, pay capitalized interest on the Series 2017A Bonds, and to pay the costs of executing and delivering the Series 2017A Bonds and incidental and related expenses. The Project will be developed and constructed in accordance with the provisions and requirements of the Development Agreement.

Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Series 2017A Bonds pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Series 2017A Bonds or any other funds of the County or take or omit to take any action that would cause the Series 2017A Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Series 2017A Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; provided, that if the County shall obtain an Opinion of Counsel to the effect that any action required under the Facility Lease as summarized in this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Series 2017A Bonds pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions of the Facility Lease. In the event that at any time the County is of the opinion that for purposes of the Facility Lease as summarized in this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in the Facility Lease as summarized in this section, the County specifically, pursuant to the Facility Lease, agrees to ensure that the following requirements are met:

(i) No more than five percent of the Leased Property (determined both on the basis of space and on the basis of cost) shall be used in the trade or business of one or more nongovernmental persons (not including the portion of the proceeds properly allocable to facilities expected to be used by an organization described in Section 501(c)(3) of the Code).

(ii) The County will not invest or allow to be invested proceeds of the Series 2017A Bonds at a yield in excess of the yield on the Series 2017A Bonds, except to the extent allowed under the Tax Certificate.

(iii) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

Rental Payments

Base Rental Payments. In consideration for the construction of the Project and the rental of the Leased Property, the County agrees to pay to the Corporation, its successors or assigns, without deduction or offset of any kind, as rental in connection with the Leased Property, the following amounts at the following times:

(a) *Base Rental*. Subject to the immediately following sentence, the County shall pay to the Corporation rental under the Facility Lease as Base Rental Payments in connection with the Leased Property for each Bond Year or portion thereof, at the times and in the amounts set forth in the Base Rental Payment Schedule attached to the Facility Lease, and made a part of the Facility Lease. Notwithstanding the foregoing or any other provision of the Facility Lease to the contrary, until such time as a Certificate of Substantial Completion has been delivered to the Trustee, the County's obligation to pay Base Rental Payments shall be limited solely to amounts on deposit in the Revenue Fund established under the Indenture (including, without limitation, the Capitalized Interest Account established pursuant to the Indenture), and if the Revenue Fund has been depleted, the County shall have no obligation to make any Base Rental Payments from any other source.

If the term of the Facility Lease shall have been extended pursuant to the Facility Lease, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of the Facility Lease. Upon such extension of the Facility Lease, the County shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish annual Base Rental Payments at the lesser of (i) an amount sufficient to pay all unpaid principal and interest on the Series 2017A Bonds for each Bond Year on or prior to June 1, 2047, and (ii) the fair rental value of the Leased Property in each such Bond Year or portion thereof.

(b) *Additional Payments*. The County shall also pay in addition to the Base Rental Payments, to the Corporation, the Authority or the Trustee, as provided in the Facility Lease, such amounts ("Additional Payments") in each year as shall be required for the payment of all costs and expenses as follows:

(i) All taxes and assessments of any type or character charged to the Corporation, the Authority or to the Trustee affecting the amount available to the Corporation, the Authority or the Trustee from payments to be received under the Facility Lease or in any way arising due to the transactions contemplated by the Facility Lease (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding any taxes based upon the capital and/or income of the Trustee, the Corporation or any other person other than the County; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority, the Corporation or the Trustee, as the case may be, at the County's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Authority, the Corporation or the Trustee;

(ii) The reasonable annual (or other regular) fees and expenses of the Trustee, and all reasonable fees, charges and expenses of the Trustee for any extraordinary services rendered by the Trustee under the Indenture, including without limitation any amounts payable to the Trustee by the Authority from Additional Payments pursuant to the Indenture, as and when the same become due and payable;

(iii) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority, the Corporation or the Trustee to prepare audits, financial statements or opinions or provide such other services as are reasonably required under the Facility Lease, the Loan Agreement, the Indenture or the Tax Certificate;

(iv) The Authority Issuance Fee and reasonable expenses of the Authority in connection with the loan to the Corporation of the proceeds of the Series 2017A Bonds under the

Loan Agreement or any other documents contemplated thereby, including without limitation reasonable expenses incurred in connection with any litigation which may at any time be instituted involving such loan or the Loan Agreement, the Facility Lease, the Series 2017A Bonds, the Indenture or any other documents contemplated thereby and reasonable expenses incurred by the Authority in supervision and inspection of the County and its operations with respect to the use of the proceeds of the Series 2017A Bonds; and

(v) Such amounts as may be necessary to satisfy the rebate requirements in accordance with the Tax Certificate.

The Authority Issuance Fee shall be paid to the Authority by the County on the Closing Date.

Other Additional Payments shall be billed to the County by the Authority, the Corporation or the Trustee from time to time, together with (i) a statement executed by a duly authorized officer or agent of the Authority, the Corporation or the Trustee, as the case may be, stating that the amount billed has been incurred or paid by the Authority, the Corporation or the Trustee for one or more of the above items and (ii) a copy of the invoice or statement for the amount so incurred or paid. Amounts so billed shall be paid by the County within thirty (30) days after receipt of the bill by the County. Payment by the County to the Authority, the Corporation or the Trustee of the amount so billed by any such party shall fulfill such payment obligation of the County.

(c) *Consideration*.

(i) Such payments of Base Rental Payments for each Bond Year or portion thereof during the term of the Facility Lease shall constitute, together with the Additional Payments, the total amount due for such Bond Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Authority and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties to the Facility Lease have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable under the Facility Lease in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under the Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties to the Facility Lease acknowledge that they may amend the Facility Lease in writing from time to time by mutual agreement of the parties to the Facility Lease to increase the Base Rental Payments payable under the Facility Lease so that Additional Bonds may be executed, authenticated and issued pursuant to the Facility Lease and the Indenture. The proceeds of such Additional Bonds shall be used for any lawful purpose. Notwithstanding anything to the contrary contained in the Facility Lease, the Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

(d) *Payment; Credit*. Each installment of Base Rental Payments payable under the Facility Lease shall be paid in lawful money of the United States of America to or upon the order of the Corporation at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Corporation shall designate. Any such installment of rental accruing under the Facility Lease which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Rental Abatement," and to the extent permitted by law shall bear interest at the Default Rate from the date when the same is due under the Facility Lease until the same shall be paid. Notwithstanding any dispute between the County and the Corporation, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year commencing after the date of the Facility Lease (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Application of Rental Payments. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due under the Facility Lease, then to the principal components (including any prepayment premium components) of the Base Rental Payments due under the Facility Lease and thereafter to all Additional Payments due under the Facility Lease, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default under the Facility Lease.

Rental Abatement. Until such time as a Certificate of Substantial Completion has been delivered to the Trustee, the County's obligation to pay Base Rental Payments shall be limited solely to amounts on deposit in the Revenue Fund (including, without limitation, the Capitalized Interest Account established pursuant to the Indenture) and the County shall have no obligation to make any Base Rental Payments from any other source. If any rental payments under the Facility Lease with respect to the Leased Property shall be at any time abated in full, the County shall have no obligation to make any Base Rental Payments from any source. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or any account therein, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2017A Bonds, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. Any abatement of rental payments pursuant to the Facility Lease as summarized in this section shall not be considered an Event of Default as defined in the Facility Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and, with respect to damage to or destruction of the Leased Property, ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed, and with respect to a title defect interfering with the use and possession by the County of any portion of the Leased Property, ending with the interference with the use and possession caused by such title defect.

In the event that rental is abated, in whole or in part, pursuant to the Facility Lease as summarized in this section due to material damage or destruction of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Prepayment of Base Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to the Facility Lease, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid (i) in whole on any date at a prepayment amount equal to the principal component outstanding plus accrued interest thereon to the date of prepayment plus any applicable premium, or (ii) in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2017A Bonds and any Additional Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2017A Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

The County may prepay, from any source of available moneys pursuant to the Indenture, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid (i) in whole on any date at a prepayment amount equal to the principal component outstanding plus accrued interest thereon to the date of prepayment plus any applicable premium, or (ii) in part of the principal components of Base Rental Payments payable under the Facility Lease then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under the Facility Lease which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2017A Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

Before making any prepayment pursuant to the Facility Lease as summarized in this section, at least 45 days before the prepayment date the County shall give written notice to the Corporation and the Trustee describing such event, specifying the order of principal components of the Base Rental Payments being prepaid and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Corporation and the Trustee. Any notices required in connection with any prepayment under the Facility Lease may be waived by the parties to the Facility Lease as and to the extent necessary.

Obligation to Make Rental Payments. The agreements and covenants on the part of the County contained in the Facility Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained in the Facility Lease agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE

MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

<u>Additional Bonds</u>. In addition to the Series 2017A Bonds to be executed, authenticated and issued under the Indenture the County and the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to issue Additional Bonds on a parity with the Series 2017A Bonds and any previously executed, authenticated and issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Indenture; provided that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to the Facility Lease, providing for an increase in the Base Rental Payments to be made under the Facility Lease subject to the limitations set forth in the Facility Lease.

Maintenance Operation and Use; Taxes; Insurance and Other Charges

<u>Maintenance of the Leased Property by the County</u>. (a) The County, pursuant to the Facility Lease, agrees that, at all times during the term of the Facility Lease, it will, at its own cost and expense, maintain, preserve and keep the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Corporation shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

(b) The County shall provide the Corporation and the Authority such information concerning the Project and the acquisition, installation and construction thereof as may be reasonably requested by the Authority.

<u>Taxes, Other Governmental Charges and Utility Charges</u>. The parties to the Facility Lease contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Corporation of the Leased Property is found to be subject to taxation in any form, the County will pay during the term of the Facility Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as the Facility Lease is in effect.

<u>Insurance</u>. From and after the delivery to the Trustee of the Certificate of Substantial Completion, the County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by the Facility Lease as summarized in this section. Such insurance shall consist of:

> (i) *Fire and Extended Coverage Insurance; Insurance Proceeds*. The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease and commencing with the County's beneficial use and occupancy of the Leased Property, all-risk property insurance including, without limitation earthquake coverage if

determined by the County in its discretion to be available at a commercially reasonable price. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of the Leased Property, except that such insurance may be subject to deductible clauses for any one loss of not to exceed five hundred thousand dollars ($500,000) (or a comparable deductible adjusted for inflation as determined by the County in its reasonable discretion), or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to prepay all outstanding principal components of Base Rental Payments due under the Facility Lease. Such insurance may be part of a joint-purchase insurance program. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

In the event that such coverage is not included in the paragraph above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than $75,000,000 per accident; provided, however, that the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to $75,000,000 per accident.

In the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by such insurance, the County, except as provided in the Facility Lease, shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the net proceeds, if any, of the insurance policy described in this paragraph (i) shall be payable to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund," to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The County shall permit withdrawals of said proceeds from time to time for the purpose of repair, reconstruction or replacement only in the event-that the Base Rental Payments payable in each year following such repair, reconstruction or replacement shall equal the amount of Base Rental Payments payable in such year as set forth in the Base Rental Payment Schedule. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be applied by the County as Base Rental Payments. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount of Base Rental Payments equal to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion that the acquisition cost of such portion of the Leased Property bears to the acquisition cost of the Leased Property), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Base Rental Payments.

The Authority and the County shall promptly apply for Federal disaster aid or State disaster aid in the event that the Leased Property is damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Property, or, at the option of the County; to prepay all outstanding principal components of Base Rental Payments due under the Facility Lease if such use of such disaster aid is permitted.

(ii) *Liability Insurance*. Except as provided in the Facility Lease, the County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease commencing with the County's beneficial use and occupancy of the Leased Property, a commercial general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees, indemnifying said parties against all direct or contingent loss or liability for damages for bodily injury, death or property damage occasioned by reason of the operation of the Leased Property, with minimum liability limits of two million dollars ($2,000,000) for bodily injury or death of each person in each accident or event, and in a minimum amount of five hundred thousand dollars ($500,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks. Such liability insurance may be part of a joint-purchase insurance program. Such insurance may be maintained by the County in the form of self-insurance.

(iii) *Rental Interruption Insurance*. The County shall maintain insurance issued by a responsible carrier against rental interruption or loss of use and possession of the Leased Property or, as an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance shall be maintained by the County in an amount sufficient to pay the maximum annual Base Rental Payments under the Facility Lease for any two-year period, except that such insurance may be subject to a deductible clause of not to exceed $500,000 (or a comparable deductible adjusted for inflation as determined by the County in its reasonable discretion) and such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (i) or (ii) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (iii) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (i) or (ii) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (iii) may provide that amounts payable as coverage under this paragraph (iii) may be reduced by amounts payable under paragraph (i) or (ii), as the case may be, for the same occurrence, and vice versa.

(iv) *Workers' Compensation Insurance*. The County shall maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance may be maintained by the County in the form of self-insurance.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (i) and (ii) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided in the Facility Lease or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance required in the Facility Lease. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Any insurance policy issued pursuant to paragraph (i), (ii) or (iii) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (i) or (ii) above shall be applied as provided in the Facility Lease. The net proceeds, if any, of the insurance policy described in paragraphs (i) and (ii) above shall be payable to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (iii) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in the Facility Lease as summarized in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

All insurance required by the Facility Lease shall provide that the Trustee shall be given 30 days written notice of each lapse or a reduction of the coverage below the minimum requirements stated in paragraphs (i), (ii) and (iv) above. Neither the Trustee nor the Authority shall be responsible for the sufficiency of any insurance required in the Facility Lease and both the Trustee and the Authority shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Authority. The County shall pay when due the premiums for all insurance policies required by the Facility Lease, and shall promptly furnish evidence of such payments to the Trustee, upon its written request.

The County will deliver to the Trustee on June 1 of each year a Certificate of the County certifying that the insurance policies required by the Facility Lease as summarized in this section are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which the Facility Lease requires to be so endorsed, setting forth the insurance policies then in force pursuant to the Facility Lease as summarized in this section, the names of the insurers that have issued the policies, the amounts thereof and the property and risks covered thereby, and, if any self-insurance program is being provided, the most recent annual report of an actuary, independent insurance consultant or other qualified person (who may be an employee of the County) containing the information required for such self-insurance program and described in paragraphs (i) and (ii) above. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required under the Facility Lease.

Notwithstanding anything in the Facility Lease to the contrary, none of the provisions of the Facility Lease as summarized in this section shall be binding on the County until the Certificate of Substantial Completion shall be delivered to the Trustee.

Advances. In the event the County shall fail to maintain the full insurance coverage required by the Facility Lease or shall fail to keep the Leased Property in good repair and operating condition, the Corporation may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Corporation shall become Additional Payments, which amounts the County, pursuant to the Facility Lease, agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance. The County, pursuant to the Facility Lease, covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount of the principal component of all Base Rental Payments payable under the Facility Lease. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to Permitted Encumbrances.

Liquidated Damages under Development Agreement; Assignment of Corporation Rights under the Development Agreement. (a) The Corporation assigns and transfers to the Authority all of the Corporation's right, title, and interest in, to, and under any payments under Section 7.2(b) and Section 8.13 of the Development Agreement attached as Appendix G to this Official Statement, the proceeds of which shall be deposited in the Revenue Fund.

(b) The County and the Corporation agree that, upon the written request of the Trustee, each will take such actions as may be reasonably requested by the Trustee and to the extent permitted by law to enforce the obligations of the Developer under Section 7.2(b) and Section 8.13 of the Development Agreement attached as Appendix G to this Official Statement to the extent of the County's, the Corporation's, the Trustee's or the Authority's interest therein, including, but not limited, to bringing an action against the Developer for payments thereunder.

(c) The Corporation agrees to assign, or to cause the assignment, to the County certain of its rights under the Development Agreement, as further described and provided in Section 25.5 of the Development Agreement attached as Appendix G to this Official Statement. Subject to the terms of the Development Agreement, the County shall be deemed a third party beneficiary of the Development Agreement.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term of the Facility Lease (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Corporation in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or entity acting under governmental authority, then the County and the Corporation will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; provided, that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due under the Facility Lease attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Bonds pursuant to the provisions of the Indenture as summarized in this Official Statement under the caption "THE BONDS - Redemption - *Extraordinary Optional Redemption from Insurance and Condemnation Proceeds*" for redemption from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof. Notwithstanding any other provision in the Facility Lease, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the annual fair rental value of the Leased Property would be at least equal to the maximum annual Base Rental Payments payable under the Facility

Lease or (ii) to prepay all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or prepayment; provided that the failure of the County to so budget and/or appropriate shall not be a breach of or default under the Facility Lease.

Disclaimer of Warranties; Vendor's Warranties; Use of the Leased Property

Disclaimer of Warranties. NEITHER THE AUTHORITY, THE TRUSTEE NOR THE CORPORATION MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE AUTHORITY, THE TRUSTEE NOR THE CORPORATION IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY ON THE DATE of the Facility Lease LEASES THE REAL PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. UPON COMPLETION OF THE PROJECT, AS EVIDENCED BY DELIVERY OF THE CERTIFICATE OF SUBSTANTIAL COMPLETION, THE COUNTY WILL ASSUME THE AFOREMENTIONED RISKS FOR THE PROJECT IN ADDITION TO THE REAL PROPERTY COMPONENT OF THE LEASED PROPERTY. In no event shall the Authority, the Corporation or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease. In no event shall the Authority, the Corporation or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease.

Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County, pursuant to the Facility Lease, agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Corporation in and to the Leased Property or its interest or rights under the Facility Lease.

Assignment, Expenses and Indemnification

Assignment by Corporation. As security for the payment of the Bonds, the Corporation assigns to the Trustee certain of the Corporation's rights under the Facility Lease and under the Ground Lease, including the right to receive Base Rental Payments under the Facility Lease; and the County assents to such assignment and agrees to make all payments due under the Facility Lease from Gross Revenues, including from Base Rental Payments or other funds of the County, directly to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Trustee under the Indenture, without defense or set off by reason of any dispute between the County and the Corporation, the Authority or the Trustee. By virtue of such assignment, the Trustee shall be a third party beneficiary of the Facility Lease and shall have the right to enforce the obligations of the County under the Facility

Lease, subject to the limitations of the Facility Lease, including the limitations in the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Rental Abatement."

Expenses; Indemnification. (a) The County shall pay Costs of Issuance and all other expenses, including without limitation reasonable attorneys fees, reasonably incurred by the Corporation, the Authority and the Trustee by reason of the execution of the Facility Lease or the offer, sale or delivery of the Series 2017A Bonds and will hold the Authority and the Trustee free and harmless of and from any claims of any kind for such or similar fees and expenses. Without limiting the generality of the foregoing, the County also agrees to pay the Authority's fees and expense reimbursements required by the Loan Agreement as summarized herein under the caption "LOAN AGREEMENT – Loan Financing; Loan Repayments; Indemnification; Construction Draw – The Loan; Loan Repayments; Additional Payments" and "– Costs of Issuance and Other Expenses."

(b) To the fullest extent permitted by law, the County agrees to indemnify, hold harmless and defend the Authority, the Trustee, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Indenture, the Corporation Documents or the Tax Certificate or the execution or amendment of the Facility Lease or thereof or in connection with transactions contemplated thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the Corporation or the County or any of their agents, contractors, servants, employees, tenants or licensees in connection with the Loan, the Project or the Facility Lease, the operation of the Project or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof;

(iii) any lien or charge upon payments by the Corporation to the Authority and the Trustee under the Loan Agreement, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Project;

(iv) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, or any failure to timely file any continuing disclosure document in connection with the Bonds required by any undertaking or by any applicable law, rule or regulation;

(vii) any declaration of taxability of interest on the Bonds, or allegations that interest on the Bonds is taxable or any regulatory audit or inquiry regarding whether interest on the Bonds is taxable; and

(viii) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (A) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under the Facility Lease, the County, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the County shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the County if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(c) The rights of any persons to indemnity under the Facility Lease and rights to payment of fees and reimbursement of expenses pursuant to the Facility Lease as summarized in this section shall survive the final payment or defeasance of the Bonds and in the case of the Trustee any resignation or removal. The provisions of the Facility Lease as summarized in this section shall survive the termination of the Facility Lease.

Events of Default and Remedies

(a) The following shall be "events of default" under the Facility Lease, and the terms "events of default" or "default" shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(i) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Facility Lease, provided, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Rental Abatement," shall not constitute an Event of Default; or

(ii) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to the Facility Lease; or

(iii) The County fails to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Facility Lease other than as referred to in paragraphs (1) and (2) above for a period of forty-five (45) days after written notice specifying such failure and requesting that it be remedied is given to the County by the Corporation or the

Authority; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Corporation or the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected.

(b) In addition to any default resulting from breach by the County of any agreement, condition, covenant or term of the Facility Lease, if (1) the County's interest in the Facility Lease or any part thereof be assigned, sublet or transferred without the written consent of the Corporation and the Authority, either voluntarily or by operation of law; or (2) the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or (3) the County shall abandon the Leased Property or any portion thereof; then in each and every such case the County shall be deemed to be in default under the Facility Lease.

Upon the happening of any of the events specified in subsection (a) or (b) as summarized above (in either case an "Event of Default"), then it shall be lawful for the Corporation and/or the Authority to exercise any and all remedies available or granted to it pursuant to law or under the Facility Lease. Upon the breach of any agreement, condition, covenant or term contained in the Facility Lease required to be observed or performed by the County, the Authority, the Corporation and/or the Trustee may exercise any and all rights of entry upon or repossession of the Leased Property, and also, at its option, with or without such entry, may terminate the Facility Lease; provided, that no termination shall be effected either by operation of law or acts of the parties to the Facility Lease except upon express written notice from the Corporation, the Authority or the Trustee to the County terminating the Facility Lease, as provided below. In the event of such default and notwithstanding any entry by the Authority, the Corporation or the Trustee, the Authority, the Corporation or the Trustee may at any time thereafter (with or without notice and demand and without limiting any other rights or remedies the Authority, the Corporation or the Trustee may have):

(1) Maintain the Facility Lease in full force and effect and recover rent and other monetary charges as they become due without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property. In the event the Authority, the Corporation or the Trustee elects not to terminate the Facility Lease, it shall have the right and the County irrevocably appoints the Corporation as its agent and attorney-in-fact for such purpose to attempt to relet the Leased Property at such rent, upon such conditions and for such term, and to do all other acts to maintain or preserve the Leased Property, including the removal of persons or property therefrom or taking possession thereof, as the Corporation or the Authority deems desirable or necessary, and the County waives any and all claims for any damages that may result to the Leased Property thereby; provided, that no such actions shall be deemed to terminate the Facility Lease and the County shall continue to remain liable for any deficiency that may arise out of such reletting, taking into account expenses incurred by the Corporation or the Authority due to such reletting, payable at the same time and manner as provided for Base Rental in the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Base Rental Payments."

(2) Terminate the County's right to possession of the Leased Property by giving a written notice of termination to the County. On the date specified in such notice (which shall be

not less than three (3) days after the giving of such notice) the County's right to possession under the Facility Lease shall terminate and the County shall surrender possession of the Leased Property, as the case may be, to the Corporation, unless on or before such date all arrears of rental and all other sums payable by the County under the Facility Lease, and all costs and expenses incurred by or on behalf of the Corporation, the Trustee or the Authority under the Facility Lease, including attorneys' fees incurred in connection with such defaults, shall have been paid by the County and all other defaults or breaches under the Facility Lease by the County at the time existing shall have been fully remedied to the satisfaction of the Corporation, the Trustee and the Authority. Upon such termination, the Corporation, the Trustee and the Authority may recover, in addition to all other damages available by contract or at law, to the extent permitted by law, from the County: (i) the worth at the time of award of the unpaid rental which had been earned at the time of termination; and (ii) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss that the County proves could have been reasonably avoided. The "worth at the time of award" of the amounts referred to in clauses (i) and (ii) above is computed by allowing interest at the rate of twelve per cent (12%) per annum.

Without otherwise limiting any of the rights or remedies of the Corporation, the Trustee and the Authority set forth in the Facility Lease, the Corporation, the Trustee and the Authority expressly waive the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

Notwithstanding any provision in the Facility Lease, under no circumstances shall the Base Rental Payments due under the Facility Lease be accelerated as a result of any Event of Default.

Each and all of the remedies given to the Corporation, the Trustee and the Authority under the Facility Lease or by any law now existing or hereafter enacted are cumulative and the exercise of any one remedy shall not impair the right of the Corporation, the Trustee and the Authority to any or all other remedies.

Miscellaneous

Binding Effect. The Facility Lease shall inure to the benefit of and shall be binding upon the Corporation and the County and their respective successors and assigns.

Trustee and Authority as Third Party Beneficiary. The Trustee and the Authority are designated third party beneficiaries under the Facility Lease for the purpose of enforcing any of the rights granted to such parties under the Facility Lease or assigned to the Trustee and the Authority under the Loan Agreement.

Net Lease. It is the purpose and intent of the Corporation and the County that lease payments under the Facility Lease shall be absolutely net to the Corporation so that the Facility Lease shall yield to the Corporation the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease. The Corporation shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Facility Lease except as expressly set forth in the Facility Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Facility Lease shall be paid by the County.

Amendments. The Facility Lease may be amended in writing as may be mutually agreed by the Corporation and the County, subject to the written approval of the Authority and the Trustee; provided, that no such amendment which materially adversely affects the rights of the Holders shall be effective unless it shall have been consented to by the Holders of more than 50% in principal amount of the Series 2017A Bonds Outstanding and any Additional Bonds then Outstanding, and provided further, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Holder of each Bond so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Holders of which is required for the execution of any amendment of the Facility Lease.

The Facility Lease and the rights and obligations of the Corporation and the County under the Facility Lease may also be amended or supplemented at any time by an amendment of the Facility Lease or supplement to the Facility Lease which shall become binding upon execution without the written consents of any Holders, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Corporation or the County to be observed or performed in the Facility Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the County, or to surrender any right or power reserved in the Facility Lease to or conferred in the Facility Lease on the Corporation or the County, and which in either case shall not materially adversely affect the interests of the Holders;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Facility Lease or in regard to questions arising under the Facility Lease which the Corporation or the County may deem desirable or necessary and not inconsistent with the Facility Lease, and which shall not materially adversely affect the interests of the Holders;

(c) to effect a Substitution or Removal in accordance with the Facility Lease; or

(d) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Holders.

Discharge of County. Upon the payment of all Base Rental Payments and Additional Payments payable under the Facility Lease, all of the obligations of the County under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; provided, however, if the Series 2017A Bonds shall be deemed to have been paid by virtue of a deposit of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem the Series 2017A Bonds and any Additional Bonds Outstanding of the Indenture, and subject to satisfaction of the conditions of the Indenture, then the obligation of the County to make Base Rental Payments under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments.

Severability. In the event any provision of the Facility Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Facility Lease.

Governing Law. The Facility Lease shall be construed in accordance with and governed by the constitution and the laws of the State of California applicable to contracts made and performed in California.

GROUND LEASE

Leased Property. The County leases to the Corporation and the Corporation rents and hires from the County, on the terms and conditions set forth in the Ground Lease, the Real Property.

Term. The term of the Ground Lease will commence on the Closing Date and shall end on the Expiry Date, unless such term is sooner terminated or is extended as provided in the Ground Lease. If prior to the Expiry Date all Base Rental Payments under the Facility Lease shall have been paid, or provision therefor has been made in accordance with the Indenture to defease all outstanding Bonds, the term of the Ground Lease shall end simultaneously therewith. If the Facility Lease is extended automatically beyond the Expiry Date pursuant to the terms thereof, the Ground Lease shall also be extended to the day following the date of termination of the Facility Lease.

Rent. The Corporation shall pay to the County an advance rent of $1, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for the Ground Lease over its term. The Corporation waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Corporation of the Real Property or portion thereof as a result of material damage, destruction or condemnation.

Purpose. The Corporation shall use the Real Property solely for the purpose of subleasing the same to the County; provided, that in the event of default by the County under the Facility Lease, the Corporation may exercise the remedies provided in the Facility Lease.

Owner in Fee. The County covenants that it is the owner of the Real Property free and clear of all liens, claims or encumbrances which affect marketability.

Assignments and Leases. Unless the County shall be in default under the Facility Lease, the Corporation may not, without the prior written consent of the County, assign its rights under the Ground Lease or sublet the Leased Property except that the County expressly approves and consents to the assignment and transfer of the Corporation's right, title and interest in the Ground Lease to the Trustee pursuant to the Assignment Agreement.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Termination. The Corporation agrees, upon the termination of the Ground Lease, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms under the Ground Lease, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination of the Ground Lease shall remain thereon and title thereto shall vest in the County.

Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of the Ground Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Corporation, the County may exercise any and all remedies granted by law, except that no merger of the Ground Lease and of the Facility Lease shall be deemed to occur as a result thereof; provided, that so long as the Bonds executed and delivered pursuant to the Indenture are Outstanding, the County shall have no power to terminate the Ground Lease by reason of any default on the part of the Corporation, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Corporation and the Trustee.

Quiet Enjoyment. The Corporation at all times during the term of the Ground Lease shall peaceably and quietly have, hold and enjoy the Leased Property.

Waiver of Personal Liability. All liabilities under the Ground Lease on the part of the Corporation shall be solely corporate liabilities of the Corporation, and the County releases each and every director, officer and employee of the Corporation of and from any personal or individual liability under the Ground Lease. No director, officer or employee of the Corporation shall at any time or under any circumstances be individually or personally liable under the Ground Lease for anything done or omitted to be done by the Corporation under the Ground Lease.

Eminent Domain. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Corporation shall be recognized and is determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Rental due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Amendments. The Ground Lease may be amended for the purpose of affecting a Substitution or Removal, as further described in the Facility Lease, and in the manner and under the circumstances described in connection with the amendment of the Facility Lease, as further described in the Facility Lease.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms of the Ground Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Ground Lease shall be affected thereby, and each provision of the Ground Lease shall be valid and enforceable to the fullest extent permitted by law.

Governing Law. The Ground Lease shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in California.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the County of Orange, California (the "County") in connection with the issuance of $152,400,000 aggregate principal amount of the California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program – Phase I) (the "Bonds"). The Bonds are being issued pursuant to an Indenture dated as of June 1, 2017 (the "Indenture") by and between the California Municipal Finance Authority (the "Authority") and Zions Bank, a division of ZB, National Association, as trustee (the "Indenture"). Capitalized terms not defined herein shall have the meaning set forth in the Indenture. The County covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as the foregoing capitalized terms are hereinafter defined).

Section 2. Definitions. The following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County or any successor Dissemination Agent designated in writing by the County, which has filed with the County a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement for the Bonds dated June 13, 2017.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than February 25 after the end of the County's fiscal year (which currently ends on June 30), commencing with the report due for the fiscal year ending June 30, 2017, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The County's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The County will promptly notify the MSRB of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent (if the Dissemination Agent is not the County). If by fifteen (15) Business Days prior to the date specified in (a) for the Annual Report, the Dissemination Agent (if other than the County) has not received a copy of the Annual Report, the Dissemination Agent shall notify the County of such failure to receive the report. If the Dissemination Agent is other than the County, the County shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the County and shall have no duty or obligation to review such Annual Report.

(c) If the County fails to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice of such failure to file to the MSRB, in the form required by the MSRB.

Section 4. Content of Annual Report. The County's Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the County for the most recent fiscal year of the County then ended. If the County prepares audited financial statements and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the County in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the County shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements, if prepared by the County, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the County may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. If the County shall modify the basis upon which its financial statements are prepared, the County shall provide a notice of such modification to the MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data. The following information**:**

1. The Final Budget of the County for the current Fiscal Year in the form of Table A-6 in Appendix A to the Official Statement.

2. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in Appendix A to the Official Statement, in the following charts and tables or under the following captions:

(a) "County Financial Information" - Tables A-3 through A-5, Tables A-8 through A-10 and Tables A-12 through A-20; and

(b) "Investment Policy Statement."

Financial information relating to the County referenced in this Section 4 (b)(2) above may be updated from time to time in a manner not inconsistent with the Rule, including updates that display data in a different format or table or eliminate data that is no longer available.

The County has not undertaken in this Disclosure Certificate to provide all information an investor may want to have in making decisions to hold, sell or buy Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) (the Bonds are being issued as taxable obligations under the Code);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds (the Bonds are being issued as taxable obligations under the Code);

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the County shall determine if such event would be material under applicable federal securities laws.

(d) If the County learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Indenture.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the County shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3, 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or the Lease, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, if any, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: June 22, 2017 COUNTY OF ORANGE, CALIFORNIA

By: ________________________________
Public Finance Director

APPENDIX E

FORM OF BOND COUNSEL OPINION

[Closing Date]

California Municipal Finance Authority
Carlsbad, California

California Municipal Finance Authority
Lease Revenue Bonds, Series 2017A
(Orange County Civic Center Infrastructure Improvement Program – Phase I)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Municipal Finance Authority (the "Authority") in connection with issuance by the Authority of $152,400,000 aggregate principal amount of California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program – Phase I) (the "Series 2017A Bonds"), issued pursuant to the provisions of the Joint Exercise of Powers Act (constituting Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, and an Indenture, dated as of June 1, 2017 (the "Indenture"), by and between the Authority and Zions Bank, a Division of ZB, National Association, as trustee (the "Trustee"). The Indenture provides that the Series 2017A Bonds are issued for the stated purpose of making a loan of the proceeds thereof to the Capital Facilities Development Corporation, a California nonprofit public benefit corporation (the "Corporation"), pursuant to a loan agreement, dated as of June 1, 2017 (the "Loan Agreement"), by and between the Authority and the Corporation. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Facility Lease, the Ground Lease, the Tax Certificate, opinions of counsel to the Authority, the County, the Trustee and the Corporation, certificates of the Authority, the County, the Trustee, the Corporation and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2017A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority, the Corporation and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement, the Facility Lease, the Ground Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2017A Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Series 2017A Bonds, the Indenture, the Loan Agreement, the Facility Lease, the Ground Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities of and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Indenture, the Loan Agreement, the Facility Lease or the Ground Lease or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2017A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2017A Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2017A Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.

4. Interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

BOOK–ENTRY SYSTEM

The following description of DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the Authority, the Corporation or the County, and none of the Authority, the Corporation or the County shall have any liability with respect thereto. None of the Authority, the Corporation or the County shall have any responsibility or liability for any aspects of the records maintained by DTC relating to or payments made on account of beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Bonds.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on this website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

APPENDIX G

DEVELOPMENT AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

Version 21 M 17

DEVELOPMENT AGREEMENT

Between

CAPITAL FACILITIES DEVELOPMENT CORPORATION
a California nonprofit public benefit corporation

(“***Corporation***”)

and

GRIFFIN STRUCTURES, INC.
a California corporation

(“***Developer***”)

Dated as of May 10, 2017

BUILDING 16
601 Ross Street
Santa Ana, California 92701

TABLE OF CONTENTS

TABLE OF CONTENTS

(continued)

TABLE OF CONTENTS

(continued)

TABLE OF CONTENTS

(continued)

Page

TABLE OF CONTENTS

(continued)

Page

G-4

TABLE OF CONTENTS

(continued)

Page

TABLE OF CONTENTS

(continued)

Page

G-5

TABLE OF CONTENTS

(continued)

TABLE OF CONTENTS

(continued)

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "***Agreement***") dated as of May 10, 2017 is by and between **CAPITAL FACILITIES DEVELOPMENT CORPORATION**, a California nonprofit public benefit corporation ("***Corporation***"), and **GRIFFIN STRUCTURES, INC.**, a California corporation ("***Developer***").

RECITALS

A. Corporation is the lessee under that certain Ground Lease (Phase I) dated as of June 1, 2017 ("***Ground Lease***"), in which County of Orange, a political subdivision of the State of California, is the lessor and pursuant to which Corporation leases that certain real property located in the City of Santa Ana, California ("***Land***"), that is more specifically described in the attached **Exhibit A**.

B. Corporation desires to construct on the Land an office building, public serving counter, and events center containing approximately 254,613 square feet to serve as Tenant's office facilities, public serving counter, and events center (collectively, the "***Office Building***"). Corporation also desires to construct a subterranean parking structure located on the Land containing approximately 152,346 square feet and approximately 350 parking stalls ("***Parking Structure***") to primarily serve the occupants of the Office Building. The proposed Office Building and Parking Structure are more fully described in the approved Design Development Drawings (as defined in Section 1). The design, permitting and construction of the Office Building and Parking Structure are together referred to in this Agreement as the "Project."

C. Corporation, as landlord, and Tenant (as defined in Section 1) are parties to that certain Facility Lease (Phase I) dated as of June 1, 2017 ("***Facility Lease***"), whereby Tenant has agreed to lease the Premises (as defined in Section 1) upon substantial completion of the Project, at the rent and subject to all of the terms, covenants and conditions set forth in the Facility Lease, a copy of which is attached hereto.

D. Corporation desires to engage Developer to develop and administer the design, permitting and construction phases of the Project in accordance with the terms and conditions of this Agreement. Developer desires to perform development and construction management services in connection with the construction of the Project in accordance with the terms and conditions of this Agreement. Subject to the terms and conditions hereof, Developer will warrant to achieve Substantial Completion (as defined in Section 1) of the Project no later than the Developer Obligation Date (as defined in Section 1) and for a total price not to exceed the Project GMP (as defined in Section 1).

E. Corporation understands that Developer will not personally perform any design or construction services. The parties intend for Developer to contract directly and separately with (i) the Construction Manager (as defined in Section 1) who is to be engaged to construct the Project, (ii) the Architect (as defined in Section 1) and engineers and related design consultants designing the Project, and (iii) such other Contractors (as defined in Section 1) or consultants who may be engaged to perform discrete elements of design or construction work on the Project to the extent not covered by the CMAR Contract (as defined in Section 1) or Architect's

Agreement (as defined in Section 1). If, during the performance of this Agreement, Developer determines that additional construction service consultants or contractors must be retained in order to meet the terms of this Agreement, the Developer will contract with them directly.

F. Corporation anticipates that financing for the Project will be obtained through the issuance of tax-exempt bonds (the "***Bonds***") by the California Municipal Finance Authority (the "***Authority***") for the benefit of the Corporation by agreement between the Corporation and the Authority. Upon payment in full of the Bonds, Corporation will convey the Project to Tenant for no additional consideration.

G. Developer and Tenant previously entered into the Program Management and Design Agreement, dated March 22, 2016 (the "***PM/D Agreement***"), whereby Developer provided the PHASE 1A Services (as defined in the PM/D Agreement) relating to the Project. Developer will provide the PHASE 1B Services (as defined in the PM/D Agreement) under this Agreement with Corporation as a public-private partnership whereby Developer will design and construct the Project, and Tenant will be reimbursed by Corporation from Bond proceeds in accordance with the Indenture on or before the 60th day after the Bond Closing (as defined in Section 1) for the funds it advanced for the PHASE 1A Services and other reimbursable costs.

NOW, THEREFORE, to fulfill the foregoing objectives, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Corporation and Developer desire to enter into this Agreement and proceed in accordance with its terms.

1. Definitions. As used in this Agreement, the following terms shall have the following meanings:

"**ADA**" means the Americans with Disabilities Act of 1990, as amended from time to time.

"**AHJ**" means an Agency Having Jurisdiction with respect to the Project, which includes any governmental or quasi-governmental agencies, bodies, authorities and courts having jurisdiction over the Project or any portion thereof, including but not limited to Orange County Public Works, Orange County Building & Safety Department, and Orange County Fire Authority.

"**Allowance**" means additional resources included in Developer's estimate to cover the cost of known but undefined requirements for an individual activity, work item, account or sub-account expressly identified as such in **Exhibit K**. There are no Allowances except as specifically identified in **Exhibit D** or **Exhibit K**. When Developer is capable of determining the actual cost associated with the Allowance, an appropriate additive or deductive change order shall be issued as and when necessary as reasonably determined by Developer as further described in Section 9.8. The drawings attached as **Exhibit S** were the basis for Developer's Allowance for the offsite improvements.

"**Architect**" means LPA, Inc., the architect for the Project, or any successor architect for the Project.

"**Architect's Agreement**" means the agreement between Developer and the Architect with respect to the Project.

"**Bond Closing**" refers to the date the Bond proceeds are made available to the Trustee.

"**Bonds**" means those tax-exempt bonds to be issued by the Authority for the benefit of the Corporation as more particularly described in Recital F above, from the proceeds of which Corporation intends to pay, among other things, the cost of PHASE 1A Services, the Project GMP, the Financed FF&E, and any bonds issued to refund such Bonds.

"**CMAR Contract**" means the agreement between Developer and the Construction Manager for construction of the Project.

"**Commencement of Construction**" means the date Corporation executes and delivers to Developer the written Notice to Proceed (Construction).

"**Commodities**" mean finished goods, products, or materials that are purchased (directly or indirectly) by Developer or Construction Manager that are intended to be installed in or incorporated into the work including, without limitation, the Financed FF&E.

"**Construction Contracts**" means collectively (i) the CMAR Contract, (ii) the subcontracts between Construction Manager and its Trade Contractors, and (iii) all other contracts for construction services entered into between Developer and any Contractor, for construction of any portion of the Project not covered by the CMAR Contract.

"**Construction Documents**" means the Construction Drawings and Detailed Specifications approved by the Corporation, for construction of the Project, including technical drawings, schedules, diagrams, plans and specifications setting forth in detail the requirements for construction of the Project and providing information customarily required for the use of the building trades.

"**Construction Drawings**" means Drawings setting forth the requirements for the construction of the Project approved by the Corporation. As used herein, "Drawings" include all graphic and pictorial documents depicting the design, location and dimensions of the elements of the Project (including Tenant Improvements) and include plans, elevations, sections, details, schedules and diagrams for the Project, all of which shall be consistent with the Project Requirements. Construction Drawings may, if applicable, consist of separate Drawings for the Office Building, Parking Structure, and Tenant Improvements.

"**Construction Manager**" means Swinerton Builders, the Construction Manager at Risk for the Project selected by Developer and any replacement or successor construction manager. The Construction Manager is providing its professional services for a fixed fee. Developer may, at its election, replace the Construction Manager with a replacement construction manager with the consent of Corporation, which consent will not be unreasonably withheld, conditioned, or delayed provided that there is no increase to the Project Cost or to the Corporation.

"**Contract Documents**" means this Agreement (including all exhibits attached hereto), the Construction Documents, the Construction Contracts and the other documents identified as

Contract Documents in the CMAR Contract and all modifications and amendments to the foregoing issued after the date of execution of this Agreement, including amendments and change orders.

"**Contractors**" means the Construction Manager, any Trade Contractors and their subcontractors (of any tier), and any other construction trade contractors with whom Developer enters into Construction Contracts for the Project.

"**Corporation**" means Capital Facilities Development Corporation, a California nonprofit public benefit corporation, its successors and permitted assigns.

"**Corporation-Caused Delay**" means any period of Critical Path delay in the overall progress of design, finance, construction, and completion of the Project, including Tenant Improvements, that is caused by (a) Corporation-initiated changes to the Construction Documents, (b) Corporation's failure to approve, disapprove, decide, or otherwise respond to Developer in the time indicated in this Agreement for such item with respect to a particular item for which Corporation's response is required hereunder or under the CMAR Contract or Architect's Agreement, (c) Corporation's failure to deliver plans, information, specifications, or other information within the time frames required under this Agreement, the Project Schedule, or the CMAR Contract or Architect's Agreement, (d) Corporation's failure to timely fund Project Costs or Other Corporation Costs, (e) failure of Corporation and/or Tenant to cause Corporation or Tenant provided FF&E or Tenant's Personal Property, if any, to be procured and installed in a timely manner, (f) any interference or other acts or omissions of Corporation or Tenant, (g) delays caused by Tenant which are not intended to include any period of time provided in the Facilities Lease, the Project Schedule, or this Agreement for Tenant to review and respond to any submission, (i) delays caused by items for which Corporation is responsible, including but not limited to Corporation Deliverables, (j) Differing Site Conditions not reasonably identified by Developer prior to the date of this Agreement in the exercise of its commercially reasonable due diligence (which the parties have agreed that Developer's due diligence was reasonable based on the geotechnical reports identified in **Exhibit Q**), or (k) delays caused by Developer's abatement of hazardous materials or removal of construction materials on the site that contradict the Demolition Certificate. In the absence of a particular time frame in the Project Schedule for Corporation to provide plans, information, approvals, etc., Corporation will have five (5) business days to provide such plans, information, approvals, etc. after Developer's written request. However, Corporation-Caused Delay shall not include delay to the extent caused by Developer's failure to provide, within the time frames allowed hereunder, draw requests, architect's certifications, progress completion certifications, copies of change orders and reasonable supporting documentation, shop drawings, schedules, costs, invoices, job progress reports, or any other documents or information which Corporation is entitled to receive hereunder or which is reasonably requested by Corporation in connection with any such decision or response. To facilitate timeliness in Corporation's communications with Developer over matters relating to design or construction of the Project and to minimize the possibility of Corporation-Caused Delay, Developer shall alert Corporation to deadlines for approvals, decisions or other responses that Corporation must provide hereunder, including, among other methods, attachment of "deadline cover sheets" on any submissions to Corporation that require response by a particular deadline or distribution of weekly calendars that show deadlines imposed on Corporation. If Developer at any time believes that an instance of Corporation-

Caused Delay has occurred that has directly caused or will directly cause an increase in Project Costs or extension of the Developer Obligation Date, then Developer shall send a written notification to Corporation in accordance with Section 8.4. Any disputes between Developer and Corporation over delays or Project Costs attributable to Corporation-Caused Delay shall not be a reason to stop or delay construction of the Project and shall be resolved by the parties as expeditiously as possible, either by mutual agreement of the parties or in accordance with the dispute resolution mechanisms described in Section 24 hereof.

"**Corporation Contingency**" means a fund to cover cost growth during the Project used at the discretion of the Corporation usually for costs that result from Corporation directed changes or Corporation-Caused Delays. The amount of the Corporation's Contingency will be set by the Corporation and will be included as a line item in the Project GMP (below the line), but will be for Corporation's exclusive use. Corporation's Contingency will be added to the GMP amount provided by the Developer, the sum of which will be the full contract price for design, permitting and construction. Markups for insurance, bonds, fee, taxes, and general conditions will be applied by the Developer at the time that Corporation Contingency is used. Any Corporation Contingency not utilized shall revert to the Corporation after Project completion. Corporation may or may not elect to include a Corporation Contingency, and may elect the amount of any Corporation Contingency. Corporation's election to not include a Corporation Contingency or election to have an insufficient Corporation Contingency is at Corporation's sole risk. The Corporation Contingency will be treated like an Allowance (but to be used exclusively by the Corporation), and the amount of the Corporation Contingency (which is determined solely by the Corporation in its sole discretion) will not act as a limit on costs that Corporation is required to pay under this Agreement.

"**Corporation Deliverables**" means and refers to (a) all reviews and approvals by Corporation required under this Agreement, (b) Corporation's responses to questions from Developer required under this Agreement, (c) the utilities to be provided by the Central Utility Facility to a mutually agreed location in accordance with the Project Schedule, (d) Corporation's design and installation of its information technology in accordance with the Project Schedule, (e) Corporation's Demolition Work prior to the execution of this Agreement, (f) Corporation providing the site to Developer in accordance with the Demolition Certificate, (g) Corporation providing to Developer the Notice to Proceed (Design) in accordance with the Project Schedule, (h) Corporation providing to Developer the Demolition Certificate prior to issuing the Notice to Proceed (Construction), (i) Corporation providing the Tenant Personal Property in accordance with the Critical Path Project Schedule, and (j) any FF&E or Tenant's Personal Property that Corporation or Tenant desires that is not included in the approved Construction Documents as Developer's responsibility in accordance with the Project Schedule.

"**Costs Not to Be Reimbursed**" means, except as specifically provided in Section 11 hereof (relating to Developer's Fixed Fee) or as set forth in **Exhibit D**, (i) salaries or other compensation of Developer's personnel normally situated at Developer's principal office or branch offices; (ii) except as otherwise provided in the Construction Contract, salaries or other compensation for any of Contractor's personnel normally situated at such Contractor's principal office or branch offices; (iii) salaries or other compensation for any officer of Developer or Contractor; (iv) expenses of Developer's or Contractor's principal office; (v) overhead or general

expenses, except as expressly provided in the definition of Project Costs; and (vi) Project Costs in excess of the Project GMP.

"**Costs Resulting from Corporation-Caused Delay**" means any increase in costs of constructing the Project to the extent resulting from Corporation-Caused Delay. Where additional costs are incurred as a result of a combination of Corporation-Caused Delay and failure of Developer to provide, within the time frames allowed hereunder, draw requests, architect's certifications, progress completion certifications, copies of change orders and supporting documentation, shop drawings, schedules, costs, invoices, job progress reports, or other documents or information which Corporation is entitled to receive hereunder or which is reasonably requested by Corporation in connection with any such decision or response required hereunder, then Costs Resulting From Corporation- Caused Delay shall be only the portion of such costs attributable to Corporation-Caused Delay.

"**Critical Path**" means the sequence of Activities in a network analysis such that the total duration equals the sum of the durations of the individual Activities in the sequence. There is no time leeway or slack (float) in Activities along the Critical Path (that is, if the time to complete one or more Activities in the Critical Path increases, the total production time increases). The Project Schedule shall include the Critical Path. As used in this definition, the term "Activities" refer to basic elements of work, or tasks that must be performed in order to complete the Project. Activities may occur over time.

"**Demolition Certificate**" means (a) a report by the industrial hygienist employed by Tenant relating to the hazardous materials removed during Tenant's Demolition Work, and (b) a written statement from Tenant or Corporation to Developer certifying that all concrete and other construction materials have been removed on the portion of the Land limited to where the Demolition Work occurs.

"**Demolition Work**" means Tenant's demolition of the existing building and removal of the existing ground level slab, basement, foundations, piping, utilities, and any hazardous materials within the outer boundaries of the existing building and twenty (20) feet thereof, so that Corporation delivers the Land to Developer (a) free and clear of hazardous materials within the entire outer boundaries of the existing building and (b) free and clear of any improvements within the outer boundaries of the existing building or within twenty (20) feet thereof that would impact Developer's work on the Project. The Demolition Work includes removing the entire outer boundaries of the building, foundations, piping, utilities, etc. If the existing building is on foundational piles, then the Demolition Work includes cutting and removing the piles at least five (5) feet below the bottom of the new foundations. If there are spread or continuous footings under the existing building, then these must be fully removed.

"**Design Development Drawings**" means drawings that are a consistent development of the Schematic Drawings and further define and describe all important aspects of the Project and includes measured CAD drawings at a scale required to convey and describe the design intent. The approved and accepted Design Development Drawings will serve as the basis for the Construction Drawings. An index of all of the approved and accepted Design Development Documents as of the date of this Agreement is included in **Exhibit E**. The Design Development

Drawings were previously prepared under the PM/D Agreement and have been approved by Corporation and Tenant.

"**Detailed Specifications**" means all written detailed requirements for materials, equipment, construction systems, standards and workmanship for the construction of the Project.

"**Developer**" means Griffin Structures, Inc., a California corporation, and its successors and permitted assigns hereunder.

"**Developer Contingency**" means the Developer contingency line item set forth in **Exhibit D**. The Developer Contingency is a fund to pay Project Costs during the Project which are not the Corporation's responsibility. Developer may use the Developer Contingency at the discretion of Developer for Project Costs that fall within any of the following categories: (a) voluntary acceleration, (b) costs that are not recovered from sureties of retaining replacement or supplemental Contractors, (c) gaps in Trade Contractors' scopes of work, including interfacing omissions between and among the work categories, (d) Unavoidable Delays, (e) delays and costs attributable to Developer, excluding costs arising from Developer's gross negligence or willful misconduct, (f) labor disputes, (g) material or equipment price changes, (h) costs related to the coordination of modifications, amendments or updates to the completed Construction Documents that are required by an AHJ or otherwise at no fault of either party to this Agreement, excluding costs arising from errors or omissions that are a breach of the Architect's standard of care, or (i) correcting defective or non-conforming work that Developer cannot reasonably recover from the responsible Trade Contractor(s), or (j) settling the contractual claims of Contractors when doing so is deemed by the Developer to be in the best interests of the Project to keep the Project progressing, subject to such settlement amounts being within limits of the Project GMP. The foregoing categories are referred to as the "***Pre-Approved Developer Contingency Uses***." Developer may use the Developer Contingency for Project Costs that do not fall within the Pre-Approved Developer Contingency Uses only with the consent of the Corporation, which consent will not be unreasonably withheld. The Developer Contingency will not be subject to additional markup by Developer, but may include markup for Contractors for their direct and indirect overhead costs and profit. The amount of the Developer Contingency will be a separate line item in **Exhibit D**. Any unused Developer Contingency, at the completion of the Project, will be subject to the terms of Section 12.7.

"**Developer Obligation Date**" means the scheduled date for issuance of the Certificate of Substantial Completion as set forth in the Project Schedule attached as **Exhibit F**, as it may be extended pursuant to this Agreement. The Developer Obligation Date shall be extended day-for-day to the extent (i) Bond Closing has not occurred on or before June 7, 2017, (ii) Corporation has not executed this Agreement on or before June 8, 2017, (iii) Corporation has not issued its Notice to Proceed (Construction) in accordance with the Project Schedule, or (iv) of Corporation-Caused Delays and (iv) of Unavoidable Delays.

"**Developer's Fixed Fee**" means the fixed fee to be paid by Corporation to Developer pursuant to Section 11.1 and subject to the terms and conditions set forth in Sections 7.2, 11 and 12 of this Agreement for Developer's Project related program management, development management, and construction management services to be performed by Developer under this Agreement. This fee is inclusive of all of Developer's overhead, administrative costs,

development/program management and construction management costs for the scope of work included in the Project. This fee is exclusive of any fees or costs of Developer's Construction Manager, the Architect or other design professionals, consultants, Contractors, laborers, materials, equipment, or Reimbursable Expenses, and which amounts are included as Project Costs within the Project GMP. In addition to Developer's Fixed Fee, Developer is also entitled to share in the unused Developer Contingency as set forth in Section 12.7.

"**Differing Site Conditions**" are: (a) subsurface or latent physical conditions at the Project Site differing materially from those conditions indicated from a reasonable evaluation in accordance with industry custom or (b) unknown or unforeseen physical conditions at the Project Site of an unusual nature, differing materially from conditions normally encountered and generally recognized as inherent in work of the nature provided for in the Construction Documents. The parties acknowledge that they have agreed upon the reasonable due diligence that Developer is to undertake pursuant to the PM/D Agreement. Therefore, Differing Site Conditions are, as defined above, but only to the extent that the conditions were not revealed by the mutually agreed upon due diligence performed by Developer. Developer is responsible for (and may not make a claim for) any conditions identified by the due diligence performed by Developer.

"**Facility Lease**" means the Facility Lease (Phase I) to be executed between Corporation and Tenant for occupancy of the Project, in the form attached hereto as **Exhibit B**.

"**FF&E**" means furniture, fixtures, equipment and movable property.

"**Financed FF&E**" means all furniture, fixtures, equipment and movable property as set forth in the Detailed Specifications, the costs of which will be (i) included in Project Costs, and (ii) financed through the Bonds. It is the intent of Corporation and Developer that they will cooperate to make any decisions on Financed FF&E such that the total cost of the Financed FF&E will not exceed the line item for Financed FF&E in **Exhibit D** for the Financed FF&E. If Corporation or Tenant adds items to the Financed FF&E or selects items that are more expensive than the aggregate budgeted amount for the Financed FF&E, then such additional costs of Financed FF&E in excess of the budgeted line item for Financed FF&E shall be deemed to be an Other Corporation Cost. The Financed FF&E will be designed, provided and installed in accordance with the Detailed Specifications and Developer shall have no other obligations in connection therewith.

"**Final Acceptance**" means the Corporation's written approval and concurrence that certain events, more fully defined in Section 12 of this Agreement, have occurred prior to Final Payment being made.

"**Final Completion**" is the date when Construction Manager has completed all construction activities required by the Contract Documents, excluding executory warranty obligations. Corporation and Developer will complete and sign the Final Completion form attached as **Exhibit L** in a timely manner.

"**Final Payment**" means payment to Developer following Final Acceptance of the Project pursuant to Section 12 of this Agreement.

“**Financing Costs**” means all financing and other related costs authorized to be paid pursuant to the Indenture in connection with the issuance of the Bonds.

“**Guaranteed Maximum Construction Price**” means the maximum cost for construction of the Project, as guaranteed by the Construction Manager pursuant to the terms of the CMAR Contract.

“**Guaranteed Maximum Price of Project” and “Project GMP**” mean and refer, interchangeably, to the amount of $155,253,422 to be paid by Corporation for Project Costs. The Guaranteed Maximum Construction Price is just one element of the Guaranteed Maximum Price of Project. A detailed description of all Project Costs included in the Project GMP, broken down by line item and category, is set forth in **Exhibit D**. Where applicable, the terms “Guaranteed Maximum Price of Project” and “Project GMP” shall each include adjustments thereto made in accordance with this Agreement. The Guaranteed Maximum Price of Project specifically excludes the following costs (all of which are Corporation’s responsibility): (1) Corporation’s Other Costs; (2) all Demolition Work; and (3) costs associated with work that is not included in the Construction Documents. Additionally, the Project GMP is subject to the express qualifications, exclusions and Allowances set forth in **Exhibit K**. Nothing in this Agreement or its exhibits is intended to create a line item guaranty (only the Project GMP is guaranteed), and Developer may, in its sole and absolute discretion, allocate any savings from any individual line item or the Developer Contingency, except Allowances, to any Project Costs for any Project work required from the Contract Documents for the Project, except that Developer must obtain Corporation’s consent to use Developer Contingency for Project Costs that are not included in the Pre-Approved Developer Contingency Uses.

“**Indenture**” means the trust indenture pursuant to which the Authority will issue the Bonds, a copy of which shall be provided to Developer by Corporation at Bond Closing.

“**Initial Draw**” refers to Developer’s first application for payment of Project Costs, which shall not occur before Bond Closing.

“**Land**” means the real property located in the City of Santa Ana, Orange County, California, more specifically described on **Exhibit A** hereto.

“**Laws**” means any constitution, statute, ordinance, regulation, rule, resolution, judicial decision, administrative order or other requirement of any federal, state, county, municipal or other governmental agency or authority having jurisdiction over the parties or the Premises, including without limitation, any regulation or order of a quasi-official entity or body (e.g. board of fire examiners or public utilities) and all rules, laws and regulations issued thereunder, as the same may be amended from time to time.

“**Notice to Proceed (Construction)**” means the notice to be delivered in writing by Corporation to Developer, at or following the Bond Closing, whereby Corporation authorizes the Commencement of Construction. Corporation may not issue the Notice to Proceed (Construction) unless and until the Demolition Work is completed, the Utility Relocation Work is completed, and Corporation has delivered or caused Tenant to deliver to Developer the Demolition Certificate.

“**Notice to Proceed (Design)**” means the date of execution of this Agreement by the Corporation which shall serve as authorization for Developer to prepare the Construction Documents.

“**Office Building**” means the building to serve as Tenant’s office facilities, public serving counter, and events center as described in Recital B to be constructed on the Land. The Office Building is expected to contain approximately 250,000 gross square feet of area, as more fully described in the approved and accepted Design Development Drawings, and includes the Tenant Improvements constructed therein. A site plan of the Project showing the Office Building is attached hereto as **Exhibit C**.

“**Other Corporation Costs**” means all costs that are stated in this Agreement to be the responsibility of Corporation or Tenant. Other Corporation Costs shall include, without limitation, Tenant’s Personal Property and any taxes thereon, any costs of Financed FF&E to the extent that Corporation’s decisions in adding FF&E or selecting FF&E causes the total cost of the Financed FF&E to exceed the FF&E line item in **Exhibit D**, Financing Costs and any other costs associated with the Bonds, costs for the ground lease by Corporation of the Land and all improvements thereon (including title, escrow and recording costs), debt service on the Bonds, attorneys’ fees and costs incurred by Corporation or Tenant, brokerage and leasing commissions or finders’ fees incurred by Corporation or Tenant, property taxes and assessments of any nature with respect to the Land or any improvements located on the Land, costs associated with any licensee, subtenant or other occupant of the Land, expenses resulting from Corporation-Caused Delays or Unavoidable Delays (including, without limitation, expenses incurred in connection with a casualty) except as otherwise provided in Section 7.2, consulting fees for any consultants engaged by Corporation, Tenant or Trustee as permitted under Section 9.3, costs associated with any lawsuit, claim or other action pending or threatened against Corporation or Tenant, except as otherwise provided in Sections 13, 15 and 24.

“**Parking Structure**” means the subterranean Parking Structure to be constructed on the Land. The Parking Structure is expected to contain approximately 350 parking stalls as more fully described in the approved Design Development Drawings. A site plan of the Project showing the Parking Structure is attached here as **Exhibit C**.

“**Permits**” means all land use approvals, permits and approvals to be obtained by Developer from the AHJ that are required for construction of the Project.

“**Permitted Use**” means the intended use of the Project by Tenant for its building, parking and any other lawful use consistent with the provisions of the Facility Lease and maintaining the exclusion of interest on any obligation issued to finance the Project where such interest was intended to be excludable from taxpayer gross income.

“**Premises**” means the entirety of the Land, the Office Building and the Parking Structure that are to be leased to Tenant under the Facility Lease.

“**Prequalification Questionnaires**” are questionnaires for pre-qualifying certain trade Contractors for the Project developed by Developer and/or Construction Manager and approved by the Corporation in compliance with all applicable Requirements of Laws prior to any actual pre-qualification of contractors, bid solicitation or construction.

"**Project**" means the total design, permitting and construction, and other professional services, and all labor, materials and equipment used or incorporated in such design and construction of the Office Building and Parking Structure and the Tenant Improvements to be constructed within the Office Building, but specifically excludes the Demolition Work and any work not included in the Contract Documents (e.g., Corporation or Tenant provided FF&E, Tenant's Personal Property, Corporation or Tenant provided information technology). The Project shall be consistent with the approved Project Requirements. Notwithstanding the foregoing or anything to the contrary contained in this Agreement, the Financed FF&E will be designed, provided and installed in accordance with the Detailed Specifications and Developer shall have no other obligations in connection therewith or in connection with Tenant's Personal Property.

"**Project Application for Payment**" means the procedures by which requests for payment for Project Costs and other costs shall be made in accordance with Section 9 of this Agreement. The Project Application for Payment will be in the form of **Exhibit P.**

"**Project Costs**" means all direct and indirect costs incurred by Developer for any Project work required by the Contract Documents for the completion of the development, planning, designing, engineering, permitting, financing, estimating, bidding, and constructing of the Project, including, without limitation, all labor, materials, equipment, Financed FF&E, Reimbursable Expenses, Developer Fixed Fee, Developer Contingency, Architect costs, Construction Manager costs, Contractor costs, consultant and professionals costs, bond costs, warranty costs, close-out document costs, and taxes.

Notwithstanding anything to the contrary herein, Project Costs (including, without limitation, the Tenant Improvements) do not include and Developer shall have no responsibility for (a) Tenant's Personal Property and any taxes thereon (which shall be paid by Tenant at its sole cost and expense); (b) Corporation Contingency; (c) Costs Resulting from Corporation-Caused Delay; (d) any increase in the cost of the Project resulting from Corporation Contingency use; (e) real property taxes and assessments with respect to the Land and the improvements thereon; (f) Other Corporation Costs; (g) maintenance or operation of the Office Building or Parking Structure after Substantial Completion of the Project; or (h) costs associated with Tenant vacating the land, if any, including temporary parking arrangements for Tenant workers or visitors.

"**Project Fund**" means the fund of that name established under the Indenture for the purpose, among others, of paying Project Costs.

"**Project Requirements**" means the approved Design Development Drawings, Requirements of Law and any other requirements for the Project specifically agreed to by Corporation and Developer.

"**Project Schedule**" means the schedule for development, design, and construction of the Project as set forth on attached **Exhibit F** to this Agreement, as revised from time to time in

accordance with this Agreement; provided, however, that in no event shall the Project Schedule provide for Substantial Completion of the Project to occur later than the Developer Obligation Date.

"**Punch List**" means a list of items required to be completed prior to Final Acceptance that are minor items which do not affect Corporation's ability to lease the Premises to Tenant and do not affect Tenant's ability to use the Premises for the Permitted Use.

"**Reimbursable Expenses**" means direct and indirect costs (e.g., Project-related printing costs, insurance, submittal exchange, etc.) incurred by Developer in developing, planning, designing, financing, and constructing the Project pursuant to this Agreement which costs are not included in other line items in **Exhibit D**, but which amounts are included within the Guaranteed Maximum Price of Project and are considered to be Project Costs. Reimbursable Expenses are paid at cost without markup.

"**Requirements of Law**" means all requirements relating to land and building construction (including those specifically applicable to Tenant's contemplated use of the Premises), including, without limitation, if and to the extent applicable, planning, zoning, subdivision, environmental, air quality, flood hazard, fire safety, accessibility, public contracting and other governmental approvals, permits, licenses and/or certificates as may be necessary from time to time to comply with all the foregoing and other applicable statutes, rules, orders, regulations, laws, ordinances, and covenants, conditions and restrictions, which now apply to and/or affect the design, construction, existence, intended use, operation and/or occupancy of the Land, the Premises or any part thereof.

"**Retention**" means a percentage of the amount due to the Developer on a Project Application for Payment for a progress payment, that is deducted from the amount due and retained by Corporation.

"**Retention Payment**" means the Corporation's payment to Developer, following Substantial Completion, of the Retention (or a portion thereof) being held by Corporation.

"**Sale of the Bonds**" means execution and delivery by Corporation and a bond underwriter of an agreement providing for the purchase and sale of the Bonds on terms consistent with the terms of the Facility Lease and with no conditions to the underwriter's obligation to pay for and accept delivery of the Bonds other than those conditions contained in said agreement between Corporation and the responsible bond underwriter.

"**Savings**" means the difference (if a positive number) obtained by subtracting (a) the total aggregate sum of allowed Project Costs from (b) the authorized Project GMP (as revised pursuant to the terms of this Agreement but less any unused Developer Contingency, as unused Developer Contingency is subject to Section 12.7). Developer will separately track all Savings (whether inuring from the buy-out process, from cash discounts, or otherwise). With each application for payment, Developer will provide Corporation with its accounting of these Savings, if any. Developer may, in its sole discretion, allocate Savings between and among its line items for any Project Cost; provided that Developer advises Corporation in writing of its use, and provided further that Developer may not, in any event, allocate any Savings to increase its

Developer Fixed Fee or its Construction Manager's fixed fee. Until Final Completion, any Savings are fully available to Developer to pay for any Project Costs including Developer Contingency costs, but excluding increases in the Developer Fixed Fee. If, in the sole discretion of Developer, Developer agrees to release a portion of Savings for use by Corporation during the course of construction (recognizing that Developer is entitled to utilize Savings for Project Costs until Final Completion) to pay for costs that are Corporation's responsibility (i.e., costs that would otherwise be paid with the Corporation Contingency), then Developer will reallocate some of its Savings to the Corporation Contingency line item for use by Corporation, subject to recoupment as provided in the following sentence. Developer may recoup all or part of such reallocation of the Savings if the Savings is exhausted (excluding the Developer Contingency) and the reallocated Savings is needed to pay for Project Costs.

"**Schedule Update**" means a periodic update of the Project Schedule. The Schedule Update shall reflect Developer's assessment of completion. Developer shall identify any events that will delay the completion of an interim milestone or the completion of the overall Project in the monthly Schedule Update, to the extent known at the time. Corporation must submit written notice to Developer within five (5) business days of receipt of the Schedule Update stating that the Corporation objects to the Schedule Update (and provide written objections to Developer within a reasonable time after the Corporation's notice of objection); failure of Corporation to timely submit a written notice objecting to the Schedule Update will be deemed Corporation's acceptance of the monthly Schedule Update, and the monthly Schedule Update shall become the current accepted Project Schedule. Any request for an extension of the Contract Time must be based on the accepted Project Schedule.

"**Schedule of Values**" means a detailed statement outlining the portions of the Project GMP that allocates values for the various parts of the Work and is also used as the basis for submitting and reviewing Project Applications for Payment.

"**Schematic Drawings**" means drawings establishing the general scope, conceptual design, design intent and scale and relationship among the components of the Project. The Schematic Drawings were previously prepared under the PM/D Agreement and have been approved by Corporation and Tenant.

"**Separate Contractors**" means the contractors, if any, retained by Corporation to perform any work on the Project that is not included in Developer's scope of work, including their trade contractors of any tier.

"**Special Testing and Inspections**" means special testing and inspections for structural components such as earthwork compaction, shoring, concrete, reinforcing steel, CMU, welding, and other structural related installed systems, as set forth in **Exhibit M**.

"**Substantial Completion**" or "**Substantial Completion of the Project**" means that the Project has been constructed in substantial accordance with the Contract Documents (with the exception of any Punch List items) and AHJ has issued a temporary or final certificate of occupancy or other approval (e.g., final building inspection by building officials) sufficient for initial occupancy of the Office Building such that Corporation or Tenant is permitted to and could occupy the Office Building for its Permitted Use, including installation of the Financed

FF&E identified in the Detailed Specifications; provided, however, if the delay in the issuance of the certificate of occupancy or other approval necessary to allow occupancy is attributable to an obligation of Corporation or Tenant, then this condition shall be deemed satisfied. A "Certificate of Substantial Completion" in the form attached as **Exhibit N** signed by the Architect shall evidence this date; the date will not be altered by the Architect making subsequent modifications to or reissuing the Certificate of Substantial Completion (e.g., striking "Tentative" or adding items to the Punch List) to address Corporation concerns regarding the work to be completed.

"**Substantially Complete**" or "**Substantially Completed**" means that the Project, or portion thereof, has achieved Substantial Completion.

"**Tenant**" means County of Orange, a political subdivision of the State of California, and its successors and permitted assigns as tenant under the Facility Lease.

"**Tenant Improvements**" means any improvements to the interior of the Office Building as specifically described in the Construction Documents to be completed by Developer.

"**Tenant's Personal Property**" means Tenant's furniture, equipment, and movable personal property placed in the Premises. Tenant shall provide and install Tenant's Personal Property at Tenant's sole cost and expense. Tenant's Personal Property does not include Financed FF&E.

"**Title Policies**" shall mean the leasehold policy of title insurance issued to Corporation upon its acquisition of a leasehold interest in the Land pursuant to the Ground Lease ("***Corporation's Title Policy***") and the lender's policy of title insurance issued to the Trustee upon the recording of the Facility Lease ("***Lender's Title Policy***").

"**Trade Contractor**" shall mean construction trade contractors providing labor, materials, and/or services with whom Developer or its Construction Manager enters into Construction Contracts.

"**Trustee**" shall mean a state banking corporation, national banking association or other financial institution with trust powers selected by Corporation to serve as the bond trustee under the Indenture or any duly authorized successor thereto appointed pursuant to the Indenture.

"**Unavoidable Delays**" means any delay in the performance by Developer or the Construction Manager of its obligations with respect to construction of the Project caused by strikes or labor disputes (other than those caused by Developer's acts, omissions or failure to negotiate in good faith), acts of God, unavoidable casualties, adverse weather conditions which prevent or delay Critical Path construction activities as and when scheduled by the Contractors, acts of terrorists, delays by AHJ (including, but not limited to, unanticipated delays in providing inspections or approvals by AHJ), governmental embargo restrictions, or other causes beyond the reasonable control of Developer or the Construction Manager, which, after the exercise of due diligence to mitigate the effects thereof, delay design or construction of the Project. Unavoidable Delays are not delays resulting from (a) Developer's or the Construction Manager's failure to comply with the terms and provisions of this Agreement or the CMAR Contract, (b) increased prices, or (c) unavailability of funds, provided the Project Costs (and all other funds payable by Corporation under this Agreement) are timely paid by Corporation in accordance with Section 9 of this Agreement. Unavoidable Delays will entitle Developer and the Construction Manager to an extension of the Developer Obligation Date, but will in no way entitle Developer to additional compensation except as provided in Section 23.7. Nothing contained herein shall prevent Developer from allocating the Developer Contingency to increased costs of constructing the Project caused by Unavoidable Delays. Any disagreements with regard to Unavoidable Delays that cannot be resolved by Developer and Corporation shall be resolved in accordance with Section 24 hereof, but (subject to Corporation's continued funding of the Project Costs up to the amount of the Project GMP) work shall continue pending resolution of such dispute.

"**Utility Relocation Work**" means and refers to Corporation's obligation to relocate the existing electrical transformer that serves adjacent Building 10 and the installation of a new electrical transformer in a location that will not interfere with construction of the Project. The new electrical transformer is to be fed by the Tenant's Central Utility Facility, from which Corporation will cause Tenant to provide Developer power for construction operations for the Project.

"**Warranty Period**" shall mean that period commencing on the date of Substantial Completion of the Project and expiring three hundred sixty five (365) calendar days thereafter.

2. Development of the Project.

2.1 Guaranteed Maximum Price of Project. Corporation hereby retains Developer and Developer shall, in accordance with the terms of this Agreement, develop and administer the design, permitting and construction phases of the Project in accordance with the terms and conditions of this Agreement. Subject to the terms of this Agreement, and provided the Project Costs are paid as and when due in accordance with Section 9 of this Agreement, Developer warrants Substantial Completion of the Project (i) constructed in a good and workmanlike manner, (ii) in substantial accordance with the Contract Documents, (iii) on or before the Developer Obligation Date, (iv) for the Project GMP (excluding any components of the Project that are not Project Costs), and (vi) free and clear of all liens. Project Costs exceeding the Project GMP shall be paid by Developer.

2.2 Corporation Contingency Costs. Corporation Contingency costs shall not be considered Project Costs but shall be included in the Project GMP for Corporation's use and shall be Corporation's sole responsibility and shall not be Developer's responsibility.

2.3 Diligent Efforts; Relationship of the Parties. Developer agrees that in providing the services set forth in this Agreement, Developer shall use its diligent efforts and shall furnish its best skill and judgment and shall cooperate with, coordinate, and require that the Construction Manager, Architect, all other Contractors, all other engineers, design consultants, managers and other persons retained in connection with the design, permitting, development and construction of the Project cause Substantial Completion of the Project for the Project GMP in an expeditious and economic manner consistent with the best interests of Corporation, and otherwise in a good and workmanlike manner and in substantial accordance with the Contract Documents, on or

before the Developer Obligation Date, free and clear of all liens (provided the Project Costs are paid as and when due in accordance with Section 9 of this Agreement). Developer shall perform its services in accordance with the terms of this Agreement, including, without limitation, all services to be provided by Developer as described in Section 5 herein. Developer shall not, itself, perform any construction services in connection with this Agreement, as all construction services will be performed by the Contractors, but Developer is responsible for the construction services being properly and timely performed.

2.4 Mutual Cooperation; Liability of Corporation. Developer and Corporation shall fully and in good faith cooperate with each other to accomplish each of the activities provided herein. Corporation shall have no liability or responsibility whatsoever with respect to the activities to be performed by Developer herein, except to timely pay the Project Costs as and when due and to timely perform all obligations of Corporation set forth in this Agreement pursuant to the terms and conditions contained herein.

2.5 Term. The rights and obligations of the Developer and Corporation hereunder shall commence on the date of execution of this Agreement and shall continue until expiration of the Warranty Period.

2.6 Scope of Work. Developer shall perform, or cause to be performed, all work as required by, and in accordance with, the Contract Documents. Developer shall provide and furnish, or cause to be provided and furnished, all labor, project management, supervision, funding administration, planning, scheduling, materials, testing, commissioning, inspection, quality control, tools, equipment, services and all transportation services in adequate quantity and quality to accomplish completion of the work as specified as necessary within the time period set forth. The work shall conform to the Construction Documents and all codes, regulations, laws, etc. referenced in the Contract Documents or by industry standard, including Division 01 of the Detailed Specifications. Throughout this Agreement, there are references to both Developer and Construction Manager. When a provision provides that Construction Manager is to perform some obligation under this Agreement, it is done in order to identify a specific obligation that Construction Manager will be performing; however, it is agreed that Developer is responsible for all of Construction Manager's obligations under this Agreement. Therefore, any reference in this Agreement to Construction Manager is for convenience, but it is understood and agreed that Construction Manager is not a party to this Agreement and the obligations in this Agreement are solely those of Developer and Corporation. Thus, if a provision states that Construction Manager will do or refrain from doing some act, Construction Manager will do so but Developer is liable to Corporation if Construction Manager violates the provision.

2.7 Services. Developer will (a) provide general administration of the Project; (b) manage and coordinate the Construction Manager and Consultants; (c) manage and coordinate the processing of the Construction Documents for the Project; (d) manage bidding all components of construction for the Project, including requiring that any competitive bidding requirements applicable to the Project are complied with in accordance with the bidding requirements of this Agreement and any Corporation approved procurement plan (including the Corporation-approved procurement plan attached as **Exhibit R**), pre-qualification or best value process; (e) enter into a contract with Construction Manager to construct the Project, oversee the Contractors, and to complete the Project Work in accordance with the Construction Documents; and (f) manage and coordinate the services provided by its Construction Manager, for the purpose of causing the Project to be completed within the Project GMP, in accordance with the Construction Documents, and within the time periods set forth in the Project Schedule.

3. Project Financing.

3.1 Issuance of Bonds. Corporation intends to cause the issuance of Bonds by Authority in one series for sale on one date in a principal amount sufficient to pay the Project Costs, Financing Costs and other costs payable pursuant to the terms of the Indenture.

3.2 Disbursal of Proceeds. A portion of the proceeds from the sale of the Bonds in an amount sufficient to pay the Project GMP shall be deposited into the Project Fund held by the Trustee and shall be used to pay Project Costs and other costs in accordance with the terms of the Indenture and this Agreement.

4. Project Design. Developer shall cause design services to be performed by qualified and licensed (as applicable) architects, engineers and other professionals retained by Developer, and paid as part of the Project Costs.

4.1 Selection of Development Team for Project. Developer shall have the right in its reasonable discretion with Corporation's Representatives approval to select professionals as necessary or desirable for the design, permitting, construction, and development of the Project. Except as otherwise provided in this Agreement, all amounts paid to the entities outlined above and any others hereinafter engaged by Developer in connection with the performance of its duties and responsibilities under this Agreement shall be part of the Project Costs and Project GMP.

4.2 Design Contracts. Developer has entered into the Architect's Agreement with the Architect. Developer will enter into contracts with other design professionals such as waterproofing, Special Testing and Inspections, etc.

4.3 Assignment of Certain Agreements. Upon written notice from the Trustee to Developer of the occurrence of an Event of Default under the Indenture, Developer shall assign this Agreement, the Architect's Agreement and the CMAR Contract, together with such other Construction Contracts as the Trustee may request, to Trustee for such time as the Event of Default in the sole judgment of the Trustee remains uncured.

4.4 Project GMP Breakdown. **Exhibit D** sets forth by line item and category all Project Costs, including the Developer Contingency and Developer's Fixed Fee.

4.5 Drawings. Under a separate contract, Developer has caused the Architect to prepare the Schematic Drawings and the Design Development Drawings, which are complete and have been approved by Corporation and Tenant. Developer shall cause the Architect to prepare the Construction Drawings and Detailed Specifications for the Project, except where noted (e.g., design/build and deferred approval elements) for Corporation's approval. The intention of the parties is to cooperate in good faith to provide a completed design which meets all Requirements of Law and is consistent with all Project Requirements and the building quality reflected therein. The Construction Drawings and Detailed Specifications for the Project shall include, at a minimum, all architectural services set forth under Basic Services in the Architect's Agreement and such other architectural services as may be necessary to provide Construction Documents for the Project. The Construction Drawings and Detailed Specifications will be prepared in accordance with the revised A-E Guide/Responsibilities Matrix, dated 2/24/16 ("A-E Guide"), the Building 16 Basis of Design, dated 2/24/16 ("Basis of Design"), and the revised Workplace Guidelines, dated 2/24/16 ("Workplace Guidelines"), which were Attachments F, G, and H, respectively, to the PM/D Agreement, and which Attachments are incorporated herein by reference. In the event of conflicts between this Agreement and/or the three attachments, the order of precedence is: this Agreement, then the Basis of Design, then the revised Workplace Guidelines, and then the revised A-E Guide.

4.6 LEED Certification. Developer shall use commercially reasonable efforts to obtain a Leadership in Energy and Environmental Design ("***LEED***") Silver certification from the U.S. Green Building Council ("***USGBC***") with respect to the Office Building. Corporation acknowledges that the design decisions made by it and by Tenant will have an impact on the LEED certifications received and will work in good faith with Developer when making those decisions to consider their potential impact on LEED certifications. Developer shall keep Corporation apprised throughout the design process of any design decisions that may affect the LEED certifications of the Office Building and with respect to any preliminary determinations made by the USGBC with respect to the LEED certification of those improvements. It is anticipated that the final determination by the USGBC of the LEED certification of the Office Building will not occur until after Final Acceptance, and such final determination by the USGBC of the LEED certification will not be a condition precedent to Final Acceptance or Final Payment.

4.7 Corporation's Review. Corporation and Tenant may participate in all design meetings with Developer, Architect, and other design professionals as appropriate in the course of the development of the Construction Documents in order to facilitate the approval of such Construction Documents in accordance with the terms of this Agreement. Corporation and Tenant shall promptly review **Exhibit D** and all Construction Drawings and Detailed Specifications submitted in accordance with this Agreement and shall give Developer written notice within the time frame for such decision in accordance with the Project Schedule (or if no such time is provided in the Project Schedule then within five (5) business days following its receipt of **Exhibit D** and/or Construction Drawings and Detailed Specifications) of its approval or disapproval thereof, specifying in the case of its disapproval, each specific reason therefor. Corporation shall have the right to disapprove such Construction Drawings and Detailed

Specifications which (i) do not meet the Project Requirements, (ii) do not comply with Requirements of Law, (iii) with respect to Drawings, are not consistent developments of the previous drawings approved by Corporation and Tenant, or (iv) propose changes in work or materials that would result in a material change in appearance or diminution in quality of the Project. The parties acknowledge that the Construction Documents are intended to add additional detailing to the approved Design Development Documents, and are not intended to change the design intent. Consequently, Corporation and Tenant may object or comment on the Construction Documents only to the extent that they are inconsistent with or were not previously included in the approved Design Development Documents, or the comments are for non-material changes (i.e., changes that do not increase Developer's costs or time). If no written objections or comments are received by Developer from Corporation within such the applicable time period, then the submittals shall be deemed approved. Corporation's Representative and Tenant will have twenty (20) business days to review and approve the Construction Documents. The parties acknowledge that Developer will concurrently submit the Construction Documents for building department plan check during the Corporation and Tenant's review. Corporation and Tenant will review the Construction Documents revised after the first building department plan check and provide written comments or approval to Developer within five (5) business days of receipt from Developer. If subsequent reviews are necessary, Corporation and Tenant will review resubmitted plans within five (5) business days for the second review, and five (5) business days for a third review. Corporation and Tenant will not be given additional time for 4 or more reviews. If Corporation or Tenant fail to provide written comments or approval within the above time frames, then Corporation and Tenant will be deemed to have approved the Construction Documents.

4.8 Resubmittals. If objections or comments are submitted in writing within the time frame and in accordance with the requirements set forth in the preceding subsection, Developer shall cause the Architect to make changes in the Construction Drawings and/or Detailed Specifications consistent with reasonable objections or comments made by the Corporation or Tenant and shall resubmit the same to Corporation and Tenant in accordance with the foregoing schedule for further review. The process of resubmittal and review shall continue until the submittals have been approved by all the parties. The final Construction Drawings and Detailed Specifications setting forth in detail the requirements for the construction of the Project which have been approved by Corporation and Tenant are called the Construction Documents. There shall be no material change in the Construction Documents except as set forth in Section 8 below.

4.9 Permit and Construction Documents. Developer shall cause the Architect and other design professionals to prepare Construction Documents as required for submittal of the Permits to the AHJ(s) in accordance with Section 6 hereof, and as required for construction of the Project by the Contractors.

5. Construction Management Services. Developer shall, through its Construction Manager, provide Corporation with all construction administration and construction management services necessary or desirable to cause Substantial Completion of the Project on or before the

Developer Obligation Date, all in a good and workmanlike manner and in substantial accordance with the Contract Documents, including, without limitation, the following:

5.1 Preconstruction Phase. The Preconstruction Phase is the time period from the execution of this Agreement until the Commencement of Construction. During the Preconstruction Phase, Developer will have the following duties:

(a) Design: Developer shall review all design work done by Architect and other design professionals for the design and development of the Project. Developer shall expeditiously review design documents during their development and advise Corporation on proposed site use and improvements, selection of materials, building systems and equipment and methods of Project delivery. Developer shall provide recommendations on relative feasibility of construction methods, availability of materials and labor, and time requirements for procurement, installation, construction and factors related to construction costs including, but not limited to, costs of alternative designs or materials, budgets and possible economics.

(b) Schedule: Developer shall prepare and periodically update the Project Schedule for Corporation's acceptance. Developer shall obtain the Architect's approval for the portions of the preliminary Project Schedule relating to the performance of their services. Developer shall coordinate and integrate the Architect's services into the Project Schedule and Developer's and Corporation's responsibilities with anticipated construction schedules, highlighting critical and long lead time items.

(c) Constructability: Developer shall consult with Corporation and Architect regarding the Construction Documents and make recommendations whenever design details adversely affect constructability, cost or schedules.

(d) Temporary Facilities: Developer shall require that the Construction Manager establishes the assignment of responsibilities for temporary Project facilities and equipment, materials and services for common use of the Contractors. Developer shall verify that such requirements and assignment of responsibilities are included in the proposed Contract Documents.

(e) Categories of Work: Developer shall require that the Construction Manager determines the division of the Project into individual contracts for various categories of work, including the method to be used for selecting Trade Contractors and awarding Construction Contracts. Developer shall require that the Construction Manager reviews the Construction Documents as required to provide that: (1) the work of the Contractors is coordinated; (2) all requirements for the Project have been assigned to the appropriate Construction Contract; (3) the likelihood of jurisdictional disputes has been minimized; and (4) proper coordination has been provided for phased construction.

(f) Construction Schedule: Developer shall prepare a Project Schedule providing for the components of the work and shall consult with the Construction Manager, Corporation and Tenant in connection with the preparation and updating of the Project Schedule, including phasing of construction, times of commencement and completion required of each Contractor, ordering and delivery of products requiring long lead time, and the occupancy requirements of Corporation. Developer shall provide the current Project Schedule to the Construction Manager for each set of bidding documents. Unless a specific software application is called for elsewhere in the Contract Documents, Developer will require Construction Manager to use Microsoft Project, SureTrak Project Manager, Primavera Project Planner, or other scheduling software acceptable to Corporation to configure all versions of its construction schedule. Developer will require Construction Manager to prepare the construction schedule using the critical path format. Schedule activities shall be of sufficient detail to assure that adequate planning has been done for proper execution of all of the construction work. Developer will provide Corporation with electronic access to pdf versions of the submittals.

(g) Weekly Meetings and Look-Ahead Charts: Developer shall chair weekly meetings with Corporation and the construction team during which the parties shall exchange information regarding the actual progress of construction. Corporation, Developer, and Construction Manager shall attempt to agree upon quantities and percentages of completion that reflect the actual progress of construction. At each meeting Construction Manager shall submit 4 copies of a 2-week look-ahead chart. The 2-week look-ahead chart shall include at a minimum those activities that will be started, in progress, or completed during the next 2-week period. The format of the look-ahead chart shall be subject to Corporation's approval, which will not be unreasonably withheld.

(h) Long Lead Time Items: Developer shall require the Construction Manager to expedite and coordinate the ordering and delivery of materials requiring long lead times.

(i) Consultants: Developer shall select and coordinate the professional services of surveyors, special consultants and testing laboratories, deputy inspections and other, special inspections under contract with Developer as required for the Project and included in Developer's scope under the Contract Documents.

5.2 Bidding.

(a) Competitive Bidding: Developer will require its Construction Manager to cause the various construction trade elements of the Project to be competitively and publicly bid in accordance with competitive bidding requirements pursuant to this Agreement under separate bid documents for each such construction trade or group of trades to multiple trade contractors, and in accordance with the optional pre-qualification procedure set forth in subsections

(b) and (c). Developer and its Construction Manager will administer the public competitive bidding and, to the extent allowed by law, negotiating procedures. Developer and its Construction Manager may solicit bids for one or more portions of the Project, with additional bid solicitations to follow; provided, however, that Developer and its Construction Manager will not cause the Project to be constructed through incrementally limited contracts with Trade Contractors so as to avoid the competitive bidding laws applicable to the Corporation, if any. Trade Contractors will enter into written contracts with Developer or its Construction Manager for such work of improvement of the Project. Developer will ensure that the requirements of this Section 5.2 are incorporated into the CMAR Contract and make the CMAR Contract subject and subordinate to this Agreement.

(b) Pre-Qualification: The Corporation or Corporation's Representative, Construction Manager, and Developer may jointly determine to pre-qualify contractors to bid on portions of the Project. If Corporation or Corporation's Representative, Construction Manager, and Developer agree to pre-qualify certain trades, then Developer and/or Construction Manager will prepare Pre-Qualification Questionnaires for Corporation's approval. Subsequent to Corporation's approval of the Pre-Qualification Questionnaires, and within the time period allowed for in the Project Schedule, Developer or its Construction Manager will publish notices soliciting Trade Contractors to pre-qualify to bid on the portions of the Project that Corporation or Corporation's Representative, Construction Manager, and Developer determined to pre-qualify, all in accordance with applicable Requirements of Law.

(c) Procurement Plan: Within the time period allowed for in the Project Schedule, Developer and Construction Manager will cause bid documents to be prepared for each individual construction trade element of the Project that is to be separately bid ("***Bid Documents***") pursuant to the procurement plan attached as **Exhibit R**, which has been approved by Corporation. Developer will solicit lump sum or cost plus with a guaranteed maximum fixed-price bids for each individual construction trade element or package of the Project that is to be separately bid, pursuant to the approved Bid Documents, from the contractors in that construction trade.

(d) Bid Bonds: The Bid Documents will include a provision requiring that a bid bond accompanying a bid must include a rider naming Developer and Construction Manager as dual obligees.

(e) Bid Process: Developer, Construction Manager, or the Architect will answer questions of bidders and generate addenda to the Bid Documents, as necessary, during the bidding process for each individual construction trade element of the Project that is to be separately bid. Developer or its Construction Manager will open and evaluate all complete bids received. Corporation or Corporation's Representative may, at its election, attend the opening of bids.

(f) Analysis: Developer shall require the Construction Manager to provide an analysis of the types and quantities of labor required for the Project and shall review with the Construction Manager the availability of appropriate categories of labor required for critical phases. Developer shall make recommendations for actions designed to minimize adverse effects of labor shortages.

(g) Bidders Interest: Developer shall require the Construction Manager to develop bidders' interest in the Project, establish bidding procedures, issue bidding documents to bidders and conduct pre-bid conferences with prospective bidders. Developer shall require the Construction Manager to submit the list of prospective bidders for Corporation's review. Developer shall assist the Construction Manager with respect to questions from bidders and the issuance of addenda.

(h) Receiving Bids: Developer and the Construction Manager shall receive bids, prepare bid analyses, and award contracts or reject bids. Developer and its Construction Manager have the right to reject all bids for a portion of the work and re-bid the work.

(i) Awarding Contracts: If one or more complete bids for the individual construction trade element of the Project is/are received from a responsive and responsible bidder, as determined jointly by Developer and its Construction Manager, then Construction Manager may enter into a contract with each Trade Contractor for performance of each individual construction trade element of the Project for the fixed-price or cost plus with a guaranteed maximum price on the bid submitted by the Trade Contractor. To the extent consistent with applicable law, Developer and its Construction Manager also have the right to have responsible, responsive bidders submit a best and final offer.

(j) Rejecting Bids: To the extent consistent with applicable law, if Developer and/or its Construction Manager determine that a particular low bidder is non-responsive, is not responsible, or for any other reason should not be awarded the Construction Contract at issue, they will promptly reject the bid and may award the contract to the next lowest responsible, responsive bidder.

(k) Bidder Default: To the extent consistent with applicable law, if Developer or its Construction Manager awards a Construction Contract, but the successful bidder fails to execute the Construction Contract, then the following will apply:

(1) If Developer or its Construction Manager awards the Construction Contract to the second lowest bidder, then the amount of the lowest bidder's security will be applied by Developer or Construction Manager to the difference between the low bid and second lowest bid, and the surplus, if any, will be returned to the lowest bidder if cash or a check is used, or to the surety on the bidder's bond if a bond is used.

(2) Developer or its Construction Manager will be entitled to retain the amount of the lowest bidder's security.

(l) Best Value: In addition to the above procedures for bidding, Trade Contractors may also be selected based on qualifications or a combination of qualifications and price. The selection of Trade Contractors is the responsibility of the Construction Manager. Corporation must timely advise Developer, in accordance with the Project Schedule, if there are any Trade Contractors (including vendors or suppliers) that Corporation specifies to be sole-sourced (including, but not limited to, BMS systems, technology infrastructure, elevators, etc.). Developer will procure the elevators on a best value basis.

(m) Trade Contractor Procurement Plan: Developer and its Construction Manager prepared a Trade Contractor procurement plan which has been approved by Corporation. This Trade Contractor procurement plan identifies those Trade Contractors (including vendors and suppliers) anticipated to be selected by qualifications only per subsection (k) and those Trade Contractors anticipated to be selected by qualifications and competitive bid.

(n) Negotiated Trade Contractors: Developer may select Trade Contractor(s) (including vendors or suppliers) based only on their qualifications when the Developer can demonstrate it is in the best interest of the Project.

(1) Qualification based selection of a Trade Contractor should only occur during the design phase services under an approved guaranteed maximum price to achieve maximum benefit of the Trade Contractors' involvement.

(2) The Developer or its Construction Manager shall apply the approved Trade Contractor procurement plan in the evaluation of the qualifications of a Trade Contractor.

(3) The Construction Manager will negotiate costs for services/supplies from each Trade Contractor selected under this method.

(o) Construction Manager Not Self-Performing: Construction Manager will not be allowed to self-perform any work, including by force account, with the exception of daily safety, clean-up, and miscellaneous carpentry work.

(p) Compliance with Requirements of Law. Developer shall be aware of and adhere to and obey all Requirements of Law applicable to the bidding of the Project.

5.3 Construction Phase. The Construction Phase is the time period from the Commencement of Construction until Final Acceptance. During the Construction Phase, Developer will have the following duties:

(a) Administer CMAR Contract: Developer shall administer the CMAR Contract for the Project in cooperation with the Architect.

(b) Coordination: Developer shall provide administrative, management and related services to coordinate scheduled activities and responsibility of those under contract with Developer with each other and with those of the Developer, Corporation and Architect to manage the Project substantially in accordance with the Project Schedule and Contract Documents.

(c) Project Schedule: Developer shall require the Construction Manager to update the construction schedule incorporating the activities of the Contractors on the Project, including activity sequences and duration, allocation of labor and materials, processing of shop drawings, product data and samples and delivery of products requiring long lead time and procurement. The Project Schedule shall include Corporation's occupancy requirement showing portions of the Project having occupancy priority. Developer shall update and reissue the Project Schedule as required to show current conditions. If an update indicates that the previously approved Project Schedule may not be met, Developer shall require the Construction Manager to take any necessary corrective action so as to cause the Project to be Substantially Completed on or before the Developer Obligation Date. Developer shall require the Construction Manager to schedule and coordinate the sequence of construction so as to cause Substantial Completion of the Project on or before the Developer Obligation Date.

(d) Administration of Agreements: Developer shall administer the Architect's Agreement and Developer shall require the Construction Manager to administer all Construction Contracts with Trade Contractors. Developer shall notify and consult with Corporation and Corporation's Representative regarding any material breaches or defaults by any party to a Construction Contract relating to the Project.

(e) Cash Flow Reports: Developer shall develop, as and when necessary, cash flow reports and forecasts for the Project (including variances between actual and budgeted costs) and provide Corporation with copies of same.

(f) Inspections and Testing: In consultation with the Architect, Developer shall require the Construction Manager to oversee the course of construction and Developer will engage third parties to conduct such inspections and testing of materials to ensure that the work is being performed in substantial accordance with the requirements of the Contract Documents in a good and workmanlike manner, free of defects and deficiencies in work. Developer shall reject all work which does not conform to the requirements of the Contract Documents and cause corrective action to be taken.

(g) RFIs: Developer shall transmit to Architect requests for interpretations of the meaning and intent of Construction Drawings and Detailed Specifications and assist in the resolution of questions that arise.

(h) Submittals: Developer shall expedite the processing and approval of shop drawings, product data samples and other submittals.

(i) Changes: Section 8 of this Agreement shall control with regard to changes in the work.

(j) Progress Reports: Developer shall record the progress of the Project. Developer shall require the Construction Manager to submit written monthly progress reports to Corporation, showing percentages of completion. Developer shall require the Construction Manager to maintain a daily log, containing a record of weather, each Contractor's work on the site, number of workers, identification of equipment, work accomplished, problems encountered progress photos, and such other information as Corporation may require.

(k) Record Drawings: Developer shall require the Construction Manager to maintain at the Project site or at Developer's offices in Irvine, California or at Construction Manager's offices in Irvine, California, for Corporation one record copy of all Construction Documents, addenda, change orders and other modifications, in good order and marked currently to record changes and selections made during construction together with approved shop drawings, product data samples and similar required submittals. Developer shall maintain records, in duplicate, of principal building layout lines, elevations of the bottom of the footings, floor levels and key site elevations certified by a qualified surveyor or professional engineer. All such records shall be made available to Architect and Corporation upon request and, upon completion of the Project, duplicate originals shall be delivered to Corporation.

(l) Contractor Pay Apps: Developer shall develop and implement procedures for the review and processing of applications by Contractors for progress and final payments.

(m) Project Pay Apps: Based on the Developer's observations and evaluations of each Contractor's Application for Payment, the Developer shall review and certify the amounts due the respective Contractors. The Developer shall prepare Project Applications for Payment based, in part, on the Contractors' Applications for Payment.

(n) Certifications: Each Project Application for Payment and certification of the Contractor(s)' certificates for payment shall constitute a representation to Corporation based on the Developer's overall supervision of the course of construction, inspections conducted at the site, and review of the data comprising the Contractors' Application for Payment that, to the best of Developer's knowledge, information and belief (which may be based on similar representations from the Architect and Construction Manager), the work has progressed to the point indicated and the quality of the work is in substantial accordance with the Contract Documents (subject to minor deviations from the

Contract Documents correctable prior to completion and to specific qualifications expressed by Developer in Developer's Project Application for Payment).

(o) Final Testing and Start-Up: Developer shall supervise the final testing and start-up of utilities, operational systems and equipment, in the presence of Corporation's maintenance personnel if so requested by Corporation.

(p) Punch List: When Developer considers each Contractor's work or a designated portion thereof Substantially Complete, the Developer shall, jointly with the Architect, prepare for the Contractor a list of incomplete or unsatisfactory items (Punch List) and a schedule for their completion. Developer shall assist Architect in conducting inspections to determine whether the work or designated portion thereof is Substantially Complete.

(q) Final Completion: Developer shall require the Construction Manager to coordinate the correction and completion of the work, including all Punch List items, and shall evaluate the completion of the work of the Contractors and make final recommendations to the Architect when the Project or any designated portion thereof has achieved Final Completion. Developer shall require the Construction Manager to maintain a database of all punch list items or otherwise unsatisfactory items observed and record the resolution of these items. Developer shall assist Architect in conducting final inspections of the work.

(r) Timely Completion: Developer shall take such other and further action as may be necessary or desirable to cause the Project to be Substantially Completed on or before the Developer Obligation Date.

5.4 Costs. Developer shall require the Construction Manager to include in all Construction Contracts that all Trade Contractors shall comply with all applicable requirements of the Labor Code throughout the performance of this Agreement, including but not limited to the following:

(a) Wage Rates: Construction Manager and all Trade Contractors, as the case may be, shall comply with the provisions of California Labor Code Sections 1771 et seq., and shall pay workers employed for construction of the Project on this Agreement not less than the general prevailing rates of per diem wages and holiday and overtime wages as determined by the Director of Industrial Relations. Developer shall require Construction Manager to post all job site notices as required by Labor Code Section 1771.4(a), including a copy of these wage rates for each craft, classification, or type of worker needed in the performance of this Agreement. Copies of these rates are on file at the principal office of Corporation's Representative, or may be obtained from the State Office, Department of Industrial Relations ("***DIR***") or from the DIR's website at www.dir.ca.gov. If this Agreement is federally funded, Construction Manager and any Trade Contractors shall not pay less than the higher of these rates or the rates determined by the United States Department of Labor.

(b) Wage Rate Penalty: Construction Manager and all Trade Contractors, as the case may be, shall comply with the provisions of Labor Code Section 1775. Developer, Construction Manager and all Trade Contractors shall be subject to a penalty in an amount up to $200, or a higher amount as provided by Section 1775, for each calendar day, or portion thereof, for each worker paid less than the prevailing wage rates for any construction work done by the Construction Manager or Trade Contractors under this Agreement.

(c) Work Hour Penalty: As provided by Labor Code Section 1810, 8 hours of labor shall constitute a legal day's work, and 40 hours shall constitute a legal week's work. The time of service of any worker employed for construction work pursuant to this Agreement shall be restricted to 8 hours during any one calendar day, and 40 hours during any one calendar week, except as provided herein. Developer shall forfeit to Corporation $25, or a higher amount as provided by Labor Code Section 1813, for each worker employed in the performance of construction of the Project under this Agreement by Developer or Construction Manager or by any Trade Contractors for each calendar day during which such construction worker is required or permitted to work more than the legal day's or week's work, except as provided by Labor Code Section 1815.

(d) Registration of Contractors: Construction Manager and all Trade Contractors, as the case may be, must comply with the requirements of Labor Code Section 1771.1(a), pertaining to registration of contractors pursuant to Section 1725.5. Registration and all related requirements of those sections must be maintained throughout the performance of this Agreement.

(e) Payroll Records: Construction Manager and all Trade Contractors, as the case may be, shall comply with the requirements of Labor Code Section 1776. Such compliance includes the obligation to furnish the records specified in Section 1776 directly to the Labor Commissioner in an electronic format, or other format as specified by the Commissioner, in the manner provided by Labor Code Section 1771.4. The requirements of Labor Code Section 1776 provide in part:

(1) Construction Manager and all Trade Contractors performing any portion of the construction work under this Agreement shall keep an accurate record, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by Construction Manager or any Trade Contractors in connection with the work.

(2) Each payroll record shall contain or be verified by a written declaration that it is made under penalty of perjury, stating both of the following:

(A) The information contained in the payroll record is true and correct.

(B) The employer has complied with the requirements of Labor Code Sections 1771, 1811, and 1815 for any work performed by his or her employees in connection with this Agreement.

(3) The payroll records shall be certified and shall be available for inspection at the principal office of Construction Manager on the basis set forth in Labor Code Section 1776.

(4) Developer shall inform Corporation of the location of the payroll records, including the street address, city and county, and shall, within five working days, provide a notice of any change of location and address of the records.

(5) Pursuant to Labor Code Section 1776, Developer, Construction Manager and all Trade Contractors, as the case may be, shall have 10 days in which to provide a certified copy of the payroll records subsequent to receipt of a written notice requesting the records described herein. In the event that Developer, Construction Manager or any Trade Contractor fails to comply within the 10-day period, he or she shall, as a penalty to Corporation, forfeit $100, or a higher amount as provided by Section 1776, for each calendar day, or portion thereof, for each construction worker to whom the noncompliance pertains, until strict compliance is effectuated. Developer acknowledges that, without limitation as to other remedies of enforcement available to Corporation, upon the request of the Division of Apprenticeship Standards or the Division of Labor Standards Enforcement of the California Department of Industrial Relations, such penalties shall be withheld from progress payments then due Developer.

(f) <u>Apprentices</u>: Unless this Agreement involves a dollar amount less than that specified in Labor Code Section 1777.5, this Agreement is governed by the provisions of Section 1777.5. Developer shall require Construction Manager to comply with Labor Code Section 1777.5 for all apprenticeable occupations. Construction Manager and all Trade Contractor(s), as the case may be, shall comply with Labor Code Section 1777.6, which forbids discriminatory practices in the employment of apprentices on any basis listed in Government Code Section 12940, except as provided in Labor Code Section 3077.

6. Permits.

6.1 Permits. Developer shall obtain all Permits necessary to construct the Project pursuant to any and all Requirements of Law. For those Permits yet to be acquired as of the date of the execution of this Agreement, Corporation shall have five (5) business days to review any Permit application Developer intends to submit. Corporation's failure to object to terms or conditions of a Permit application shall constitute Corporation's approval of the same and Corporation's authorization for

Developer to submit the Permit application. For those Permit applications already submitted by Developer prior to the execution of this Agreement, Corporation shall receive a copy upon request. Corporation shall join in any application for Permits as required, at the expense of Developer (but subject to Section 8.18 and if there are any additional fees required by an AHJ or any fees imposed by an AHJ exceeds the amount set forth in **Exhibit D** then the additional or excess fee will be an Other Corporation Cost). Developer shall pursue issuance of such Permits with reasonable diligence to meet the Project Schedule.

6.2 Costs. All costs associated with issuance of the Permits, including the cost of any required off-site improvements, shall be Allowances.

6.3 Schedule and Delays. Corporation and Developer anticipate issuance of Permits by all AHJ and Commencement of Construction within the time allowance set forth in the Project Schedule set forth as **Exhibit F** hereto, and any delay in issuing the required permits by AHJ will be an Unavoidable Delay except to the extent that the delay is caused by the fault or neglect of Developer. The Project Schedule shall be updated by mutual agreement of Developer and Corporation from time to time as reasonably required to reflect the status of the Project. Except as otherwise provided in this Agreement, there shall be no increase in the Project GMP as a result of any delay in issuance of the Permits or commencement or completion of construction of the Project unless due to Costs Resulting from Corporation-Caused Delay, but the delay in issuing Permits by the AHJ at no fault of the Developer will be an Unavoidable Delay as set forth above.

7. Construction.

7.1 Commencement of Construction. As soon as reasonably practical following Bond Closing, issuance of Permits by all AHJ, Corporation's completion of its Demolition Work and Utility Relocation Work, and Corporation's delivery of the Demolition Certificate, Corporation will issue to Developer a written Notice to Proceed (Construction). Within five (5) business days of Corporation's issuance of the Notice to Proceed (Construction) (which date will be the commencement date for construction in the Project Schedule), Developer shall require Commencement of Construction to occur and such work is diligently and continuously prosecuted to Final Completion. Developer shall coordinate the sequencing of all construction and shall require all other Contractors to commence construction of that portion of the work covered under their respective Construction Contracts and diligently and continuously prosecute such work to Final Completion. Developer warrants to the Corporation that materials and equipment incorporated into the Project shall be new unless otherwise specified.

7.2 Delays.

(a) <u>Time Extensions</u>. The Developer Obligation Date shall be extended to the extent of (i) Unavoidable Delays; and (ii) Corporation-Caused Delays. Extensions of time due to weather or force majeure, when granted, will be on a 1 to 1 day basis of calendar days credit for every Critical Path calendar day lost, with the credit for each separate extension rounded off to the nearest whole calendar day. Developer shall not be entitled to any extension under this Section if the unforeseen circumstances occur beyond the Developer Obligation Date (as adjusted pursuant to this Agreement).

(b) Liquidated Damages. The parties hereto agree that in the event that the Project is delayed that Corporation's actual damages are difficult to estimate. As such, and as Corporation's sole remedy for delay, Developer agrees to forfeit and pay to Corporation the sum of $45,000 per day as liquidated damages, and not as a penalty ("***Liquidated Damages***") for each calendar day that Substantial Completion of the Project is delayed beyond the Developer Obligation Date, as that may be adjusted pursuant to the terms of this Agreement. Corporation may deduct such sum from any payments due to or to become due to Developer.

7.3 Guaranteed Maximum Construction Contract. As part of the Project GMP, the Project shall be constructed pursuant to one CMAR Contract for the entire Project which shall contain the Guaranteed Maximum Construction Price. Within ten (10) days after award of the CMAR Contract, Developer shall require Construction Manager to furnish a payment bond for 100% of the amount of the construction portion of the Guaranteed Maximum Construction Price, in accordance with Civil Code Section 9554, and a performance bond for 100% of the amount of the construction portion of the Guaranteed Maximum Construction Price, guaranteeing the faithful performance of the CMAR Contract. Developer shall require Construction Manager to take steps to assure that the penal sum of the bonds shall be increased by the amount of any additive adjustments to the Guaranteed Maximum Construction Price as a result of Corporation Contingency use, if necessary. Developer shall require Construction Manager to have the payment and performance bonds each be issued by a surety that: (a) is authorized by the California Insurance Commissioner to transact surety insurance in the State of California; (b) has assets exceeding its liabilities in an amount equal to or in excess of the amount of the bonds; and (c) acts in compliance with Insurance Code Section 12090. The payment and performance bonds shall be in the form attached hereto as **Exhibit O**. Developer shall require Construction Manager to have the Developer, Corporation and Trustee be named as obligees under each payment and performance bond pursuant to a rider or riders as set forth in **Exhibit O**. If any surety upon any bond furnished in connection with this Agreement becomes objectionable to Corporation and fails to submit to Corporation the documents described in California Code of Civil Procedure Sections 995.660(a)(1) through (a)(4) within the time specified in those Sections, then Developer shall require Construction Manager to promptly furnish such additional security as may be reasonably required by Corporation to protect the interests of Corporation and of persons entitled to make a claim against the payment bond as of that time. Failure to furnish such additional security shall constitute a material breach of the agreement. Construction Manager may elect to deliver to Corporation, in the amount of 10% of the construction costs for the Project, concurrent with the release of the Performance Bond, a warranty bond conditioned upon Developer or Construction Manager correcting any defective work of improvement or materials incorporated into the Project that is discovered within the Warranty Period. In lieu of a warranty bond, Construction

Manager, at its election, may extend the Performance Bond for one year following Substantial Completion of the Project to cover defective materials and workmanship.

7.4 Construction Contracts. Developer shall require Construction Manager to include in all Construction Contracts recitations or provisions requiring the following:

(a) Labor Code §1700: Provisions requiring all Contractors employed on the Project to be responsible to pay the prevailing rate of wages as defined in California Labor Code Sections 1700 et seq. and available on the Department of Industrial Relations websites (but expressly excluding the Davis-Bacon Act and any rules and regulations promulgated thereunder), and to indemnify Corporation, Tenant, Developer and Trustee for claims arising out of failure to pay proper wages;

(b) Safety: Provisions for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Project; and

(c) Indemnity: Provisions for indemnifying Corporation, Tenant, Developer and Trustee for claims arising out of the negligence or willful misconduct of such Contractor and its employees and agents.

(d) Assignment: Provisions for assignment to the Trustee upon an Event of Default under the Indenture for which Developer has received written notice from the Trustee.

7.5 Protection of Persons and Property.

(a) Safety: Developer shall require the Construction Manager to be responsible for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Project.

(b) Damage: Developer shall require the Construction Manager to take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to: (1) all persons working on the Project construction site and all other persons who may be affected thereby; (2) the Project and materials and equipment to be incorporated therein; and (3) other property at or adjacent to the site.

(c) Notices: Developer shall require the Construction Manager and all other Contractors to give notices and comply with all applicable laws, ordinances, rules, regulations, and orders of public authorities bearing on the safety of persons and property and their protection from damage, injury or loss.

7.6 Insurance During Construction. Insurance shall be provided by Developer, Corporation, Architect and Contractors in accordance with the provisions of Section 16 of this Agreement.

7.7 Use of Developer Contingency. The amounts set forth in the various line items of **Exhibit D** are estimates only of Project Costs to be incurred. To the extent the actual Project Costs in any line item of **Exhibit D** exceed the amount shown for such line item, Developer shall first allocate amounts in other line items, in which the actual known Project Costs shall have been less than the amount in **Exhibit D** to the line item in which the excess Project Cost(s) has occurred. Following the allocation by Developer as set forth in the preceding sentence with respect to all line items, except Developer Contingency, Developer shall be fully entitled to draw upon the Developer Contingency line item of **Exhibit D** and use the Developer Contingency in its entirety, if necessary, to pay the Project Costs that fall within the categories of the Pre-Approved Developer Contingency Uses or, after obtaining consent of the Corporation, which consent will not be unreasonably withheld, for Project Costs that do not fall within the categories of the Pre-Approved Developer Contingency Uses. The allocation of the Developer Contingency for costs within the categories of the Pre-Approved Developer Contingency Uses is at the discretion of Developer. For Project Costs that do not fall within the categories of the Pre-Approved Developer Contingency Uses, Developer may use the Developer Contingency only with the consent of the Corporation, which consent will not be unreasonably withheld. The Developer Contingency is also subject to the provisions of Section 12.7 if there is any unused Developer Contingency following Final Acceptance.

7.8 Completion of Construction. Developer shall achieve Substantial Completion of the Project on or before the Developer Obligation Date, provided the Project Costs, as and when due, and any other Corporation costs are timely paid by Corporation in accordance with Section 9 hereof. Following Substantial Completion, Developer shall require the Construction Manager to diligently achieve Final Completion of the Project. Developer, Architect, and Corporation will complete and execute the Final Completion form (**Exhibit L**) promptly upon Final Completion. Corporation must provide written notice to Developer within ten (10) business days of receipt of the Final Completion form signed by Developer and Architect of all objections that Corporation has to executing the Final Completion form. Corporation's failure to timely provide written objections will be deemed to be Corporation's waiver of any objections.

7.9 Warranties. Developer shall require the Construction Manager to secure, for the benefit of Corporation, all warranties and guarantees of the work by Contractors, suppliers and manufacturers of components of the Project. Upon Final Acceptance, Developer shall require the Construction Manager to assign such warranties to Corporation (provided that such warranties shall also be for the benefit of Developer). After Final Acceptance of the Project (including Developer's obligation under Section 14.3 to provide the written warranties to Corporation) and during the Warranty Period, Developer shall assist Corporation to enforce any warranties or guarantees with respect to the Project upon request. The CMAR Contract shall provide a minimum of a one (1) year warranty for workmanship with respect to the Office Building. Without increasing the Project GMP, Developer and Corporation have agreed that Developer shall require the Construction Manager to obtain warranties of equal or longer periods from Trade Contractors and material suppliers for the fixtures, services, or subcontracts only as set forth in the Detailed Specifications that will be included in the Architect's Project

Manual; provided, however, that the Developer shall not be required to assist Corporation to enforce any warranties or guarantees that extend beyond the Warranty Period. Developer warrants that materials and equipment furnished under the Contract Documents will be new, of good quality, and carrying all available manufacturers' and installers' warranties; that construction will be of good and workmanlike quality; and that all of the work shall be performed in strict conformance with the requirements of the Contract Documents, industry standards, and manufacturers' recommendations. Work not conforming to these requirements shall be considered defective ("***Defective Work***"). Defective Work does not include damage caused by modifications not executed by Construction Manager or a Contractor, improper operation or maintenance, abuse, or normal wear and tear under normal usage. Unless otherwise provided in the Contract Documents, Corporation's acceptance of Developer's work shall be accomplished by Corporation recording a Notice of Completion as promptly as practicable after completion, inspection, and testing of all work required by the Contract Documents. The start date of Developer's warranty obligations, and of the manufacturers' and installers' warranties required by the Contract Documents, will be the issuance of the Certificate of Substantial Completion by the Architect. Corporation's acceptance of the work shall not be construed to limit Corporation's rights under the Contract Documents or release Developer from any responsibility for latent defects, for correcting defective work, or for honoring any warranty obligations of the Contract Documents.

7.10 Correction of Work. During the Warranty Period, Developer (or Construction Manager or the applicable Trade Contractor, on behalf of Developer) shall take immediate action to correct any Defective Work reported by Corporation in writing. Developer shall initiate corrective action on Defective Work affecting use of a facility, safety, or preservation of property within forty-eight (48) hours after notification. Developer shall initiate corrective action on other Defective Work within ten (10) calendar days after notification. If Developer fails to initiate corrective action within the specified times or fails to complete the corrective work within a reasonable time, Corporation may take whatever corrective action it deems necessary after giving written notice to Developer of the default. All reasonable costs incurred by Corporation because of Developer's failure to correct Defective Work during the Warranty Period shall be due and payable immediately by Developer along with a ten percent (10%) administrative fee. The Warranty Period relates only to the specific obligation of Developer to return to the Project site and correct Defective Work. The Warranty Period does not establish a period of limitations with respect to any of Developer's other obligations under the Contract Documents, including but not limited to Developer's warranty, and it has no relationship to the time within which Corporation may seek to enforce the Developer's obligation to comply with the Contract Documents or to the time within which proceedings may be commenced to establish the Developer's liability with respect to any of the Developer's obligations. Warranty costs (to the extent not borne by insurance) shall be Project Costs. At Final Acceptance, there shall remain at least $50,000 in the Project Costs Account in the Project Fund to cover these items during the Warranty Period; said $50,000 shall be held by Trustee in trust upon Final Acceptance to be applied toward warranty work (including Developer's administration costs for the warranty work) in accordance with the CMAR Contract, with any amounts not so expended to be treated as Corporation's Savings in accordance with, and subject to the limitations in, Section

12.7 below; however if there are no funds left in the Project Costs Account in the Project Fund (including the Developer Contingency) to pay for the corrective action, such costs shall be paid by Developer from its own funds. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Sections 7.8, 7.9 and 13), the warranties to be provided or obtained by Developer or Contractors shall not include and shall not be applicable with respect to any of the Financed FF&E except for those items that are expressly set forth in the Detailed Specifications. All manufacturers' and installers' warranties received by Developer or its Construction Manager shall be assignable to Corporation (and by Corporation to Tenant), and upon abandonment, termination, or completion of this Agreement shall be deemed, and hereby are, assigned to Corporation. Developer shall take actions within its direct control necessary to preserve the full scope of all manufacturers' and installers' warranties for the benefit of Corporation and shall take no action that would impair Corporation's rights under any such warranties. Before Corporation's acceptance of the work, Developer shall deliver to Corporation manufacturers' and installers' warranties, guarantees, instruction sheets, and parts lists, which are furnished with certain articles of materials incorporated in the work. All of Developer's warranty obligations shall survive abandonment, termination, and completion of this Agreement. Neither Final Payment nor any other provision in the Contract Documents shall constitute Corporation's acceptance of work not performed in accordance with the Contract Documents nor relieve Developer of liability with respect to its warranty obligations or for Defective Work.

7.11 Stop Work by Corporation. If Developer fails to correct defective work as required, or persistently fails to carry out work in accordance with the Construction Documents, Corporation, by written order, may order Developer and its Construction Manager to stop the work, or any portion thereof, until the cause for such order has been eliminated.

7.12 Developer Default. If Developer defaults or neglects to carry out the work in accordance with the Contract Documents and fails within ten (10) calendar days after receipt of written notice from Corporation to commence and continue correction of such default or neglect with diligence and promptness, then Corporation may, without prejudice to other remedies Corporation may have, act to correct such deficiencies. In such case an appropriate change order shall be issued deducting from the Project GMP the costs of correcting such deficiencies along with a ten percent (10%) administrative fee. If the payments then or thereafter due Developer are not sufficient to cover the amount of the deduction, Developer shall pay the difference to Corporation. Such action by Corporation shall be without prejudice to any other rights or remedies to which Corporation may be entitled under this Agreement or applicable law.

7.13 Work by Separate Contractors. If requested by Corporation, Developer shall, as part of the Work, provide for the coordination of the Work to be performed by Corporation's own forces or Separate Contractors, if any, with the Work to be performed by Developer. Developer shall use reasonable efforts to cooperate with Corporation and all Separate Contractors, and Corporation shall use reasonable efforts to cooperate with Developer, Construction Manager, and Contractors. In order to cause the Work and any work to be performed by Separate Contractors to be completed in an expeditious manner,

Developer agrees that it will use reasonable efforts in order to ensure that Corporation's own forces or Separate Contractors have a reasonable opportunity to complete their work as and when required. Developer has no responsibility to supervise or otherwise manage the work of Corporation's own forces or Separate Contractors or to ensure its proper execution. Corporation shall cause its own forces and each of its Separate Contractors, if any, to maintain commercial general liability insurance (naming Developer and Construction Manager as additional insureds) in amounts reasonably approved by Developer and workmen's compensation insurance in not less than the minimum required statutory amount, and providing for a waiver of subrogation. Additionally, the Corporation's own forces and Separate Contractors must comply with Developer's schedule, safety procedures, site rules, and other reasonable rules and regulations. If the Developer claims that delay or additional cost is involved because of such action by the Corporation or its Separate Contractors, the Developer shall make such Claim as provided in Section 8. The Developer shall afford the Corporation and Separate Contractors reasonable opportunity for introduction and storage of their materials and equipment and performance of their activities. The Developer shall reimburse the Corporation for costs the Corporation incurs that are payable to a Separate Contractor because of the Developer or the Construction Manager's delays, improperly timed activities or defective construction that impact Separate Contractors. The Corporation shall be responsible to Developer for costs (as an Other Corporation Cost) and delays (as an Corporation-Caused Delay) that Developer or Contractors incur because of delays, improperly timed activities, damage to the work or defective construction by Corporation's own forces or Separate Contractors.

7.14 Compliance with Requirements of Law. Developer shall be aware of and adhere to and obey all Requirements of Law applicable to the construction of the Project.

8. Changes to the Work.

8.1 No Changes Without Corporation Approval. Following approval of the Construction Documents by Corporation there shall be no changes in the work except in accordance with this Section 8.

8.2 Developer Approved Changes in the Work. It is anticipated that there will be field orders and change orders which shall result in minor changes or field adjustments to the scope of work. Developer shall use its reasonable efforts to apprise Corporation of proposed changes in the work and its recommendations regarding them prior to any action being taken. It is anticipated that it may not always be possible to receive Corporation's prior approval to these changes in a timely manner. Therefore, minor non-substantial field orders and change orders may be approved by the Developer, without prior Corporation approval (but with notice to the Corporation's Representative), but only if the changes authorized by these field orders and change orders shall not have the effect of extending the Developer Obligation Date or materially altering the work or increasing any Project Cost. As soon as practical, but no later than with the next Project Application for Payment, Developer shall provide Corporation with all field orders and/or change orders approved by Developer. For the purposes of this Section an alteration shall be deemed to be "material" if it would reduce the intended quality of the Project, result in an increase of Corporation's operational costs over time, result in a substitution of any of the systems in the Project (including but not limited to HVAC, plumbing, electrical, elevators, roofing, fire and life safely, security systems, and infrastructure components) or increasing any Project Cost. In the case of either a material alteration or a change that would result in failure to Substantially Complete the Project by the Developer Obligation Date, prior written approval by the Corporation's Representative of the proposed change must be received.

8.3 Change in the Work Initiated by Corporation. If Corporation desires to initiate a change by using Corporation Contingency (whether remaining Corporation Contingency or Developer's Savings reallocated to Corporation Contingency as described in the definition of Corporation Contingency), then Corporation shall issue a written request ("***Change Request***") which shall set forth in reasonable detail the nature of the change and the type of quote requested (lump sum or time-and-materials with a not-to-exceed amount) and whether such change involves additions, deletions, or other revisions to the Contract Documents. Within seven (7) calendar days of receiving Corporation's Change Request (or such longer time if approved by Corporation because the scope of the requested change reasonably requires more time to analyze the cost and time impacts, such approval not to be unreasonably withheld), Developer shall present to Corporation a detailed proposal for change in Project GMP and/or a change in the Developer Obligation Date, if any. If such change causes an increase or decrease in Developer's cost or the time required for performance of the work, an equitable adjustment shall be made and the Project GMP and/or Developer Obligation Date modified in writing accordingly by a writing signed by Corporation and Developer. Corporation may initiate a change only if the costs thereof are available in the Corporation Contingency or if the parties identify and agree on a source of funds to pay for the change prior to execution of the change.

8.4 Claims by Developer. If Developer believes that it has a claim for a change in Project GMP or Developer Obligation Date, then Developer shall submit, within 14 business days of the event giving rise to the proposed change, a written request ("***Request for Change***") to Corporation to issue a Change Order. Timely notice to Corporation (including meetings where Corporation or Corporation's Representative is present) is essential to Corporation's identification, prioritization, and response to claimed changes, including any claimed delays. Developer's Request for Change shall include a description of the proposed change in the Contract Documents, the event or circumstance giving rise to the need for the change, and any proposed change in the Project GMP and/or Developer Obligation Date associated with the Request for Change, to the extent known at the time. If the Request for Change includes a proposal to extend the Developer Obligation Date, then Developer shall (to the extent known), provide to Corporation a description of: (a) the cause(s) for the proposed extension of time, including but not limited to causal events and responsible persons and organizations and any mitigation efforts that Developer attempted to avoid or minimize the claim; (b) the dates (or anticipated dates) of performance of the changed work; (c) activities on the Project Schedule affected by the change, any new activities created by the change, and their relationship with existing activities; (d) the anticipated extent of any claimed

increase to the Guaranteed Maximum Time; and (e) recommended action to avoid or minimize the increase. If Developer fails to take reasonable steps to mitigate a claim, then the claim will be limited or denied to the extent that such reasonable mitigation efforts would have limited or avoided the claim. If Corporation agrees that a change in the Contract Documents is appropriate, then Corporation may use the same options described in the "Lump Sum Change Orders" and "Time-and-Materials Change Orders" Sections below in response to Developer's Request for Change, to be paid for out of Corporation Contingency funds. If, in the sole discretion of Developer, Developer agrees to release a portion of Savings for use by Corporation during the course of construction (recognizing that Developer is entitled to utilize Savings for Project Costs until Final Completion) to pay for costs that are Corporation's responsibility (i.e., costs that would otherwise be paid with the Owner Contingency), then Developer will reallocate some of its Savings to the Owner Contingency line item for use by Corporation, subject to recoupment as provided in the following sentence. Developer may recoup all or part of such reallocation of its Savings if Developer exhausts its Savings (excluding the Developer Contingency) and needs the reallocated Savings to pay for Project Costs. In the event of a claim or litigation arising from any disagreement involving Developer's Request for Change, Developer's compensation (if any) shall be limited to an amount calculated in accordance with the "Time-and-Materials Change Orders" Section below. If Corporation does not agree that a change in the Contract Documents is appropriate, Corporation will direct Developer how to proceed by unilateral change order as discussed below.

8.5 Lump Sum Change Orders. For a lump sum change, Developer's quote shall be itemized and supported with sufficient substantiating data (including but not limited to detailed Trade Contractor estimates, supplier quote sheets, prices, invoices, and rate sheets) to permit evaluation with respect to the following costs:

(a) Labor (show hourly rate multiplied by estimated hours);

(b) Payroll taxes on labor;

(c) Materials, supplies, and equipment (include unit costs and estimated quantities);

(d) Machinery and equipment rental (include rental rates and estimated durations);

(e) Sales, use, or similar taxes related to the work;

(f) Other Items: Corporation may authorize other items that may be required for the changed work. Such items include labor, services, material, and equipment that are different in their nature from those required for the work and that are of a type not ordinarily available from Developer or any of its Contractors;

(g) Reasonable overhead and profit associated with the change, not to exceed 15% on above items if Developer or its Construction Manager uses its own forces to perform changed work. If Developer's Consultants or Construction Manager's Contractor's forces perform changed work, then the Consultant or Contractor shall be entitled to a maximum of 15% on above items and Developer or its Construction Manager, as applicable, shall be entitled to a maximum of 6% on above items for its overhead and profit on the changed work. Corporation will pay only one overhead and profit markup of 6% for Developer or its Construction Manager and one markup of 15% for the Consultant or Contractor in connection with changed work, regardless of the actual number of intervening Consultants or Contractors involved in the changed work; and

(h) Premiums for all bonds and insurance (bond to be billed at actual cost, insurance to be billed at the agreed Reimbursable Expenses insurance rate, and Developer shall provide documentation demonstrating it will actually incur an increase in bond costs directly attributable to the change).

Corporation may reject Developer's lump sum proposal, may negotiate with Developer a revision of the requested change and associated lump sum proposal, or may approve the Developer's lump sum proposal and incorporate it into a Change Order.

8.6 Time and Materials Change Orders. For a time-and-materials change, Corporation shall determine (if Corporation and Developer cannot agree, in which case the Corporation's determination is a Unilateral Change Order) the adjustment to the Project GMP on the basis of actual costs as follows:

(a) Cost of materials and supplies (show actual unit cost multiplied by actual quantity). The cost of materials shall be at invoice price, plus freight and delivery. Corporation reserves the right to approve materials and sources of supply or to mutually agree to supply materials to Construction Manager if necessary for the progress of the work. No markup for overhead and profit shall be applied to any material provided by Corporation.

(b) Tool and equipment rental. Corporation will not pay for the use of tools that individually have a replacement value of $200 or less. Regardless of ownership, the equipment rental rates shall be based upon the edition of equipment rental rates published by the Caltrans Division of Construction, or locally available rate or other reference acceptable to Corporation current as of the date the changed work is performed. The rental rates paid shall include the cost of fuel, oil lubrication, supplies, small tools, necessary attachments, repairs and maintenance of any kind, depreciation, storage, insurance, and all incidents. Necessary loading and transportation costs for equipment used on the changed work shall be included. If equipment is used intermittently and, when not in use, could be returned to its rental source at less expense to Corporation than holding it at the work site, it shall be returned, unless Developer elects to keep it at the work site at no additional expense to Corporation (i.e., Corporation still responsible for cost that Developer would have incurred by returning the equipment and then bringing it back to the site). All equipment shall be acceptable to Corporation, in good working condition, and suitable for the purpose for which it is to be used.

Manufacturers' ratings and approved modifications shall be used to classify equipment and it shall be powered by a unit of at least the minimum rating recommended by the manufacturer. The reported rental time for equipment already at the work site shall be the duration of its use on the changed work, commencing at the time it is first put into actual operation on the changed work, plus the time required to move it from its previous site and back or to a closer site. Developer shall submit invoices for tool and equipment rental costs. If Developer does not submit invoices, Corporation may establish the rental costs at the lowest price which was current at the time the changed work was performed.

(c) Cost of labor (show actual total hourly rate multiplied by actual hours spent on changed work). The costs of labor shall not exceed the wages prevailing for each craft or type of workers performing the changed work at the time the changed work is done. The costs of labor shall include the actual basic hourly rate, plus employer's actual regular payments for health and welfare, pension, vacation or holiday, training, and other direct costs resulting from federal, State or local laws, as well as assessments or benefits required by lawful collective bargaining agreements and shall be supported by payroll records. The costs of labor shall not include any amount for bonuses or extraordinary vacation or holidays. The use of a labor classification that would increase the changed work cost will not be permitted unless Developer establishes the necessity for such additional costs. Labor costs for equipment operators and helpers shall be reported only when such costs are not included in the invoice for equipment rental. The labor cost for foremen shall be proportional to all of their assigned work and only that applicable to changed work shall be paid. Non-direct labor costs including superintendence shall be considered part of the markup for overhead and profit below.

(d) Sales taxes on materials (percentage of item (a), above).

(e) Payroll tax on labor (percentage of item (c), above).

(f) Insurance (workers' compensation and liability insurance).

(g) Other Items. Corporation may authorize other items that may be required for the changed work. Such items include labor, services, material, and equipment that are different in their nature from those required for the work and that are of a type not ordinarily available from Developer or any of its Contractors. Developer shall submit invoices covering all such items in detail.

(h) Overhead and profit. Developer shall receive a maximum 15% for overhead and profit on above items if Developer or its Construction Manager uses its own forces to perform changed work. If Developer's Consultants or Construction Manager's Trade Contractor's forces perform changed work, then the Consultant or Trade Contractor shall be entitled to a maximum of 15% on above items for its overhead and profit and Developer or its Construction Manager, as applicable, shall be entitled to a maximum of 6% on above items for its overhead and profit on the changed work. Corporation will pay only one overhead and profit markup of 6% for Developer and/or its Construction Manager and one markup of 15% for the Consultant or Trade Contractor in connection with changed work, regardless of the actual number of intervening Consultants or Contractors involved in the changed work.

(i) Bond and insurance (bond to be billed at actual cost, insurance to be billed at the agreed Reimbursable Expenses insurance rate, and Developer shall provide documentation demonstrating it will actually incur an increase in bond costs directly attributable to the change).

Developer shall keep and present, in such form as attached hereto, an itemized accounting of the costs or savings attributable to the changed work, together with appropriate supporting data. Upon request by Corporation, Developer shall permit Corporation to inspect Developer's original estimate for the Project, subcontract agreements, or purchase orders relating to the change. Upon completion of the changed work ordered to be performed on a time and materials basis, Corporation will then issue a Unilateral Change Order adjusting the Project GMP according to the actual costs incurred and, if appropriate, adjusting the Developer Obligation Date.

8.7 Unilateral Change Orders. If Corporation and Developer cannot reach an agreement on a proposed change, Corporation may issue a Unilateral Change Order directing work on a time-and-materials basis as set forth above, and Developer reserves the right to dispute any determination made by Corporation in accordance with the procedures set forth in **Exhibit H**.

8.8 No Extension of Time Without Impact to Critical Path. Developer shall not be entitled to an extension of the Developer Obligation Date unless Developer demonstrates a delay to the Critical Path shown on the most recent Project Schedule. If Corporation and Developer do not agree on either entitlement to, or the amount of, the extension of the Developer Obligation Date, then the disagreement will be resolved by the dispute resolution procedures set forth in Section 24.

8.9 No Additional Compensation for Early Completion. Nothing contained in the Contract Documents creates any contractual right, express or implied, on the part of Developer to receive additional compensation for early completion of the Project.

8.10 No Changes After Substantial Completion. If Corporation issues additive change orders after Substantial Completion for the Project, then such additive change orders will be considered Additional Services, and the work to be performed under those change orders will not delay the release of Retention to Developer for the Project (which will become due without regard to the status of the work that constitutes Additional Services), regardless of whether the applicable Notice of Completion has been recorded. Corporation and Developer will enter into a new contract for the Additional Services, and the Developer (or its Construction Manager) shall enter into new contracts with Contractors to perform such Additional Services or shall take other steps necessary

to insure that the Additional Services do not extend the date by which Contractors for the original services can file mechanic's liens or stop payment notices. Corporation will pay Developer compensation for Additional Services consisting of (a) the actual costs incurred by Developer for the Additional Services, (b) Developer's hourly rates then in effect for the time Developer's personnel spend on the Additional Services, and (c) Reimbursable Expenses at actual cost incurred by Developer in performing the Additional Services.

8.11 Credits. Regardless of whether the equitable adjustment associated with changed work is recorded through a lump sum or time-and-materials Change Order: (1) if the net value of a change to the work results in a credit from Developer, then the credit given shall include costs as well as overhead and profit; or (2) if the net value of a change to the work results in additional costs, then overhead and profit will only be applied to the amount by which the added costs of the change exceed the credited amount. When a change proposed by Corporation results in the deletion of work and the Corporation and Developer are unable to agree upon the cost, overhead, and profit thereof, the Corporation's estimate of the cost, overhead, and profit shall be deducted from the Project GMP by a Change Order unless within 15 days of receiving the Corporation's estimate Developer presents proof that the Corporation's estimate is in error.

8.12 Overhead and Profit. Developer shall receive a maximum 15% for overhead and profit on actual costs included in a change order if Developer or its Construction Manager uses its own forces to perform changed work. If Developer's Consultants or Construction Manager's Trade Contractor's forces perform changed work, then the Consultant or Contractor shall be entitled to a maximum markup of 15% on actual costs included in the change order for its overhead and profit and Developer and/or its Construction Manager shall be entitled to a maximum markup of 6% on actual costs included in the change order for its overhead and profit on the changed work. Corporation will pay only one overhead and profit markup of 6% for Developer and/or its Construction Manager and one markup of 15% for the Consultant or Trade Contractor in connection with changed work, regardless of the actual number of intervening Consultants or Contractors involved in the changed work. Regardless of whether the equitable adjustment associated with changed work is recorded through a lump sum or time-and-materials Change Order, the amount Corporation pays for overhead and profit shall be Developer's only compensation for: all costs of supervision, superintendence, and scheduling; wages of timekeepers, watchmen, and clerks; tools individually valued at $200 or less; incidentals; any and all field and home office expenses; costs of estimating and preparing change orders; all impact costs including but not limited to lost productivity associated with "learning curves," "productivity factors," and "ripple effects;" and all other expenses not included in itemized costs.

8.13 Compensation for Delay. Developer shall be compensated for its substantiated actual, direct expenses, together with the markup for overhead and profit described in "Overhead and Profit" above, resulting from Corporation-Caused Delay. Under no circumstances shall Corporation compensate Developer for extended home office overhead or profit based on an "*Eichleay* formula" or any other proportionate allocation of Developer's overhead expenses or profit, all of which shall be deemed to have already been included in the above-described markup. If Corporation believes that it is entitled to delay damages, then Corporation must submit, within 14 business days of the event giving rise to the claim, a written claim to Developer describing the delay and the amount of delay damages. Corporation's written notice is a condition precedent to Corporation's claim and to the commencement of delay damages.

8.14 Modifications. Upon execution of this Agreement, Developer will commence its services under this Agreement. It is understood and agreed that as work proceeds on the Project, certain clarifications and modifications may need to be made, including adjustments in floor plans, circulation, site work, and elevations, as well as detailing of materials, colors, and finishes. Modification of the scope of Work, and any interpretations of the Project documents having a substantial impact on the Project, may be approved by the Corporation's Representative; provided, however, that except as authorized in writing by Corporation, under no circumstances will the cost of the Project work exceed the Project GMP. Any approvals by the Corporation's Representative required under this Section 8.14 must be made in a reasonably timely manner so as not to impact the Project work or Project Schedule; failure to respond in a reasonably timely manner will result in an Corporation Caused Delay.

8.15 Minor Field Changes. Developer has the right during the course of construction of the Project to make "minor field changes," without seeking the approval of Corporation, except to the extent that any such changes increase the cost of the Project GMP to Corporation (or Other Corporation Costs) or individually or cumulatively delay the completion of the Project beyond the Developer Obligation Date. "Minor field changes" are defined as those changes from the approved Construction Drawings and Detailed Specifications that have no material effect on the Project and are made in order to expedite the work of construction in response to field conditions. Nothing contained in this section will be deemed to constitute a waiver of or change in the applicable building code requirements governing any such "minor field changes" or in any approvals by Corporation otherwise required for any such "minor field changes." "Minor field changes" will be documented, in writing, in daily field logs, record drawings, or equivalent, and will be made available for Corporation inspection.

8.16 Conditions Affecting the Work.

(a) Existing Site Conditions: Information regarding the work site represented in the geotechnical reports (identified in **Exhibit Q**) and Demolition Certificate is believed to be correct; Corporation does not warrant either the completeness or accuracy of such information, but Developer may rely on the completeness and accuracy of such geotechnical reports identified in **Exhibit Q** and the Demolition Certificate.

(b) Site Investigation and Representation: Developer acknowledges satisfaction as to the nature and location of the work; the general and local conditions, particularly those bearing upon availability of transportation and access to the site; disposal, handling and storage of materials; availability of labor, water, electric power, telephone, and roads; uncertainties of weather or physical

conditions at the site; the conditions of the ground; the character of equipment and facilities needed prior to and during the performance of the work; and all matters that can in any way affect the work or the cost thereof under this Agreement. Developer and Corporation have mutually agreed on the amount and types of on-site investigation (limited solely to the parcelized area of the Office Building, with no investigation performed for off-site work that Developer may be required to perform) to be done by Developer, and Developer has performed the mutually agreed on-site investigation. Therefore, if Differing Site Conditions (including, but not limited to, soil conditions, archeo-paleo artifacts, regulated items, environmental issues, etc.) are found either on-site or off-site, then Developer may make a claim for additional costs and/or schedule delay.

(c) Topographic Maps: Topographic maps identified in **Exhibit Q** were used in the Project design. Bidders may inspect such maps upon request to the Developer, or may obtain copies upon payment of the cost to reproduce the copies. Notwithstanding the foregoing, the OC Public Works, on behalf of Corporation, provided or caused to be provided the ALTA survey for the Project site, and Developer, Architect, and Construction Manager have reviewed and concurred and are relying on its accuracy for the preparation, planning, and performance of their services and work.

(d) Differing Site Conditions: Developer shall promptly, but in no event more than 7 days after the condition is first observed, notify Corporation in writing of the following site conditions and shall leave such conditions undisturbed until otherwise directed by Corporation:

(1) Subsurface or latent physical conditions at the site differing materially from those represented in the Contract Documents listed in **Exhibit E** or **Exhibit Q**;

(2) Unknown physical conditions at the site differing materially from those ordinarily encountered and generally recognized as inherent in work of the character provided for in this Contract; and

(3) Material differing from that represented in the Contract Documents which Developer believes may be hazardous waste pursuant to Health & Safety Code Section 25117.

(e) Corporation Investigation: Upon written notice of Differing Site Conditions from Developer, Corporation shall promptly investigate such conditions. If Corporation finds that such conditions do materially differ and cause an increase or decrease in the cost of or the time for performance of the work, Corporation may, at its discretion: (a) terminate all or part of this Agreement in accordance with Section 23.7; (b) issue a written change to this Agreement in accordance with Section 8; or (c) make any other appropriate arrangements to address the Differing Site Conditions. Any claim by Developer for adjustment hereunder shall not be allowed unless Developer has given proper notice.

(f) Disputes: If a dispute arises between the parties hereto as to whether the conditions constitute Differing Site Conditions or affect the price or time for performance of any part of the work: (a) Developer shall submit a written notice of potential claim to Corporation including all information relating to the Differing Site Conditions that Developer has available to it at the time Developer delivers the notice of potential claim (and, if Developer decides to make a formal claim, then Developer will make a separate, formal claim pursuant to and in accordance with the requirements in Section 8.4); (b) Developer shall then proceed with all work to be performed under this Agreement; and (c) pending resolution of the claim, Developer shall not be excused from any scheduled completion date provided for by this Agreement. Developer shall retain any and all rights provided either by this Agreement or by law which pertain to the resolution of disputes between the parties hereto.

8.17 Changes in Requirements of Law. Corporation and Developer shall negotiate a Change Order to equitably adjust the Project GMP and/or Project Schedule if: (a) the completion of the Project is adversely affected by the enactment, adoption, promulgation, modification or repeal of any Requirements of Law applicable to the design or construction of buildings or facilities leased by public agencies after the date on which applicable permits are obtained; or (b) there are any costs incurred resulting from (i) new or increased government fees or assessments (including fees not included in **Exhibit D**) or (ii) from rulings on the part of state or local public officials beyond code and industry practice which are not known or anticipated at the date of execution of this Agreement and/or not included in the Contract Documents. Developer shall give notice to Corporation of any such conditions in accordance with this Section 8.

9. Payment of Project Costs. Trustee will act as disbursing agent and hold and disburse money on deposit in the Project Fund to pay Project Costs and other costs in accordance with the Indenture and this Agreement. Corporation will direct the Trustee to make monthly disbursements from the Project Fund to Developer for Developer to then pay Project Costs. So long as there has not occurred an Event of Default by Developer under this Agreement, such disbursements from the Project Fund shall continue until the full Project GMP has been disbursed (except as provided in Sections 11 and 12 hereof) or the Project has been completed. Disbursements received by Developer from the Project Fund shall, except as otherwise expressly provided herein, be used solely to pay the Project Costs. Upon Developer's compliance with its obligations under this Agreement regarding Project Applications for Payment, Corporation shall take all such action as is necessary and required to obtain such disbursements by the Trustee in accordance with the Indenture.

9.1 Applications for Payment. On or before the twenty-fifth (25th) day of the month immediately preceding a month in which Developer will submit a Project Application for Payment, the Corporation, Tenant, Developer, and Construction Manager will meet to review a preliminary draft of such Project Application for Payment prepared by Developer (hereinafter referred to as a "***Pencil Draw***"). During the Pencil Draw

meeting, the parties will agree on the percentage complete for each line item, which may be projected to the last day of the month. Developer will revise the Pencil Draw in accordance with any reasonable objection or recommendation of Corporation that is consistent with the requirements of the Contract Documents. Such revised Pencil Draw will be resubmitted by Developer to Corporation as the Project Application for Payment due on the tenth day of the month immediately following the month in which the Pencil Draw was first submitted. The Project Application for Payment will be in the form of **Exhibit P**. Developer will also submit with each Project Application for Payment a written narrative describing the basis for any item set forth in the Project Application for Payment that does not conform to instructions of Corporation in connection with any applicable Pencil Draw. Developer shall submit to Corporation on or before the tenth day of the following month for which it is seeking payment a Project Application for Payment signed by Developer, which shall also include a pay application submitted by the Construction Manager consistent with the terms of the CMAR Contract. The Project Application for Payment shall request payment of a specified dollar amount, which shall constitute a portion of the Project GMP, reasonably detailed to reflect the amount of the Project Costs actually expended in each category of **Exhibit D**. Such Project Application for Payment shall request the appropriate amount of hard or soft costs based on a percentage of completion basis with respect to such work as of the date of such Project Application for Payment, less retainage being withheld by the Construction Manager from any of the Contractors. When Retention that has been previously withheld from a pay application submitted by the Construction Manager is to be paid by the Construction Manager to a Contractor, it shall be added to the next pay application of the Construction Manager submitted to Developer and included in the next Project Application for Payment.

Project Costs other than hard and soft construction costs that are incurred or paid on a schedule that is not related to percentage of completion (e.g., Developer Contingency paid only as allocated by Developer to specific costs incurred, Developer's Fixed Fee paid as described in Section 11.3, Developer's Reimbursable Expenses paid as described in Section 11.2, reserves for warranty work paid only after Substantial Completion, the 150% holdback for uncompleted Punch List items, payment of unutilized contingency accounts or construction savings to Corporation and/or Developer, etc.) shall be included in the Project Application for Payment only when such items are to be paid in accordance with other provisions of this Agreement, without regard to the percentage completion of the Project. Developer may also include in a Project Application for Payment the full amount (with no Retention withheld) for deposits for Commodities or for purchases of Commodities that require advance payment (e.g., the Financed FF&E) that will be paid by Developer within thirty (30) calendar days of Developer's receipt of the payment of the requested deposit or advance payment.

Developer shall also provide a reconciliation between the total of all draw amounts requested (including such draw request) under a Project Application for Payment and the then-current **Exhibit D** and include all the information and documentation required to be provided by the Construction Manager to the Corporation pursuant to the CMAR Contract, as well as a conditional partial lien release from the Construction Manager and from such laborers, contractors and Trade Contractors

G-29

performing work on site as Corporation may require, to become effective upon payment to the Construction Manager or such other payees of the amount of the payment specified in said Contractor's Application for Payment, and Endorsement No. ___ to the Lender's Title Policy and a similar endorsement to the Corporation's Title Policy showing no liens or claims of lien; provided, that if a lien has been filed, Developer and/or its Construction Manager may resolve such lien in accordance with Section 19 below. Developer shall provide copies of all conditional partial lien releases to the title company issuing the Title Policies and shall execute an indemnity agreement with the title company in a form sufficient to enable the title company to issue the foregoing endorsements. Each Application for Payment must include:

(a) An accepted Schedule of Values and Schedule Update with a narrative report (if requested), all approved in writing by Corporation and all developed in accordance with Section 5.1(f), to the extent that they are required. Developer's submissions of an accepted Project Schedule, Schedule Updates, and Schedule of Values are conditions precedent to Corporation's processing of Applications for Payments that request payment of construction costs;

(b) Photographic documentation of completed work (as requested);

(c) If requested, Developer shall within a reasonable time (estimated to be 60 days) provide three copies of certified payrolls from Developer and all Contractors for the period covered by the Application for Payment, with one copy having all pertinent information visible and two copies having the workers' names, addresses, and social security numbers blacked out or proof that the certified payrolls were electronically submitted to the DIR's eCPR system, if acceptable to Corporation;

(d) Evidence satisfactory to Corporation that Developer is fulfilling its obligations under the Contract Documents with respect to preparing daily reports and maintaining up-to-date As-Built Plans;

(e) Conditional waivers and releases on progress payment or final payment (as applicable) from Developer, those Contractors of any tier, and those suppliers claiming funds covered by the Application for Payment, and unconditional waivers and releases on progress payment or final payment from Developer, Construction Manager, those Contractors of any tier, and those suppliers who received funds through the preceding applications for payment, all in the form prescribed by Civil Code Sections 8120 through 8138 (provided, however, that with respect to Contractors and suppliers, unconditional waivers and releases will exclude the prior two months' payments); and

(f) Any other administrative documentation reasonably required by Corporation or as agreed upon.

The Application for Payment shall show the total value of work completed or partially completed as of the date of submission of the Application for Payment,

including 100% of the value of materials delivered to the Project site and not yet incorporated into the construction and long-lead time items, items specifically fabricated for the Project or specialized items (e.g., steel, curtain wall and glass, HVAC, generator, switch gear, light fixtures, and precast concrete), and 100% of the value of materials delivered to Developer and stored at locations other than the Project site ("***Stored Materials***"), provided that Developer furnishes Corporation satisfactory evidence that Developer has acquired title to the Stored Materials, the Stored Materials will be used on the Project, the Stored Materials are properly stored at a secure off-site location reasonably acceptable to Corporation, the Stored Materials at each storage location are segregated from any other materials there that are not intended for use on the Project, and the Stored Materials are covered by insurance against loss, damage, theft or vandalism. Corporation reserves the right to adjust an Application for Payment if a prior Application for Payment is determined to have been overstated or understated.

9.2 Payment Procedures. Corporation and Tenant shall have the opportunity to attend all meetings between Developer and Contractors at which applications for payments are to be discussed (e.g. Developer shall be available and shall require the Construction Manager to be available for a monthly meeting for review of the current month's application for payment, if requested by Corporation). Corporation shall receive with the Project Application for Payment any documentation submitted to Developer supporting the Construction Manager's application for payment. So long as Corporation and Trustee shall have received the Project Application for Payment, including all required Developer certifications, lien releases, and other required supporting documentation, on or before the tenth day of a calendar month, Corporation shall make any objections regarding such Project Application for Payment in writing as soon as practicable, but in any event no later than five (5) business days after receiving it or the Corporation shall be deemed to have waived its right to object to such Project Application for Payment.

Within ten (10) business days of Corporation receiving an undisputed, properly completed Application for Payment, Corporation will submit a requisition (Exhibit B to the Indenture) to request that Trustee pay to Developer a sum equal to the value of the work completed since the commencement of the work, less all previous payments, plus a like percentage of the value of material delivered on the ground or stored subject to, or under the control of, Corporation, and unused; provided, however, that Trustee shall hold 5% of the value of the construction work under the CMAR Contract (but will not withhold Retention on soft costs, Construction Manager's Fixed Fee, Developer's Fixed Fee, Commodities or deposits for Commodities (e.g., the Financed FF&E), or exceptions to Retention specifically set forth in the CMAR Contract) completed as Retention until the Retention Payment is made pursuant to Section 9.8. Upon request of Developer and at Corporation's sole and absolute discretion, when the Work is 50% complete (by cost), as evidenced by Corporation's approval of Project Applications for Payment showing the Work at least 50% completion, no further Retention may be withheld. If Corporation fails to receive the Project Application for Payment on or before the tenth (10th) day of the month, Corporation shall have a period of five (5) calendar days from its receipt of such Project Application for Payment to review and approve such application, and a period of ten (10) business days to pay amounts as to which there is no objection. If

Corporation objects to any portion of a Project Application for Payment, Corporation shall provide detailed written comments explaining the nature of the disapproval as provided in the preceding paragraph, whereupon (i) for Project Costs which are approved by Corporation, Corporation shall request payment from the Trustee and (ii) Developer and Corporation shall meet within two (2) business days to determine mutually acceptable revisions to the Project Application for Payment. If Corporation delays timely progress payment from Trustee through Corporation's breach, negligence or misconduct and not in any way due to a deficient Application for Payment, and as a direct result of that failure Developer is required to pay to its Construction Manager, Consultants, vendors, or Contractors additional amounts equivalent to statutory penalties or late charges (collectively, "late charges"), then Corporation will pay to Developer those late charges in addition to the amount unpaid (and such late charges will result in an adjustment of the Project GMP in an amount equal to the amount of the late charges). Late charges will only be paid upon presentation to Corporation of written evidence that the late charges were in fact owed and paid by Developer. No progress payment by Corporation shall be considered to be Corporation's acceptance of any part of the work.

Failure of Developer and Corporation to determine mutually acceptable revisions to the Project Application for Payment within the two (2) business day period shall entitle either Corporation or Developer to commence the dispute resolution process described in Section 24 hereof or, if necessary, litigation. Failure to reach agreement on an Application for Payment shall not relieve Developer from its duties and obligations under this Agreement or relieve Corporation from its duties and obligations under this Agreement (including, but not limited to, paying undisputed amounts).

9.3 Requisition to the Trustee. Corporation shall execute and deliver each requisition to the Trustee for the amount of the Project Application for Payment, or such undisputed portion thereof under Section 9.2. Corporation shall undertake good faith efforts to cause Trustee to disburse the amount shown on such requisition to Developer for disbursement to applicable Contractors and others in accordance with the Indenture.

9.4 Initial Draw. The Initial Draw shall include a mutually agreed amount to reimburse Developer for Project Costs actually incurred or paid by those parties (including, without limitation, fees and costs incurred prior to this Agreement for the Construction Manager, Architect and other design professionals) on and before the date of Bond Closing. Corporation may include in the Initial Draw and/or subsequent draws amounts paid by Tenant for the PHASE 1A Services to reimburse Tenant for such costs, all or in part. Developer and Corporation shall agree on the maximum amount of the Initial Draw and shall notify Tenant of that agreed maximum amount by no later than three (3) business days prior to the Sale of the Bonds; in addition, Developer and Corporation shall agree on the exact amount of the Initial Draw and shall notify Tenant of that agreed Initial Draw amount by no later than seven (7) business days prior to the Bond Closing.

9.5 Other Corporation Costs. Notwithstanding anything to the contrary contained in this Agreement, all costs of every nature that constitute Other Corporation Costs shall be the sole responsibility, cost and expense of Corporation. Corporation

further agrees that Developer shall have no responsibility or liability for any of the Other Corporation Costs and Corporation shall timely fund all Other Corporation Costs.

9.6 Lump Sum Work and Unit Prices. Corporation shall pay for work shown on the schedule of values as "Lump Sum", "L.S.", or "Job" at the lump sum price shown. Any contract work for which a unit price has been agreed upon, will be paid for at the actual quantities constructed in accordance with the Contract Documents. Upon completion of the work, if the actual quantities show either an increase or decrease from the quantities stated in this Agreement, the unit price stated will apply unless a change to the unit price is warranted under the Section 8.

9.7 Allowances. Payment for any Allowance identified in the Schedule of Values shall be for direct cost reimbursement only, unless the Schedule of Values identifies it as a "Time and Materials" or "T&M" item. Reimbursable direct costs shall be verified by invoices and shall include any amounts paid to third parties, and do not include markups, including but not limited to supervision, labor, overhead, or profit related to the item. Payment for Allowances based on T&M pricing shall be proposed by Developer subject to Corporation's acceptance using the same criteria and proposal breakdown as that specified in the "Time-and-Materials Change Orders" subsection of Section 8. Any work to be performed in connection with any Allowance identified in the Schedule of Values must first be approved in writing by Corporation. Any costs that exceed the maximum amount of any Allowance line item shall be addressed as a change to this Agreement consistent with Section 8, but in such event there shall be no markup for overhead and profit on the additional actual costs. Upon completion of the Project, each Allowance will be corrected for unused balances and a credit to the Project GMP will be issued by Change Order to reflect the actual sums authorized for work as Allowance items; provided, however, that if a particular Allowance is exceeded by a significant amount as reasonably determined by Developer in its discretion), then the parties will issue a Change Order for that particular Allowance instead of netting all Allowances later so that Developer is not financing the excess cost. The following terms apply to Allowances:

(a) Include in the Project GMP all Allowances named in the Contract Documents. The amount of each Allowance includes:

(1) The cost of the Product to Developer, less any applicable trade discounts.

(2) Delivery to the site including handling, unloading, uncrating and storage.

(3) Protection from the elements from damage.

(4) Labor for installation and finishing.

(5) Other expenses required to complete installation.

(6) Applicable taxes.

(7) Overhead and profit.

(b) Developer shall file a “No Collusion Affidavit” with OC Public Works in regards to the actual cost price of Allowance items, and allow any requested examination of his accounts and those of his materials.

(c) Allowances are included in the scope of the Contract Documents.

(d) Payment for Allowances shall be based on direct costs actually incurred by Developer for labor, materials, equipment, or other expenses required to accomplish the allowance. All payments shall be based on Developer’s actual expense less any applicable trade discounts as verified by invoice(s), delivery to the site including handling, unloading, uncrating and storage, protection from the elements of damage, labor for installation and finishing, other expenses required to complete installation, applicable taxes, and charge for overhead and profit.

(e) Except as set forth above with respect to Allowances that significantly exceed their value, upon completion of the Project, all of the Allowances will be corrected (netted out to an aggregate add or deduct) by a written change order signed by Corporation and Developer to reflect the actual sums authorized for work as Allowance items.

(f) A list of Allowances is included in **Exhibit D**.

9.8 Retention Payment. To the extent allowed by applicable law, when the Work is 50% complete (by cost), as evidenced by Corporation’s approval of Project Applications for Payment showing the Work at least 50% completion, Corporation will release a portion of the Retention to pay the Retention for the Trade Contractors who have completed their work. In order for Corporation to release Retention as set forth in the preceding sentence, the Work must be on schedule (as evidenced by the most recent approved Project Schedule) and on budget (as evidenced by the most recent Project Application for Payment). Corporation will pay the remaining Retention (less 150% of the cost of outstanding Punch List work) within thirty (30) days of AHJ issuing a Temporary Certificate of Occupancy so that the Construction Manager and Trade Contractors can be paid prior to the expiration of time to record mechanic’s liens. If the Retention Payment is made before Developer has complied with all of its obligations under this Agreement, then payment of Retention shall not be interpreted as Final Payment, and shall not relieve Developer of its obligations under the Final Payment provisions.

9.9 Final Payment. The Final Payment (which will include the remaining Retention, if any, less 150% of the cost of outstanding Punch List work) shall be made no later than 30 days after Developer Substantially Completes the work and submits an Application for Final Payment in proper form and suitable for payment. Developer’s work will not be complete until Developer has delivered electronic versions of: (i) record drawings for the Project; (ii) all operations and maintenance manuals; (iii) manufacturers’, suppliers’, and installers’ warranties, guarantees, instruction sheets, and

parts lists; and (iv) any other documents or information required by the Contract Documents as a condition to completion of the work. Developer’s Application for Final Payment shall include:

(a) Developer's affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Project have been paid or otherwise satisfied by Developer; and

(b) Conditional waivers and releases on Final Payment in the form prescribed by Civil Code Section 8136 from Developer, its Contractors of any tier, and its suppliers who will receive funds from the Final Payment, listing with specificity any and all claims under or arising out of this Agreement or the Project that remain unsettled.

9.10 Stop Payment Notices. If stop payment notices are filed against the Project or state, federal, or other governmental agency claims or liens are filed, then Corporation may withhold the amount required by law from progress payments until such claims and liens have been resolved pursuant to applicable law. However, if the cause of the Stop Payment Notice is due to Corporation’s unexcused failure to timely and fully pay Developer in accordance with the terms of this Agreement, then (a) Corporation may not withhold and (b) Developer is entitled to make a claim for direct damages incurred as a result of or arising out of the withholding.

10. Other Services by Developer. Services may be performed by the Developer at the written request of Corporation which are not included as part of the Project. Such services shall be performed pursuant to a separate written agreement between Corporation and Developer.

11. Developer’s Fixed Fee and Reimbursable Expenses.

11.1 Developer’s Fixed Fee. The Project GMP includes a fee payable to Developer in the amount set forth in **Exhibit D** as the Developer’s Fixed Fee, which is payable as set forth in Section 11.3. Any Corporation-initiated change orders shall increase the Developer’s Fixed Fee in an amount calculated as set forth in Section 8.5 or 8.6, as applicable.

11.2 Reimbursable Expenses. Developer’s Reimbursable Expenses will be paid as incurred, without regard to the percentage complete of the Project. With respect to insurance, Corporation shall reimburse Developer, as a Reimbursable Expense, Developer’s expense (acknowledged and agreed to be $8.00 per $1,000 of contract value) for the Commercial General Liability, Employer’s Liability, Auto Liability, and Professional Liability insurance required to be maintained by Developer under this Agreement. All other Reimbursable Expenses will be billed at cost without markup.

11.3 Payment of Developer’s Fixed Fee. As part of the monthly Project Application for Payment, Developer shall be entitled to a ratable portion of the Developer’s Fixed Fee. The total amount of Developer’s Fixed Fee is set forth in **Exhibit D**. Corporation will pay to Developer the Developer Fixed Fee compensation, in the amount identified in **Exhibit D**, as follows:

(a) Equal Monthly Installments: The Developer Fixed Fee for Developer's services under this Agreement will be paid in equal monthly installments (the number of installments equal to the number of months for the Project duration under the Project Schedule); provided, however, that if Developer completes the Project in less time, then the unpaid balance of the Developer Fixed Fee is due with the Final Payment to Developer under this Agreement (i.e., the equal monthly installments are for billing purposes, but the intent is that Corporation will pay the full amount of Developer's Fixed Fee). If the Project takes more time, then Developer is not entitled to additional Developer Fixed Fee compensation (except as expressly provided in Section 8).

(b) Application: Developer will submit to Corporation its request for payment of the Developer Fixed Fee as part of the Project Application for Payment under this Agreement.

12. Completion of the Project.

12.1 Substantial Completion of the Project. Developer shall achieve Substantial Completion of the Project by the Developer Obligation Date. Until Substantial Completion of the Project has occurred, Corporation shall not occupy the Project and shall prohibit Tenant or any other party from occupying the Project; provided, however, that limited use of the Project for storage, move-in or installation of Tenant's Personal Property by either Corporation or Tenant when such use is approved by Developer, such approval not to be unreasonably withheld, shall not be deemed to be occupancy. Notwithstanding that Substantial Completion of the Project shall have occurred, Corporation shall be entitled to provide Developer with a Punch List, in accordance with the provisions of this Section 12.

12.2 Notice of Substantial Completion. When Architect considers that the Work is ready for its intended use, Developer shall require Architect to prepare and deliver to Corporation a tentative certificate of Substantial Completion in the form of **Exhibit N**. The tentative Certificate of Substantial Completion will include by attachment a tentative list of items to be completed or corrected. Developer shall give notice in writing to Corporation that the Project is Substantially Complete (except for Punch List items specifically listed as incomplete) in accordance with the Contract Documents ("***Developer's Notice of Completion***"). Promptly thereafter (but in no event exceeding three (3) business days), Corporation, Developer, Architect, Construction Manager and Tenant shall inspect the Project Work to determine the status of completion. If Corporation does not consider the Work substantially complete or Corporation objects to the Punch List, then Corporation must notify Developer in writing within five (5) business days of the inspection giving all of Corporation's specific reasons that the Project is not Substantially Complete or the Punch List is inaccurate; if Corporation does not provide written notice within such time, then the Corporation will be deemed to have no objection. Once Developer addresses all of Corporation's reasonable objections, Architect will then issue a definitive Certificate of Substantial Completion (with the potential of a revised Punch List) agreed to by the Architect, Developer, and Corporation. The Certificate of Substantial Completion will include by attachment the (revised) Punch

List. The completion of the Punch List, installation of Corporation's IT, and completion of any other Corporation work (e.g., Corporation installation of Tenant's Personal Property) shall not be required in order for the Project to be Substantially Complete.

12.3 Completion of Punch List Items. Following Substantial Completion, Developer shall diligently cause all Punch List items to be completed promptly in accordance with the Contract Documents. Developer shall coordinate the performance of any such Punch List work to avoid any unreasonable hindrance to Tenant's installation of Tenant's Personal Property and its full occupancy of the Project.

12.4 Final Acceptance. Upon Final Acceptance, Developer shall be entitled to payment of the balance of Developer's Fixed Fee and all other Project Costs incurred in connection with the work, but not to exceed the Project GMP, which will be invoiced pursuant to Section 9, above. "Final Acceptance" means that each of the following items shall have occurred with respect to the Project:

(a) AHJ Approval: AHJ has issued a temporary or final certificate of occupancy or other approval (e.g., final building inspection by building officials) for the Project permitting Tenant to occupy and use the Project for its Permitted Use; provided, however, if the delay in the issuance of the certificate of occupancy or other approval is attributable solely to the Corporation's or Tenant's work including, without limitation, Tenant's Personal Property, or an obligation of Corporation or Tenant, then this condition shall be deemed satisfied;

(b) Conditional Waivers: Developer and each Contractor shall have provided its final conditional waivers and releases of lien in the statutory form.

(c) Punch List Complete: All Punch List items shall have been completed, but if Corporation consents to Final Acceptance without completion of all Punch Lists items, the parties shall have agreed upon the estimated costs of any Punch List items remaining to be completed and 150% of such estimated cost shall be withheld by the Trustee in the Project Costs Account until the Punch List items have been completed to the reasonable satisfaction of Corporation. When the Punch List items have been completed, Developer shall notify Corporation and, upon Corporation's reasonable satisfaction that the Punch List items have been completed, Corporation shall deliver its requisition to the Trustee for payment of the funds withheld by the Trustee under this Section 12.4(c);

(d) Final Pay App: Developer shall have submitted its final Project Application for Payment together with evidence reasonably satisfactory to Corporation that all construction costs have been paid in full or will be paid in full with payment of the final Application for Payment;

(e) Project Costs Report: Developer shall have delivered to Corporation a written report showing the allocation of Project Costs among the categories of **Exhibit D** and the remaining specified dollar amount of the

Developer Contingency and the undisbursed portion of the Developer's Fixed Fee;

(f) Title Policy Endorsement: Corporation and Trustee shall each have received an endorsement to its respective Title Policy dated as of and issued on the date of Final Acceptance, which shall insure Corporation and Trustee respectively (1) against any liens for labor or materials, whether or not of record, which may have arisen in connection with the construction of the Project, and (2) show no additional exceptions to the Corporation's Title Policy other than those approved by or arising through Corporation;

(g) LEED Application: Developer shall have submitted the initial applications, supporting documents, and other materials needed to obtain Silver LEED certification; and

(h) Final Acceptance Obligations: Developer shall have completed and delivered the matters set forth in Section 14.

12.5 Approval of Final Project Application for Payment. Upon delivery of Developer's final Project Application for Payment and other materials set forth above, Corporation shall, acting reasonably and in good faith, review and approve the final Project Application for Payment on or before that period expiring five (5) business days after receipt of the final Project Application for Payment, receipt of notice from Developer that the Punch List matters are complete (except those items permitted to remain outstanding pursuant to Section 12.4(c)), and Corporation's receipt of the materials set forth in Section 14 of this Agreement. In the event no written comments from Corporation are received by Developer within said five (5) business day period, Corporation shall be deemed to have waived its right to comment on the Final Application for Payment or to disapprove the completion of the Punch List, except those items permitted to remain outstanding pursuant to Section 12.4(c). If Corporation disapproves the final Project Application for Payment or completion of the Punch List, or any portion thereof, Corporation shall provide detailed written comments explaining the nature and specific reason for each disapproval; whereupon, Developer and Corporation shall meet within two (2) business days to determine mutually acceptable revisions to the final Project Application for Payment and the completion of the Punch List. Failure of Developer and Corporation to determine mutually acceptable revisions to final Project Application for Payment and the completion of the Punch List within the two (2) business day period, shall entitle either Corporation or Developer to commence the disputes resolution process described in Section 24.

12.6 Requisition of Final Payment. Corporation shall execute and deliver the requisition for Final Payment to the Trustee within one (1) business day following expiration of said five (5) business day period, or if Corporation disapproves of the final Project Application for Payment, then within one (1) business day after the date of approval of the mutually acceptable revisions to the final Project Application for Payment or the determination of the disputes resolution process, if applicable. Subject to the provisions for disbursement of unused contingency funds in Section 12.7 below,

Corporation shall take all steps to cause the Trustee to disburse the remaining money in the Project Costs Account, except for (1) any money withheld for completion of the Punch List items under Section 12.4(c), and (2) the $50,000 reserved for warranty work as provided for in Section 7.9, but in any event not more than the Project GMP, in the amount shown on such requisition. In addition, Corporation shall in such requisition direct payment of the remaining Developer's Fixed Fee in accordance with the provisions of Section 11.3.

12.7 Disbursement of Developer Contingency. Subject to allocation of the Developer Contingency by Developer to pay for Project Costs pursuant to Section 7.7, if all or some portion of the Developer Contingency is not used for Project Costs, then 50% of the unused Developer Contingency shall be paid to Developer.

12.8 Notice of Completion. Developer may record a Notice of Completion in accordance with Requirements of Law upon completion of the Project. If, after receipt of written notice that Developer intends to record or has recorded a Notice of Completion, Corporation determines that the Project is not in compliance with this Agreement, then Corporation must, within five (5) business days of Developer's written request, provide to Developer a written statement setting forth all of the reasons for Corporation's determination that a Notice of Completion is premature. The statement must also specify the action(s) that Corporation believes that Developer must take to properly record a Notice of Completion. After addressing the issues set forth in Corporation's written notice, Developer will again notify Corporation of Developer's intent to record a Notice of Completion and the parties hereto will continue to repeat the inspection and notice procedures until Corporation agrees that the Notice of Completion may properly be recorded. Notwithstanding the foregoing, the parties agree that the Requirements of Law, and not Corporation's or Developer's particular belief, will determine the validity of any recorded Notice of Completion.

12.9 Partial Occupancy. Corporation reserves the right to enter and install equipment within each portion of the Project as it is ready to receive same, upon the condition that (a) Developer shall not be responsible for equipment so placed other than loss or damage caused by the acts or omissions of Developer or those in Developer's employ, and (b) Corporation does not interfere with Developer's performance of work or damage any work in place. Corporation may, only with Developer's consent (which Developer may withhold in its sole and absolute discretion), take possession of or use all or part of any work prior to completion and final acceptance of all the work upon condition that (a) Corporation's possession or use does not interfere with Developer's performance of work, and (b) such possession or use is allowed by the applicable insurance policy(ies). If Developer allows partial occupancy, then Developer shall be relieved of liability for loss or damage to completed portions of the work other than loss or damage caused by the acts, omissions, or breaches of warranty by Developer. Such taking of possession by Corporation shall not relieve Developer from any other provisions of the Contract Documents, shall not constitute a final acceptance of any such work or of work not completed in accordance with the Contract Documents, and shall not relieve Developer from responsibility for correcting defective workmanship or materials in the area so occupied. Corporation may, only with Developer's consent (which

Developer may withhold in its sole and absolute discretion), during the performance of the work enter the work area for the purpose of performing any necessary work by Corporation's labor or Separate Contractors, but only for the purpose of the installation of Tenant's Personal Property. In doing so, Corporation shall not interfere with Developer, and Developer shall not interfere with other work being done by or on behalf of Corporation. If Corporation's acts or omissions cause damage or delay to Developer or the Project, then Developer shall be entitled to a claim for additional cost and/or time in accordance with Section 8.

13. Miscellaneous Developer Obligations. In addition to Developer's obligations listed elsewhere in this Agreement, Developer agrees to:

(a) Except as specifically noted, provide and pay for (as a Project Cost):

(1) Labor, materials, and equipment.

(2) Tools, construction equipment, and machinery.

(3) Water, heat, and utilities required for construction including any metering and connection fees or charges, except Corporation or Tenant will provide and pay for electric power and pay for water acreage assessment charges. If any utilities are in place and in use by the Corporation or Tenant at the site, Developer, to the extent available, at no cost may utilize such utilities (excluding telephone).

(4) Other facilities and services necessary for proper execution and completion of work to provide a facility capable of operation.

(5) Legally required sales, consumer, and use taxes.

(b) Secure and pay (as Allowances) for: Permits, government fees, and licenses. Developer must pay the permit fees (as an Allowance) and fulfill the conditions of the permit from the Orange County Planning & Development Services Department.

(c) Give required notices.

(d) Comply with latest adopted edition of California Building Code and other codes, ordinances, rules, regulations, orders, and legal requirements of public authorities which bear on performance of work.

(e) Enforce strict discipline and good order among employees. Do not employ on work:

(1) Unfit persons.

(2) Persons not skilled in assigned task.

14. Developer's Final Acceptance Obligations. On or before Final Acceptance of the Project, Developer shall obtain and electronically submit to Corporation, the following:

14.1 As-Built Plans. A complete set of final as-built plans and specifications prepared by the Construction Manager for the Project. Tenant Improvements will be provided in pdf and CAD.

14.2 Manuals. All technical and service, instruction and procedure manuals relating to the operation and maintenance of all HVAC systems and other mechanical devices and equipment installed in the Project, except insofar as relating to Tenant's Personal Property.

14.3 Warranties. An assignment (on a non-exclusive basis) and delivery of all warranties, guarantees, maintenance contracts, and machinery and equipment warranties received by Developer from the Construction Manager or any Trade Contractor, or any supplier, materialmen or manufacturer relating to the Project; provided, however, that so long as Developer's warranty set forth in Section 13 herein remains in effect, Developer reserves the right, notwithstanding the assignment and delivery of such warranties hereunder to Corporation, to fully enforce all such warranties in the place and stead of Corporation.

14.4 Permits and Licenses. The originals (if not posted at the Project) of all Permits, licenses and other approvals necessary for the occupation, use and operation of the Project.

14.5 As-Built Survey. An as-built Survey of the Land showing the location of all improvements constructed thereon.

15. Indemnification.

15.1 Developer's Indemnification. To the maximum extent allowable by law, Developer shall indemnify and defend with counsel reasonably approved in writing by each of the respective Indemnitees (as defined below) and save harmless the Corporation, Trustee, Tenant, and their respective elected and appointed officials, officers, employees, agents, and those special districts and agencies for which Tenant's Board of Supervisors acts as the governing Board ("***Indemnitees***") from any loss, injury, liability, claims, demands, costs and expenses whether incurred by or made against Indemnitees of any kind or nature, including but not limited to personal injury or property damage (hereinafter "claims"), to the extent arising from or related to the negligent acts, omissions or defective services, products or other performance provided by Developer pursuant to this Agreement or any breach or default by Developer of its obligations under this Agreement. This indemnity applies even in the event of Indemnitees' concurrent fault, except that nothing in this indemnification provision shall be construed to require Developer to indemnify Indemnitees for losses caused by Indemnitees' active negligence, sole negligence, willful misconduct, or defects in design furnished by Indemnitees. If judgment is entered against Developer and Corporation by a court of competent jurisdiction because of the concurrent active negligence of Corporation or Indemnitees, Developer and Corporation agree that liability will be apportioned as determined by the court. Neither Party shall request a jury apportionment. Furthermore, Corporation and Developer hereby mutually release each other from liability and waive all rights of recovery against each other for any loss from perils insured against under the builders risk insurance policy to be carried by Developer or its Construction Manager pursuant to **Exhibit G**. Developer is not, and shall not act as, a design professional hereunder. However, Developer shall facilitate the negotiation of the contract(s) between Developer and any design professional retained in connection with the Project to contain a clause whereby the design professional shall indemnify, defend and hold harmless Indemnitees from and against any and all claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of such design professional for the performance of professional services pertaining to the Project. For purposes of the preceding sentence, "design professional" means the Architect and the engineers of record who are engaged by Developer or Architect to design the Project and create the Construction Documents.

15.2 Corporation's Indemnification. To the maximum extent allowable by law, Corporation agrees to indemnify, defend with counsel reasonably approved in writing by each of the respective Project Indemnitees (as defined below), and hold Developer and Trustee, and their respective officers, directors, employees, and agents ("***Project Indemnitees***") harmless from any loss, injury, liability claims, demands, costs and expenses whether incurred by or made against Project Indemnitees of any kind or nature, including but not limited to personal injury or property damage, to the extent arising from or related to the negligent acts or omissions of Corporation or Tenant or any breach or default by Corporation of its obligations under this Agreement. This indemnity applies even in the event of Project Indemnitees' concurrent fault, except that nothing in this indemnification provision shall be construed to require Corporation to indemnify Project Indemnitees for losses caused by Project Indemnitees' active negligence, sole negligence, willful misconduct, or defects in design furnished by them.

16. Insurance Requirements.

16.1 Developer's Insurance. Developer shall procure and maintain, at a minimum, for the duration of this Agreement the insurance as set forth in **Exhibit G**. The cost of such insurance shall be a Project Cost.

16.2 Corporation's Insurance. Corporation or Tenant shall procure and maintain upon the delivery of the Certificate of Substantial Completion the insurance as set forth in Section 6.03 of the Facility Lease.

16.3 Verification of Coverage. Each party shall furnish the other with certificates of insurance and endorsements required by this Agreement. The certificates and endorsements for each policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements are to be on forms reasonably approved by the other party and are to be received and approved by such other party prior to the commencement of activities associated with this Agreement.

16.4 Builders Risk Insurance. If directed by Corporation in writing, Developer shall procure and maintain, or will direct its Construction Manager to procure and maintain, for the duration of this Agreement, the builder's risk insurance as set forth in **Exhibit G**. The cost of such builder's risk insurance shall be a Project Cost.

16.5 Notice of Cancellation. Developer and Corporation, respectively, shall take steps to provide notification to Corporation, Authority, or Trustee in the event of policy cancellation or material modification that is adverse to the interests of Corporation, Authority, or Trustee. Such notice shall be sent by Developer and Corporation in writing at least 30 days in advance of such intended cancellation or modification.

17. Representatives.

17.1 Developer Representatives. Corporation agrees that the person with overall responsibility for the work for the Project for the Developer shall be Roger Torriero ("***Developer's Representative***"). The "***Developer's Project Manager***" shall be Deryl Robinson. Developer may also appoint an additional representative by giving written notice to Corporation of the onsite representative. Corporation shall have the right to approve any changes in the personnel named above, such approval not to be unreasonably withheld. Corporation may rely on such representatives as having the authority to execute Change Orders in any amount unless Developer identifies to Corporation in writing the officer(s) or employee(s) with such authority. Any written order or communication given to this representative shall be deemed delivered to Developer. In the absence of Developer's Representative in case of emergency, instructions or directions may be given by Corporation to the Construction Manager's project manager or superintendent. Such order shall be complied with promptly and referred to Developer or its representative. Developer's Representative must be able to read, write, and speak English fluently. Developer's Project Manager, if different than Developer's Representative, shall represent Developer in the absence of Developer's Representative, and all directions given to the Project Manager shall be binding as if given to Developer. Developer's onsite representative, if different than the Project Manager, shall represent Developer in the absence of Developer's Representative and Project Manager, and all directions given to the Developer's onsite representative shall be binding as if given to Developer. Corporation may require Developer to replace the Project Manager or onsite representative whose conduct or performance is unsatisfactory. Developer shall not change its Project Manager or onsite representative without Corporation's consent unless the Project Manager or onsite representative is unsatisfactory to Developer or ceases to be in Developer's employ. If Developer's Project Manager or onsite representative leaves the Project, Developer shall replace him or her within two business days (unless additional time is agreed upon by Corporation) with a new, qualified project manager or onsite representative.

17.2 Corporation's Representative. Corporation designates the OC Public Works Director (Shane Silsby or his successor) as "***Corporation's Representative,***" authorized to act on the Corporation's behalf with respect to the Project, and the decisions of Corporation's Representative will be binding on Corporation. The

"***Corporation's Project Manager***" shall be Scott Dessort, who is authorized to act on the Corporation's behalf with respect to the Project (including but not limited to approving Applications for Payment), and the decisions of Corporation's Project Manager will be binding on Corporation. Corporation may also appoint an additional representative by giving written notice to Developer of the onsite representative. Corporation's Representative and/or Project Manager shall promptly render decisions to avoid delay in the orderly process of design and construction of the Project. Corporation may communicate with the Contractors and the Architect only through Developer's Representative or Project Manager. Corporation's Representative and Project Manager may be changed by Corporation from time to time by written notice to Developer. Unless otherwise expressly stated in the Contract Documents, Corporation's Representative and/or Project Manager will issue and receive all written communications on behalf of Corporation for the Project. Developer may rely on Corporation's Representative and Project Manager as having the authority to execute Change Orders in any amount unless Corporation identifies to Developer in writing the person(s) with such authority. Any written order or communication given to Corporation's Representative or Corporation's Project Manager shall be deemed delivered to Corporation.

17.3 Construction Manager's Representative. Developer shall require its Construction Manager to provide the services of the superintendent(s). A superintendent shall be present at the work site whenever work is in progress including whenever weather conditions necessitate its presence to take measures necessary to protect the work, persons, or property. In case of emergency, Construction Manager's superintendent shall represent Developer in the absence of Developer's designated representative or Project Manager, and all written directions given to the superintendent(s) shall be binding as if given to Developer. The superintendent must read, write, and speak English fluently. Corporation may require Developer to require its Construction Manager to replace a superintendent whose conduct or performance is unsatisfactory. Construction Manager shall not change its superintendent without Corporation's consent unless the superintendent is unsatisfactory to Construction Manager or ceases to be in Construction Manager's employ. If Construction Manager's superintendent leaves the Project, Construction Manager shall replace him or her within two business days (unless additional time is agreed upon by Corporation) with a new, well-qualified superintendent acceptable to Corporation.

17.4 Emergency Contacts. Developer shall provide Corporation with a list of names and telephone numbers at which Developer's representative, superintendent, and other key personnel can be reached during non-working hours in the case of an emergency.

17.5 Communications. All Corporation communications to Developer, Construction Manager, Architect, or any of the Contractors or their employees must be issued solely by the Corporation's Representative or Corporation's Project Manager and delivered exclusively to Developer. All communications from Developer, Construction Manager, or any of Developer's consultants or their employees to Corporation must be issued solely by Developer's Representative or Developer's Project Manager and

delivered exclusively to the Corporation's Representative or Corporation's Project Manager.

17.6 Timely Decisions. Corporation will, in a timely manner consistent with the Project Schedule, provide full information regarding its requirements for the Project. The Corporation's Representative or Project Manager will render in a timely manner consistent with the Project Schedule all decisions requested by Developer's Representative or Project Manager which may be necessary to perform the Project in accordance with the Project Schedule. Corporation or Corporation's Representative's or Project Manager's failure to timely provide required information will result in a Corporation-Caused Delay.

18. Accounting, Inspection and Audit.

18.1 Accounts. Developer shall keep and will also require its Construction Manager to keep such full and detailed accounts as may be necessary for proper financial management under this Agreement. Developer's accounting and control system shall be in accordance with generally accepted accounting practices of the construction industry. Developer shall preserve all of its books and records relating to this Agreement, including but not limited to its job cost records, payables/receivables records, accounting books, bids, cancelled checks, receipts, subcontracts, purchase orders, journals, vouchers, payrolls, correspondence, drawings, daily logs, photographs, and memoranda, for a period of four (4) years after Final Payment. Should Developer cease to exist as a legal entity, Developer shall forward its records pertaining to this Agreement to the surviving entity in a merger or acquisition, or, in the event of liquidation, to Corporation.

18.2 Inspection and Audit. Corporation (including by request of Tenant), and their contracted representatives, shall have the right to examine and audit Developer's accounting procedures and internal controls of Developer's financial systems and to inspect and copy any books and records relating to this Agreement. Such an examination, audit, and/or inspection may be requested at any time during the Project, or four (4) years after Final Payment. If Corporation so elects to conduct such an audit, it shall give notice to Developer, and such audit shall be conducted as soon as is reasonably feasible thereafter, but progress payments to Developer shall not be delayed pending the outcome of the audit. Such audit shall be conducted by an auditor selected by Corporation, and Corporation shall, except as hereinafter provided, pay the cost of such audit. Developer shall cooperate fully with Corporation in the conduct of such examinations, audits, and inspections, shall grant full access at all reasonable times to its offices, the Project site, and its books and records relating to this Agreement, and shall allow Corporation to interview Developer's employees who might reasonably have information related to Developer's books and records, provided that Corporation has given Developer at least one working day's advance notice of Corporation's intent to examine, audit, inspect, and interview employees. All examinations, audits, inspections, and interviews shall be conducted during normal business hours. Developer shall include in all its subcontracts a provision giving Corporation the same rights to examine and audit the Construction Manager's accounting procedures and internal controls of its financial systems, inspect the Construction Manager's books and records relating to the Project, and interview Construction Manager's employees as Developer has given the Corporation in this Section.

19. Construction Liens. Upon Final Acceptance of the Project and upon Corporation's request during the progress of the Project, Developer shall submit evidence that all payrolls, material bills and other indebtedness relating to the work have been paid (subject to Corporation's timely funding the Project Costs and all other costs that are the responsibility of Corporation). If at any time there shall be appropriate evidence of any lien or claim (including stop payment notices) for which, if established, Corporation shall be liable, or which would constitute a lien on the Project or Bond proceeds, and which is chargeable to and the responsibility of Developer, then provided that Corporation has timely funded the Project Costs and all other costs that are the responsibility of Corporation under this Agreement, upon written request by Corporation, Developer or Contractor shall furnish a bond or other assurance in form and amount satisfactory to remove such lien or stop payment notice from the public records. If any potential lien or stop payment notice claimant gives notice to Trustee in accordance with the provisions of applicable law that it has filed a mechanics' lien or stop payment notice against the Project and such lien or stop payment notice is the responsibility of Developer in accordance with the previous provisions of this Section 19, there shall be no further disbursement of Bond proceeds until Developer shall have provided Trustee and Corporation with a bond or other security in accordance with applicable law, to the amount claimed under the lien or notice until resolution of such dispute and payment of such lien or stop payment notice, agreement with such potential lien claimant that such notice is withdrawn, or a court declaration that such notice is void in accordance with the provisions of applicable law. Developer shall notify Corporation and Trustee upon Developer's knowledge of the filing of any lien or the service of any stop payment notice in connection with the Project.

20. Priority Agreements. To the extent permissible under California law, Developer shall require its Construction Manager to subordinate its lien rights, by agreement in form and substance satisfactory to Corporation, to the Ground Lease, Facility Lease, and the Indenture securing the Bonds in favor of Trustee and its respective successors or assigns, and shall use its best efforts to obtain a similar subordination from all subcontractors under this Agreement. Any subcontractor which refuses to so subordinate its lien rights must be specifically approved in writing by Corporation.

21. Damage and Destruction; Condemnation.

21.1 Damage and Destruction. After the happening of any casualty to the Project, Developer shall give Corporation and Trustee prompt written notice thereof generally describing the nature and cause of such casualty and the extent of the damage or destruction to the Project. Developer and Corporation acknowledge, agree and assign all insurance proceeds which Developer or Corporation may be entitled to receive prior to Final Acceptance of the Project with respect to damage or destruction to the Project to Trustee for deposit into the Insurance and Condemnation Proceeds Fund established under the Indenture, and each insurance carrier shall be and is hereby irrevocably instructed in accordance herewith. Such insurance proceeds shall be applied in accordance with Section 7.1 of the Facility Lease which provides that Tenant and Corporation will cause the net proceeds of any insurance claim to be applied to the

prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, or defective portion of the Project or otherwise used to pay Project Costs, including increases in the Project Costs or, at their discretion solely in accordance with the Facility Lease, Tenant and Corporation may elect not to repair, reconstruct or replace the damaged, destroyed, or defective portion of the Project and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of Section 4.01 of the Indenture. If, prior to the Substantial Completion of the Project, Tenant and Corporation direct that such proceeds be applied to the repair, restoration, modification, improvement or replacement of the damaged, destroyed, or defective portion of the Project, Developer shall proceed diligently to reconstruct and restore the Project in accordance with the Contract Documents and the provisions of this Agreement, and Corporation shall direct that such proceeds deposited in the Insurance and Condemnation Proceeds Fund established under the Indenture, shall be disbursed to Developer in accordance with the provisions of Section 9 herein and the Indenture for payment of progress payments, for payment of the costs to repair and restore the Project in accordance with the Indenture. All costs of such repair or restoration of the Project exceeding the amount of the insurance proceeds shall be paid in accordance with the Facility Lease, and Developer shall not be responsible for any such costs.

21.2 Condemnation. In the event of a partial condemnation of the Project to the extent that the Project may still be constructed in accordance with the Contract Documents, or may be constructed in accordance with the Contract Documents as modified by changes acceptable to Corporation and Developer, Developer shall proceed diligently to construct the Project in accordance with the Contract Documents, as modified, if applicable. Any such partial condemnation proceeds shall be deposited in the Insurance and Condemnation Proceeds Fund established under the Indenture and applied in accordance with Section 7.1 of the Facility Lease and, as applicable, disbursed in accordance with the provisions of Section 9 above. In the event of a condemnation of all of the Project or so much thereof that the Project may no longer be constructed in accordance with the Contract Documents, this Agreement shall terminate, Developer shall be paid for all costs incurred as of the date of such condemnation (including costs that Developer is obligated to pay third parties as of that date, together with a prorata portion of the Developer's Overhead and the Developer's Fixed Fee), and the parties shall have no further obligations hereunder. In such event, after Developer has been paid in accordance with the foregoing sentence, all condemnation proceeds shall be applied by the Trustee pursuant to the Indenture.

22. Payment of Taxes/Assessments.

22.1 Real Property Taxes. Any and all real property taxes and assessments (including leasehold excise tax) levied against the Land and the Project or any portion thereof shall be paid by Corporation. Notwithstanding anything to the contrary contained in this Agreement, Developer shall have no liability whatsoever for any real property taxes or assessments (including any leasehold excise tax).

22.2 Other State and Local Taxes. Except as otherwise provided in Section 22.1, Developer shall pay any and all state and local taxes assessed in connection with the

Project, including, but not limited to, state and local retail sales taxes as part of the Project GMP. Developer shall complete all necessary tax returns relating to such taxes and file the same with the applicable state or local governmental agency and remit, on or before the date such tax payment is due, payment of such state and local taxes to the proper taxing authority.

23. Default and Termination.

23.1 Developer Default. The following events shall constitute an "Event of Default" by Developer if the same shall continue uncured after expiration of the applicable notice and cure periods set forth herein, if any:

(a) Material Default: If Developer shall fail to perform any material obligation under this Agreement;

(b) Persistent Failure: If Developer persistently or repeatedly refuses or fails to cause to be supplied to the Project enough properly skilled workers or proper materials to complete the Project, including Tenant Improvements, or if Developer ceases work on the Project for a period of fourteen (14) consecutive days (subject to Unavoidable Delays);

(c) Misappropriation: If Developer misappropriates any funds received by Developer pursuant to the provisions of this Agreement;

(d) Disregarding Laws: If Developer persistently disregards and fails to comply with laws, ordinances or rules, regulations or orders of a public authority having jurisdiction over the Project;

(e) Failure to Pay: Developer fails to make any payments required for the Project to the Construction Manager, Architect or otherwise and such failure is a breach of the CMAR Contract or Architect's Agreement or other applicable contract;

(f) Permit Revoked: If, due to the wrongful actions of Developer, any Permit required for construction of the Project shall be revoked or canceled;

(g) Liens: If there shall occur any lien or other encumbrance on the Land or the Project caused by Developer which is not bonded and removed in accordance with Section 19 above; provided, however, that if the lien or other encumbrance results from Corporation failing to pay the Project Costs or other costs that are the responsibility of Corporation under this Agreement, as and when due, then Developer is not required to bond or remove such lien or encumbrance;

(h) Defective Work: If there shall have occurred defective workmanship or materials within the Project which is not cured within the time period provided in Section 7.11 of this Agreement;

(i) Assignment: If Developer shall have assigned, pledged or encumbered its rights, duties or obligations under this Agreement in violation of Section 25.6 of this Agreement; or

(j) Bankruptcy: If Developer files a petition for bankruptcy or if it makes a general assignment for the benefit of Developer's creditors, or if a receiver is appointed on account of Developer's insolvency and any such petition or appointment is not dismissed within sixty (60) days.

23.2 Corporation Remedies upon Developer Event of Default. Upon any Event of Default by Developer, Corporation shall give Developer written notice of the same, whereupon following receipt of such written notice Developer shall have thirty (30) calendar days within which to commence all necessary action to cure any such Event of Default, (and if such cure is commenced, proceed to diligently complete such cure within a reasonable period of time), except with respect to Events of Default set forth in Section 23.1(c) and (h) for which the cure period shall be ten (10) business days, or Section 23.1(i) for which no cure period exists beyond the time period stated therein; provided however, that such cure period shall not apply to failure of Developer to achieve Substantial Completion of the Project on or before the Developer Obligation Date for the Project. If Developer fails to cure such Event of Default within the time period set forth above, Corporation shall be entitled to the following remedies:

(a) Complete Project: To take over and complete the Project, Corporation is hereby irrevocably appointed attorney-in-fact (the appointment being coupled with an interest) to enforce contracts or agreements theretofore made by Developer and to do any and all things that are necessary and proper to complete the Project and be entitled to use the undisbursed Project Fund proceeds to pay Project Costs;

(b) Specific Performance: In addition to a claim for damages for such breach or default, and in addition to and without prejudice to any other right or remedy available under this Agreement or at law or in equity, to commence an action for specific performance of this Agreement;

(c) Withhold: To withhold approval of further disbursement of Bond proceeds;

(d) Damages: To bring an action for damages; or

(e) Termination: To terminate this Agreement without liability upon ten (10) days written notice. Upon receipt of written notice from Corporation of a termination for cause, Developer shall cease operations as directed by Corporation in the notice and take all actions necessary, or as Corporation directs, for the protection and preservation of the work.

23.3 Corporation Default. The following shall constitute an "***Event of Default***" by Corporation if the same shall continue uncured after expiration of the applicable notice and cure periods set forth herein, if any:

(a) Failure to Pay: Corporation fails to cause Trustee to make disbursements to Developer of any sum of money owed to Developer pursuant to this Agreement as and when due, including without limitation, all monies due and owing from the Project Costs Account unless Developer shall have committed an Event of Default as set forth in Section 23.1 above.

(b) Assignment: Corporation shall have assigned, pledged or encumbered its rights, duties or obligations under this Agreement in violation of Section 25.6; or

(c) Material Default: Corporation shall have failed to perform any other material obligation under this Agreement.

23.4 Developer Remedies Upon Corporation Event of Default. Upon any Event of Default by Corporation, Developer shall give Corporation written notice of the same. Upon receipt of such written notice Corporation shall have thirty (30) calendar days to cure any such Event of Default, except with respect to Events of Default set forth in Section 23.3(a) for which the cure period shall be five (5) business days. In the event Corporation fails to cure such Event of Default within said period, Developer shall be entitled to stop all work relating to the Project, if Developer so desires and shall further be entitled to pursue its rights and remedies at law and in equity under this Agreement, including without limitation, specific performance of Corporation's obligations hereunder.

23.5 Remedies Not Exclusive. No remedy conferred upon either party in this Agreement is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

23.6 Termination for Convenience of Corporation. Notwithstanding any other provision of this Agreement, Corporation may at any time and without cause terminate this Agreement, in whole or in part, upon not less than 90 days written notice to the Developer. Such termination shall be effected by delivery of a Notice of Termination to Developer specifying the effective date of the termination, whether this Agreement shall be terminated in whole or in part, and, if applicable, the portion of work to be terminated. Developer shall immediately stop work in accordance with the Notice of Termination and comply with any other direction as may be specified in the Notice of Termination or as provided subsequently by Corporation. Corporation shall pay Developer for the work completed and accepted by Corporation prior to the effective date of the termination, unpaid but earned portions of fees to Developer, Construction Manager, Consultants, Architect, and Contractors, plus any actual termination costs incurred (such as demobilization costs, costs to protect the work in place, early termination fees for the trailer, equipment, etc.) and such payment shall be Developer's sole remedy. Under no circumstances will Developer be entitled to anticipatory or unearned profits, consequential damages, or other damages of any sort as a result of a termination in whole or in part under this provision. Developer shall require its Construction Manager to insert in all Construction Contracts with Trade Contractors that

(a) the Trade Contractors shall stop work on the date of, and, if applicable, the portion of work to be terminated in a Notice of Termination, (b) under no circumstances will Trade Contractors be entitled to anticipatory or unearned profits, consequential damages, or other damages of any sort as a result of a termination in whole or in part under this provision (but will be entitled to work performed through the date of termination and reasonable demobilization costs), and (c) shall require Trade Contractors to insert the same condition in any lower tier subcontracts.

23.7 Equitable Adjustment for Extended Delay. If, through no fault of Developer (e.g., Unavoidable Delays or Corporation-Caused Delays), construction of the work is stopped for (a) ninety (90) or more consecutive calendar days or, (b) in the aggregate, one hundred twenty (120) or more calendar days, then Developer may request that this Agreement be terminated (which the Corporation can approve in its sole discretion), if this Agreement is not terminated by mutual agreement, Developer will be entitled to an equitable adjustment to the Project GMP and/or Developer Obligation Date. The foregoing right to an equitable adjustment does not alter Developer's right to make a claim for increases to the Project GMP and/or extensions of the Developer Obligation Date under Section 8 for delays less than the foregoing time frames, but rather is intended to clarify that an extended delay as provided in the preceding sentence may have significant impacts on time and cost that require an equitable adjustment even if Developer was not otherwise entitled thereto (e.g., for Unavoidable Delays, where Developer typically only receives time but not money). If the Corporation and Developer cannot agree on the equitable adjustment, then the dispute will be resolved pursuant to the dispute resolution procedures set forth in Section 24.

24. Disputes. Corporation and Developer agree to follow the independent resolution process set forth in this Section 24 to resolve disputes regarding preparation of the Construction Drawings and Detailed Specifications and changes to Construction Documents in an economic and time efficient manner so that such documents conform to the requirements of this Agreement, the Project Schedule is not adversely impacted, and the Project as constructed will satisfy the Project Requirements. If a dispute arises between Corporation and Developer during the design or construction of the Project regarding the adequacy of any Drawings or Specifications or the responsibility for any costs associated with any design development, addition or change (e.g., whether any design development is consistent with the Project Requirements), the parties shall attempt to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the parties are unable to resolve the dispute within three (3) business days, either party may, by delivering written notice to the other and the Trustee, refer the matter to a dispute resolution mediator as set forth on the attached **Exhibit H**. If either party to this Agreement brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action or dispute shall be entitled to recover its reasonable attorneys' fees from the non-prevailing party. Pending resolution of the claim or dispute, Developer shall continue the work diligently to completion as directed by Corporation. If the claim or dispute is not resolved, Developer agrees that it will neither rescind this Agreement nor stop the progress of the work provided that Corporation continues to pay undisputed amounts.

25. Miscellaneous.

25.1 Waiver; Modification. No failure on the part of Corporation or Developer to exercise any right or remedy under the Contract Documents shall operate as a waiver of any other right or remedy that Corporation or Developer may have. A waiver by Corporation or Developer of any breach or failure to perform under the Contract Documents shall not constitute a waiver of any subsequent breach or failure. The failure of Corporation or Developer to enforce a requirement of the Contract Documents in one or more instances shall not preclude Corporation or Developer from subsequently enforcing such requirement(s). No oral statement shall in any manner modify this Agreement. All changes to this Agreement must be in writing approved by both the Corporation and Developer.

25.2 Neutral Authorship. In connection with the execution and delivery hereof, each party has been represented by counsel. Each of the provisions of this Agreement has been reviewed and negotiated, and represents the combined work product of both parties hereto. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement.

25.3 Severability. If any portion or portions of this Agreement is declared void or unenforceable, it shall not affect the other provisions of this Agreement.

25.4 Relationship of Parties. Developer and Corporation shall not be construed as joint venturers or general partners, and neither shall have the power to bind or obligate the other party except as set forth in this Agreement. Nothing herein shall be construed as reserving to Corporation the right to control Developer's business.

25.5 Third Party Rights. The provisions of this Agreement are intended for the benefit of, and may only be enforced by the parties hereto and their respective successors and assigns, including, as to Corporation, the Trustee. None of the rights or obligations of the parties herein set forth (or implied) is intended to confer any claim, cause of action, remedy, defense, legal justification, indemnity, contribution claim, set-off, or other right whatsoever upon or otherwise inure to the benefit of any Contractor, Architect, subcontractor, worker, supplier, mechanic, architect, insurer, surety, guest, member of the public, or other third parties having dealings with either of the parties hereto or involved, in any manner, in the Project. Notwithstanding the foregoing, if Developer fails to cause Substantial Completion of the Project to be achieved by the date set forth in the Project Schedule (subject to adjustment for Change Orders, Unavoidable Delays and Corporation-Caused Delays as provided herein), Tenant shall be deemed a third party beneficiary of this Agreement and may enforce the performance by Developer of its obligations under this Agreement.

25.6 Assignment; Encumbrance or Pledge. Neither this Agreement nor any portion thereof may be assigned by Developer without express written consent of Corporation, which consent may be withheld in the exercise of its absolute discretion. If

Developer is not a corporation with publicly traded stock, then the transfer of more than 49% (in the aggregate during the entire term of this Agreement) of the stock held by shareholders of the corporation shall be deemed an assignment for purposes of this clause. Any attempted assignment contrary to the provisions of this Section shall be void. Notwithstanding the foregoing, claims for monies due or to become due to Developer from Corporation under this Agreement may be assigned with the written consent of the Corporation to a surety, bank, trust company, or other financial institution and may thereafter be further assigned or reassigned to any such institution. To effect such assignments, Developer, or Developer's assignee, shall submit a written request to Corporation enclosing a letter from the proposed assignee indicating that it will accept such assignment. Neither this Agreement nor any rights or duties hereunder nor any benefits derived herefrom may be assigned, delegated, pledged or encumbered to any other person or entity by Corporation without the express written consent of Developer, which consent may be withheld in the exercise of its absolute discretion, except that Corporation may assign its rights under this Agreement either to the Trustee pursuant to the Indenture as security in connection with the financing described in Section 3 above or to the Tenant if the Tenant is legally authorized to accept the assignment and to perform Corporation's duties and obligations under this Agreement.

25.7 Notices. Any notices or other communications required or permitted by this Agreement or by law to be served on, given to, or delivered to either party hereto by the other party, shall be in writing and shall be deemed duly served, given, or delivered when personally delivered to the party to whom it is addressed or in lieu of such personal service, three (3) days after it is deposited in the United States mail, first-class postage prepaid, certified or registered, return receipt requested, addressed as follows, or sent via electronic mail or facsimile transmission with received invoice followed by a "hard copy" mailed, regular mail, within one (1) business day to the email address or fax number listed as follows:

Corporation: Capital Facilities Development Corporation
Attention: Shane Silsby
c/o County of Orange/OC Public Works
300 N. Flower Street, 8th Floor
Santa Ana, CA 92703
Phone: (714) 667-9700
Fax: (714) 967-0876
Email: shane.silsby@ocpw.ocgov.com

with copy to:

Capital Facilities Development Corporation
Attention: Scott Dessort
c/o County of Orange/OC Public Works
1143 E. Fruit Street

Santa Ana, CA 92701
Phone: (714) 667-4924
Fax: (714) 667-4932
Email: scott.dessort@ocpw.ocgov.com

Developer: Griffin Structures, Inc.
Attention: Roger Torriero
2 Technology Drive
Irvine, California 92618
Phone: (949) 497-9000 x210
Fax: (949) 497-8883
Email: rtorriero@griffinholdings.net

Either party may change its address for the purposes of this section by giving written notice of such change to the other party in the manner provided in this Section.

25.8 Entire Agreement. This Agreement (and the Exhibits referred to herein) constitute the entire agreement between the parties with respect to the subject matter hereof and may be amended only in writing signed by both parties.

25.9 Time Is of the Essence. Time is of the essence of this Agreement.

25.10 Employees of Developer. Developer is acting under this Agreement as an independent contractor and nothing herein contained, or any acts of Developer or Corporation, nor any other circumstances, shall be construed to establish Developer as an agent of Corporation. Developer shall be responsible for each of Developer's employees or other persons performing services to be performed by Developer hereunder and for determining the manner and time of performance of all acts to be performed by Developer hereunder. Developer shall maintain all required industrial and worker's compensation insurance for all employees of Developer and shall cause all Contractors, Architect and all design professionals and other persons, firms and corporations employed to perform services in connection with the Project to provide worker's compensation and similar insurance with respect to their respective employees.

25.11 Exhibits. The Exhibits to this Agreement, which are hereby incorporated by this reference, are:

Exhibit	Description	Partial Section Reference
A	Legal Description of Land	Recitals; Section 1
B	Facility Lease Agreement	Recitals; Section 1
C	Site Plan	Recitals; Section 1
D	Breakdown of Project GMP	Sections 1, 4.4, 4.7, 6.1, 7.7, 8.17, 9.1, 9.7, 11.1, 11.3, 12.4
E	Schedule of Design Development Drawings and Specifications	Sections 1, 8.16
F	Project Schedule	Sections 1, 6.3
G	Developer's Insurance Requirements	Sections 15.1, 16
H	Dispute Resolution Procedure	Sections 8.7, 24, 25.16
I	Reserved	
J	Reserved	
K	Developer's Qualifications, Exclusions, and Allowances	Section 1
L	Final Completion form	Sections 1, 7.8
M	Special Inspections and Testing	Section 1
N	Certificate of Substantial Completion	Sections 1, 12.2
O	Form of Performance and Payment Bonds; Dual Obligee Rider	Section 7.3
P	Form of Project Application for Payment	Sections 1, 9.1
Q	List of Geotechnical Reports and Topographic Maps	Section 8.16
R	Corporation-Approved Procurement Plan	Sections 2.7, 5.2
S	Basis for Offsite Improvement Allowance	Section 1

25.12 Compliance with Civil Rights Laws. During the performance of this Agreement, Developer shall comply with all federal and applicable state nondiscrimination laws, including but not limited to: Title VII of the Civil Rights Act, 42 U.S.C. § 12101 et seq.; and the ADA; and the provisions of Section 8.02 of the Facility Lease that are applicable to Developer's performance of this Agreement. In the performance of this Agreement, Developer shall neither engage in nor permit its Contractors to engage in discrimination against any employee or applicant for employment on any basis listed in California Government Code Section 12940, including but not limited to race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status, as those bases are currently defined in Government Code Sections 12926 and 12926.1, or as they may be modified. This prohibition shall pertain to employment, upgrading, demotion, or transfer; recruitment advertising; layoff or termination; rates of pay and other forms of compensation; selection for training, including apprenticeship; and any other action or inaction pertaining to employment matters.

25.13 Public Records Act. Pursuant to the California Public Records Act ("***CPRA***"), Government Code Sections 6250 et seq., all records provided by Developer to Corporation are subject to public disclosure upon request except as otherwise provided by law. Prior to their submission to Corporation, Developer shall identify any records it believes are exempt from disclosure, and identify the applicable CPRA exemption. If the disclosure of such records is subsequently requested, Corporation will notify Developer of such request. Unless Developer obtains a protective order issued by a court restricting disclosure of the requested records, Corporation may disclose the records if Corporation determines that the Public Records Act requires disclosure. Developer shall indemnify and defend Corporation in any action to compel disclosure of such records that Developer has identified as exempt from CPRA and requested Corporation not to disclose.

25.14 Patent Infringement. Developer shall promptly report to Corporation any notice or claim of patent infringement arising from the performance of this Agreement. Developer shall, upon Corporation's request, furnish to Corporation any and all information in Developer's possession relevant to such notice or claim. Developer shall indemnify and defend Corporation from any and all claims or lawsuits on account of any alleged patent infringement arising out of the performance of this Agreement, and shall pay any judgment rendered against Corporation, its officers, or its employees resulting from such claim or lawsuit, except in cases where the patent infringement arises from an item specified by Corporation. If the Corporation requires Developer to include a product in the Construction Documents, and the Corporation-required product results in a patent infringement claim against Developer, then Corporation shall indemnify and defend Developer from any and all claims or lawsuits on account of any patent infringement arising out of the Corporation-required product, and shall pay any judgment rendered against Developer, its officers, or its employees resulting from such claim or lawsuit.

25.15 Corporation's Property On Site. All of Corporation's property removed or displaced pursuant to this Agreement shall remain the property of Corporation unless expressly stated otherwise in the Contract Documents, and Developer shall exercise reasonable care to prevent loss or damage to such property and shall promptly deliver it to the place designated by Corporation. In particular, all excavated clean soil is the property of Corporation and shall remain on site unless otherwise provided in the Contract Documents or otherwise directed by Corporation in writing.

25.16 Governing Law; Venue. This Agreement and all provisions hereof shall be interpreted in accordance with the laws of the State of California in effect on the date of execution of this Agreement. The Superior Court of Orange County, State of California shall have exclusive jurisdiction and venue over any legal action arising under this Agreement, except only to the extent that **Exhibit H** provides otherwise.

25.17 Securing Worker's Compensation Insurance Certification. Developer, by executing this Agreement, hereby certifies: "I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract."

25.18 Employee Eligibility Verification. Developer hereby certifies that it complies with all applicable laws and regulations regarding the eligibility of its employees to work in the United States, and that all of its employees performing work under this Agreement meet all citizenship or immigration status requirements to do so. Developer shall obtain all documentation necessary to verify the employment eligibility status of covered employees as described by U.S. Citizenship and Immigration Services Form I-9. Developer shall retain such documentation for the period prescribed by law. Developer shall indemnify, defend with counsel approved in writing by Corporation, and hold harmless the Corporation, its agents, officers, and employees from any sanctions or liability that may be assessed in connection with any violation of federal or State laws or

regulations pertaining to the eligibility for employment of any of Developer's employees performing work under this Agreement.

25.19 Section 179D Allocation. As part of the Energy Policy Act of 2005, Congress enacted Section 179D of the Internal Revenue Code (26 U.S.C. §179D) to encourage the design and construction of energy efficient properties ("***Section 179D Deduction***"). Subsection (d)(4) of Section 179D allows government building owners to allocate potential Section 179D Deductions for the installation of energy efficient building envelopes, HVAC and hot water systems, and interior lighting systems to "the person primarily responsible for designing the property in lieu of the owner of such property." Corporation hereby allocates the Section 179D Deduction for the Project solely to Developer as "the person primarily responsible for designing the property," and Corporation agrees to execute (or to cause Tenant to execute) any documents or tax forms that may be reasonably required or requested by Developer to acknowledge or otherwise effectuate this allocation to Developer of the Section 179D Deduction for tax purposes. Corporation represents and warrants that it has not agreed to allocate the Section 179D Deduction to another party, and will not do so. Corporation specifically delegates the authority to the Corporation Representative to sign any required documents or forms.

25.20 Employment of Corporation and Developer Personnel. Corporation acknowledges and agrees that Developer has invested considerable time and money that would be difficult to quantify in the training and development of its employees. Therefore, without receiving the Developer's prior written permission, Corporation agrees to not hire, retain or contract with any employee ("***covered employee***") of Developer who performs any services for Corporation under this Agreement for a period of three (3) years following the date this Agreement is terminated or for three (3) years following the separation of a covered employee from the Developer's employment.

[Remainder of page intentionally left blank.]

DATED the day and year first above written.

CORPORATION:

CAPITAL FACILITIES DEVELOPMENT CORPORATION
a California nonprofit public benefit corporation

By: [signature]
Name: SCOTT D. MAYER
Its: CFO

DEVELOPER:

GRIFFIN STRUCTURES, INC.,
a California corporation

By: [signature]
Name: ROGER TORRIERO
Its: PRESIDENT/CEO

G-43

EXHIBIT A

Legal Description of Land

LEGAL DESCRIPTION OF BUILDING 16 PARCEL:

PARCEL 1:

BEING ALL OF PARCEL 1 AND A PORTION OF PARCEL 2 OF VOLUNTARY LOT MERGER NO. 2017-02, IN THE CITY OF SANTA ANA, COUNTY OF ORANGE, STATE OF CALIFORNIA, PER DOCUMENT RECORDED MARCH 21, 2017 AS INSTRUMENT NO. 2017000114065, OF OFFICIAL RECORDS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF PARCEL 2 OF SAID VOLUNTARY LOT MERGER NO. 2017-02; THENCE SOUTH 00°03'19" WEST 376.34 FEET ALONG THE WESTERLY LINE OF SAID PARCEL 2 TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID WESTERLY LINE SOUTH 89°20'52" EAST 432.58 FEET; THENCE SOUTH 00°39'01" WEST 239.71 FEET TO THE SOUTHERLY LINE OF SAID PARCEL 2; THENCE ALONG THE SOUTHERLY, SOUTHEASTERLY, SOUTHERLY AND WESTERLY LINES OF SAID PARCEL 2 THROUGH THE FOLLOWING TEN (10) COURSES:

1. NORTH 89°25'39" WEST 39.85 FEET TO THE BEGINNING OF A CURVE CONCAVE SOUTHEASTERLY AND HAVING A RADIUS OF 382.00 FEET;

2. SOUTHWESTERLY ALONG SAID CURVE 272.06 FEET THROUGH A CENTRAL ANGLE OF 40°48'24"

3. SOUTH 49°45'57" WEST 19.24 FEET;

4. SOUTH 00°05'23" WEST 54.60 FEET;

5. NORTH 89°25'55" WEST 125.05 FEET;

6. NORTH 00°03'19" EAST 100.04 FEET;

7. SOUTH 89°25'39" EAST 28.00 FEET;

8. NORTH 00°03'19" EAST 60.00 FEET;

9. NORTH 89°25'39" WEST 28.00 FEET;

10. NORTH 00°03'19" EAST 240.32 FEET TO THE TRUE POINT OF BEGINNING.

THE ABOVE DESCRIBED PARCEL CONTAINS 130,662 SQUARE FEET OR 3.00 ACRES, MORE OR LESS.

EXHIBIT A - LEGAL DESCRIPTION 1 OF 2

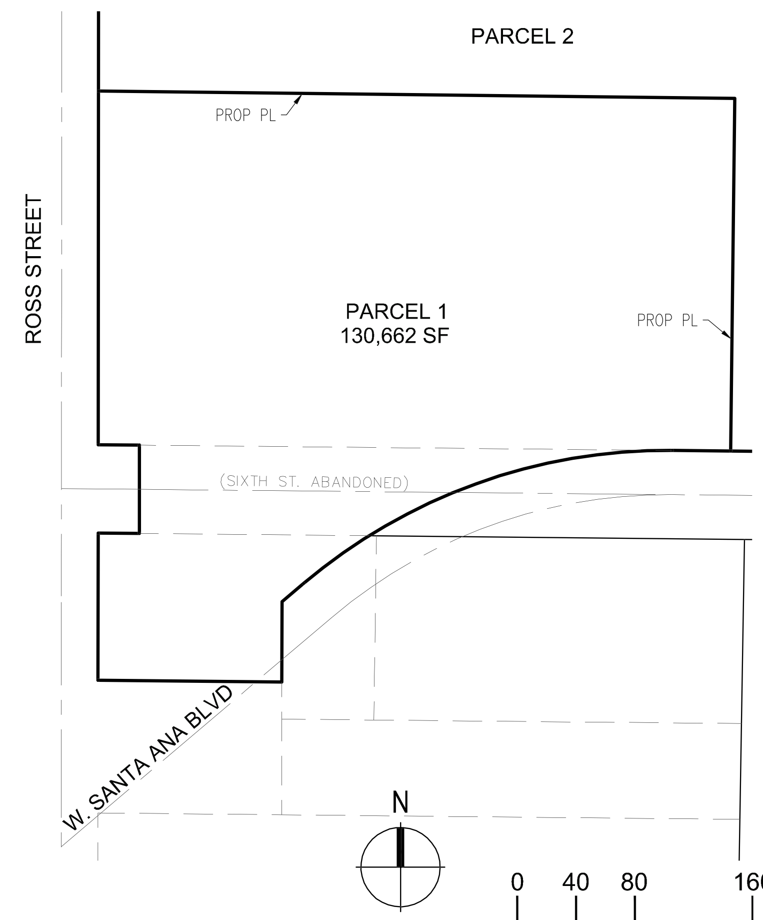


EXHIBIT A - PLOT MAP | 1" = 80' | 2 OF 2

EXHIBIT B

Facility Lease

The Facility Lease, to which this Development Agreement is attached as Exhibit D, appears previously in this Board Agenda.
The Facility Lease as finally executed and delivered will appear as Exhibit B to this Development Agreement.

EXHIBIT C

Site Plan

EXHIBIT D

Breakdown of Project GMP

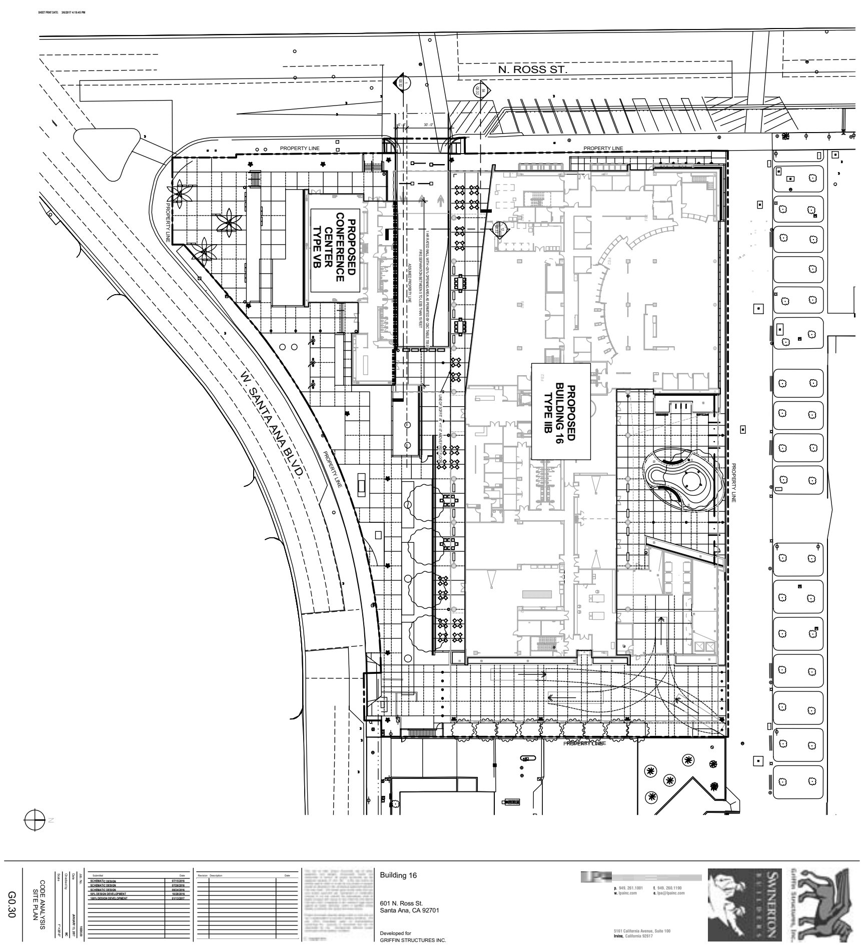


EXHIBIT D
BREAKDOWN OF PROJECT GMP

BUILDING 16
PROJECT GUARANTEED MAXIMUM PRICE (GMP)
Date: March 28, 2017

	COMPONENT	AMOUNTS	COMMENTS
1	Phase 1A	**NIC**	
2	A/E SERVICES	4,806,000	Per contract with LPA
	LPA Basic Fee	Included	Includes BIM coordination
	LEED PROCESSING	Included	
	Cost estimating	Included	
	LPA Reimbursables	Included	
	Civil Engineering	Included	
	Code consultant	Included	
	ALTA Survey	NIC	By Tenant
	Design and Engineer Structured Cabling and Security	Included	
	Design and Engineer AV systems	Included	
	Acoustical	Included	
	Physical models, fly through video, and VR	Included	
	Structural peer review	32,000	JLA, includes reimbursables allowance
	MEP peer review and Commissioning Agent	100,000	Tk1sc, includes reimbursables allowance and metering and generator commissioning
	Enhanced commissioning	10,000	Tk1sc, includes reimbursables allowance
	Roofing and waterproofing peer review	37,695	Wiss Janney
	Security systems design (CCTV, access control, intrusion alarm)	30,000	tk1sc proposal
	Dry utility coordination (telco, cable, ISP)	12,000	RGI proposal
	Printing and delivery	12,000	
	Misc added scope to be determined	100,000	Electrical infrastructure, wellness, fitness, former Assessor space
	Design and engineering of offsite hardscape and infrastructure	0	In Offsite Allowances
	Add conference center	245,000	LPA per contract
	Interdisciplinary coordination review	20,000	H&R
	Traffic Engineering	0	In Offsite Allowances
	ADA peer review	20,000	Afshan Afshar
3	DEVELOPMENT AND CONSTRUCTION MANAGEMENT		
	Developer's Fixed Fee	5,140,000	
	Insurance	1,231,681	
	Reimbursables	150,000	NTE
4	GEOTECHNICAL SERVICES		
	Leighton Fee	60,000	Additional borings, updates, revisions, and final report
	Offsite infrastructure	10,000	Additional investigation in Ross St
5	ENVIRONMENTAL		
	Phase I Environmental Site Assessment	0	Completed in Phase 1A
6	TESTING AND INSPECTION		
	Soils Testing (Geotechnical Inspections)	180,000	
	Materials Testing (Deputy Inspections)	535,000	
	Roofing Inspections	60,000	
	Misc special inspections	100,000	
	Curtainwall testing and inspections	100,000	Include lab test of mockup
	Independent arborist	10,000	Required for street trees
	Archeo/Paleo site observation	40,000	Chambers Group
7	Construction	123,498,968	
8	ALLOWANCES		
	Interior Furniture (Desks, Chairs, Files, Appliances)	5,823,175	Based on $25/sf of office area
	Conference/event center furnishings	180,000	Seating, tables and misc furniture
	Site furnishings	160,000	Outdoor furniture at dining patio
	Mail room furnishings	75,000	Mail sorting furniture and accessories
	Move costs	150,000	For 1,000 people based on Tenant provided estimate of $150/person
	Offsite Infrastructure	2,348,814	Scope of Work per Exhibit S
	Santa Ana Blvd Crosswalk Relocation	**NIC**	
9	UTILITY COMPANY CONNECTION SERVICES AND FEES		
	Power, chilled water, hot water	NIC	Provided by Tenant CUF
	Telephone, Cable, ISP	100,000	
10	COUNTY, CITY, AND AGENCY FEES		
	Development Impact Fees - City of Santa Ana	**NIC**	
	Development Impact Fees - County Agencies	479,252	
	School Facilities Fees	120,205	
	County Planning Dept processing fees	0	Waived per Tenant Planning Dept
	County Public Works Fees	11,196	Provided by Tenant
	City of Santa Ana public works fees	77,716	
	County Building Dept plan check and permit	774,700	Calculated per published fee schedule
	City Police and fire fees	20,000	Allowance
	AQMD permit	5,000	For emergency generator
11	MISC CORPORATION COSTS		
	Insurance - Liability	0	
	Tieback agreements	NIC	Assume none required
	Builders Risk insurance	995,000	Per bond underwriter's requirements
12	DEVELOPER CONTINGENCY @ 5%	7,393,020	
	PROJECT GMP	**$155,253,422**	

EXHIBIT E

Index of Approved Design Development Documents

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
GENERAL				
1/13/2017	G0.00	TITLE SHEET	■	■
2/10/2017	G0.10	SHEET INDEX	■	■
2/23/2017	G0.20	GENERAL INFORMATION	■	■
1/13/2017	G0.30	CODE ANALYSIS SITE PLAN	□	■
1/13/2017	G0.31	CODE ANALYSIS	□	■
1/13/2017	G0.32	CODE ANALYSIS SECTIONS	□	■
1/13/2017	G0.33	CODE ANALYSIS	□	■
CIVIL				
1/13/2017	C0.01	CIVIL NOTES	■	■
1/13/2017	C1.01	DEMOLITION PLAN	■	■
1/13/2017	C1.02	OFF-SITE DEMOLITION PLAN	□	■
1/13/2017	C1.03	OFF-SITE DEMOLITION PLAN	□	■
1/13/2017	C2.01	PRECISE GRADING PLAN	■	■
1/13/2017	C2.02	PRECISE GRADING ENLARGEMENT	□	■
1/13/2017	C2.03	PRECISE GRADING ENLARGEMENT	□	■
1/13/2017	C2.04	PRECISE GRADING ENLARGEMENT	□	■
1/13/2017	C3.01	STORM DRAIN PLAN	■	■
1/13/2017	C3.02	STORM DRAIN PLAN	□	■
1/13/2017	C3.03	STORM DRAIN PLAN	□	■
1/13/2017	C3.04	STORM DRAIN PLAN	□	■
1/13/2017	C4.01	UTILITY PLAN	■	■
1/13/2017	C5.01	HORIZONTAL CONTROL AND STRIPING PLAN	□	■
1/13/2017	C6.01	EROSION CONTROL PLAN	■	■
1/13/2017	C7.01	DETAILS	□	■
1/13/2017	C7.02	PROMENADE BID ALTERNATE	□	■
LANDSCAPE				
1/13/2017	L0.01	NOTES & SCHEDULES	□	■
1/13/2017	L1.01	MATERIALS PLAN	■	■
1/13/2017	L1.02	MATERIALS ENLARGEMENT PLANS	□	■
1/13/2017	L1.03	PROMENADE BID ALTERNATE	□	■
1/13/2017	L2.01	LAYOUT PLAN	□	■
1/13/2017	L2.02	LAYOUT ENLARGEMENTS	□	■
1/13/2017	L3.01	OFF-SITE MATERIALS PLAN	■	■
1/13/2017	L3.02	OFF-SITE MATERIALS PLAN	□	■
1/13/2017	L3.03	OFF-SITE LAYOUT PLAN	□	■
1/13/2017	L3.04	OFF-SITE LAYOUT PLAN	□	■
1/13/2017	L4.01	LANDSCAPE SECTIONS	□	■
1/13/2017	L4.02	LANDSCAPE SECTIONS	□	■
1/13/2017	L5.01	CONSTRUCTION DETAILS	□	■
1/13/2017	L5.02	CONSTRUCTION DETAILS	□	■
1/13/2017	L5.03	CONSTRUCTION DETAILS	□	■
1/13/2017	L5.04	CONSTRUCTION DETAILS	□	■
1/13/2017	L5.05	OFF-SITE CONSTRUCTION DETAILS	□	■
1/13/2017	L6.01	IRRIGATION PLAN	□	■
1/13/2017	L6.02	OFF-SITE IRRIGATION PLAN	□	■
1/13/2017	L6.03	OFF-SITE IRRIGATION PLAN	□	■
1/13/2017	L7.01	PLANTING PLAN	■	■
1/13/2017	L7.02	OFF-SITE PLANTING PLAN	□	■
1/13/2017	L7.03	OFF-SITE PLANTING PLAN	□	■
1/13/2017	L7.04	PLANTING DETAILS	□	■

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
ARCHITECTURE				
1/13/2017	A1.21A	WATERPROOFING FLOOR PLAN SEGMENT A	□	■
1/13/2017	A1.21B	WATERPROOFING FLOOR PLAN SEGMENT B	□	■
1/13/2017	A1.21C	WATERPROOFING FLOOR PLAN SEGMENT C	□	■
1/13/2017	A2.01	PARKING LEVEL TWO PLAN	■	■
1/13/2017	A2.01A	PARKING LEVEL TWO PLAN SEGMENT A	■	■
1/13/2017	A2.01B	PARKING LEVEL TWO PLAN SEGMENT B	■	■
1/13/2017	A2.01C	PARKING LEVEL TWO PLAN SEGMENT C	□	■
1/13/2017	A2.02	PARKING LEVEL ONE PLAN	■	■
2/10/2017	A2.02A	PARKING LEVEL ONE PLAN SEGMENT A	■	■
1/13/2017	A2.02B	PARKING LEVEL ONE PLAN SEGMENT B	■	■
1/13/2017	A2.02C	PARKING LEVEL ONE PLAN SEGMENT C	□	■
2/23/2017	A2.03	FIRST FLOOR PLAN	■	■
1/13/2017	A2.03A	FIRST FLOOR PLAN SEGMENT A	■	■
1/13/2017	A2.03B	FIRST FLOOR PLAN SEGMENT B	■	■
1/13/2017	A2.03C	CONFERENCE/EVENT CENTER FLOOR PLAN	□	■
1/13/2017	A2.04	SECOND FLOOR PLAN	■	■
1/13/2017	A2.04A	SECOND FLOOR PLAN SEGMENT A	■	■
2/23/2017	A2.04A-R1	ONE STOP ROOF PLAN (BASE DESIGN)	□	■
1/13/2017	A2.04A-R2	ONE STOP ROOF PLAN (GRAVEL OPTION)	□	■
2/23/2017	A2.04A-R3	ONE STOP ROOF PLAN (GREEN ROOF OPTION)	□	■
1/13/2017	A2.04B	SECOND FLOOR PLAN SEGMENT B	■	■
2/23/2017	A2.04C-R1	CONFERENCE / EVENT CENTER ROOF PLAN (BASE DESIGN)	□	■
2/23/2017	A2.04C-R2	CONFERENCE / EVENT CENTER ROOF PLAN (GRAVEL OPTION)	□	■
2/23/2017	A2.04C-R3	CONFERENCE / EVENT CTR ROOF PLAN (GREEN ROOF OPTION)	□	■
1/13/2017	A2.05	THIRD FLOOR PLAN	■	■
1/13/2017	A2.05A	THIRD FLOOR PLAN SEGMENT A	■	■
1/13/2017	A2.05B	THIRD FLOOR PLAN SEGMENT B	■	■
1/13/2017	A2.06	FOURTH FLOOR PLAN	■	■
1/13/2017	A2.06A	FOURTH FLOOR PLAN SEGMENT A	■	■
1/13/2017	A2.06B	FOURTH FLOOR PLAN SEGMENT B	■	■
1/13/2017	A2.07	FIFTH FLOOR PLAN	■	■
1/13/2017	A2.07A	FIFTH FLOOR PLAN SEGMENT A	■	■
1/13/2017	A2.07B	FIFTH FLOOR PLAN SEGMENT B	■	■
1/13/2017	A2.08	SIXTH FLOOR PLAN	■	■
1/13/2017	A2.08A	SIXTH FLOOR PLAN SEGMENT A	■	■
1/13/2017	A2.08B	SIXTH FLOOR PLAN SEGMENT B	■	■
1/13/2017	A2.09	ROOF PLAN	■	■
1/13/2017	A2.09A	ROOF PLAN SEGMENT A	■	■
1/13/2017	A2.09B	ROOF PLAN SEGMENT B	■	■
1/13/2017	A2.10	PENTHOUSE ROOF PLAN	■	■
1/13/2017	A2.10A	PENTHOUSE ROOF PLAN SEGMENT A	■	■
2/10/2017	A2.10B	PENTHOUSE ROOF PLAN SEGMENT B	■	■
1/13/2017	A2.33A	FIRST FLOOR SEGMENT A POWER/DATA PLAN	□	■
1/13/2017	A2.33B	FIRST FLOOR SEGMENT B POWER/DATA PLAN	□	■
1/13/2017	A2.33C	CONFERENCE/EVENT CENTER POWER/DATA PLAN	□	■
1/13/2017	A2.34A	SECOND FLOOR SEGMENT A POWER/DATA PLAN	□	■
1/13/2017	A2.34B	SECOND FLOOR SEGMENT B POWER/DATA PLAN	□	■
1/13/2017	A2.35A	THIRD FLOOR SEGMENT A POWER/DATA PLAN	□	■
1/13/2017	A2.35B	THIRD FLOOR SEGMENT B POWER/DATA PLAN	□	■
1/13/2017	A2.36A	FOURTH FLOOR SEGMENT A POWER/DATA PLAN	□	■
1/13/2017	A2.36B	FOURTH FLOOR SEGMENT B POWER/DATA PLAN	□	■
1/13/2017	A2.37A	FIFTH FLOOR SEGMENT A POWER/DATA PLAN	□	■
1/13/2017	A2.37B	FIFTH FLOOR SEGMENT B POWER/DATA PLAN	□	■
1/13/2017	A2.38A	SIXTH FLOOR SEGMENT A POWER/DATA PLAN	□	■

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
1/13/2017	A2.38B	SIXTH FLOOR SEGMENT B POWER/DATA PLAN	□	■
1/13/2017	A2.40	MATERIALS / FINISH LEGEND & NOTES	□	■
1/13/2017	A2.43A	FIRST FLOOR SEGMENT A FINISH PLAN	□	■
1/13/2017	A2.43B	FIRST FLOOR SEGMENT B FINISH PLAN	□	■
1/13/2017	A2.43C	CONFERENCE/EVENT CENTER FINISH PLAN	□	■
1/13/2017	A2.44A	SECOND FLOOR SEGMENT A FINISH PLAN	□	■
1/13/2017	A2.44B	SECOND FLOOR SEGMENT B FINISH PLAN	□	■
1/13/2017	A2.45A	THIRD FLOOR SEGMENT A FINISH PLAN	□	■
1/13/2017	A2.45B	THIRD FLOOR SEGMENT B FINISH PLAN	□	■
1/13/2017	A2.46A	FOURTH FLOOR SEGMENT A FINISH PLAN	□	■
1/13/2017	A2.46B	FOURTH FLOOR SEGMENT B FINISH PLAN	□	■
1/13/2017	A2.47A	FIFTH FLOOR SEGMENT A FINISH PLAN	□	■
1/13/2017	A2.47B	FIFTH FLOOR SEGMENT B FINISH PLAN	□	■
1/13/2017	A2.48A	SIXTH FLOOR SEGMENT A FINISH PLAN	□	■
1/13/2017	A2.48B	SIXTH FLOOR SEGMENT B FINISH PLAN	□	■
1/13/2017	A2.51	PARKING LEVEL TWO REFLECTED CEILING PLAN	□	■
1/13/2017	A2.51A	PARKING LEVEL TWO SEGMENT A REFLECTED CEILING PLAN	□	■
1/13/2017	A2.51B	PARKING LEVEL TWO SEGMENT B REFLECTED CEILING PLAN	□	■
1/13/2017	A2.51C	PARKING LEVEL TWO SEGMENT C REFLECTED CEILING PLAN	□	■
1/13/2017	A2.52	PARKING LEVEL ONE REFLECTED CEILING PLAN	□	■
1/13/2017	A2.52A	PARKING LEVEL ONE SEGMENT A REFLECTED CEILING PLAN	□	■
1/13/2017	A2.52B	PARKING LEVEL ONE SEGMENT B REFLECTED CEILING PLAN	□	■
1/13/2017	A2.52C	PARKING LEVEL ONE SEGMENT C REFLECTED CEILING PLAN	□	■
1/13/2017	A2.53	FIRST FLOOR REFLECTED CEILING PLAN	□	■
1/13/2017	A2.53A	FIRST FLOOR SEGMENT A REFLECTED CEILING PLAN	□	■
1/13/2017	A2.53B	FIRST FLOOR SEGMENT B REFLECTED CEILING PLAN	□	■
1/13/2017	A2.53C	CONFERENCE/EVENT CENTER REFLECTED CEILING PLAN	□	■
1/13/2017	A2.54	SECOND FLOOR REFLECTED CEILING PLAN	□	■
1/13/2017	A2.54A	SECOND FLOOR SEGMENT A REFLECTED CEILING PLAN	□	■
1/13/2017	A2.54B	SECOND FLOOR SEGMENT B REFLECTED CEILING PLAN	□	■
1/13/2017	A2.55	THIRD FLOOR REFLECTED CEILING PLAN	□	■
1/13/2017	A2.55A	THIRD FLOOR SEGMENT A REFLECTED CEILING PLAN	□	■
1/13/2017	A2.55B	THIRD FLOOR SEGMENT B REFLECTED CEILING PLAN	□	■
1/13/2017	A2.56	FOURTH FLOOR REFLECTED CEILING PLAN	□	■
1/13/2017	A2.56A	FOURTH FLOOR SEGMENT A REFLECTED CEILING PLAN	□	■
1/13/2017	A2.56B	FOURTH FLOOR SEGMENT B REFLECTED CEILING PLAN	□	■
1/13/2017	A2.57	FIFTH FLOOR REFLECTED CEILING PLAN	□	■
1/13/2017	A2.57A	FIFTH FLOOR SEGMENT A REFLECTED CEILING PLAN	□	■
1/13/2017	A2.57B	FIFTH FLOOR SEGMENT B REFLECTED CEILING PLAN	□	■
1/13/2017	A2.58	SIXTH FLOOR REFLECTED CEILING PLAN	□	■
1/13/2017	A2.58A	SIXTH FLOOR SEGMENT A REFLECTED CEILING PLAN	□	■
1/13/2017	A2.58B	SIXTH FLOOR SEGMENT B REFLECTED CEILING PLAN	□	■
1/13/2017	A2.59	ROOF REFLECTED CEILING PLAN	□	■
1/13/2017	A2.59A	ROOF SEGMENT A REFLECTED CEILING PLAN	□	■
2/10/2017	A2.59B	ROOF SEGMENT B REFLECTED CEILING PLAN	□	■
1/13/2017	A2.84A	SECOND FLOOR EDGE OF SLAB PLAN - SEGMENT A	□	■
1/13/2017	A2.84B	SECOND FLOOR EDGE OF SLAB PLAN - SEGMENT B	□	■
1/13/2017	A2.84C	SECOND FLOOR EDGE OF SLAB PLAN - SEGMENT C	□	■
1/13/2017	A2.89A	ROOF EDGE OF SLAB PLAN - SEGMENT A	□	■
1/13/2017	A2.89B	ROOF EDGE OF SLAB PLAN - SEGMENT B	□	■
1/13/2017	A3.00	EXTERIOR ELEVATIONS	□	■
1/13/2017	A3.01	EXTERIOR ELEVATIONS	■	■
1/13/2017	A3.02	EXTERIOR ELEVATIONS	■	■
1/13/2017	A3.03	EXTERIOR ELEVATIONS	□	■
1/13/2017	A3.04	EXTERIOR ELEVATIONS	□	■

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
1/13/2017	A3.05	EXTERIOR ELEVATIONS	□	■
1/13/2017	A3.06	EXTERIOR ELEVATIONS	□	■
1/13/2017	A3.07	EXTERIOR ELEVATIONS	□	■
2/23/2017	A3.09	CONFERENCE / EVENT CENTER EXTERIOR ELEVATIONS	□	■
1/13/2017	A3.11	BUILDING SECTIONS	■	■
1/13/2017	A3.12	BUILDING SECTIONS	■	■
1/13/2017	A3.13	BUILDING SECTIONS	■	■
1/13/2017	A3.14	ONE STOP BUILDING SECTIONS	□	■
1/13/2017	A3.15	CONFERENCE / EVENT CENTER BUILDING SECTIONS	□	■
1/13/2017	A3.21	ENLARGED PLANS, WALL SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.22	ENLARGED PLANS, WALL SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.23	ENLARGED PLANS, WALL SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.24	ENLARGED PLANS, WALL SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.25	ENLARGED PLANS, WALL SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.26	ENLARGED PLANS, WALL SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.27	ENLARGED PLANS, WALL SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.28	ENLARGED PLANS, WALL SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.29	ENLARGED PLANS, WALL SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.30	ENLARGED WALL SECTIONS	□	■
1/13/2017	A3.31	ENLARGED ONE STOP PLANS, SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.32	ENLARGED ONE STOP PLANS, SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.33	ENLARGED ONE STOP PLANS, SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.34	ENLARGED ONE STOP PLANS, SECTIONS, & ELEVATIONS	□	■
1/13/2017	A3.41	ENLARGED SERVICE YARD PLAN	□	■
1/13/2017	A3.42	ENLARGED SERVICE YARD REFLECTED CEILING PLAN	□	■
1/13/2017	A3.43	ENLARGED SERVICE YARD ROOF PLAN	□	■
1/13/2017	A3.44	ENLARGED SERVICE YARD SECTIONS	□	■
1/13/2017	A3.45	ENLARGED SERVICE YARD ELEVATIONS	□	■
1/13/2017	A3.46	ENLARGED SERVICE YARD ELEVATIONS	□	■
2/10/2017	A3.51	ENLARGED CONFERENCE / EVENT CENTER PLAN - WEST	□	■
2/10/2017	A3.52	ENLARGED CONFERENCE / EVENT CENTER PLAN - EAST	□	■
1/13/2017	A3.54	ENLARGED CONFERENCE / EVENT CENTER SECTIONS	□	■
1/13/2017	A3.55	ENLARGED CONFERENCE / EVENT CENTER SECTIONS	□	■
1/13/2017	A3.56	ENLARGED CONFERENCE / EVENT CENTER SECTIONS	□	■
1/13/2017	A3.57	ENLARGED CONFERENCE / EVENT CENTER SECTIONS	□	■
1/13/2017	A4.01	ENLARGED FIRST FLOOR RESTROOM PLANS	□	■
1/13/2017	A4.02	ENLARGED FIRST FLOOR RESTROOM PLANS	□	■
1/13/2017	A4.03	CONFERENCE/EVENT CENTER RESTROOM PLAN	□	■
1/13/2017	A4.04	ENLARGED TYPICAL RESTROOM PLANS	□	■
1/13/2017	A4.05	ENLARGED PLANS	□	■
1/13/2017	A4.06	ENLARGED ELEVATOR LOBBY - FIRST FLOOR	□	■
1/13/2017	A4.07	ENLARGED ELEVATOR LOBBY	□	■
1/13/2017	A4.08	ENLARGED PLANS	□	■
1/13/2017	A4.09	ENLARGED PLANS	□	■
1/13/2017	A4.10	ENLARGED PLANS	□	■
1/13/2017	A4.11	ENLARGED PLANS	□	■
2/10/2017	A5.10	INTERIOR ELEVATIONS	□	■
1/13/2017	A5.11	PUBLIC COUNTER 3D VIEWS	□	■
2/10/2017	A5.12	INTERIOR ELEVATIONS	□	■
1/13/2017	A5.13	INTERIOR ELEVATIONS	□	■
1/13/2017	A5.14	INTERIOR ELEVATIONS	□	■
1/13/2017	A5.15	INTERIOR ELEVATIONS	□	■
1/13/2017	A5.16	INTERIOR ELEVATIONS	□	■
3/9/2017	A6.10	PARKING LEVEL, FIRST & SECOND FLOOR DOOR SCHEDULES	□	■
1/13/2017	A6.11	THIRD & FOURTH FLOOR DOOR SCHEUDLES	□	■

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
2/23/2017	A6.12	FIFTH, SIXTH FLOOR & ROOF LEVEL DOOR SCHEDULES	□	■
1/13/2017	A7.01	ENLARGED ELEVATOR PLANS	■	■
1/13/2017	A7.02	ENLARGED ELEVATOR PLANS & SECTIONS	■	■
1/13/2017	A7.03	ENLARGED ELEVATOR SECTIONS	■	■
2/10/2017	A7.05	ELEVATOR DETAILS	□	■
2/10/2017	A7.06	ELEVATOR DETAILS	□	■
1/13/2017	A7.11	ENLARGED STAIR 1 PLANS	■	■
1/13/2017	A7.12	ENLARGED STAIR 1 PLANS	□	■
1/13/2017	A7.13	ENLARGED STAIR 1 SECTIONS	■	■
1/13/2017	A7.14	ENLARGED STAIR 2 PLANS	■	■
1/13/2017	A7.15	ENLARGED STAIR 2 PLANS	□	■
1/13/2017	A7.16	ENLARGED STAIR 2 SECTIONS	■	■
1/13/2017	A7.17	ENLARGED STAIR 3 PLANS	■	■
1/13/2017	A7.18	ENLARGED STAIR 3 SECTIONS	■	■
1/13/2017	A7.19	ENLARGED STAIR 4 PLANS & SECTIONS	■	■
1/13/2017	A7.21	ENLARGED SHAFT PLANS & SECTIONS	□	■
1/13/2017	A7.22	ENLARGED SHAFT SECTIONS	□	■
2/10/2017	A8.01	EXTERIOR DETAILS	□	■
1/13/2017	A8.02	EXTERIOR DETAILS	□	■
2/10/2017	A8.03	EXTERIOR DETAILS	□	■
1/13/2017	A8.04	EXTERIOR DETAILS	□	■
2/10/2017	A8.05	EXTERIOR DETAILS	□	■
1/13/2017	A8.07	EXTERIOR DETAILS	□	■
2/23/2017	A8.08	EXTERIOR DETAILS	□	■
1/13/2017	A8.09	EXTERIOR DETAILS	□	■
1/13/2017	A8.10	EXTERIOR DETAILS	□	■
1/13/2017	A8.11	EXTERIOR DETAILS	□	■
1/13/2017	A8.12	EXTERIOR DETAILS	□	■
1/13/2017	A8.13	EXTERIOR DETAILS	□	■
1/13/2017	A8.14	EXTERIOR DETAILS	□	■
1/13/2017	A8.20	EXTERIOR DETAILS	□	■
1/13/2017	A8.21	EXTERIOR DETAILS	□	■
1/13/2017	A8.30	EXTERIOR DETAILS	□	■
2/10/2017	A8.40	EXTERIOR DETAILS	□	■
1/13/2017	A8.50	EXTERIOR DETAILS	□	■
1/13/2017	A8.90	DETAILS - PARKING LEVELS	□	■
1/13/2017	A8.91	DETAILS - PARKING LEVELS	□	■
1/13/2017	A9.01	WALL TYPES	□	■
1/13/2017	A9.02	WALL TYPES	□	■
1/13/2017	A9.10	INTERIOR DETAILS	□	■
1/13/2017	A9.11	INTERIOR DETAILS	□	■
1/13/2017	A9.20	OPENING DETAILS	□	■
1/13/2017	A9.30	CEILING DETAILS	□	■
1/13/2017	A9.31	CEILING DETAILS	□	■
1/13/2017	A9.40	RESTROOM DETAILS	□	■
1/13/2017	A9.50	CASEWORK DETAILS	□	■
1/13/2017	A9.60	ADD ALTERNATES	□	■
1/13/2017	A10.01A	PARKING LEVEL TWO SIGNAGE PLAN SEGMENT A	□	■
1/13/2017	A10.01B	PARKING LEVEL TWO SIGNAGE PLAN SEGMENT B	□	■
1/13/2017	A10.01C	PARKING LEVEL TWO SIGNAGE PLAN SEGMENT C	□	■
1/13/2017	A10.02A	PARKING LEVEL ONE SIGNAGE PLAN SEGMENT A	□	■
1/13/2017	A10.02B	PARKING LEVEL ONE SIGNAGE PLAN SEGMENT B	□	■
1/13/2017	A10.02C	PARKING LEVEL ONE SIGNAGE PLAN SEGMENT C	□	■
1/13/2017	A10.03A	FIRST FLOOR SIGNAGE PLAN SEGMENT A	□	■
1/13/2017	A10.03B	FIRST FLOOR SIGNAGE PLAN SEGMENT B	□	■

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
1/13/2017	A10.03C	CONFERENCE/EVENT CENTER SIGNAGE PLAN	□	■
1/13/2017	A10.04A	SECOND FLOOR SIGNAGE PLAN SEGMENT A	□	■
1/13/2017	A10.04B	SECOND FLOOR SIGNAGE PLAN SEGMENT B	□	■
1/13/2017	A10.05A	THIRD FLOOR SIGNAGE PLAN SEGMENT A	□	■
1/13/2017	A10.05B	THIRD FLOOR SIGNAGE PLAN SEGMENT B	□	■
1/13/2017	A10.06A	FOURTH FLOOR SIGNAGE PLAN SEGMENT A	□	■
1/13/2017	A10.06B	FOURTH FLOOR SIGNAGE PLAN SEGMENT B	□	■
1/13/2017	A10.07A	FIFTH FLOOR SIGNAGE PLAN SEGMENT A	□	■
1/13/2017	A10.07B	FIFTH FLOOR SIGNAGE PLAN SEGMENT B	□	■
1/13/2017	A10.08A	SIXTH FLOOR SIGNAGE PLAN SEGMENT A	□	■
1/13/2017	A10.08B	SIXTH FLOOR SIGNAGE PLAN SEGMENT B	□	■
1/13/2017	A10.09A	ROOF SIGNAGE PLAN SEGMENT A	□	■
1/13/2017	A10.09B	ROOF SIGNAGE PLAN SEGMENT B	□	■
1/13/2017	A10.60	SIGNAGE SCHEDULE	□	■
1/13/2017	A10.61	SIGNAGE SCHEDULE	□	■
1/13/2017	A10.80	SIGNAGE DETAILS	□	■
1/13/2017	A10.81	SIGNAGE DETAILS	□	■
1/13/2017	A10.82	SIGNAGE DETAILS	□	■
1/13/2017	A10.83	SIGNAGE DETAILS	□	■
STRUCTURAL				
1/13/2017	S0.01	GENERAL NOTES	■	■
1/13/2017	S0.11	TYPICAL FOUNDATION AND SOG DETAILS	■	■
1/13/2017	S0.12	TYPICAL FOUNDATION DETAILS	■	■
1/13/2017	S0.13	TYPICAL CONCRETE WALL DETAILS	■	■
1/13/2017	S0.14	TYP. CONC. BEAM and ELEVATED SLAB DETAIL	■	■
1/13/2017	S0.15	TYPICAL CONC. COL. SCHEDULE and DETAILS	■	■
1/13/2017	S0.16	TYPICAL FOUNDATION AND SOG DETAILS	□	■
1/13/2017	S0.21	TYPICAL STRUCTURAL STEEL DETAILS	■	■
1/13/2017	S0.22	TYPICAL METAL DECKING DETAILS	■	■
1/13/2017	S0.23	TYPICAL ELEVATED FLOOR and ROOF DECK DETAILS	■	■
1/13/2017	S0.24	TYPICAL STRUCTURAL STEEL DETAILS	□	■
1/13/2017	S0.25	TYPICAL STRUCTURAL STEEL DETAILS	□	■
1/13/2017	S0.26	TYPICAL STRUCTURAL STEEL DETAILS	□	■
1/13/2017	S0.27	TYPICAL STRUCTURAL STEEL DETAILS	□	■
1/13/2017	S0.28	TYPICAL STRUCTURAL STEEL DETAILS	□	■
1/13/2017	S0.31	TYPICAL CMU WALL ELEVATION and DETAILS	■	■
1/13/2017	S0.32	TYPICAL CMU WALL DETAILS	□	■
1/13/2017	S0.91	TYPICAL LIGHT GAUGE FRAMING SCHEDULES and ELEVATIONS	□	■
1/13/2017	S0.92	TYPICAL LIGHT GAUGE METAL FRAMING DETAILS	□	■
1/13/2017	S0.93	TYPICAL LIGHT GAUGE METAL FRAMING DETAILS	□	■
1/13/2017	S0.94	TYPICAL LIGHT GAUGE METAL FRAMING DETAILS	□	■
1/13/2017	S1.01	TYPICAL SITE DETAILS	□	■
1/13/2017	S2.01A	BASEMENT LEVEL 2 FOUNDATION PLAN	■	■
1/13/2017	S2.01B	BASEMENT LEVEL 2 FOUNDATION PLAN	■	■
1/13/2017	S2.01C	BASEMENT LEVEL 2 FOUNDATION PLAN	□	■
1/13/2017	S2.02A	BASEMENT LEVEL 1 FRAMING PLAN	■	■
1/13/2017	S2.02B	BASEMENT LEVEL 1 FRAMING PLAN	■	■
1/13/2017	S2.02C	BASEMENT LEVEL 1 FRAMING PLAN	□	■
1/13/2017	S2.03A	LEVEL 1 FRAMING PLAN	■	■
1/13/2017	S2.03AA	LEVEL 1 SLAB REINFORCING PLAN	□	■
1/13/2017	S2.03B	LEVEL 1 FRAMING PLAN	■	■
1/13/2017	S2.03BB	LEVEL 1 SLAB REINFORCING PLAN	□	■
1/13/2017	S2.03C	CONF. CENTER FOUNDATION PLAN	□	■
1/13/2017	S2.04.1	FRAMING PLANS BETWEEN LEVELS 1 and 2	□	■

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
1/13/2017	S2.04.2	ONE-STOP CANOPY FRAMING PLAN	□	■
1/13/2017	S2.04A	LEVEL 2 FRAMING PLAN	■	■
1/13/2017	S2.04AA	ONE-STOP ROOF FRAMING PLAN	□	■
1/13/2017	S2.04B	LEVEL 2 FRAMING PLAN	■	■
1/13/2017	S2.04C	CONF. CENTER ROOF FRAMING PLAN	□	■
1/13/2017	S2.05A	LEVEL 3 FRAMING PLAN	■	■
1/13/2017	S2.05B	LEVEL 3 FRAMING PLAN	■	■
1/13/2017	S2.06A	LEVEL 4 FRAMING PLAN	■	■
1/13/2017	S2.06B	LEVEL 4 FRAMING PLAN	■	■
1/13/2017	S2.07A	LEVEL 5 FRAMING PLAN	■	■
1/13/2017	S2.07B	LEVEL 5 FRAMING PLAN	■	■
1/13/2017	S2.08A	LEVEL 6 FRAMING PLAN	■	■
1/13/2017	S2.08B	LEVEL 6 FRAMING PLAN	■	■
1/13/2017	S2.09A	ROOF FRAMING PLAN	■	■
1/13/2017	S2.09B	ROOF FRAMING PLAN	■	■
1/13/2017	S2.10A	WEST ROOF CATWALK FRAMING PLAN	■	■
1/13/2017	S2.10B	EAST ROOF CATWALK FRAMING PLAN	■	■
1/13/2017	S2.11A	ROOF CANOPY FRAMING PLAN	□	■
1/13/2017	S2.11B	ROOF CANOPY FRAMING PLAN	□	■
1/13/2017	S2.31	NON-FRAME COL. SCHEDULE and DETAILS	□	■
1/13/2017	S3.01	WALL SECTIONS	□	■
1/13/2017	S3.11	MISCELLANEOUS ELEVATIONS	□	■
1/13/2017	S4.01	BUCKLING RESTRAINED BRACED FRAME ELEVATIONS	■	■
1/13/2017	S4.02	BUCKLING RESTRAINED BRACED FRAME ELEVATIONS	■	■
1/13/2017	S4.03	BUCKLING RESTRAINED BRACED FRAME ELEVATIONS	■	■
1/13/2017	S4.04	BUCKLING RESTRAINED BRACED FRAME ELEVATIONS	■	■
1/13/2017	S4.10	TYP. BRBF BASE CONN. DTLS.	□	■
1/13/2017	S4.11	TYP. BRBF DTLS. and SCHEDULES - BLDG. 16	■	■
1/13/2017	S4.12	TYP. BRBF DTLS. and SCHED. - CONF. CNTR.	□	■
1/13/2017	S4.21	MISCELLANEOUS FRAME ELEVATIONS	■	■
1/13/2017	S4.22	MISCELLANEOUS FRAME ELEVATIONS	■	■
1/13/2017	S4.31	TYP. BRACE FRAME DETAILS	□	■
1/13/2017	S7.11	TYPICAL STAIR FRAMING DETAILS	□	■
2/23/2017	S9.01	TYP. EQUIPMENT ANCHORAGE DETAILS	□	■
1/13/2017	S9.02	TYP. EQUIPMENT ANCHORAGE DETAILS	□	■
MECHANICAL				
1/13/2017	M0.10	MECHANICAL LEGENDS AND GENERAL NOTES	■	■
1/13/2017	M0.20	MECHANICAL SCHEDULES	■	■
1/13/2017	M0.21	MECHANICAL SCHEDULES	□	■
1/13/2017	M0.22	MECHANICAL SCHEDULES	□	■
1/13/2017	M0.23	MECHANICAL SCHEDULES	□	■
1/13/2017	M1.00	MECHANICAL SITE PLAN	□	■
1/13/2017	M2.01	MECHANICAL PARKING LEVEL TWO PLAN	■	■
1/13/2017	M2.01A	MECHANICAL PARKING LEVEL TWO PLAN SEGMENT A	■	■
1/13/2017	M2.01B	MECHANICAL PARKING LEVEL TWO PLAN SEGMENT B	■	■
1/13/2017	M2.02	MECHANICAL PARKING LEVEL ONE PLAN	■	■
1/13/2017	M2.02A	MECHANICAL PARKING LEVEL ONE PLAN SEGMENT A	■	■
1/13/2017	M2.02B	MECHANICAL PARKING LEVEL ONE PLAN SEGMENT B	■	■
1/13/2017	M2.03	MECHANICAL FIRST FLOOR PLAN	■	■
1/13/2017	M2.03A	MECHANICAL FIRST FLOOR PLAN SEGMENT A	■	■
1/13/2017	M2.03B	MECHANICAL FIRST FLOOR PLAN SEGMENT B	■	■
1/13/2017	M2.03C	MECHANICAL CONFERENCE / EVENT CENTER FLOOR PLAN	■	■
1/13/2017	M2.04	MECHANICAL SECOND FLOOR PLAN	■	■
1/13/2017	M2.04A	MECHANICAL SECOND FLOOR PLAN SEGMENT A	■	■

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
1/13/2017	M2.04B	MECHANICAL SECOND FLOOR PLAN SEGMENT B	■	■
1/13/2017	M2.04C	MECHANICAL CONFERENCE / EVENT CENTER ROOF PLAN	■	■
1/13/2017	M2.05	MECHANICAL THIRD FLOOR PLAN	■	■
1/13/2017	M2.05A	MECHANICAL THIRD FLOOR PLAN SEGMENT A	■	■
1/13/2017	M2.05B	MECHANICAL THIRD FLOOR PLAN SEGMENT B	■	■
1/13/2017	M2.06	MECHANICAL FOURTH FLOOR PLAN	■	■
1/13/2017	M2.06A	MECHANICAL FOURTH FLOOR PLAN SEGMENT A	■	■
1/13/2017	M2.06B	MECHANICAL FOURTH FLOOR PLAN SEGMENT B	■	■
1/13/2017	M2.07	MECHANICAL FIFTH FLOOR PLAN	■	■
1/13/2017	M2.07A	MECHANICAL FIFTH FLOOR PLAN SEGMENT A	■	■
1/13/2017	M2.07B	MECHANICAL FIFTH FLOOR PLAN SEGMENT B	■	■
1/13/2017	M2.08	MECHANICAL SIXTH FLOOR PLAN	■	■
1/13/2017	M2.08A	MECHANICAL SIXTH FLOOR PLAN SEGMENT A	■	■
1/13/2017	M2.08B	MECHANICAL SIXTH FLOOR PLAN SEGMENT B	■	■
1/13/2017	M2.09	MECHANICAL ROOF PLAN	■	■
1/13/2017	M2.09A	MECHANICAL ROOF PLAN SEGMENT A	■	■
1/13/2017	M2.09B	MECHANICAL ROOF PLAN SEGMENT B	■	■
1/13/2017	M3.01	PIPING PARKING LEVEL TWO PLAN	□	■
1/13/2017	M3.01A	PIPING PARKING LEVEL TWO PLAN SEGMENT A	□	■
1/13/2017	M3.01B	PIPING PARKING LEVEL TWO PLAN SEGMENT B	□	■
1/13/2017	M3.02	PIPING PARKING LEVEL ONE PLAN	■	■
1/13/2017	M3.02A	PIPING PARKING LEVEL ONE PLAN SEGMENT A	■	■
1/13/2017	M3.02B	PIPING PARKING LEVEL ONE PLAN SEGMENT B	■	■
1/13/2017	M3.03	PIPING FIRST FLOOR PLAN	■	■
1/13/2017	M3.03A	PIPING FIRST FLOOR PLAN SEGMENT A	■	■
1/13/2017	M3.03B	PIPING FIRST FLOOR PLAN SEGMENT B	■	■
1/13/2017	M3.03C	PIPING CONFERENCE / EVENT CENTER FLOOR PLAN	■	■
1/13/2017	M3.04	PIPING SECOND FLOOR PLAN	■	■
1/13/2017	M3.04A	PIPING SECOND FLOOR PLAN SEGMENT A	■	■
1/13/2017	M3.04B	PIPING SECOND FLOOR PLAN SEGMENT B	■	■
1/13/2017	M3.04C	PIPING ROOF PLAN - CONF/EVENT CENTER	■	■
1/13/2017	M3.05	PIPING THIRD FLOOR PLAN	■	■
1/13/2017	M3.05A	PIPING THIRD FLOOR PLAN SEGMENT A	■	■
1/13/2017	M3.05B	PIPING THIRD FLOOR PLAN SEGMENT B	■	■
1/13/2017	M3.06	PIPING FOURTH FLOOR PLAN	■	■
1/13/2017	M3.06A	PIPING FOURTH FLOOR PLAN SEGMENT A	■	■
1/13/2017	M3.06B	PIPING FOURTH FLOOR PLAN SEGMENT B	■	■
1/13/2017	M3.07	PIPING FIFTH FLOOR PLAN	■	■
1/13/2017	M3.07A	PIPING FIFTH FLOOR PLAN SEGMENT A	■	■
1/13/2017	M3.07B	PIPING FIFTH FLOOR PLAN SEGMENT B	■	■
1/13/2017	M3.08	PIPING SIXTH FLOOR PLAN	■	■
1/13/2017	M3.08A	PIPING SIXTH FLOOR PLAN SEGMENT A	■	■
1/13/2017	M3.08B	PIPING SIXTH FLOOR PLAN SEGMENT B	■	■
1/13/2017	M3.09	PIPING ROOF PLAN	■	■
1/13/2017	M3.09A	PIPING ROOF PLAN SEGMENT A	■	■
1/13/2017	M3.09B	PIPING ROOF PLAN SEGMENT B	■	■
1/13/2017	M4.01	CONTROLS PARKING LEVEL TWO PLAN	□	■
1/13/2017	M4.01A	CONTROLS PARKING LEVEL TWO PLAN SEGMENT A	□	■
1/13/2017	M4.01B	CONTROLS PARKING LEVEL TWO PLAN SEGMENT B	□	■
1/13/2017	M4.02	CONTROLS PARKING LEVEL ONE PLAN	□	■
1/13/2017	M4.02A	CONTROLS PARKING LEVEL ONE PLAN SEGMENT A	□	■
1/13/2017	M4.02B	CONTROLS PARKING LEVEL ONE PLAN SEGMENT B	□	■
1/13/2017	M4.03	CONTROLS FIRST FLOOR PLAN	□	■
1/13/2017	M4.03A	CONTROLS FIRST FLOOR PLAN SEGMENT A	□	■
1/13/2017	M4.03B	CONTROLS FIRST FLOOR PLAN SEGMENT B	□	■

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
1/13/2017	M4.03C	CONTROLS CONFERENCE / EVENT CENTER FLOOR PLAN	□	■
1/13/2017	M4.04	CONTROLS SECOND FLOOR PLAN	□	■
1/13/2017	M4.04A	CONTROLS SECOND FLOOR PLAN SEGMENT A	□	■
1/13/2017	M4.04B	CONTROLS SECOND FLOOR PLAN SEGMENT B	□	■
1/13/2017	M4.04C	CONTROLS CONFERENCE / EVENT CENTER ROOF PLAN	□	■
1/13/2017	M4.05	CONTROLS THIRD FLOOR PLAN	□	■
1/13/2017	M4.05A	CONTROLS THIRD FLOOR PLAN SEGMENT A	□	■
1/13/2017	M4.05B	CONTROLS THIRD FLOOR PLAN SEGMENT B	□	■
1/13/2017	M4.06	CONTROLS FOURTH FLOOR PLAN	□	■
1/13/2017	M4.06A	CONTROLS FOURTH FLOOR PLAN SEGMENT A	□	■
1/13/2017	M4.06B	CONTROLS FOURTH FLOOR PLAN SEGMENT B	□	■
1/13/2017	M4.07	CONTROLS FIFTH FLOOR PLAN	□	■
1/13/2017	M4.07A	CONTROLS FIFTH FLOOR PLAN SEGMENT A	□	■
1/13/2017	M4.07B	CONTROLS FIFTH FLOOR PLAN SEGMENT B	□	■
1/13/2017	M4.08	CONTROLS SIXTH FLOOR PLAN	□	■
1/13/2017	M4.08A	CONTROLS SIXTH FLOOR PLAN SEGMENT A	□	■
1/13/2017	M4.08B	CONTROLS SIXTH FLOOR PLAN SEGMENT B	□	■
1/13/2017	M4.09	CONTROLS ROOF PLAN	□	■
1/13/2017	M4.09A	CONTROLS ROOF PLAN SEGMENT A	□	■
1/13/2017	M4.09B	CONTROLS ROOF PLAN SEGMENT B	□	■
1/13/2017	M5.01	MECHANICAL ENLARGED PLANS & SECTIONS	□	■
1/13/2017	M5.02	MECHANICAL ENLARGED PLANS & SECTIONS	□	■
1/13/2017	M6.01	MECHANICAL CONTROL SEQUENCES AND DIAGRAMS	□	■
1/13/2017	M6.02	MECHANICAL CONTROL SEQUENCES AND DIAGRAM	□	■
1/13/2017	M6.03	MECHANICAL CONTROL SEQUENCES AND DIAGRAMS	□	■
1/13/2017	M6.04	MECHANICAL CONTROL SEQUENCES AND DIAGRAMS	□	■
1/13/2017	M6.05	MECHANICAL PIPING AND INSTRUMENTATION DIAGRAMS	□	■
1/13/2017	M7.01	MECHANICAL DETAILS	□	■
1/13/2017	M7.02	MECHANICAL DETAILS	□	■
1/13/2017	M7.03	MECHANICAL DETAILS	□	■
1/13/2017	M7.04	MECHANICAL DETAILS	□	■
1/13/2017	M8.01	MECHANICAL WATER AND AIR BALANCE LAYOUT	□	■
PLUMBING				
1/13/2017	P0.01	PLUMBING LEGEND AND GENERAL NOTES	■	■
1/13/2017	P0.02	PLUMBING SCHEDULES	■	■
1/13/2017	P0.03	PLUMBING DETAILS	■	■
1/13/2017	P1.10	PLUMBING SITE PLAN	□	■
3/9/2017	P2.01A	PLUMBING PARKING LEVEL TWO PLAN SEGMENT "A"	■	■
3/9/2017	P2.01B	PLUMBING PARKING LEVEL TWO PLAN SEGMENT "B"	■	■
1/13/2017	P2.02A	PLUMBING PARKING LEVEL ONE PLAN SEGMENT "A"	■	■
1/13/2017	P2.02B	PLUMBING PARKING LEVEL ONE PLAN SEGMENT "B"	■	■
1/13/2017	P2.03A	PLUMBING FIRST FLOOR PLAN SEGMENT "A"	■	■
1/13/2017	P2.03B	PLUMBING FIRST FLOOR PLAN SEGMENT "B"	■	■
1/13/2017	P2.03C1	PLUMBING CONFERENCE / EVENT CENTER DRAINAGE PLAN	□	■
1/13/2017	P2.03C2	PLUMBING CONFERENCE / EVENT CENTER WATER PLAN	□	■
1/13/2017	P2.04A	PLUMBING SECOND FLOOR PLAN SEGMENT "A"	■	■
1/13/2017	P2.04B	PLUMBING SECOND FLOOR PLAN SEGMENT "B"	■	■
1/13/2017	P2.04C	PLUMBING CONFERENCE / EVENT CENTER ROOF PLAN	□	■
1/13/2017	P2.05A	PLUMBING THIRD FLOOR PLAN SEGMENT "A"	■	■
1/13/2017	P2.05B	PLUMBING THIRD FLOOR PLAN SEGMENT "B"	■	■
1/13/2017	P2.06A	PLUMBING FORTH FLOOR PLAN SEGMENT "A"	■	■
1/13/2017	P2.06B	PLUMBING FORTH FLOOR PLAN SEGMENT "B"	■	■
1/13/2017	P2.07A	PLUMBING FIFTH FLOOR PLAN SEGMENT "A"	■	■
1/13/2017	P2.07B	PLUMBING FIFTH FLOOR PLAN SEGMENT "B"	■	■

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
1/13/2017	P2.08A	PLUMBING SIXTH FLOOR PLAN SEGMENT "A"	■	■
1/13/2017	P2.08B	PLUMBING SIXTH FLOOR PLAN SEGMENT "B"	■	■
1/13/2017	P2.09A	PLUMBING ROOF PLAN SEGMENT "A"	■	■
1/13/2017	P2.09B	PLUMBING ROOF PLAN SEGMENT "B"	■	■
1/13/2017	P3.01	ENLARGED PLUMBING PLANS	□	■
1/13/2017	P3.02	ENLARGED PLUMBING PLANS	□	■
1/13/2017	P3.03	ENLARGED PLUMBING PLANS	□	■
ELECTRICAL				
1/13/2017	E0.00	ELECTRICAL LEAD SHEET	□	■
1/13/2017	E0.01	ELECTRICAL LEAD SHEET	□	■
1/13/2017	E0.20	LIGHTING FIXTURE SCHEDULE	□	■
2/10/2017	E1.00	ELECTRICAL SITE PLAN	■	■
1/13/2017	E1.01	ELECTRICAL SITE PLAN SERVICE YARD	□	■
1/13/2017	E1.02	SITE DEMOLITION PLAN	□	■
1/13/2017	E1.11	SITE LIGHTING PLAN	□	■
1/13/2017	E2.01A	POWER PLAN PKNG LEVEL P2A	□	■
1/13/2017	E2.01B	POWER PLAN PKNG LEVEL P2B	□	■
1/13/2017	E2.01C	POWER PLAN PKNG LEVEL P2C	□	■
2/10/2017	E2.02A	POWER PLAN PKNG LEVEL P1A	□	■
1/13/2017	E2.02B	POWER PLAN PKNG LEVEL P1B	□	■
1/13/2017	E2.02C	POWER PLAN PKNG LEVEL P1C	□	■
1/13/2017	E2.03A	POWER PLAN FIRST FLOOR SEGMENT A	□	■
1/13/2017	E2.03B	POWER PLAN FIRST FLOOR SEGMENT B	□	■
2/10/2017	E2.03C	POWER PLAN FIRST FLOOR SEGMENT C	□	■
1/13/2017	E2.04A	POWER PLAN SECOND FLOOR SEGMENT A	□	■
1/13/2017	E2.04B	POWER PLAN SECOND FLOOR SEGMENT B	□	■
1/13/2017	E2.05A	POWER PLAN THIRD FLOOR SEGMENT A	□	■
1/13/2017	E2.05B	POWER PLAN THIRD FLOOR SEGMENT B	□	■
1/13/2017	E2.06A	POWER PLAN FOURTH FLOOR SEGMENT A	□	■
1/13/2017	E2.06B	POWER PLAN FOURTH FLOOR SEGMENT B	□	■
1/13/2017	E2.07A	POWER PLAN FIFTH FLOOR SEGMENT A	□	■
1/13/2017	E2.07B	POWER PLAN FIFTH FLOOR SEGMENT B	□	■
1/13/2017	E2.08A	POWER PLAN SIXTH FLOOR SEGMENT A	□	■
1/13/2017	E2.08B	POWER PLAN SIXTH FLOOR SEGMENT B	□	■
1/13/2017	E2.09A	ELECTRICAL ROOF PLAN SEGMENT A	□	■
1/13/2017	E2.09B	ELECTRICAL ROOF PLAN SEGMENT B	□	■
1/13/2017	E2.09C	ELECTRICAL ROOF PLAN SEGMENT C	□	■
1/13/2017	E2.11A	MECH/POWER PLAN PKNG LEVEL P2A	□	■
1/13/2017	E2.11B	MECH/POWER PLAN PKNG LEVEL P2B	□	■
1/13/2017	E2.11C	MECH/POWER PLAN PKNG LEVEL P1C	□	■
1/13/2017	E2.12A	MECH/POWER PLAN PKNG LEVEL P1A	□	■
1/13/2017	E2.12B	MECH/POWER PLAN PKNG LEVEL P1B	□	■
1/13/2017	E2.12C	MECH/POWER PLAN PKNG LEVEL P1C	□	■
1/13/2017	E2.13A	MECH/POWER PLAN FIRST FLOOR SEGMENT A	□	■
1/13/2017	E2.13B	MECH/POWER PLAN FIRST FLOOR SEGMENT B	□	■
1/13/2017	E2.13C	MECH/POWER PLAN FIRST FLOOR SEGMENT C	□	■
1/13/2017	E2.14A	MECH/POWER PLAN SECOND FLOOR SEGMENT A	□	■
1/13/2017	E2.14B	MECH/POWER PLAN SECOND FLOOR SEGMENT B	□	■
1/13/2017	E2.15A	MECH/POWER PLAN THIRD FLOOR SEGMENT A	□	■
1/13/2017	E2.15B	MECH/POWER PLAN THIRD FLOOR SEGMENT B	□	■
1/13/2017	E2.16A	MECH/POWER PLAN FOURTH FLOOR SEGMENT A	□	■
1/13/2017	E2.16B	MECH/POWER PLAN FOURTH FLOOR SEGMENT B	□	■
1/13/2017	E2.17A	MECH/POWER PLAN FIFTH FLOOR SEGMENT A	□	■
1/13/2017	E2.17B	MECH/POWER PLAN FIFTH FLOOR SEGMENT B	□	■

G-53

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
1/13/2017	E2.18A	MECH/POWER PLAN SIXTH FLOOR SEGMENT A	□	■
1/13/2017	E2.18B	MECH/POWER PLAN SIXTH FLOOR SEGMENT B	□	■
1/13/2017	E2.19	MECH/ELECT SCHEDULES	□	■
1/13/2017	E2.21A	LIGHTING PLAN PKNG LEVEL P2A	□	■
1/13/2017	E2.21B	LIGHTING PLAN PKNG LEVEL P2B	□	■
1/13/2017	E2.22A	LIGHTING PLAN PKNG LEVEL P1A	□	■
1/13/2017	E2.22B	LIGHTING PLAN PKNG LEVEL P1B	□	■
1/13/2017	E2.23A	LIGHTING PLAN FIRST FLOOR SEGMENT A	□	■
1/13/2017	E2.23B	LIGHTING PLAN FIRST FLOOR SEGMENT B	□	■
1/13/2017	E2.23C	LIGHTING PLAN FIRST FLOOR SEGMENT C	□	■
1/13/2017	E2.24A	LIGHTING PLAN SECOND FLOOR SEGMENT A	□	■
1/13/2017	E2.24B	LIGHTING PLAN SECOND FLOOR SEGMENT B	□	■
1/13/2017	E2.25A	LIGHTING PLAN THIRD FLOOR SEGMENT A	□	■
1/13/2017	E2.25B	LIGHTING PLAN THIRD FLOOR SEGMENT B	□	■
1/13/2017	E2.26A	LIGHTING PLAN FOURTH FLOOR SEGMENT A	□	■
1/13/2017	E2.26B	LIGHTING PLAN FOURTH FLOOR SEGMENT B	□	■
1/13/2017	E2.27A	LIGHTING PLAN FIFTH FLOOR SEGMENT A	□	■
1/13/2017	E2.27B	LIGHTING PLAN FIFTH FLOOR SEGMENT B	□	■
1/13/2017	E2.28A	LIGHTING PLAN SIXTH FLOOR SEGMENT A	□	■
1/13/2017	E2.28B	LIGHTING PLAN SIXTH FLOOR SEGMENT B	□	■
1/13/2017	E3.00	ENLARGED ELCTRICAL/DATA PLAN AND DETAILS	□	■
1/13/2017	E3.01	ENLARGED ELCTRICAL/DATA PLANS	□	■
2/23/2017	E4.00	SINGLE LINE DIAGRAM AND LOAD/FEEDER SCHEDULE	■	■
1/13/2017	E4.01	SINGLE LINE DIAGRAM	■	■
1/13/2017	E4.02	FEEDER SCHEDULE	□	■
1/13/2017	E4.03	GROUND RISER DIAGRAM	□	■
1/13/2017	E5.00	PANEL SCHEDULES	□	■
1/13/2017	E5.01	PANEL SCHEDULES	□	■
1/13/2017	E5.02A	PANEL SCHEDULES	□	■
1/30/2017	E5.02B	PANEL SCHEDULES	□	■
1/13/2017	E5.03A	PANEL SCHEDULES	□	■
1/13/2017	E5.03B	PANEL SCHEDULES	□	■
1/13/2017	E5.04A	PANEL SCHEDULES	□	■
1/13/2017	E5.04B	PANEL SCHEDULES	□	■
1/13/2017	E5.05A	PANEL SCHEDULES	□	■
1/13/2017	E5.05B	PANEL SCHEDULES	□	■
1/13/2017	E5.06A	PANEL SCHEDULES	□	■
1/13/2017	E5.06B	PANEL SCHEDULES	□	■
1/13/2017	E5.07A	PANEL SCHEDULES	□	■
1/13/2017	E5.07B	PANEL SCHEDULES	□	■
1/13/2017	E6.01	LIGHTING CONTROL DIAGRAMS AND DETAILS	□	■
1/13/2017	E6.02	LIGHTING CONTROL DIAGRAMS AND DETAILS	□	■
1/13/2017	E6.03	LIGHTING CONTROL DIAGRAMS AND DETAILS	□	■
1/13/2017	E7.01	ELECTRICAL DETAILS	□	■
1/13/2017	E7.02	ELECTRICAL DETAILS	□	■
1/13/2017	E7.03	ELECTRICAL DETAILS	□	■
1/13/2017	E7.04	ELECTRICAL DETAILS	□	■
1/13/2017	E7.05	ELECTRICAL DETAILS	□	■
1/13/2017	E7.06	ELECTRICAL DETAILS	□	■
1/13/2017	E7.07	ELECTRICAL DETAILS	□	■
TECHNOLOGY				
1/13/2017	T0.10	TECHNOLOGY SYMBOL LIST	□	■
1/13/2017	T2.03A	TECHNOLOGY PLAN FIRST FLOOR SEGMENT A	□	■
1/13/2017	T2.03B	TECHNOLOGY PLAN FIRST FLOOR SEGMENT B	□	■

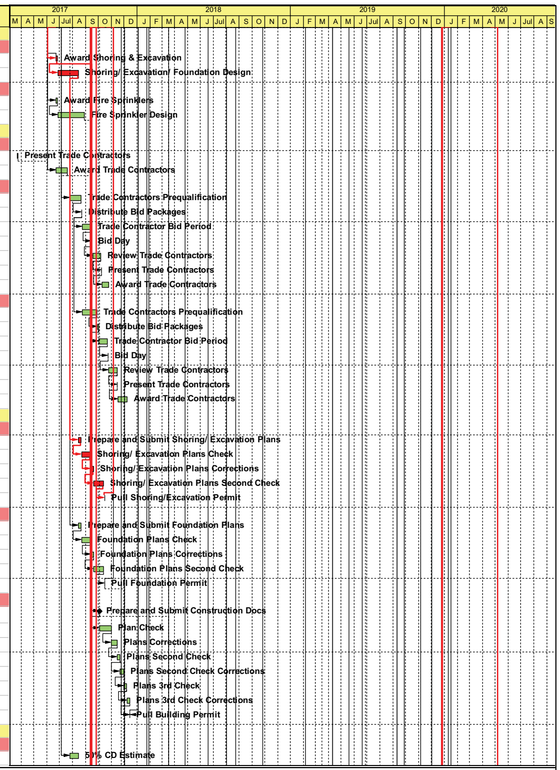
DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
1/13/2017	T2.03C	TECHNOLOGY PLAN FIRST FLOOR SEGMENT C	□	■
1/13/2017	T2.04A	TECHNOLOGY PLAN SECOND FLOOR SEGMENT A	□	■
1/13/2017	T2.04B	TECHNOLOGY PLAN SECOND FLOOR SEGMENT B	□	■
1/13/2017	T2.05A	TECHNOLOGY PLAN THIRD FLOOR SEGMENT A	□	■
1/13/2017	T2.05B	TECHNOLOGY PLAN THIRD FLOOR SEGMENT B	□	■
1/13/2017	T2.06A	TECHNOLOGY PLAN FOURTH FLOOR SEGMENT A	□	■
1/13/2017	T2.06B	TECHNOLOGY PLAN FOURTH FLOOR SEGMENT B	□	■
1/13/2017	T2.07A	TECHNOLOGY PLAN FIFTH FLOOR SEGMENT A	□	■
1/13/2017	T2.07B	TECHNOLOGY PLAN FIFTH FLOOR SEGMENT B	□	■
1/13/2017	T2.08A	TECHNOLOGY PLAN SIXTH FLOOR SEGMENT A	□	■
1/13/2017	T2.08B	TECHNOLOGY PLAN SIXTH FLOOR SEGMENT B	□	■
1/13/2017	T3.00	ENLARGED PLANS	□	■
1/13/2017	T4.00	RISER DIAGRAM	□	■
1/13/2017	T5.00	TECHNOLOGY TYPICAL DETAILS	□	■
1/13/2017	T5.01	TECHNOLOGY TYPICAL DETAILS	□	■
1/13/2017	T5.02	TECHNOLOGY TYPICAL DETAILS	□	■
1/13/2017	T5.03	TECHNOLOGY TYPICAL DETAILS	□	■
LIGHTING				
1/13/2017	AL00.01	GENERAL NOTES / SHEET INDEX	□	■
1/13/2017	AL01.01	SITE LIGHTING PLAN	□	■
1/13/2017	AL03.01	LEVEL 1 LIGHTING RCP	□	■
1/13/2017	AL03.02	LEVEL 2 LIGHTING RCP	□	■
1/13/2017	AL03.03	LEVEL 3 LIGHTING RCP	□	■
1/13/2017	AL03.04	LEVEL 4 LIGHTING RCP	□	■
1/13/2017	AL03.05	LEVEL 5 LIGHTING RCP	□	■
1/13/2017	AL03.06	LEVEL 6 LIGHTING RCP	□	■
1/13/2017	AL08.01	LIGHTING DETAILS	□	■
FACADE ACCESS				
1/13/2017	QM2.09	FACADE ACCESS ROOF PLAN	□	■
1/13/2017	QM8.01	FACADE ACCESS TYPICAL DETAILS	□	■
SECURITY				
2/10/2017	SE0.01	GENERAL NOTES	□	■
2/10/2017	SE1.01	SITE SECURITY PLAN	□	■
2/10/2017	SE2.01A	PARKING LEVEL 2 SECURITY PLAN SEGMENT A	□	■
2/10/2017	SE2.01B	PARKING LEVEL 2 SECURITY PLAN SEGMENT B	□	■
2/10/2017	SE2.01C	PARKING LEVEL 2 SECURITY PLAN SEGMENT C	□	■
2/10/2017	SE2.02A	PARKING LEVEL 1 SECURITY PLAN SEGMENT A	□	■
2/10/2017	SE2.02B	PARKING LEVEL 1 SECURITY PLAN SEGMENT B	□	■
2/10/2017	SE2.02C	PARKING LEVEL 1 SECURITY PLAN SEGMENT C	□	■
2/10/2017	SE2.03A	FIRST FLOOR SECURITY PLAN SEGMENT A	□	■
2/10/2017	SE2.03B	FIRST FLOOR SECURITY PLAN SEGMENT B	□	■
2/10/2017	SE2.03C	FIRST FLOOR SECURITY PLAN SEGMENT C	□	■
2/10/2017	SE2.04A	SECOND FLOOR SECURITY PLAN SEGMENT A	□	■
2/10/2017	SE2.04B	SECOND FLOOR SECURITY PLAN SEGMENT B	□	■
2/10/2017	SE2.05A	THIRD FLOOR SECURITY PLAN SEGMENT A	□	■
2/10/2017	SE2.05B	THIRD FLOOR SECURITY PLAN SEGMENT B	□	■
2/10/2017	SE2.06A	FOURTH FLOOR SECURITY PLAN SEGMENT A	□	■
2/10/2017	SE2.06B	FOURTH FLOOR SECURITY PLAN SEGMENT B	□	■
2/10/2017	SE2.07A	FIFTH FLOOR SECURITY PLAN SEGMENT A	□	■
2/10/2017	SE2.07B	FIFTH FLOOR SECURITY PLAN SEGMENT B	□	■
2/10/2017	SE2.08A	SIXTH FLOOR SECURITY PLAN SEGMENT A	□	■
2/10/2017	SE2.08B	SIXTH FLOOR SECURITY PLAN SEGMENT B	□	■

DOCUMENT LIST			ISSUANCE	
CURRENT ISSUE DATE	SHEET NUMBER	SHEET NAME	SCHEMATIC DESIGN	DESIGN DEVELOPMENT
2/10/2017	SE3.01	SECURITY DOOR ELEVATIONS	□	■
2/10/2017	SE3.02	SECURITY DOOR ELEVATIONS	□	■
2/10/2017	SE3.03	SECURITY DOOR ELEVATIONS	□	■
2/10/2017	SE3.04	VIDEO SURVEILLANCE DETAILS AND SCHEDULES	□	■
2/10/2017	SE3.01	SECURITY DOOR ELEVATIONS	□	■
SPECIFICATIONS				
1/13/2017		VOLUME 01 DIVISIONS 00-14	□	■
1/13/2017		VOLUME 01 DIVISIONS 21-33	□	■
BASIS OF DESIGN				
3/9/2017		BASIS OF DESIGN -DESIGN DEVELOPMENT	■	■

EXHIBIT F

Project Schedule

Act ID	Description	Orig Dur	Start	Finish
Design-Build		46	Jun-23-17	Aug-28-17
Shoring/ Excavation/ Foundations		36	Jun-23-17	Aug-14-17
DB-1050	Award Shoring & Excavation	2	Jun-23-17	Jun-26-17
DB-1060	Shoring/ Excavation/ Foundation Design	34	Jun-27-17	Aug-14-17
Fire Sprinkler		46	Jun-23-17	Aug-28-17
DB-3050	Award Fire Sprinklers	2	Jun-23-17	Jun-26-17
DB-3060	Fire Sprinkler Design	44	Jun-27-17	Aug-28-17
Buyout		182	Mar-23-17	Dec-08-17
Package 1		83	Mar-23-17	Jul-19-17
DA-1050	Present Trade Contractors	1	Mar-23-17	Mar-23-17
DA-100	Award Trade Contractors	18	Jun-23-17	Jul-19-17
Package 2		67	Jul-25-17	Oct-26-17
A1010	Trade Contractors Prequalification	20	Jul-25-17	Aug-21-17
A1020	Distribute Bid Packages	2	Aug-22-17	Aug-23-17
A1030	Trade Contractor Bid Period	15	Aug-24-17	Sep-14-17
A1040	Bid Day	1	Sep-15-17	Sep-15-17
A1050	Review Trade Contractors	15	Sep-18-17	Oct-06-17
A1060	Present Trade Contractors	1	Oct-09-17	Oct-09-17
A1000	Award Trade Contractors	13	Oct-10-17	Oct-26-17
Package 3		74	Aug-24-17	Dec-08-17
A1090	Trade Contractors Prequalification	25	Aug-24-17	Sep-28-17
A1240	Distribute Bid Packages	2	Sep-29-17	Oct-02-17
A1300	Trade Contractor Bid Period	15	Oct-03-17	Oct-23-17
A1310	Bid Day	1	Oct-24-17	Oct-24-17
A1320	Review Trade Contractors	15	Oct-25-17	Nov-14-17
A1330	Present Trade Contractors	1	Nov-15-17	Nov-15-17
A1080	Award Trade Contractors	15	Nov-16-17	Dec-08-17
Permitting		86	Aug-15-17	Dec-15-17
Shoring and Excavation		44	Aug-15-17	Oct-16-17
BO-1200	Prepare and Submit Shoring/ Excavation Plans	5	Aug-15-17	Aug-21-17
BO-1210	Shoring/ Excavation Plans Check	15	Aug-22-17	Sep-12-17
BO-1220	Shoring/ Excavation Plans Corrections	5	Sep-13-17	Sep-19-17
BO-1230	Shoring/ Excavation Plans Second Check	18	Sep-20-17	Oct-13-17
BO-1240	Pull Shoring/Excavation Permit	1	Oct-16-17	Oct-16-17
Foundation		44	Aug-15-17	Oct-16-17
BO-1050	Prepare and Submit Foundation Plans	5	Aug-15-17	Aug-21-17
BO-1080	Foundation Plans Check	15	Aug-22-17	Sep-12-17
BO-1100	Foundation Plans Corrections	5	Sep-13-17	Sep-19-17
BO-1110	Foundation Plans Second Check	18	Sep-20-17	Oct-13-17
BO-1090	Pull Foundation Permit	1	Oct-16-17	Oct-16-17
Building		51	Oct-04-17	Dec-15-17
BO-1120	Prepare and Submit Construction Docs	0	Oct-04-17	
BO-1130	Plan Check	20	Oct-04-17	Oct-31-17
BO-1170	Plans Corrections	10	Nov-01-17	Nov-14-17
BO-1180	Plans Second Check	5	Nov-15-17	Nov-21-17
BO-1250	Plans Second Check Corrections	5	Nov-22-17	Nov-30-17
BO-1260	Plans 3rd Check	5	Dec-01-17	Dec-07-17
BO-1270	Plans 3rd Check Corrections	5	Dec-08-17	Dec-14-17
BO-1190	Pull Building Permit	1	Dec-15-17	Dec-15-17
Estimating & GMP Prep.		80	Jul-25-17	Nov-14-17
Estimating & GMP Prep.		80	Jul-25-17	Nov-14-17
EST-1070	50% CD Estimate	15	Jul-25-17	Aug-14-17



Remaining Level of Effort — Critical Re...
Actual Level of Effort — Milestone
Actual Work
Remaining Work

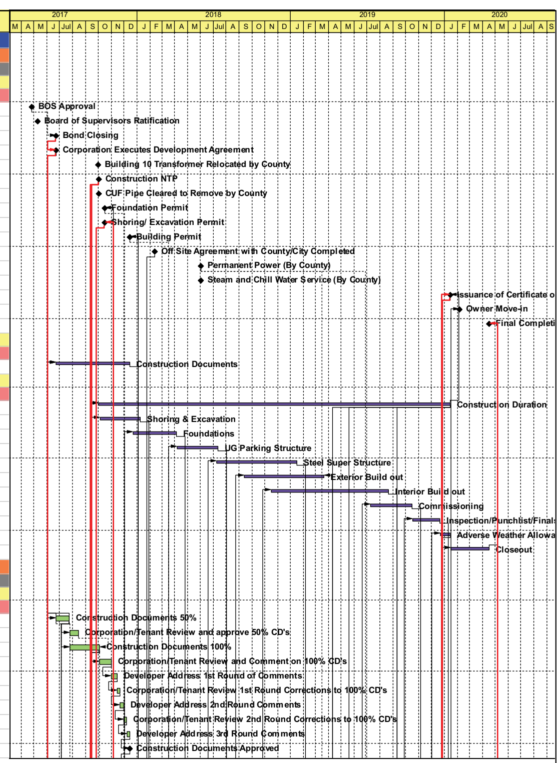
DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 2 of 14

Layout: PROPOSAL 1B
TASK filter: Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
Building 16		772	Mar-23-17	Apr-16-20
Summary		748	Apr-25-17	Apr-16-20
-		748	Apr-25-17	Apr-16-20
Milestones		748	Apr-25-17	Apr-16-20
Milestones		748	Apr-25-17	Apr-16-20
MIL-1090	BOS Approval	0		Apr-25-17
MIL-1140	Board of Supervisors Ratification	0		May-09-17*
MIL-1100	Bond Closing	0		Jun-22-17*
MIL-1130	Corporation Executes Development Agreement	0	Jun-23-17	
MIL-1055	Building 10 Transformer Relocated by County	0		Oct-01-17*
MIL-1080	Construction NTP	0	Oct-02-17*	
MIL-1110	CUF Pipe Cleared to Remove by County	0		Oct-02-17*
MIL-1040	Foundation Permit	0		Oct-16-17
MIL-1060	Shoring/ Excavation Permit	0		Oct-16-17
MIL-1050	Building Permit	0		Dec-15-17
MIL-1120	Off Site Agreement with County/City Completed	0		Feb-12-18*
MIL-1150	Permanent Power (By County)	0		Jun-01-18*
MIL-1160	Steam and Chill Water Service (By County)	0		Jun-01-18*
MIL-1000	Issuance of Certificate of Substantial Completion	0		Jan-15-20
MIL-1070	Owner Move-in	0		Feb-06-20
MIL-1010	Final Completion	0		Apr-16-20
Pre-construction		176	Jun-23-17	Dec-15-17
Pre-construction		176	Jun-23-17	Dec-15-17
SUM-1020	Construction Documents	176	Jun-23-17	Dec-15-17
Construction		927	Oct-03-17	Apr-16-20
Construction		927	Oct-03-17	Apr-16-20
SUM-1030	Construction Duration	835	Oct-03-17	Jan-15-20
SUM-1040	Shoring & Excavation	95	Oct-06-17	Jan-08-18
SUM-1050	Foundations	105	Dec-22-17	Apr-05-18
SUM-1060	UG Parking Structure	98	Apr-06-18	Jul-12-18
SUM-1070	Steel Super Structure	191	Jul-09-18	Jan-15-19
SUM-1080	Exterior Build out	190	Sep-13-18	Mar-21-19
SUM-1090	Interior Build out	278	Nov-16-18	Aug-20-19
SUM-1100	Commissioning	99	Jul-10-19	Oct-16-19
SUM-1110	Inspection/Punchlist/Finals/Sign Off	66	Oct-17-19	Dec-21-19
SUM-1130	Adverse Weather Allowance	25	Dec-22-19	Jan-15-20
SUM-1120	Closeout	92	Jan-16-20	Apr-16-20
Pre-construction		187	Mar-23-17	Dec-15-17
Phase 1B		187	Mar-23-17	Dec-15-17
Design		121	Jun-23-17	Dec-14-17
Construction Documents		121	Jun-23-17	Dec-14-17
CD-1000	Construction Documents 50%	21	Jun-23-17	Jul-24-17
CD-1010	Corporation/Tenant Review and approve 50% CD's	15	Jul-25-17	Aug-14-17
CD-1060	Construction Documents 100%	50	Jul-25-17	Oct-03-17
CD-1070	Corporation/Tenant Review and Comment on 100% CD's	20	Oct-04-17	Oct-31-17
CD-1080	Developer Address 1st Round of Comments	10	Nov-01-17	Nov-14-17
CD-1090	Corporation/Tenant Review 1st Round Corrections to 100% C	5	Nov-15-17	Nov-21-17
CD-1100	Developer Address 2nd Round Comments	5	Nov-22-17	Nov-30-17
CD-1110	Corporation/Tenant Review 2nd Round Corrections to 100% (	5	Dec-01-17	Dec-07-17
CD-1120	Developer Address 3rd Round Comments	5	Dec-08-17	Dec-14-17
CD-1130	Construction Documents Approved	0		Dec-14-17



Remaining Level of Effort — Critical Re...
Actual Level of Effort — Milestone
Actual Work
Remaining Work

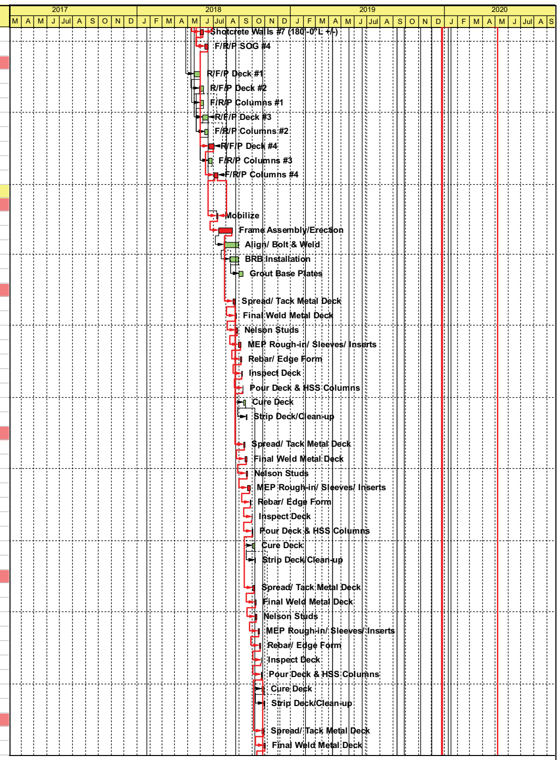
DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 1 of 14

Layout: PROPOSAL 1B
TASK filter: Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
CIP10-1070	Shotcrete Walls #7 (180'-0"L +/-)	7	May-31-18	Jun-08-18
DK-1400	F/R/P SOG #4	7	Jun-11-18	Jun-19-18
Level 1		39	May-17-18	Jul-12-18
CIP14-1010	R/F/P Deck #1	9	May-17-18	May-30-18
CIP14-1040	R/F/P Deck #2	9	May-29-18	Jun-08-18
DK-2500	F/R/P Columns #1	7	May-31-18	Jun-08-18
CIP14-1050	R/F/P Deck #3	9	Jun-07-18	Jun-19-18
DK-2600	F/R/P Columns #2	7	Jun-11-18	Jun-19-18
CIP14-1060	R/F/P Deck #4	9	Jun-20-18	Jul-02-18
DK-2700	F/R/P Columns #3	7	Jun-20-18	Jun-28-18
DK-2800	F/R/P Columns #4	7	Jul-03-18	Jul-12-18
Steel Structure		130	Jul-09-18	Jan-15-19
Erect Steel		45	Jul-09-18	Sep-10-18
STR-0010	Mobilize	4	Jul-09-18	Jul-12-18
STR-0020	Frame Assembly/Erection	25	Jul-13-18	Aug-16-18
STR-0030	Align/ Bolt & Weld	25	Jul-27-18	Aug-30-18
STR-0050	BRB Installation	15	Aug-10-18	Aug-30-18
STR-0040	Grout Base Plates	6	Aug-31-18	Sep-10-18
Level 2		22	Aug-17-18	Sep-18-18
ST2-1000	Spread/ Tack Metal Deck	4	Aug-17-18	Aug-22-18
ST2-1010	Final Weld Metal Deck	3	Aug-22-18	Aug-24-18
ST2-1020	Nelson Studs	3	Aug-24-18	Aug-28-18
ST2-1030	MEP Rough-in/ Sleeves/ Inserts	4	Aug-29-18	Sep-04-18
ST2-1040	Rebar/ Edge Form	3	Sep-04-18	Sep-06-18
ST2-1050	Inspect Deck	1	Sep-07-18	Sep-07-18
ST2-1060	Pour Deck & HSS Columns	1	Sep-10-18	Sep-10-18
ST2-1070	Cure Deck	5	Sep-11-18	Sep-15-18
ST2-1080	Strip Deck/Clean-up	2	Sep-17-18	Sep-18-18
Level 3		21	Sep-11-18	Oct-09-18
ST3-1000	Spread/ Tack Metal Deck	4	Sep-11-18	Sep-14-18
ST3-1010	Final Weld Metal Deck	3	Sep-14-18	Sep-18-18
ST3-1020	Nelson Studs	3	Sep-18-18	Sep-20-18
ST3-1030	MEP Rough-in/ Sleeves/ Inserts	4	Sep-21-18	Sep-26-18
ST3-1040	Rebar/ Edge Form	3	Sep-26-18	Sep-28-18
ST3-1050	Inspect Deck	1	Oct-01-18	Oct-01-18
ST3-1060	Pour Deck & HSS Columns	1	Oct-02-18	Oct-02-18
ST3-1070	Cure Deck	5	Oct-03-18	Oct-07-18
ST3-1080	Strip Deck/Clean-up	2	Oct-08-18	Oct-09-18
Level 4		21	Oct-03-18	Oct-31-18
ST4-1000	Spread/ Tack Metal Deck	4	Oct-03-18	Oct-08-18
ST4-1010	Final Weld Metal Deck	3	Oct-08-18	Oct-10-18
ST4-1020	Nelson Studs	3	Oct-10-18	Oct-12-18
ST4-1030	MEP Rough-in/ Sleeves/ Inserts	4	Oct-15-18	Oct-18-18
ST4-1040	Rebar/ Edge Form	3	Oct-18-18	Oct-22-18
ST4-1050	Inspect Deck	1	Oct-23-18	Oct-23-18
ST4-1060	Pour Deck & HSS Columns	1	Oct-24-18	Oct-24-18
ST4-1070	Cure Deck	5	Oct-25-18	Oct-29-18
ST4-1080	Strip Deck/Clean-up	2	Oct-30-18	Oct-31-18
Level 5		21	Oct-25-18	Nov-26-18
ST5-1000	Spread/ Tack Metal Deck	4	Oct-25-18	Oct-30-18
ST5-1010	Final Weld Metal Deck	3	Oct-30-18	Nov-01-18



Remaining Level of Effort
Critical Re...
Actual Level of Effort
Milestone
Actual Work
Remaining Work

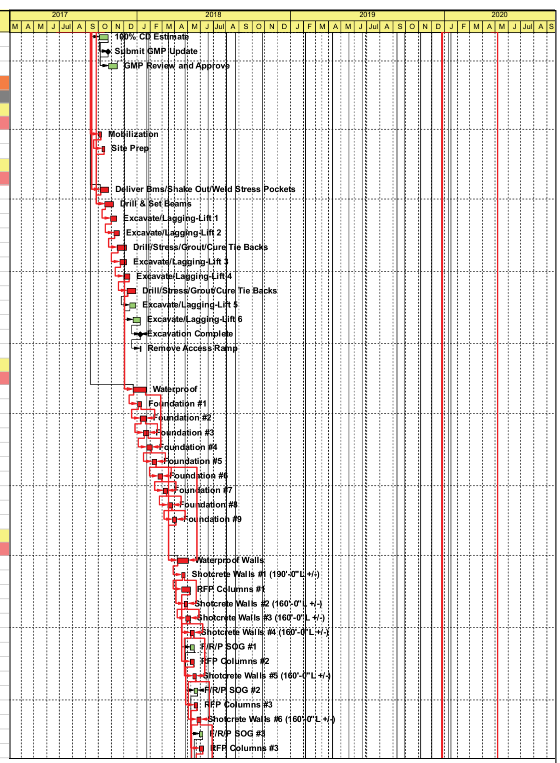
DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 4 of 14

Layout: PROPOSAL 1B
TASK filter: Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
EST-1080	100% CD Estimate	15	Oct-04-17	Oct-24-17
GMP-1020	Submit GMP Update	0		Oct-24-17
GMP-1030	GMP Review and Approve	15	Oct-25-17	Nov-14-17
Construction		588	Oct-03-17	Feb-06-20
Construction		588	Oct-03-17	Feb-06-20
Mobilization		10	Oct-03-17	Oct-16-17
Mobilization		10	Oct-03-17	Oct-16-17
MOB-1000	Mobilization	5	Oct-03-17	Oct-09-17
MOB-1010	Site Prep	5	Oct-10-17	Oct-16-17
Shoring & Excavation		65	Oct-06-17	Jan-10-18
Shoring & Excavation		65	Oct-06-17	Jan-10-18
SHOR-1000	Deliver Bms/Shake Out/Weld Stress Pockets	15	Oct-06-17	Oct-26-17
SHOR-1010	Drill & Set Beams	15	Oct-17-17	Nov-06-17
SHOR-1020	Excavate/Lagging-Lift 1	10	Oct-31-17	Nov-13-17
SHOR-1030	Excavate/Lagging-Lift 2	10	Nov-07-17	Nov-20-17
SHOR-1040	Drill/Stress/Grout/Cure Tie Backs	15	Nov-15-17	Dec-07-17
SHOR-1050	Excavate/Lagging-Lift 3	10	Nov-22-17	Dec-07-17
SHOR-1060	Excavate/Lagging-Lift 4	10	Dec-01-17	Dec-14-17
SHOR-1070	Drill/Stress/Grout/Cure Tie Backs	15	Dec-08-17	Dec-29-17
SHOR-1080	Excavate/Lagging-Lift 5	10	Dec-15-17	Dec-29-17
SHOR-1090	Excavate/Lagging-Lift 6	10	Dec-22-17	Jan-08-18
SHOR-1100	Excavation Complete	0		Jan-08-18
SHOR-1110	Remove Access Ramp	2	Jan-09-18	Jan-10-18
Foundations		71	Dec-22-17	Apr-05-18
Foundations		71	Dec-22-17	Apr-05-18
FOUND-1000	Waterproof	20	Dec-22-17	Jan-23-18
FOUND-1010	Foundation #1	9	Jan-02-18	Jan-12-18
FOUND-1020	Foundation #2	9	Jan-09-18	Jan-22-18
FOUND-1030	Foundation #3	9	Jan-17-18	Jan-29-18
FOUND-1040	Foundation #4	9	Jan-24-18	Feb-05-18
FOUND-1050	Foundation #5	9	Feb-06-18	Feb-16-18
FOUND-1060	Foundation #6	9	Feb-20-18	Mar-02-18
FOUND-1070	Foundation #7	8	Mar-05-18	Mar-14-18
FOUND-1080	Foundation #8	8	Mar-15-18	Mar-26-18
FOUND-1090	Foundation #9	8	Mar-27-18	Apr-05-18
UG Parking Structure		68	Apr-06-18	Jul-12-18
Perimeter Basement Walls & SOG		52	Apr-06-18	Jun-19-18
CIP10-1000	Waterproof Walls	20	Apr-06-18	May-03-18
CIP10-1010	Shotcrete Walls #1 (190'-0"L +/-)	7	Apr-17-18	Apr-25-18
CIP10-1090	RFP Columns #1	15	Apr-17-18	May-07-18
CIP10-1020	Shotcrete Walls #2 (160'-0"L +/-)	7	Apr-23-18	May-01-18
CIP10-1030	Shotcrete Walls #3 (160'-0"L +/-)	7	Apr-27-18	May-07-18
CIP10-1040	Shotcrete Walls #4 (160'-0"L +/-)	7	May-08-18	May-16-18
DK-1100	F/R/P SOG #1	7	May-08-18	May-16-18
CIP10-1100	RFP Columns #2	7	May-08-18	May-16-18
CIP10-1050	Shotcrete Walls #5 (160'-0"L +/-)	7	May-14-18	May-22-18
DK-1200	F/R/P SOG #2	7	May-17-18	May-25-18
CIP10-1110	RFP Columns #3	7	May-17-18	May-25-18
CIP10-1060	Shotcrete Walls #6 (160'-0"L +/-)	7	May-23-18	Jun-01-18
DK-1300	F/R/P SOG #3	7	May-29-18	Jun-06-18
CIP10-1120	RFP Columns #3	9	May-29-18	Jun-08-18



Remaining Level of Effort
Critical Re...
Actual Level of Effort
Milestone
Actual Work
Remaining Work

DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 3 of 14

Layout: PROPOSAL 1B
TASK filter: Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
EXT3-1080	Punch & Sign-off	3	Dec-18-18	Dec-20-18
Level 4		**25**	**Dec-18-18**	**Jan-28-19**
EXT4-1000	Layout	2	Dec-18-18	Dec-19-18
EXT4-1010	Install Clips	3	Dec-20-18	Dec-26-18
EXT4-1030	Install Curtain Wall	15	Dec-27-18	Jan-18-19
EXT4-1050	Install Window Wall, Doors & Guardrails	5	Jan-14-19	Jan-18-19
EXT4-1060	Fire Safing & Smoke Seal	2	Jan-18-19	Jan-22-19
EXT4-1070	Interior Sill Flashing	2	Jan-22-19	Jan-23-19
EXT4-1080	Punch & Sign-off	3	Jan-24-19	Jan-28-19
Level 5		**25**	**Jan-24-19**	**Feb-28-19**
EXT5-1000	Layout	2	Jan-24-19	Jan-25-19
EXT5-1010	Install Clips	3	Jan-28-19	Jan-30-19
EXT5-1030	Install Curtain Wall	15	Jan-31-19	Feb-21-19
EXT5-1050	Install Window Wall, Doors & Guardrails	5	Feb-14-19	Feb-21-19
EXT5-1060	Fire Safing & Smoke Seal	2	Feb-21-19	Feb-22-19
EXT5-1070	Interior Sill Flashing	2	Feb-22-19	Feb-25-19
EXT5-1080	Punch & Sign-off	3	Feb-26-19	Feb-28-19
Level 6		**35**	**Jan-31-19**	**Mar-21-19**
EXT6-1000	Layout	2	Jan-31-19	Feb-01-19
EXT6-1010	Install Clips	3	Feb-19-19	Feb-21-19
EXT6-1030	Install Curtain Wall	15	Feb-22-19	Mar-14-19
EXT6-1050	Install Window Wall, Doors & Guardrails	5	Mar-08-19	Mar-14-19
EXT6-1060	Fire Safing & Smoke Seal	2	Mar-14-19	Mar-15-19
EXT6-1070	Interior Sill Flashing	2	Mar-15-19	Mar-18-19
EXT6-1080	Punch & Sign-off	3	Mar-19-19	Mar-21-19
Roof		**51**	**Jan-16-19**	**Mar-29-19**
RF-0040	Roof Curbs for Misc Equip	7	Jan-16-19	Jan-25-19
RF-0050	Install Roofing	10	Jan-28-19	Feb-08-19
RF-0090	Coping @ Parapet Wall	4	Feb-11-19	Feb-14-19
MECH-0010	Set Equipment (AC Units, Exhaust Fans)	10	Feb-15-19	Mar-01-19
MECH-0020	Misc Roof Equip. (Pumps, Boiler, Elect. Water Heater)	10	Mar-04-19	Mar-15-19
MECH-0030	Hook-Up Mechanical (Ducting)	10	Mar-18-19	Mar-29-19
Interior Buildout		**188**	**Nov-16-18**	**Aug-20-19**
Level 1		**125**	**Nov-16-18**	**May-21-19**
INT1-0010	Layout Walls	4	Nov-16-18	Nov-21-18
INT1-0050	Layout HVAC Openings	4	Nov-26-18	Nov-29-18
INT1-0030	Fireproofing (Monokote)	5	Nov-26-18	Nov-30-18
INT1-0060	Frame Walls	10	Dec-03-18	Dec-14-18
INT1-0450	Supply Air Main Duct	3	Dec-03-18	Dec-05-18
INT1-0560	Install Cable Tray	3	Dec-06-18	Dec-10-18
INT1-0460	Overhead Waste & Vent Piping	6	Dec-06-18	Dec-13-18
INT1-0465	Fire Sprinkler Mains	6	Dec-06-18	Dec-13-18
INT1-0130	Door/Window Frames	4	Dec-14-18	Dec-19-18
INT1-0500	Overhead Domestic Water Piping	8	Dec-14-18	Dec-27-18
INT1-0110	Install Folding Partition Supports	3	Dec-17-18	Dec-19-18
INT1-5010	Install Counter Supports	2	Dec-17-18	Dec-18-18
INT1-0120	Rough-in Waste & Vent Piping (In-Wall)	10	Dec-28-18	Jan-14-19
INT1-0180	Rough-in Fire Alarm (In-Wall)	6	Dec-28-18	Jan-08-19
INT1-0550	Overhead Fire Alarm Conduit	6	Dec-28-18	Jan-08-19
INT1-0150	Rough-in Electrical (In-Wall)	10	Jan-09-19	Jan-23-19
INT1-0600	Fireproofing repair (Monokote)	3	Jan-09-19	Jan-11-19

Remaining Level of Effort — Critical Re...
Actual Level of Effort — ◆ Milestone
Actual Work
Remaining Work

DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 6 of 14

Layout: PROPOSAL 1B
TASK filter: Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
ST5-1020	Nelson Studs	3	Nov-01-18	Nov-05-18
ST5-1030	MEP Rough-in/ Sleeves/ Inserts	4	Nov-06-18	Nov-09-18
ST5-1040	Rebar/ Edge Form	3	Nov-09-18	Nov-13-18
ST5-1050	Inspect Deck	1	Nov-14-18	Nov-14-18
ST5-1060	Pour Deck & HSS Columns	1	Nov-15-18	Nov-15-18
ST5-1070	Cure Deck	5	Nov-16-18	Nov-20-18
ST5-1080	Strip Deck/Clean-up	2	Nov-21-18	Nov-26-18
Level 6		**21**	**Nov-16-18**	**Dec-18-18**
ST6-1000	Spread/ Tack Metal Deck	4	Nov-16-18	Nov-21-18
ST6-1010	Final Weld Metal Deck	3	Nov-21-18	Nov-27-18
ST6-1020	Nelson Studs	3	Nov-27-18	Nov-29-18
ST6-1030	MEP Rough-in/ Sleeves/ Inserts	4	Nov-30-18	Dec-05-18
ST6-1040	Rebar/ Edge Form	3	Dec-05-18	Dec-07-18
ST6-1050	Inspect Deck	1	Dec-10-18	Dec-10-18
ST6-1060	Pour Deck & HSS Columns	1	Dec-11-18	Dec-11-18
ST6-1070	Cure Deck	5	Dec-12-18	Dec-16-18
ST6-1080	Strip Deck/Clean-up	2	Dec-17-18	Dec-18-18
Roof Deck		**21**	**Dec-12-18**	**Jan-15-19**
ST7-1000	Spread/ Tack Metal Deck	4	Dec-12-18	Dec-17-18
ST7-1010	Final Weld Metal Deck	3	Dec-17-18	Dec-19-18
ST7-1020	Nelson Studs	3	Dec-19-18	Dec-21-18
ST7-1030	MEP Rough-in/ Sleeves/ Inserts	4	Dec-26-18	Jan-02-19
ST7-1040	Rebar/ Edge Form	3	Jan-02-19	Jan-04-19
ST7-1050	Inspect Deck	1	Jan-07-19	Jan-07-19
ST7-1060	Pour Deck & HSS Columns	1	Jan-08-19	Jan-08-19
ST7-1070	Cure Deck	5	Jan-09-19	Jan-13-19
ST7-1080	Strip Deck/Clean-up	2	Jan-14-19	Jan-15-19
Exterior Elevations & Roof		**134**	**Sep-13-18**	**Mar-29-19**
Level 1		**25**	**Sep-13-18**	**Oct-17-18**
EXT1-1000	Layout	2	Sep-13-18	Sep-17-18
EXT1-1010	Install Clips	3	Sep-17-18	Sep-19-18
EXT1-1030	Install Curtain Wall	15	Sep-20-18	Oct-10-18
EXT1-1050	Install Window Wall, Doors & Guardrails	5	Oct-04-18	Oct-10-18
EXT1-1060	Fire Safing & Smoke Seal	2	Oct-10-18	Oct-11-18
EXT1-1070	Interior Sill Flashing	2	Oct-11-18	Oct-12-18
EXT1-1080	Punch & Sign-off	3	Oct-15-18	Oct-17-18
Level 2		**25**	**Oct-15-18**	**Nov-16-18**
EXT2-1000	Layout	2	Oct-15-18	Oct-16-18
EXT2-1010	Install Clips	3	Oct-17-18	Oct-19-18
EXT2-1030	Install Curtain Wall	15	Oct-22-18	Nov-09-18
EXT2-1050	Install Window Wall, Doors & Guardrails	5	Nov-05-18	Nov-09-18
EXT2-1060	Fire Safing & Smoke Seal	2	Nov-09-18	Nov-12-18
EXT2-1070	Interior Sill Flashing	2	Nov-12-18	Nov-13-18
EXT2-1080	Punch & Sign-off	3	Nov-14-18	Nov-16-18
Level 3		**25**	**Nov-14-18**	**Dec-20-18**
EXT3-1000	Layout	2	Nov-14-18	Nov-15-18
EXT3-1010	Install Clips	3	Nov-16-18	Nov-20-18
EXT3-1030	Install Curtain Wall	15	Nov-21-18	Dec-13-18
EXT3-1050	Install Window Wall, Doors & Guardrails	5	Dec-07-18	Dec-13-18
EXT3-1060	Fire Safing & Smoke Seal	2	Dec-13-18	Dec-14-18
EXT3-1070	Interior Sill Flashing	2	Dec-14-18	Dec-17-18

Remaining Level of Effort — Critical Re...
Actual Level of Effort — ◆ Milestone
Actual Work
Remaining Work

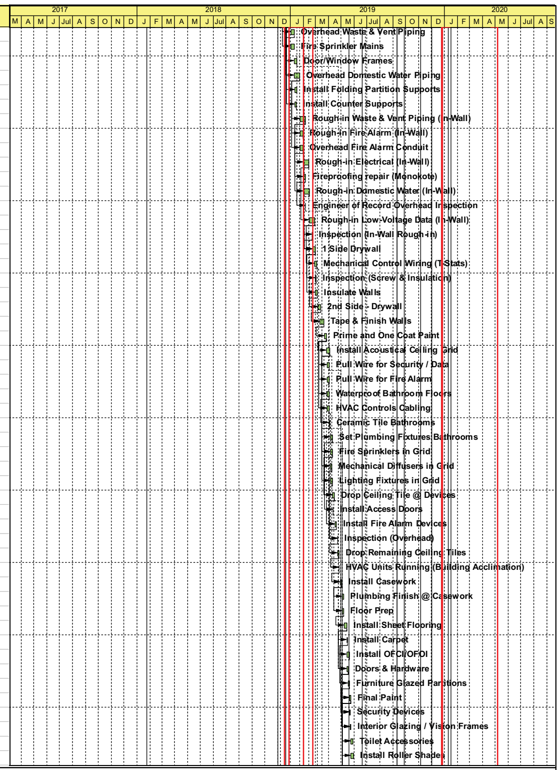
DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 5 of 14

Layout: PROPOSAL 1B
TASK filter: Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
INT2-0460	Overhead Waste & Vent Piping	6	Jan-02-19	Jan-09-19
INT2-0465	Fire Sprinkler Mains	6	Jan-02-19	Jan-09-19
INT2-0130	Door/Window Frames	4	Jan-10-19	Jan-15-19
INT2-0500	Overhead Domestic Water Piping	8	Jan-10-19	Jan-22-19
INT2-0110	Install Folding Partition Supports	3	Jan-11-19	Jan-15-19
INT2-5010	Install Counter Supports	2	Jan-11-19	Jan-14-19
INT2-0120	Rough-in Waste & Vent Piping (In-Wall)	10	Jan-23-19	Feb-05-19
INT2-0180	Rough-in Fire Alarm (In-Wall)	6	Jan-23-19	Jan-30-19
INT2-0550	Overhead Fire Alarm Conduit	6	Jan-23-19	Jan-30-19
INT2-0150	Rough-in Electrical (In-Wall)	10	Jan-31-19	Feb-13-19
INT2-0600	Fireproofing repair (Monokote)	3	Jan-31-19	Feb-04-19
INT2-0160	Rough-in Domestic Water (In-Wall)	10	Feb-01-19	Feb-14-19
INT2-0610	Engineer of Record Overhead Inspection	1	Feb-05-19	Feb-05-19
INT2-0170	Rough-in Low-Voltage Data (In-Wall)	8	Feb-14-19	Feb-26-19
INT2-0200	Inspection (In-Wall Rough-in)	1	Feb-21-19	Feb-21-19
INT2-0620	1 Side Drywall	5	Feb-22-19	Feb-28-19
INT2-0510	Mechanical Control Wiring (T-Stats)	4	Feb-27-19	Mar-04-19
INT2-0640	Inspection (Screw & Insulation)	1	Mar-01-19	Mar-01-19
INT2-0630	Insulate Walls	3	Mar-01-19	Mar-05-19
INT2-0650	2nd Side - Drywall	6	Mar-06-19	Mar-13-19
INT2-0660	Tape & Finish Walls	9	Mar-11-19	Mar-21-19
INT2-0670	Prime and One Coat Paint	4	Mar-22-19	Mar-27-19
INT2-0710	Install Acoustical Ceiling Grid	7	Mar-27-19	Apr-04-19
INT2-0690	Pull Wire for Security / Data	4	Mar-28-19	Apr-02-19
INT2-0680	Pull Wire for Fire Alarm	4	Mar-28-19	Apr-02-19
INT2-0720	Waterproof Bathroom Floors	4	Mar-28-19	Apr-02-19
INT2-0700	HVAC Controls Cabling	4	Mar-28-19	Apr-02-19
INT2-0730	Ceramic Tile Bathrooms	2	Apr-03-19	Apr-04-19
INT2-0900	Set Plumbing Fixtures Bathrooms	4	Apr-05-19	Apr-10-19
INT2-0800	Fire Sprinklers in Grid	3	Apr-05-19	Apr-09-19
INT2-0770	Mechanical Diffusers in Grid	2	Apr-05-19	Apr-08-19
INT2-0760	Lighting Fixtures in Grid	3	Apr-05-19	Apr-09-19
INT2-0740	Drop Ceiling Tile @ Devices	4	Apr-10-19	Apr-15-19
INT2-1500	Install Access Doors	1	Apr-11-19	Apr-11-19
INT2-0790	Install Fire Alarm Devices	4	Apr-16-19	Apr-19-19
INT2-0820	Inspection (Overhead)	1	Apr-22-19	Apr-22-19
INT2-1000	Drop Remaining Ceiling Tiles	3	Apr-23-19	Apr-25-19
INT2-0840	HVAC Units Running (Building Acclimation)	1	Apr-26-19	Apr-26-19
INT2-0850	Install Casework	4	Apr-29-19	May-02-19
INT2-0880	Plumbing Finish @ Casework	3	May-03-19	May-07-19
INT2-0860	Floor Prep	3	May-03-19	May-07-19
INT2-0870	Install Sheet Flooring	5	May-08-19	May-14-19
INT2-0950	Install Carpet	2	May-15-19	May-16-19
INT2-0920	Install OFCI/OFOI	5	May-15-19	May-21-19
INT2-0910	Doors & Hardware	3	May-15-19	May-17-19
INT2-0960	Furniture Glazed Partitions	3	May-17-19	May-21-19
INT2-1010	Final Paint	4	May-20-19	May-23-19
INT2-0810	Security Devices	3	May-20-19	May-22-19
INT2-0970	Interior Glazing / Vision Frames	3	May-22-19	May-24-19
INT2-0940	Toilet Accessories	2	May-24-19	May-28-19
INT2-1550	Install Roller Shades	3	May-24-19	May-29-19



Remaining Level of Effort | Critical Re... | Actual Level of Effort | Milestone | Actual Work | Remaining Work

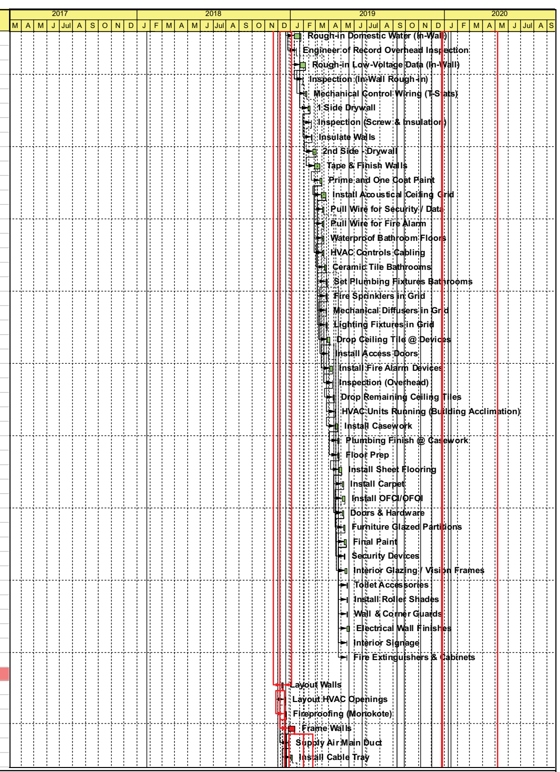
DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 8 of 14

Layout: PROPOSAL 1B
TASK filter: Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
INT1-0160	Rough-in Domestic Water (In-Wall)	10	Jan-10-19	Jan-24-19
INT1-0610	Engineer of Record Overhead Inspection	1	Jan-14-19	Jan-14-19
INT1-0170	Rough-in Low-Voltage Data (In-Wall)	8	Jan-24-19	Feb-04-19
INT1-0200	Inspection (In-Wall Rough-in)	1	Jan-30-19	Jan-30-19
INT1-0510	Mechanical Control Wiring (T-Stats)	4	Feb-05-19	Feb-08-19
INT1-0620	1 Side Drywall	5	Feb-11-19	Feb-15-19
INT1-0640	Inspection (Screw & Insulation)	1	Feb-19-19	Feb-19-19
INT1-0630	Insulate Walls	3	Feb-19-19	Feb-21-19
INT1-0650	2nd Side - Drywall	6	Feb-22-19	Mar-01-19
INT1-0660	Tape & Finish Walls	9	Feb-27-19	Mar-11-19
INT1-0670	Prime and One Coat Paint	4	Mar-12-19	Mar-15-19
INT1-0710	Install Acoustical Ceiling Grid	7	Mar-15-19	Mar-25-19
INT1-0690	Pull Wire for Security / Data	4	Mar-18-19	Mar-21-19
INT1-0680	Pull Wire for Fire Alarm	4	Mar-18-19	Mar-21-19
INT1-0720	Waterproof Bathroom Floors	4	Mar-18-19	Mar-21-19
INT1-0700	HVAC Controls Cabling	4	Mar-18-19	Mar-21-19
INT1-0730	Ceramic Tile Bathrooms	2	Mar-22-19	Mar-25-19
INT1-0900	Set Plumbing Fixtures Bathrooms	4	Mar-26-19	Mar-29-19
INT1-0800	Fire Sprinklers in Grid	3	Mar-26-19	Mar-28-19
INT1-0770	Mechanical Diffusers in Grid	2	Mar-26-19	Mar-27-19
INT1-0760	Lighting Fixtures in Grid	3	Mar-26-19	Mar-28-19
INT1-0740	Drop Ceiling Tile @ Devices	4	Mar-29-19	Apr-03-19
INT1-1500	Install Access Doors	1	Apr-01-19	Apr-01-19
INT1-0790	Install Fire Alarm Devices	4	Apr-04-19	Apr-09-19
INT1-0820	Inspection (Overhead)	1	Apr-10-19	Apr-10-19
INT1-1000	Drop Remaining Ceiling Tiles	3	Apr-11-19	Apr-15-19
INT1-0840	HVAC Units Running (Building Acclimation)	1	Apr-16-19	Apr-16-19
INT1-0850	Install Casework	4	Apr-17-19	Apr-22-19
INT1-0880	Plumbing Finish @ Casework	3	Apr-23-19	Apr-25-19
INT1-0860	Floor Prep	3	Apr-23-19	Apr-25-19
INT1-0870	Install Sheet Flooring	5	Apr-26-19	May-02-19
INT1-0950	Install Carpet	2	May-03-19	May-06-19
INT1-0920	Install OFCI/OFOI	5	May-03-19	May-09-19
INT1-0910	Doors & Hardware	3	May-03-19	May-07-19
INT1-0960	Furniture Glazed Partitions	3	May-07-19	May-09-19
INT1-1010	Final Paint	4	May-08-19	May-13-19
INT1-0810	Security Devices	3	May-08-19	May-10-19
INT1-0970	Interior Glazing / Vision Frames	3	May-10-19	May-14-19
INT1-0940	Toilet Accessories	2	May-14-19	May-15-19
INT1-1550	Install Roller Shades	3	May-14-19	May-16-19
INT1-1030	Wall & Corner Guards	3	May-14-19	May-16-19
INT1-0750	Electrical Wall Finishes	6	May-14-19	May-21-19
INT1-1040	Interior Signage	1	May-14-19	May-14-19
INT1-0890	Fire Extinguishers & Cabinets	1	May-14-19	May-14-19
Level 2		118	Dec-11-18	Jun-03-19
INT2-0010	Layout Walls	4	Dec-11-18	Dec-14-18
INT2-0050	Layout HVAC Openings	4	Dec-17-18	Dec-20-18
INT2-0030	Fireproofing (Monokote)	5	Dec-17-18	Dec-21-18
INT2-0060	Frame Walls	10	Dec-26-18	Jan-10-19
INT2-0450	Supply Air Main Duct	3	Dec-26-18	Dec-28-18
INT2-0560	Install Cable Tray	3	Jan-02-19	Jan-04-19



Remaining Level of Effort | Critical Re... | Actual Level of Effort | Milestone | Actual Work | Remaining Work

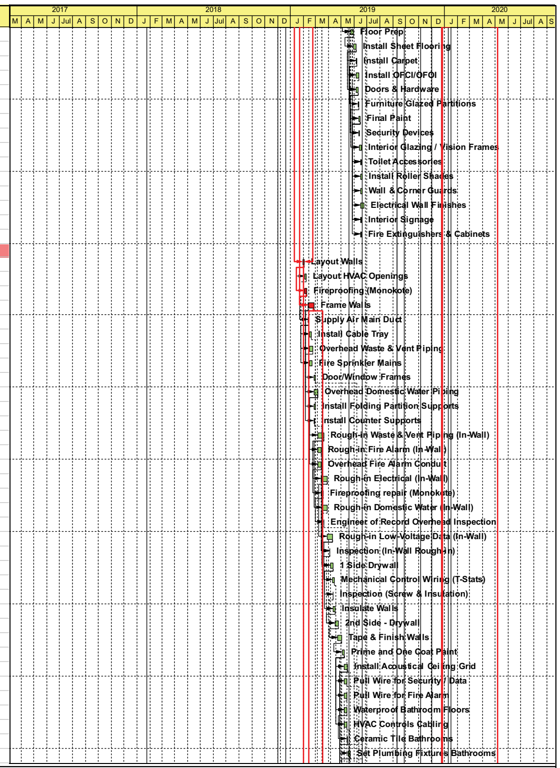
DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 7 of 14

Layout: PROPOSAL 1B
TASK filter: Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
INT3-0860	Floor Prep	3	May-24-19	May-29-19
INT3-0870	Install Sheet Flooring	5	May-30-19	Jun-05-19
INT3-0950	Install Carpet	2	Jun-06-19	Jun-07-19
INT3-0920	Install OFCI/OFOI	5	Jun-06-19	Jun-12-19
INT3-0910	Doors & Hardware	3	Jun-06-19	Jun-10-19
INT3-0960	Furniture Glazed Partitions	3	Jun-10-19	Jun-12-19
INT3-1010	Final Paint	4	Jun-11-19	Jun-14-19
INT3-0810	Security Devices	3	Jun-11-19	Jun-13-19
INT3-0970	Interior Glazing / Vision Frames	3	Jun-13-19	Jun-17-19
INT3-0940	Toilet Accessories	2	Jun-17-19	Jun-18-19
INT3-1550	Install Roller Shades	3	Jun-17-19	Jun-19-19
INT3-1030	Wall & Corner Guards	3	Jun-17-19	Jun-19-19
INT3-0750	Electrical Wall Finishes	6	Jun-17-19	Jun-24-19
INT3-1040	Interior Signage	1	Jun-17-19	Jun-17-19
INT3-0890	Fire Extinguishers & Cabinets	1	Jun-17-19	Jun-17-19
Level 4		118	Jan-29-19	Jul-16-19
INT4-0010	Layout Walls	4	Jan-29-19	Feb-01-19
INT4-0050	Layout HVAC Openings	4	Feb-04-19	Feb-07-19
INT4-0030	Fireproofing (Monokote)	5	Feb-04-19	Feb-08-19
INT4-0060	Frame Walls	10	Feb-11-19	Feb-25-19
INT4-0450	Supply Air Main Duct	3	Feb-11-19	Feb-13-19
INT4-0560	Install Cable Tray	3	Feb-14-19	Feb-19-19
INT4-0460	Overhead Waste & Vent Piping	6	Feb-14-19	Feb-22-19
INT4-0465	Fire Sprinkler Mains	4	Feb-14-19	Feb-20-19
INT4-0130	Door/Window Frames	4	Feb-25-19	Feb-28-19
INT4-0500	Overhead Domestic Water Piping	8	Feb-25-19	Mar-06-19
INT4-0110	Install Folding Partition Supports	3	Feb-26-19	Feb-28-19
INT4-5010	Install Counter Supports	2	Feb-26-19	Feb-27-19
INT4-0120	Rough-in Waste & Vent Piping (In-Wall)	10	Mar-07-19	Mar-20-19
INT4-0180	Rough-in Fire Alarm (In-Wall)	6	Mar-07-19	Mar-14-19
INT4-0550	Overhead Fire Alarm Conduit	6	Mar-07-19	Mar-14-19
INT4-0150	Rough-in Electrical (In-Wall)	10	Mar-15-19	Mar-28-19
INT4-0600	Fireproofing repair (Monokote)	3	Mar-15-19	Mar-19-19
INT4-0160	Rough-in Domestic Water (In-Wall)	10	Mar-18-19	Mar-29-19
INT4-0610	Engineer of Record Overhead Inspection	1	Mar-20-19	Mar-20-19
INT4-0170	Rough-in Low-Voltage Data (In-Wall)	8	Mar-29-19	Apr-09-19
INT4-0200	Inspection (In-Wall Rough-in)	1	Apr-04-19	Apr-04-19
INT4-0620	1 Side Drywall	5	Apr-05-19	Apr-11-19
INT4-0510	Mechanical Control Wiring (T-Stats)	4	Apr-10-19	Apr-15-19
INT4-0640	Inspection (Screw & Insulation)	1	Apr-12-19	Apr-12-19
INT4-0630	Insulate Walls	3	Apr-12-19	Apr-16-19
INT4-0650	2nd Side - Drywall	6	Apr-17-19	Apr-24-19
INT4-0660	Tape & Finish Walls	9	Apr-22-19	May-02-19
INT4-0670	Prime and One Coat Paint	4	May-03-19	May-08-19
INT4-0710	Install Acoustical Ceiling Grid	7	May-08-19	May-16-19
INT4-0690	Pull Wire for Security / Data	4	May-09-19	May-14-19
INT4-0680	Pull Wire for Fire Alarm	4	May-09-19	May-14-19
INT4-0720	Waterproof Bathroom Floors	4	May-09-19	May-14-19
INT4-0700	HVAC Controls Cabling	4	May-09-19	May-14-19
INT4-0730	Ceramic Tile Bathrooms	2	May-15-19	May-16-19
INT4-0900	Set Plumbing Fixtures Bathrooms	4	May-17-19	May-22-19



Remaining Level of Effort — Critical Re... — Actual Level of Effort — ◆ Milestone — Actual Work — Remaining Work

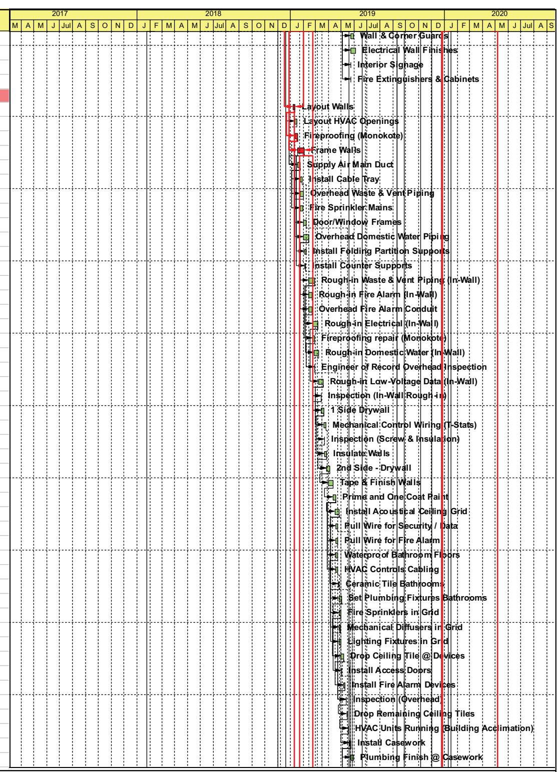
DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 10 of 14

Layout:
PROPOSAL 1B
TASK filter:
Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
INT2-1030	Wall & Corner Guards	3	May-24-19	May-29-19
INT2-0750	Electrical Wall Finishes	6	May-24-19	Jun-03-19
INT2-1040	Interior Signage	1	May-24-19	May-24-19
INT2-0890	Fire Extinguishers & Cabinets	1	May-24-19	May-24-19
Level 3		118	Jan-07-19	Jun-24-19
INT3-0010	Layout Walls	4	Jan-07-19	Jan-10-19
INT3-0050	Layout HVAC Openings	4	Jan-11-19	Jan-16-19
INT3-0030	Fireproofing (Monokote)	5	Jan-11-19	Jan-17-19
INT3-0060	Frame Walls	10	Jan-18-19	Feb-01-19
INT3-0450	Supply Air Main Duct	3	Jan-18-19	Jan-23-19
INT3-0560	Install Cable Tray	3	Jan-24-19	Jan-28-19
INT3-0460	Overhead Waste & Vent Piping	6	Jan-24-19	Jan-31-19
INT3-0465	Fire Sprinkler Mains	4	Jan-24-19	Jan-29-19
INT3-0130	Door/Window Frames	4	Feb-01-19	Feb-06-19
INT3-0500	Overhead Domestic Water Piping	8	Feb-01-19	Feb-12-19
INT3-0110	Install Folding Partition Supports	3	Feb-04-19	Feb-06-19
INT3-5010	Install Counter Supports	2	Feb-04-19	Feb-05-19
INT3-0120	Rough-in Waste & Vent Piping (In-Wall)	10	Feb-13-19	Feb-27-19
INT3-0180	Rough-in Fire Alarm (In-Wall)	6	Feb-13-19	Feb-21-19
INT3-0550	Overhead Fire Alarm Conduit	6	Feb-13-19	Feb-21-19
INT3-0150	Rough-in Electrical (In-Wall)	10	Feb-22-19	Mar-07-19
INT3-0600	Fireproofing repair (Monokote)	3	Feb-22-19	Feb-26-19
INT3-0160	Rough-in Domestic Water (In-Wall)	10	Feb-25-19	Mar-08-19
INT3-0610	Engineer of Record Overhead Inspection	1	Feb-27-19	Feb-27-19
INT3-0170	Rough-in Low-Voltage Data (In-Wall)	8	Mar-08-19	Mar-19-19
INT3-0200	Inspection (In-Wall Rough-in)	1	Mar-14-19	Mar-14-19
INT3-0620	1 Side Drywall	5	Mar-15-19	Mar-21-19
INT3-0510	Mechanical Control Wiring (T-Stats)	4	Mar-20-19	Mar-25-19
INT3-0640	Inspection (Screw & Insulation)	1	Mar-22-19	Mar-22-19
INT3-0630	Insulate Walls	3	Mar-22-19	Mar-26-19
INT3-0650	2nd Side - Drywall	6	Mar-27-19	Apr-03-19
INT3-0660	Tape & Finish Walls	9	Apr-01-19	Apr-11-19
INT3-0670	Prime and One Coat Paint	4	Apr-12-19	Apr-17-19
INT3-0710	Install Acoustical Ceiling Grid	7	Apr-17-19	Apr-25-19
INT3-0690	Pull Wire for Security / Data	4	Apr-18-19	Apr-23-19
INT3-0680	Pull Wire for Fire Alarm	4	Apr-18-19	Apr-23-19
INT3-0720	Waterproof Bathroom Floors	4	Apr-18-19	Apr-23-19
INT3-0700	HVAC Controls Cabling	4	Apr-18-19	Apr-23-19
INT3-0730	Ceramic Tile Bathrooms	2	Apr-24-19	Apr-25-19
INT3-0900	Set Plumbing Fixtures Bathrooms	4	Apr-26-19	May-01-19
INT3-0800	Fire Sprinklers in Grid	3	Apr-26-19	Apr-30-19
INT3-0770	Mechanical Diffusers in Grid	2	Apr-26-19	Apr-29-19
INT3-0760	Lighting Fixtures in Grid	3	Apr-26-19	Apr-30-19
INT3-0740	Drop Ceiling Tile @ Devices	4	May-01-19	May-06-19
INT3-1500	Install Access Doors	1	May-02-19	May-02-19
INT3-0790	Install Fire Alarm Devices	4	May-07-19	May-10-19
INT3-0820	Inspection (Overhead)	1	May-13-19	May-13-19
INT3-1000	Drop Remaining Ceiling Tiles	3	May-14-19	May-16-19
INT3-0840	HVAC Units Running (Building Acclimation)	1	May-17-19	May-17-19
INT3-0850	Install Casework	4	May-20-19	May-23-19
INT3-0880	Plumbing Finish @ Casework	3	May-24-19	May-29-19



Remaining Level of Effort — Critical Re... — Actual Level of Effort — ◆ Milestone — Actual Work — Remaining Work

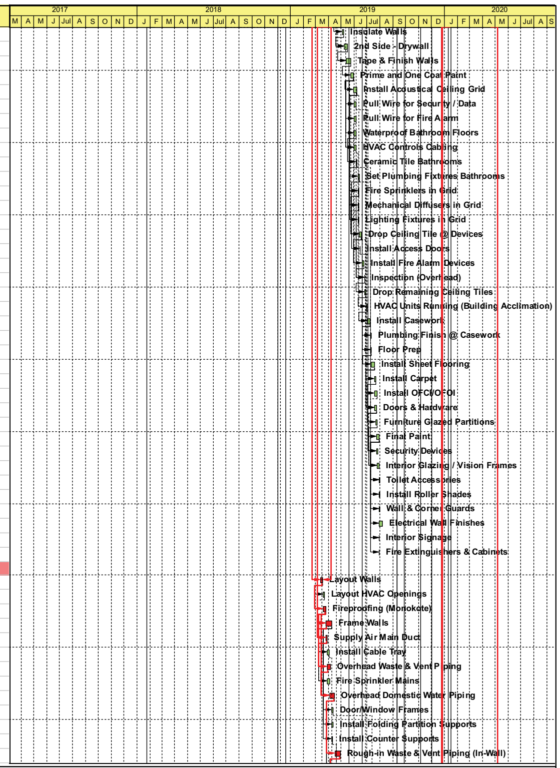
DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 9 of 14

Layout:
PROPOSAL 1B
TASK filter:
Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
INT5-0630	Insulate Walls	3	May-03-19	May-07-19
INT5-0650	2nd Side - Drywall	6	May-08-19	May-15-19
INT5-0660	Tape & Finish Walls	9	May-13-19	May-23-19
INT5-0670	Prime and One Coat Paint	4	May-24-19	May-30-19
INT5-0710	Install Acoustical Ceiling Grid	7	May-30-19	Jun-07-19
INT5-0690	Pull Wire for Security / Data	4	May-31-19	Jun-05-19
INT5-0680	Pull Wire for Fire Alarm	4	May-31-19	Jun-05-19
INT5-0720	Waterproof Bathroom Floors	4	May-31-19	Jun-05-19
INT5-0700	HVAC Controls Cabling	4	May-31-19	Jun-05-19
INT5-0730	Ceramic Tile Bathrooms	2	Jun-06-19	Jun-07-19
INT5-0900	Set Plumbing Fixtures Bathrooms	4	Jun-10-19	Jun-13-19
INT5-0800	Fire Sprinklers in Grid	3	Jun-10-19	Jun-12-19
INT5-0770	Mechanical Diffusers in Grid	2	Jun-10-19	Jun-11-19
INT5-0760	Lighting Fixtures in Grid	3	Jun-10-19	Jun-12-19
INT5-0740	Drop Ceiling Tile @ Devices	4	Jun-13-19	Jun-18-19
INT5-1500	Install Access Doors	1	Jun-14-19	Jun-14-19
INT5-0790	Install Fire Alarm Devices	4	Jun-19-19	Jun-24-19
INT5-0820	Inspection (Overhead)	1	Jun-25-19	Jun-25-19
INT5-1000	Drop Remaining Ceiling Tiles	3	Jun-26-19	Jun-28-19
INT5-0840	HVAC Units Running (Building Acclimation)	1	Jul-01-19	Jul-01-19
INT5-0850	Install Casework	4	Jul-02-19	Jul-08-19
INT5-0880	Plumbing Finish @ Casework	3	Jul-09-19	Jul-11-19
INT5-0860	Floor Prep	3	Jul-09-19	Jul-11-19
INT5-0870	Install Sheet Flooring	5	Jul-12-19	Jul-18-19
INT5-0950	Install Carpet	2	Jul-19-19	Jul-22-19
INT5-0920	Install OFCI/OFOI	5	Jul-19-19	Jul-25-19
INT5-0910	Doors & Hardware	3	Jul-19-19	Jul-23-19
INT5-0960	Furniture Glazed Partitions	3	Jul-23-19	Jul-25-19
INT5-1010	Final Paint	4	Jul-24-19	Jul-29-19
INT5-0810	Security Devices	3	Jul-24-19	Jul-26-19
INT5-0970	Interior Glazing / Vision Frames	3	Jul-26-19	Jul-30-19
INT5-0940	Toilet Accessories	2	Jul-30-19	Jul-31-19
INT5-1550	Install Roller Shades	3	Jul-30-19	Aug-01-19
INT5-1030	Wall & Corner Guards	3	Jul-30-19	Aug-01-19
INT5-0750	Electrical Wall Finishes	6	Jul-30-19	Aug-06-19
INT5-1040	Interior Signage	1	Jul-30-19	Jul-30-19
INT5-0890	Fire Extinguishers & Cabinets	1	Jul-30-19	Jul-30-19
Level 6		113	Mar-13-19	Aug-20-19
INT6-0010	Layout Walls	4	Mar-13-19	Mar-18-19
INT6-0050	Layout HVAC Openings	4	Mar-19-19	Mar-22-19
INT6-0030	Fireproofing (Monokote)	5	Mar-19-19	Mar-25-19
INT6-0060	Frame Walls	10	Mar-26-19	Apr-08-19
INT6-0450	Supply Air Main Duct	3	Mar-26-19	Mar-28-19
INT6-0560	Install Cable Tray	3	Mar-29-19	Apr-02-19
INT6-0460	Overhead Waste & Vent Piping	6	Mar-29-19	Apr-05-19
INT6-0465	Fire Sprinkler Mains	4	Mar-29-19	Apr-03-19
INT6-0500	Overhead Domestic Water Piping	8	Apr-04-19	Apr-15-19
INT6-0130	Door/Window Frames	4	Apr-08-19	Apr-11-19
INT6-0110	Install Folding Partition Supports	3	Apr-09-19	Apr-11-19
INT6-5010	Install Counter Supports	2	Apr-09-19	Apr-10-19
INT6-0120	Rough-in Waste & Vent Piping (In-Wall)	10	Apr-16-19	Apr-29-19



Remaining Level of Effort
Critical Re...
Actual Level of Effort
Milestone
Actual Work
Remaining Work

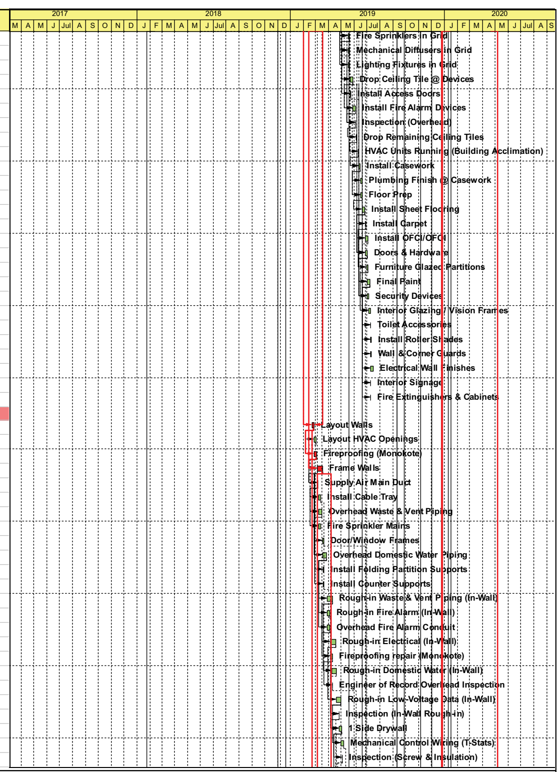
DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 12 of 14

Layout:
PROPOSAL 1B
TASK filter:
Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
INT4-0800	Fire Sprinklers in Grid	3	May-17-19	May-21-19
INT4-0770	Mechanical Diffusers in Grid	2	May-17-19	May-20-19
INT4-0760	Lighting Fixtures in Grid	3	May-17-19	May-21-19
INT4-0740	Drop Ceiling Tile @ Devices	4	May-22-19	May-28-19
INT4-1500	Install Access Doors	1	May-23-19	May-23-19
INT4-0790	Install Fire Alarm Devices	4	May-29-19	Jun-03-19
INT4-0820	Inspection (Overhead)	1	Jun-04-19	Jun-04-19
INT4-1000	Drop Remaining Ceiling Tiles	3	Jun-05-19	Jun-07-19
INT4-0840	HVAC Units Running (Building Acclimation)	1	Jun-10-19	Jun-10-19
INT4-0850	Install Casework	4	Jun-11-19	Jun-14-19
INT4-0880	Plumbing Finish @ Casework	3	Jun-17-19	Jun-19-19
INT4-0860	Floor Prep	3	Jun-17-19	Jun-19-19
INT4-0870	Install Sheet Flooring	5	Jun-20-19	Jun-26-19
INT4-0950	Install Carpet	2	Jun-27-19	Jun-28-19
INT4-0920	Install OFCI/OFOI	5	Jun-27-19	Jul-03-19
INT4-0910	Doors & Hardware	3	Jun-27-19	Jul-01-19
INT4-0960	Furniture Glazed Partitions	3	Jul-01-19	Jul-03-19
INT4-1010	Final Paint	4	Jul-02-19	Jul-08-19
INT4-0810	Security Devices	3	Jul-02-19	Jul-05-19
INT4-0970	Interior Glazing / Vision Frames	3	Jul-05-19	Jul-09-19
INT4-0940	Toilet Accessories	2	Jul-09-19	Jul-10-19
INT4-1550	Install Roller Shades	3	Jul-09-19	Jul-11-19
INT4-1030	Wall & Corner Guards	3	Jul-09-19	Jul-11-19
INT4-0750	Electrical Wall Finishes	6	Jul-09-19	Jul-16-19
INT4-1040	Interior Signage	1	Jul-09-19	Jul-09-19
INT4-0890	Fire Extinguishers & Cabinets	1	Jul-09-19	Jul-09-19
Level 5		118	Feb-20-19	Aug-06-19
INT5-0010	Layout Walls	4	Feb-20-19	Feb-25-19
INT5-0050	Layout HVAC Openings	4	Feb-26-19	Mar-01-19
INT5-0030	Fireproofing (Monokote)	5	Feb-26-19	Mar-04-19
INT5-0060	Frame Walls	10	Mar-05-19	Mar-18-19
INT5-0450	Supply Air Main Duct	3	Mar-05-19	Mar-07-19
INT5-0560	Install Cable Tray	3	Mar-08-19	Mar-12-19
INT5-0460	Overhead Waste & Vent Piping	6	Mar-08-19	Mar-15-19
INT5-0465	Fire Sprinkler Mains	4	Mar-08-19	Mar-13-19
INT5-0130	Door/Window Frames	4	Mar-18-19	Mar-21-19
INT5-0500	Overhead Domestic Water Piping	8	Mar-18-19	Mar-27-19
INT5-0110	Install Folding Partition Supports	3	Mar-19-19	Mar-21-19
INT5-5010	Install Counter Supports	2	Mar-19-19	Mar-20-19
INT5-0120	Rough-in Waste & Vent Piping (In-Wall)	10	Mar-28-19	Apr-10-19
INT5-0180	Rough-in Fire Alarm (In-Wall)	6	Mar-28-19	Apr-04-19
INT5-0550	Overhead Fire Alarm Conduit	6	Mar-28-19	Apr-04-19
INT5-0150	Rough-in Electrical (In-Wall)	10	Apr-05-19	Apr-18-19
INT5-0600	Fireproofing repair (Monokote)	3	Apr-05-19	Apr-09-19
INT5-0160	Rough-in Domestic Water (In-Wall)	10	Apr-08-19	Apr-19-19
INT5-0610	Engineer of Record Overhead Inspection	1	Apr-10-19	Apr-10-19
INT5-0170	Rough-in Low-Voltage Data (In-Wall)	8	Apr-19-19	Apr-30-19
INT5-0200	Inspection (In-Wall Rough-in)	1	Apr-25-19	Apr-25-19
INT5-0620	1 Side Drywall	5	Apr-26-19	May-02-19
INT5-0510	Mechanical Control Wiring (T-Stats)	4	May-01-19	May-06-19
INT5-0640	Inspection (Screw & Insulation)	1	May-03-19	May-03-19



Remaining Level of Effort
Critical Re...
Actual Level of Effort
Milestone
Actual Work
Remaining Work

DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 11 of 14

Layout:
PROPOSAL 1B
TASK filter:
Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
ELEV-1020	Install Platforms	15	Jan-17-19	Feb-07-19
ELEV-1030	Install Machines & Controllers	5	Jan-17-19	Jan-24-19
ELEV-1040	Machine Room Wiring	10	Jan-25-19	Feb-07-19
ELEV-1050	Install Elevator Fronts	15	Feb-08-19	Mar-01-19
ELEV-1060	Frame Front Walls	2	Mar-04-19	Mar-05-19
ELEV-1070	Install Cabs	15	Mar-04-19	Mar-22-19
ELEV-1080	Rough In Elevator Indicator/Call Buttons	2	Mar-25-19	Mar-26-19
ELEV-1090	Repair Fireproofing & Pre-Inspect	2	Mar-27-19	Mar-28-19
ELEV-1100	Drywall & Inspect Elevator Front Walls	5	Mar-29-19	Apr-04-19
ELEV-1110	Start-Up & Pre Test	5	Apr-05-19	Apr-11-19
ELEV-1140	Schedule State Inspection	10	Apr-12-19	Apr-25-19
ELEV-1120	State Elevator Inspection	1	Apr-26-19	Apr-26-19
ELEV-1130	Elevator Permit	1	Apr-29-19	Apr-29-19
Site Work		340	Feb-13-18	Jun-20-19
Site Work		340	Feb-13-18	Jun-20-19
SITE-140	Off Site Engineering & Plan Check	220	Feb-13-18	Dec-27-18
SITE-100	Site Work	60	Dec-21-18	Mar-22-19
SITE-120	Off Site Permit	0		Dec-27-18*
SITE-110	Off Site Work	120	Dec-28-18	Jun-20-19
Testing & Commissioning		78	Jun-27-19	Oct-16-19
Testing & Commissioning		78	Jun-27-19	Oct-16-19
CX-190	Sprinkler System Test	10	Jun-27-19	Jul-11-19
CX-170	Test Fire Alarm	10	Jul-10-19	Jul-23-19
CX-180	Start up HVAC Units	10	Jul-17-19	Jul-30-19
CX-200	Fire Marshall Test Fire Alarm System	2	Jul-24-19	Jul-25-19
CX-260	Plumbing Equipment Start Up	5	Jul-26-19	Aug-01-19
CX-290	TAB Report	15	Jul-31-19	Aug-20-19
CX-270	Start Up Electrical Systems	15	Aug-21-19	Sep-11-19
CX-300	Final Functional Tests	25	Sep-12-19	Oct-16-19
Punch/Weather		76	Oct-17-19	Feb-06-20
Punch/Weather		76	Oct-17-19	Feb-06-20
FIN-100	A/E Walk/List	10	Oct-17-19	Oct-30-19
FIN-110	Punchlist Work	25	Oct-31-19	Dec-06-19
FIN-140	Final Inspections/ Sign Off	15	Dec-07-19	Dec-21-19
FIN-120	Adverse Weather Allowance	25	Dec-22-19	Jan-15-20
FIN-130	Issuance of Certificate of Substantial Completion	0		Jan-15-20
MIL-1020	Owner Move-in	15	Jan-16-20	Feb-06-20
Closeout		64	Jan-16-20	Apr-16-20
Construction		64	Jan-16-20	Apr-16-20
Closeout		64	Jan-16-20	Apr-16-20
Closeout		64	Jan-16-20	Apr-16-20
A1070	Closeout	64	Jan-16-20	Apr-16-20

Remaining Level of Effort | Critical Re... | Actual Level of Effort | ◆ ◆ Milestone | Actual Work | Remaining Work

DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 14 of 14

Layout: PROPOSAL 1B
TASK filter: Phase_3.

GRIFFIN STRUCTURES | LPA

Act ID	Description	Orig Dur	Start	Finish
INT6-0180	Rough-in Fire Alarm (In-Wall)	6	Apr-16-19	Apr-23-19
INT6-0550	Overhead Fire Alarm Conduit	6	Apr-16-19	Apr-23-19
INT6-0150	Rough-in Electrical (In-Wall)	10	Apr-24-19	May-07-19
INT6-0600	Fireproofing repair (Monokote)	3	Apr-24-19	Apr-26-19
INT6-0160	Rough-in Domestic Water (In-Wall)	10	Apr-25-19	May-08-19
INT6-0610	Engineer of Record Overhead Inspection	1	Apr-29-19	Apr-29-19
INT6-0170	Rough-in Low-Voltage Data (In-Wall)	8	Apr-30-19	May-09-19
INT6-0200	Inspection (In-Wall Rough-in)	1	May-09-19	May-09-19
INT6-0620	1 Side Drywall	5	May-10-19	May-16-19
INT6-0510	Mechanical Control Wiring (T-Stats)	4	May-10-19	May-15-19
INT6-0640	Inspection (Screw & Insulation)	1	May-17-19	May-17-19
INT6-0630	Insulate Walls	3	May-17-19	May-21-19
INT6-0650	2nd Side - Drywall	6	May-22-19	May-30-19
INT6-0660	Tape & Finish Walls	9	May-28-19	Jun-07-19
INT6-0670	Prime and One Coat Paint	4	Jun-10-19	Jun-13-19
INT6-0710	Install Acoustical Ceiling Grid	7	Jun-13-19	Jun-21-19
INT6-0690	Pull Wire for Security / Data	4	Jun-14-19	Jun-19-19
INT6-0680	Pull Wire for Fire Alarm	4	Jun-14-19	Jun-19-19
INT6-0720	Waterproof Bathroom Floors	4	Jun-14-19	Jun-19-19
INT6-0700	HVAC Controls Cabling	4	Jun-14-19	Jun-19-19
INT6-0730	Ceramic Tile Bathrooms	2	Jun-20-19	Jun-21-19
INT6-0900	Set Plumbing Fixtures Bathrooms	4	Jun-24-19	Jun-27-19
INT6-0800	Fire Sprinklers in Grid	3	Jun-24-19	Jun-26-19
INT6-0770	Mechanical Diffusers in Grid	2	Jun-24-19	Jun-25-19
INT6-0760	Lighting Fixtures in Grid	3	Jun-24-19	Jun-26-19
INT6-0740	Drop Ceiling Tile @ Devices	4	Jun-27-19	Jul-02-19
INT6-1500	Install Access Doors	1	Jun-28-19	Jun-28-19
INT6-0790	Install Fire Alarm Devices	4	Jul-03-19	Jul-09-19
INT6-0820	Inspection (Overhead)	1	Jul-10-19	Jul-10-19
INT6-1000	Drop Remaining Ceiling Tiles	3	Jul-11-19	Jul-15-19
INT6-0840	HVAC Units Running (Building Acclimation)	1	Jul-16-19	Jul-16-19
INT6-0850	Install Casework	4	Jul-17-19	Jul-22-19
INT6-0880	Plumbing Finish @ Casework	3	Jul-23-19	Jul-25-19
INT6-0860	Floor Prep	3	Jul-23-19	Jul-25-19
INT6-0870	Install Sheet Flooring	5	Jul-26-19	Aug-01-19
INT6-0950	Install Carpet	2	Aug-02-19	Aug-05-19
INT6-0920	Install OFCI/OFOI	5	Aug-02-19	Aug-08-19
INT6-0910	Doors & Hardware	3	Aug-02-19	Aug-06-19
INT6-0960	Furniture Glazed Partitions	3	Aug-06-19	Aug-08-19
INT6-1010	Final Paint	4	Aug-07-19	Aug-12-19
INT6-0810	Security Devices	3	Aug-07-19	Aug-09-19
INT6-0970	Interior Glazing / Vision Frames	3	Aug-09-19	Aug-13-19
INT6-0940	Toilet Accessories	2	Aug-13-19	Aug-14-19
INT6-1550	Install Roller Shades	3	Aug-13-19	Aug-15-19
INT6-1030	Wall & Corner Guards	3	Aug-13-19	Aug-15-19
INT6-0750	Electrical Wall Finishes	6	Aug-13-19	Aug-20-19
INT6-1040	Interior Signage	1	Aug-13-19	Aug-13-19
INT6-0890	Fire Extinguishers & Cabinets	1	Aug-13-19	Aug-13-19
Elevators		77	Jan-09-19	Apr-29-19
ELEV-1000	Elevator Pit Ladders	1	Jan-09-19	Jan-09-19
ELEV-1010	Install Rails	5	Jan-10-19	Jan-16-19

Remaining Level of Effort | Critical Re... | Actual Level of Effort | ◆ ◆ Milestone | Actual Work | Remaining Work

DD: Mar-06-17
RD: Apr-10-17 10:08

Building 16- Phase 1B
Project Schedule
Page 13 of 14

Layout: PROPOSAL 1B
TASK filter: Phase_3.

GRIFFIN STRUCTURES | LPA

G-62

EXHIBIT G

Developer's Insurance Requirements

1.0 DEVELOPER'S OBLIGATION TO PROCURE AND MAINTAIN, AND TO CAUSE OTHERS TO PROCURE AND MAINTAIN, INSURANCE

1.1 Developer Insurance. Before starting the Work, and during the course of the Work and for such additional time as may be required hereunder, Developer must procure and maintain the insurance coverages described in Section 2 in conformance with Section 7. (References in this **Exhibit G** to Sections include all of the subsections of the identified Section.) The cost of Developer's insurance will be a Project Cost as set forth in the Agreement.

1.2 CMAR Insurance. Developer will require CMAR to procure and maintain the insurance coverages described in Section 3 and, if Corporation directs in writing that Developer or CMAR procures builder's risk insurance, Section 6, in conformance with Section 7. The cost of CMAR's insurance will be a Project Cost.

1.3 Trade Contractor Insurance. Developer will require CMAR to require the Trade Contractors to procure and maintain the insurance coverages described in Section 4 in conformance with Section 7. The cost of Trade Contractors' insurance will be a Project Cost.

1.4 Consultant Insurance. Developer will require Architect, Architect's subconsultants, and other consultants retained by Developer that are responsible for preparing the Construction Documents (collectively, the "**Consultants**") to procure and maintain the insurance coverages described in Section 5 in conformance with Section 7. The cost of Consultants' insurance will be a Project Cost, if billed by the Consultants to Developer.

1.5 Excess Insurance. Increased limits of the required insurance for Developer, CMAR, Trade Contractors, or Consultants may be met with umbrella/excess coverage provided the policy is written on a Follow Form basis.

2.0 DEVELOPER'S REQUIRED INSURANCE

2.1 Developer Insurance Coverage and Limits. Developer will procure and maintain the following insurance coverages, which must comply with the requirements set forth in Section 7.

Coverage	**Minimum Limits**
Commercial General Liability	$3,000,000 per occurrence $1,000,000 for personal advertising injury liability; $3,000,000 aggregate for products-completed operations; and

	$3,000,000 aggregate
Automobile Liability including converge for owned, non-owned and hired vehicles	$1,000,000 per occurrence
Workers' Compensation	Statutory
Employers' Liability Insurance	$1,000,000 per occurrence
Professional Liability	$2,000,000 per claims made $2,000,000 aggregate

3.0 CMAR'S REQUIRED INSURANCE

3.1 CMAR Insurance Coverage and Limits. Except as provided in Subsection 3.4, Developer will require CMAR to procure and maintain the following insurance coverages, which must comply with the requirements set forth in Section 7.

Coverage	**Minimum Limits**
Commercial General Liability Including Contractor's Pollution Liability and NODS	$5,000,000 per occurrence $1,000,000 for personal advertising injury liability; $5,000,000 aggregate for products-completed operations; and $5,000,000 aggregate
Automobile Liability including converge for owned, non-owned and hired vehicles	$5,000,000 per occurrence
Workers' Compensation	Statutory
Employers' Liability Insurance	$1,000,000 each accident for bodily injury by accident; $1,000,000 policy limit for bodily injury by disease; and $1,000,000 each employee for bodily injury by disease.
Umbrella/Excess Liability Insurance	$25,000,000 each occurrence and $25,000,000 general aggregate for Commercial General Liability, Automobile Liability, and Employer's Liability

3.2 CMAR Professional Liability Insurance . If any portion of the CMAR's work includes design services, then CMAR must maintain (if performing the design work) during the duration of the Work and for three (3) years following Substantial Completion professional liability insurance, except as provided in Subsection 3.4. The limits must be at least $1,000,000 each claim, $2,000,000 annual aggregate. The coverage must include:

(a) Limited contractual liability;

(b) Retroactive date prior to work; and

(c) Extended reporting period of 36 months.

3.3 CMAR Tool Insurance . The builder's risk insurance required to be maintained under Section 6 of this **Exhibit F** will not cover machinery, tools, or equipment owned or rented by CMAR that are utilized in the performance of the Work but not incorporated in the permanent improvements. Except as provided in Subsection 3.4, CMAR will, at CMAR's own expense (but such cost to be a Project Cost), provide insurance coverage for owned or rented machinery, tools, or equipment.

3.4 Alternative CCIP Insurance Coverage and Limits. Instead of complying with Subsections 3.1, 3.2, and 3.3, Developer will have the option, in Developer's discretion, to comply with this Subsection 3.4 as an alternative to Subsections 3.1, 3.2, and 3.3. If Developer elects to proceed under this Section 3.4, then Developer will require CMAR to procure and maintain the Contractor-Controlled Insurance Program ("***CCIP***") insurance coverages described in Subsection 3.4, in conformance with Section 7. The CCIP insurance limits will be maintained from Developer's issuance of a Notice to Proceed for construction to CMAR for the duration of California Statute of Repose (but in no event longer than 10 years) and will be as follows (or limits may be increased and/or made project-specific):

Primary Insurance	
Insurance Carrier	Zurich Insurance Company
Policy Period	Until the expiration of the California Statute of Repose (but in any event no longer than 10 years)
Limits	$2,000,000 Each Occurrence $4,000,000 General Aggregate $4,000,000 Products/Completed Operations Aggregate $1,000,000 Personal Injury/Advertising Injury
Deductible	$250,000 Per Occurrence
Insured/Additional Insured	Swinerton Builders, Corporation, Developer, Subcontractors and other Enrolled Parties
Excess Insurance	

Insurance Carrier	Zurich Insurance Company
Policy Period	Until the expiration of the California Statute of Repose (but in any event no longer than 10 years)
Limits	$25,000,000 Per Occurrence $25,000,000 General Aggregate $25,000,000 Products/Completed Operations Aggregate
Insured/Additional Insured	Swinerton Builders, Corporation, Developer, Subcontractors and other Enrolled Parties
Worker's Compensation	
Insurance Carrier	Zurich American Insurance Company
Limits	Statutory
Insured	Swinerton Builders and all eligible onsite subcontractors of every tier
Employer's Liability Insurance	
Insurance Carrier	Zurich Insurance Company
Limits	$1,000,000 Each Accident $1,000,000 Policy Limit $1,000,000 Each Employee
Insured	Swinerton Builders and all eligible onsite subcontractors of every tier
Automobile Liability Insurance	
Insurance Carrier	Zurich Insurance Company
Limit	$25,000,000
Insured	Swinerton Builders
Property/Equipment Insurance for owned/leased property & equipment	
Insurance Carrier	Zurich Insurance Company
Limit	Owned Real Property - $16,000,000 Owned Personal Property - $27,000,000

	Owned Equipment - $16,000,000 Leased Equipment - $1,500,000 any one item / $3,000,000 per occurrence
Insured	Swinerton Builders
Contractor's Professional Liability Insurance	
Insurance Carrier	XL Catlin Insurance
Limits	$1,000,000 Per Occurrence $2,000,000 General Aggregate
Insured	Swinerton Builders
Deductible	$500,000 SIR
Pollution Liability	
Insurance Carrier	
Policy Period	Until the expiration of the California Statute of Repose (but in any event no longer than 10 years)
Limits	$1,000,000 Per Occurrence $2,000,000 General Aggregate
Insured	Swinerton Builders

4.0 TRADE CONTRACTOR'S REQUIRED INSURANCE

4.1 Trade Contractor Insurance Coverage and Limits. Developer will require CMAR to require the Trade Contractors to procure and maintain the following insurance coverages, which must comply with the requirements set forth in Section 7.

If CMAR provides CCIP:

Coverage	**Minimum Limits**
Offsite General Liability	$1,000,000 per occurrence
Automobile Liability including converge for owned, non-owned and hired vehicles	$1,000,000 per occurrence

If CMAR does not provide CCIP, then for Trade Contractor's whose contract value is less than $3,000,000:

Coverage	**Minimum Limits**
Commercial General Liability	$1,000,000 per occurrence $1,000,000 for personal advertising injury liability; $2,000,000 aggregate for products-completed operations; and $2,000,000 aggregate
Automobile Liability including converge for owned, non-owned and hired vehicles	$1,000,000 per occurrence
Workers' Compensation	Statutory
Employers' Liability Insurance	$1,000,000 each accident for bodily injury by accident; $1,000,000 policy limit for bodily injury by disease; and $1,000,000 each employee for bodily injury by disease.

If CMAR does not provide CCIP, then for Trade Contractor's whose contract value equals or exceeds $3,000,000:

Coverage	**Minimum Limits**
Commercial General Liability	$2,000,000 per occurrence $1,000,000 for personal advertising injury liability; $2,000,000 aggregate for products-completed operations; and $2,000,000 aggregate
Automobile Liability including converge for owned, non-owned and hired vehicles	$1,000,000 per occurrence
Workers' Compensation	Statutory
Employers' Liability Insurance	$1,000,000 each accident for bodily injury by accident; $1,000,000 policy limit for bodily injury by disease; and $1,000,000 each employee for bodily injury by disease.
Umbrella/Excess Liability Insurance	$3,000,000 each occurrence and $3,000,000 general aggregate for

	Commercial General Liability, Automobile Liability, and Employer's Liability

4.2 Trade Contractor Professional Liability Insurance . If any portion of a Trade Contractor's work includes design services, then CMAR will require the Trade Contractor to maintain professional liability insurance. The limits must be at least $2,000,000 each claim, and annual aggregate. The coverage must include the items in subsections (a) to (c) of Subsection 3.2.

4.3 Trade Contractor Tool Insurance . CMAR will require the Trade Contractor to maintain insurance the Trade Contractor's machinery, tools, or equipment owned or rented by the Trade Contractor that are utilized in the performance of the Work but not incorporated in the permanent improvements.

5.0 CONSULTANTS' REQUIRED INSURANCE

5.1 Consultant Insurance Coverage and Limits. Developer will require Consultants to procure and maintain the following insurance coverages, which must comply with the requirements set forth in Section 7.

Coverage	**Minimum Limits**
Commercial General Liability	$1,000,000 per occurrence $1,000,000 for personal advertising injury liability; $2,000,000 aggregate for products-completed operations; and $2,000,000 aggregate
Automobile Liability including converge for owned, non-owned and hired vehicles	$1,000,000 per occurrence
Workers' Compensation	Statutory
Employers' Liability Insurance	$1,000,000 each accident for bodily injury by accident; $1,000,000 policy limit for bodily injury by disease; and $1,000,000 each employee for bodily injury by disease.
Professional Liability	$2,000,000 per claims made $2,000,000 aggregate

6.0 BUILDER'S RISK INSURANCE

6.1 CMAR to Procure Builder's Risk Insurance. Developer will require CMAR to procure the required builders risk insurance coverage in place no later than commencement of construction of the Project. The builder's risk policy shall include Developer, CMAR and its Trade Contractors and Subcontractors, and Corporation as insureds in an amount equal to their interest with a loss payable clause in favor of Trustee. CMAR shall keep the builder's risk policy in place from commencement of construction to the date of Substantial Completion.

6.2 "All-Risk" Insurance. The builder's risk insurance will be on an "all-risk" or equivalent policy form. Coverage shall be provided for (a) losses on an all-risk basis and shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, boiler explosion, and sprinkler leakage coverage; (b) the peril of earth movement ; (c) "extra expense;" (d) all materials to be stored offsite and while in transit to the jobsite; (e) "cold testing" of all building systems; (f) hot works; (g) Corporation's, County's, and Developer's loss of use of the Project due to delays in Project completion caused by covered peril losses to the Project, including loss of income and rents (for thirty (30) months) and soft costs such as interest on the Bonds, real estate taxes and insurance premiums; (h) the increased cost of construction, debris removal and demolition due to the operation of building laws and code upgrades; and (i) direct physical damage to the Project and loss of use caused by an off premises power interruption. If Corporation directs Developer not to include builder's risk insurance coverage for any of the perils listed above, including but not limited to earthquake, then Corporation will be deemed to self-insure against such perils and is solely responsible for and will pay (via a Change Order that increases the Project GMP and extends the Developer Obligation Date) Developer for all costs, expenses, and damages arising out of or relating to those perils that Corporation directed Developer not to include in the builder's risk insurance. Coverage shall not be provided for County's Personal Property. Builder's risk insurance will also not cover any tools, apparatus, machinery, scaffolding, hoists, forms, staging, shoring, and other similar items commonly referred to as construction equipment that may be on the Project Site and the capital value of which is not included in the Work, and will be for direct physical loss only. CMAR and the Trade Contractors will make their own arrangements for any insurance they may require on such construction equipment.

6.3 Deductibles. If the builder's risk insurance requires minimum deductibles or self-insured retentions, then Corporation will pay costs not covered because of such deductibles or self-insured retentions.

6.4 Off-Site Work. Unless otherwise provided in the Contract Documents, the builder's risk insurance will cover portions of the Work stored off the Project Site, and also portions of the Work in transit.

6.5 Waiver of Subrogation. The builder's risk policy shall include a waiver of subrogation provision, shall grant permission for partial occupancy of the facilities without having a detrimental effect on the coverage provided, and shall contain a separate debris removal limit of liability which is separate from, in addition to, and not part of the overall policy limit of liability.

7.0 GENERAL INSURANCE REQUIREMENTS

7.1 Qualified Insurer. The policy or policies of insurance must be issued by an insurer with a minimum rating of A- (Secure A.M. Best's Rating) and VIII (Financial Size Category as determined by the most current edition of the Best's Key Rating Guide/Property-Casualty/United States or ambest.com). It is preferred, but not mandatory, that the insurer be licensed to do business in the state of California (California Admitted Carrier). If the insurance carrier does not have an A.M. Best Rating of A-/VIII, the Corporation's Representative retains the right to approve or reject a carrier after a review of the company's performance and financial ratings. Any fronting arrangement, captive insurer arrangement or arrangement to indemnify insurance carriers for losses must be disclosed and agreed to by Corporation.

7.2 Occurrence Basis. All insurance coverage required under this **Exhibit G** (whether by Developer, CMAR, Trade Contractors, or Consultants) must be on an occurrence basis, except the Professional Liability and Pollution Liability coverages, which will be on a claims made basis. *Modified Occurrence* and *Claims Made* forms are not acceptable forms of coverage except for the Professional Liability and Pollution Liability coverages.

7.3 Certificates of Insurance. Certificates of Insurance, as evidence of the insurance required under this **Exhibit G**, must be furnished to Corporation's Representative before any Work is commenced by the party responsible for providing the insurance and each year thereafter as required herein. Corporation reserves the right to request that Developer provide Corporation with copies of the declarations page showing all endorsements and a copy of the policy. Insurance certificates should be forwarded to the Corporation address listed in Section 25.7 of the Agreement.

7.4 Required Coverage Forms. The insurance coverage required under this **Exhibit G** (whether by Developer, CMAR, Trade Contractors, or Consultants) must be on the following forms and comply with the following requirements:

A. <u>Workers' Compensation Insurance</u>. Workers' Compensation insurance will be provided in accordance with Governmental Requirements.

B. <u>Commercial General Liability (occurrence)</u>. The Commercial General Liability coverage shall be written on Insurance Service Office (ISO) form CG 00 01, or substitute form providing liability coverage as broad. The Commercial General Liability policy shall contain a severability of interests' clause (standard in the ISO CG 00 01 policy). The Commercial General Liability coverage must name Corporation, Tenant, and Developer; and each of their respective officers, directors, shareholders, managers, members, partners, boards, consultants, counsel, volunteers, affiliates, parents, subsidiaries, employees, and agents as additional insureds (the "**Additional Insureds**") without limitation or exclusion. The policy must stipulate that: *the insurance afforded the Additional Insureds will apply as primary insurance as respects any claim, loss or liability arising directly or indirectly from the insureds operation and that any other*

insurance carried by each of the Additional Insureds or by their respective partners, officers, directors, members, managers, and employees will be excess only and will not contribute with the insurance. The General Liability Policy for CMAR and Trade Contractors must delete ISO Endorsement No. 22 43, if attached. If any portion of the Work includes incidental design services, then the General Liability Policy for CMAR and Trade Contractors must include ISO Endorsement No. 22 79, or equivalent. The Certificate of Insurance must also identify any other endorsements that affect coverage, including, without limitation, ISO Endorsements 22 94 and 22 95. The policy must provide coverage for liability arising from premises, operations, independent contractors, products-completed operations, personal and advertising injury, and liability assumed under an insured contract (including the tort liability of another assumed in a business contract) and must include:

(1) Bodily Injury and Property Damage Liability;

(2) Products and Completed Operations Coverage with a policy limit of the amount set forth above that the named insured will maintain in effect on an annual renewal basis for a minimum period equal to the period under which a claim can be asserted under the applicable statutes of limitations and/or statute of repose;

(3) Blanket Contractual Liability;

(4) Broad Form Property Damage including Completed Operations;

(5) Personal Injury Liability (not exclusively emotional distress);

(6) Severability of Interest and Cross-Liability Clauses;

(7) Defense provided in addition to the Limit;

(8) Either Reinstatement of the Aggregate Upon Exhaustion (if available), or a Per Project Aggregate;

(9) Independent Contractor's Liability;

(10) Incidental medical malpractice;

(11) Specific Waiver of Subrogation;

(12) Additional Insured Endorsement manuscript form designated U462-0310 or its equivalent; and

(13) Explosion, Collapse and Underground hazards.

C. <u>Automobile Liability Insurance</u>. Automobile liability insurance shall be written on ISO form CA 00 01, CA 00 05, CA 00 12, CA 00 20, or a substitute form providing liability coverage as broad, including coverage for all owned, hired and non-owned automobiles. The automobile liability insurance policy must include coverage for automobile contractual liability, specific waiver of subrogation and additional insured endorsement (naming all of the Additional Insureds).

D. Excess Coverage. The limits to apply in excess of primary required for Commercial General Liability, Automobile Liability, and Employers' Liability insurance and are as specified in this **Exhibit G** must be issued on an occurrence basis in excess of the underlying coverage which is at least as broad as the underlying policies. Coverage must include:

(1) Additional insured endorsement;

(2) Pay on behalf wording;

(3) Concurrency of effective dates with primary;

(4) Blanket contractual liability;

(5) Punitive damages coverage (where not prohibited by law);

(6) Care, custody and control follow from primary; and

(7) Drop down feature.

E. CMAR'S Pollution Liability. During the term of construction, CMAR must maintain Contractor's Pollution Liability environmental insurance in a form and on conditions reasonably commercially available to CMAR and acceptable to Corporation, against environmental conditions (known and unknown) affecting the Project Site arising or contributed to by the Project. During the term of construction, Contractor's Pollution Liability (CPL) Coverage is required and for post-construction, either a CPL with an extended reporting option to include and provide coverage for completed operations until the expiration of the last applicable statute of limitation in the Project's jurisdiction or Specific Pollution Legal Liability (PLL) Policy without construction defect exclusion to include and provide coverage until the expiration of the last applicable statute of limitation in the Project's jurisdiction. Such insurance shall cover liability for personal injury and property damage arising from the release, discharge, escape, dispersal or emission of pollutants, whether gradual or sudden, and include coverage for the costs and expenses associated with voluntary clean-up, testing, monitoring and treatment of pollutants in compliance with governmental mandate or order. If the pollutant will be removed from the construction site, pollution liability is also required under the CMAR's or Trade Contractor's Automobile Liability Insurance. Both CPL and PLL environmental insurance coverage must have a modified definition of pollution condition to include coverage for Microbial Matter (Mold) or pathogens and all related claims, cleanup and remediation. The policies must name as additional insureds, on a primary basis without right of contribution from any other insurance available to them for the period of construction and the period of repose as their interests appear, the Additional Insureds identified in Subsection 7.4B.

7.5 Time to Maintain Insurance. The Commercial General Liability and Excess Liability insurance, including completed operations, is required to be carried for a minimum period equal to the period under which a claim can be asserted under the applicable statutes of limitations and/or statute of repose; provided, however, that with respect to the Excess Liability

insurance, no tail is required for the Contractor's Pollution Liability insurance. All parties that are required to maintain Professional Liability insurance under this **Exhibit G** must maintain such Professional Liability insurance for three (3) years after Substantial Completion of the Work. The insurance obligation contained in this **Exhibit G** will continue as specified regardless of the extinguishment of other rights or duties under the Agreement by completion, termination or any other manner.

7.6 Deductibles. Except as set forth in Subsection 6.3, the named insured shall be responsible for reimbursement of any deductible to the insurer or SIR provision (but the deductible or SIR will be a Project Cost).

7.7 Required Endorsements.

A. The Worker's Compensation policy shall contain a waiver of subrogation endorsement waiving all rights of subrogation against Corporation.

B. The Commercial General Liability policy shall contain the following endorsements:

(1) An Additional Insured endorsement using ISO form CG 20 10 or CG 20 33 and ISO form CG 20 37 or forms at least broad, naming the Corporation as Additional Insured.

(2) A primary non-contributing endorsement evidencing that the Policy Holder's insurance is primary and any insurance or self-insurance maintained by the Corporation shall be excess and non-contributing.

C. All insurance policies required by this **Exhibit G**, excluding Professional Liability, shall waive all rights of subrogation against Corporation.

[END OF EXHIBIT]

EXHIBIT H

Dispute Resolution Procedures

1.0 RESOLUTION OF DISPUTES

1.1 Intent. Corporation and Developer intend to resolve all disputes at the Project level without resorting to legal proceedings, if possible. Consistent with this intent, Corporation and Developer will endeavor to include a similar statement of intent and resolution procedure in contracts they each enter into so that all disputes can be considered at the Project level as a precondition to further proceedings. The provisions of Subsections 1.2 and 1.3 are such that only one or the other will apply based on whether the dispute arises before or after the Architect issues a Certificate of Substantial Completion (i.e., the parties are not required to participate in both Early Neutral Evaluation and mediation of the same dispute, but only one or the other).

1.2 Early Neutral Evaluation. Upon notification of a dispute by Corporation or Developer to the other occurring before the Architect issues a Certificate of Substantial Completion for the Project, Corporation and Developer will meet promptly to attempt to resolve the dispute. If unsuccessful, then prior to the initiation of any action or proceeding under the Contract Documents, Corporation and Developer will make a good faith effort to resolve the dispute by an Early Neutral Evaluation process. The parties will select a disinterested third party ("***Evaluator***") with expertise in the issues in dispute. In all disputes concerning performance claims, the Evaluator will render an assessment of the dispute, which the parties will use to structure a framework for settlement, or, at a minimum, to streamline the issues that will ultimately be mediated, arbitrated, or litigated as set forth below. To facilitate resolution, each party will prepare a "position paper" setting forth the material basis for their respective position. Each party will also prepare a short presentation before the Evaluator. Upon completion of the presentation, the Evaluator will identify areas of agreement, forecast liabilities, and establish, if applicable, a range for liability. Nothing disclosed by any party or evaluation made by the Evaluator may be admitted in any subsequent arbitration or litigation. If the dispute is not settled by Early Neutral Evaluation, then the provisions of Section 2 will apply.

1.3 Mediation. Upon notification of a dispute by Corporation or Developer to the other occurring after the Architect issues a Certificate of Substantial Completion for the Project, Corporation and Developer will meet promptly to attempt to resolve the dispute. If unsuccessful, then prior to the initiation of any arbitration or litigation, Corporation and Developer will create a resolution procedure and if they cannot so agree, then the parties will seek the assistance of a person or organization experienced in construction dispute resolution to conduct mediation as follows:

(a) All parties to the mediation will promptly provide all other parties to the mediation with copies of essential documentation relevant to the support or defense of the matter being mediated.

(b) The parties will not be required to mediate for a period greater than 91 calendar days unless otherwise agreed to in writing by the parties. The parties will share equally any administrative costs and fees of such proceedings, but will each be responsible for their own expenses otherwise incurred.

(c) If the statute of limitations would run during the required mediation period, then either party may institute litigation so as to avoid the running of such statute upon the condition that such party immediately seeks a stay of such litigation pending the conclusion of the mediation period.

(d) During the course of mediation, any party to the mediation may apply for injunctive relief from any court of competent jurisdiction until the mediation period expires or the dispute is otherwise resolved.

(e) Corporation and Developer are bound, each to the other, by this requirement to mediate prior to commencement of any arbitration or litigation. Each party agrees that it may be joined as an additional party to a mediation involving other parties under any such agreement. In the case where more than one mediation is begun under any such agreement and any party contends that the mediations are substantially related, the mediator selected in the mediation that was commenced first may hear the mediations.

2.0 FORMAL DISPUTE RESOLUTION PROCESS

2.1 Claims Resolved by Arbitration. Other than as specified below, claims, disputes, and other controversies up to $2,000,000 between Corporation and Developer arising out of the Development Agreement that are not resolved pursuant to the procedures set forth in Section 1 will be subject to and decided by the applicable arbitration procedures set forth in Subsections 2.2-2.4.

2.2 Claims Less Than $500,000. Disputes involving claims valued at less than $500,000 (exclusive of claimed interest, attorneys' fees, and arbitration fees and costs) will be subject to binding arbitration before one arbitrator pursuant to the Fixed Time and Cost Construction Arbitration rules promulgated by the American Arbitration Association.

2.3 Claims Between $500,000 and $1,000,000. Disputes involving claims valued at between $500,000 and $1,000,000 (exclusive of claimed interest, attorneys' fees, and arbitration fees and costs) will be subject to the Procedures for Large Complex Construction Disputes promulgated by the American Arbitration Association with the following procedural requirements:

(a) Each party will be required to timely comply with all discovery requests and to provide the opposing party with all relevant project records pertaining to its claim or claims no matter how scheduled (i.e., bifurcated by claim or in one hearing); and

(b) Any fees or costs incurred in delaying the start of any scheduled hearings due to the failure to provide complete responses to discovery requests will be borne by the party so failing to provide complete responses as determined by the arbitrator(s).

2.4 Procedures For All Arbitrations. For all arbitrations, the following procedures apply:

(a) The arbitrator(s) must cease all hearings and will have no further jurisdiction relating to the dispute(s) (and the dispute(s) will be decided by litigation) if the situation arises where any person materially implicated in the dispute(s) is not bound by and will not agree to join in the arbitration and thus the possibility of inconsistent rulings becomes apparent. The issue of arbitrability will be decided by a court of competent jurisdiction. To determine the amount of claims for purposes of Subsections 2.2-2.4, the amount will be the aggregate of all claims being asserted by the parties to the arbitration.

(b) This arbitration clause will not preclude the parties from seeking provisional remedies in aid of arbitration from a court of competent jurisdiction. The arbitrator(s) may, in the award, allocate all or part of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees (actually incurred, without any lodestar adjustments) of the prevailing party. The award rendered by the arbitrator(s) will be final and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof; provided, however, that by executing this Agreement, the parties agree that the Optional Appellate Arbitration Rules of the American Arbitration Association (whichever is applicable) will apply in all cases where the claims are in excess of $500,000. The arbitration will take place in Orange County, California.

(c) The provisions of California Code of Civil Procedure Section 1283.05 or its successor section(s) will apply with respect to any arbitration requested in accordance with the provisions contained in this Section 2 provided that all discovery must be completed within 90 days of a demand for arbitration. Subject to the foregoing, depositions may be taken and discovery may be obtained in any arbitration proceeding requested pursuant to this Section 2 in accordance with the provisions of California Code of Civil Procedure Section 1283.05 or its successor sections. In no event may the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such dispute would be barred by the applicable statutes of limitations. The arbitrator will have no authority to award punitive or exemplary damages. In rendering the award, the arbitrator(s) must apply and follow applicable law and must set forth in detail the reasons for the decision, including findings of fact and law. The fees and expenses of the arbitrator(s) will be paid in the manner allocated by the arbitrator(s). Subject to the foregoing, the agreement to arbitrate will be specifically enforceable in California Superior Court for the County of Orange. The parties to the arbitration will use all reasonable efforts to conduct and complete the arbitration. With respect to claims totaling less than $500,000 as specified above, the arbitration will commence not later than 180 days from the date of demand for arbitration by a party and the award will be rendered within 30 days of completion of the arbitration.

(d) If the provisions of Section 2 contradict any of the applicable rules of the American Arbitration Association, then the provisions of Section 2 will govern and control over the conflicting rule.

2.5 Claims In Excess Of $1,000,000. Disputes involving claims valued in excess of $1,000,000 (exclusive of claimed interest, attorneys' fees, and arbitration fees and costs) will be subject to and decided by litigation in an appropriate court in Orange County, California.

EXHIBIT I

Reserved

EXHIBIT J

Reserved

EXHIBIT K

Developer's Qualifications, Exclusions, and Allowances

1. Cost of any Corporation or Tenant insurance is not included in the GMP.
2. Cost of Builders Risk insurance per bond underwriter's requirements is included in the GMP.
3. Developer will provide conduit raceway and switchgear enclosure (only) for future power service from the Project to future proposed Building 14. Conduit (only) to be connected to the underground vault to be provided by Tenant.
4. Developer will provide conduit and boxes (only) for future cellphone antenna systems. Tenant to provide equipment and cabling if required. Cost of equipment and cabling is not included in the GMP.
5. Developer will provide conduit, cable tray, structured cabling, racks (only) for voice and data systems.
6. All switches, routers, wireless access points, uninterrupted power supplies (UPS), software, programming, etc. and management of same to be provided by Tenant, and are not included in the GMP. Any and all data servers, computers, monitors, printers, fax machines, photocopiers, shredders, and other miscellaneous user electronics are to be provided by Tenant and are not included in GMP.
7. Developer will provide security guard service during all non-working hours.
8. "Wellness Center" Allowance is included in GMP and is based on 4,000 sf at $165 SF total construction cost. Allowance includes all MEP devices and distribution, interior build out, finishes, and design and permitting costs.
9. Tenant to provide valved points of connection in underground vaults for steam and chilled water connections to Central Utility Facility services in accordance with the Project Schedule, Exhibit F.
10. Fire water storage tank is not expected to be required, and therefore not included in GMP.
11. Existing Building 10 transformer and switchgear are to be relocated by Tenant prior to start of construction and in accordance with Project Schedule Exhibit F.
12. Tenant to provide transformer and main switch adjacent to Project site in accordance with the Project Schedule Exhibit F for temporary construction power for the duration of the Project. Cost of power to be paid by Developer based on $0.11 per kW.
13. Developer will provide parking access and revenue control system using Skidata equipment to match the current Tenant standard. Equipment will include (1) entry gate with lane equipment, (1) exit gate with lane equipment, (1) automatic pay station, (1) manual pay station, required server/network equipment and software. Parking attendant booth is not expected to be required, and therefore is not included in GMP.
14. Underpinning of existing buildings, structures or roads is excluded and not expected to be required, and therefore not included in the GMP.
15. $200,000 Landscape/Hardscape upgrade allowance called for in the specifications is not included in the GMP. See Additional Alternates.
16. Developer will provide fixtures, furnishings, and equipment (only) per Exhibit E, Index of Approved Design Development Documents.
17. Developer and its Consultants, and Contractors shall necessarily be fully entitled to rely on the performance of the Tenant's central utility facility (CUF) to provide the requisite electrical, steam and chilled water utility services to the Project in accordance with the design criteria and specifications for, and operating requirements of, the Project.
18. Cost of elevator maintenance is not included in GMP. Developer will obtain on behalf of Tenant a proposal for an extended maintenance agreement from the elevator Contractor. If Tenant elects, Tenant shall execute the agreement and pay the required amounts directly to the elevator Contractor.
19. Shoring tie-back agreements are not expected to be required, and therefore not included in the GMP.
20. Public Art is not expected to be required, and therefore is not included in the GMP.

21. Phase II Environmental Site Assessment is not expected to be required, and therefore not included in the GMP.
22. All California Environmental Quality Act processing and administrative costs are by Corporation or Tenant, and are not included in the GMP.
23. Any and all work connected with survey, ALTA report, and title reports or insurance are by Corporation or Tenant, and not included in GMP.
24. GMP excludes any and all offsite improvements except where shown in Exhibit E documents or Offsite Infrastructure Allowance and Santa Ana Blvd crosswalk Allowance per Exhibit S.
25. All financing costs and post-occupancy operating and maintenance costs are by Corporation or Tenant, and are not included in GMP.
26. Corporation and/or Tenant Contingency is not included in GMP.

List of Allowances

Description	**Amount**
Wellness Area interior improvements (included in construction cost)	$800,000
Interior office fixtures, furnishings, and equipment (FF&E) - Based on $25/sf of office area	$5,823,175
Conference/event center furnishings	$180,000
Site furnishings	$160,000
Mail Room furniture	$75,000
Move costs	$150,000
Offsite Infrastructure per Exhibit S	$2,348,814
Santa Ana Blvd. crosswalk per Exhibit S	NIC

Corporation or Tenant Requested Alternates that are above Basis of Design, but *included* in Developer GMP

Description	**Amount included in GMP**
Retractable vehicular security bollards at entrance to Promenade off Ross Street	$106,025
Single occupancy restrooms – 2 per floor	$237,744
Terrazzo flooring at office building lobby and conference center lobby	$197,241
Enhanced commissioning	$44,000
8'10" office doors	$212,177
9’0” wide glass sidelites at offices and conference rooms	$987,893
Motorized Mechoshades at Conference Center Windows	$92,029
All conference rooms not scheduled to receive AV equipment our prewired for future AV equipment	$50,000
Acoustical ceiling tile upgraded for Noise Reduction Coefficient	$350,000
Total	**$2,277,109**

Additional Alternates that are above Basis of Design and *not included* in GMP

Description		**Corporation or Tenant Decision Milestone**	**Amount**
1	Add "Oculus" skylight at One Stop Shop	Not Accepted by Corporation	$424,894
2	Gravel ballast at One Stop Shop roof	Not Accepted by Corporation	$161,606
3	Green roof at One Stop Shop roof	Not Accepted by Corporation	$379,349
4	Gravel ballast at Conference Center roof	Not Accepted by Corporation	$93,788
5	Green roof at Conference Center roof	Not Accepted by Corporation	$191,314
6	Precast concrete wall at ground floor lobby wall	Not Accepted by Corporation	$305,572
7	Allowance for landscape and hardscape	April 1, 2018	$200,000
8	Sound masking system at open office areas	June 1, 2018	$312,906
9	Electronic Conference Room Scheduling system	June 1, 2018	$249,400
10	Add AV systems at balance of conference rooms	June 1, 2018	$1,779,619
11	Office and conference room glass upgrade to ½” thick butt-glazed (no center mullion)	June 1, 2018	$202,110
12	Emergency phones in parking area	June 1, 2018	$99,252
13	Full integration of intrusion alarm with CCTV and access control	June 1, 2018	$27,689
14	Visitor management system added to access control	June 1, 2018	$36,431
15	Server cabinet locks	June 1, 2018	$48,310
16	Add card readers to One Stop Shop meeting rooms	June 1, 2018	$19,651
17	One year digital storage of CCTV video	June 1, 2018	$122,254
18	Two year digital storage of CCTV video	June 1, 2018	$266,704
19	Add CCTV cameras at all parking drive aisles	June 1, 2018	$94,686
20	5 year extended warranty on air handlers AH1-AH5	June 1, 2018	$150,000
21	Provide ten (10) electric vehicle charging stations	June 1, 2018	$73,338
22	Provide rack-mounted UPS units for voice and data switches	June 1, 2018	$200,000

All Alternates costs exclude finance and related costs.

G-72

EXHIBIT L

Final Project Completion and Acceptance Form

Item	Description	INITIAL AND DATE WHEN COMPLETED Corporation	A/E	Developer
1.	Punchlist Completed/Repairs Made	_______	_____	______
2.	O & M Manuals Provided	_______	_____	______
3.	As-Built Drawings Completed	_______	_____	______
4.	Warranties and Guarantees Provided	_______	_____	______
5.	Owner Stock Material Issued	_______	_____	______
6.	Consent of Surety for Final Payment (G707)	_______	_____	______
7.	Release of Liens	_______	_____	______
8.	Final Release of Liens	_______	_____	______
9.	Utility Transfers Data (meter reading taken)	_______	_____	______
10.	Removal of Temporary Facilities	_______	_____	______
11.	Final Change Orders Issued	_______	_____	______
12.	Warranty Procedures in Place/Explained	_______	_____	______
13.	List of Subcontractors Provided	_______	_____	______
14.	Final Pay Request Submittal	_______	_____	______
15.	Certificate of Substantial Completion Issued	_______	_____	______
16.	Certificate of Occupancy Issued	_______	_____	______
17.	Owner Training	_______	_____	______
18.	Keys	_______	_____	______
19.	Permit Cards	_______	_____	______
20.	Other Items:	_______	_____	______

Corporation and Developer acknowledge that the above items are complete and the final Payment Application is approved for payment.

Corporation: Architect: Developer:

______________________ Name and Title

______________________ Name and Title

______________________ Name and Title

EXHIBIT M

Special Inspections and Testing

Developer will cause to be provided all of the special inspections and testing that are required by applicable Governmental Requirements, the Detailed Specifications, and the Building Permit, including but not necessarily limited to the following:

Building System	Inspecting authority	Type of inspections
Geotechnical (soil compaction)	Deputy inspector Geotech engineer	Field inspections Lab testing
Cast-in-place Concrete	Deputy inspector Licensed independent testing agency County Building Dept inspector	Field inspections Lab testing
Precast concrete	Licensed independent testing agency Deputy inspector County Building Dept inspector	Fabrication plan inspections Field inspections Lab testing
Structural Steel	Licensed independent testing agency Deputy inspector County Building Dept inspector	Fabrication plan inspections Field inspections Lab testing
Metal floor and roof deck	Deputy inspector County Building Dept inspector	Field inspections
Glass curtainwall and windows	Special consultant Licensed independent testing agency	Fabrication plan inspections Field inspections Lab testing
Roofing	Special consultant County Building Dept inspector	Field inspections
Below grade waterproofing	Special consultant County Building Dept inspector	Field inspections
Interior framing and drywall	County Building Dept inspector	Field inspections
Acoustical ceiling suspension	County Building Dept inspector	Field inspections

EXHIBIT N

Certificate of Substantial Completion Form

G-73

AIA® Document G704™ – 2000

Certificate of Substantial Completion

PROJECT:
(Name and address):
Building 16
601 N. Ross Street
Santa Ana, CA 92701

PROJECT NUMBER:
CONTRACT FOR:
CONTRACT DATE:

OWNER: ☐
ARCHITECT: ☐
CONTRACTOR: ☐
FIELD: ☐
OTHER: ☐

TO OWNER:
(Name and address): Capital Facilities Development Corporation
333 W. Santa Ana Blvd., 3rd Floor,
Santa Ana, CA 92701

TO DEVELOPER:
(Name and address):
Griffin Structures, Inc.
2 Technology Drive
Irvine, CA 92618

PROJECT OR PORTION OF THE PROJECT DESIGNATED FOR PARTIAL OCCUPANCY OR USE SHALL INCLUDE:

The Work performed under this Contract has been reviewed and found, to the Architect's best knowledge, information and belief, to be substantially complete. Substantial Completion is the stage in the progress of the Work when the Work or designated portion is sufficiently complete in accordance with the Contract Documents so that the Owner can occupy or utilize the Work for its intended use. The date of Substantial Completion of the Project or portion designated above is the date of issuance established by this Certificate, which is also the date of commencement of applicable warranties required by the Contract Documents, except as stated below:

ARCHITECT	BY	DATE OF ISSUANCE

A list of items to be completed or corrected is attached hereto. The failure to include any items on such list does not alter the responsibility of the Developer to complete all Work in accordance with the Contract Documents. Unless otherwise agreed to in writing, the date of commencement of warranties for items on the attached list will be the date of issuance of the final Certificate of Payment or the date of final payment.

Cost estimate of Work that is incomplete or defective: $

The Developer will complete or correct the Work on the list of items attached hereto within (__) days from the above date of Substantial Completion.

DEVELOPER	BY	DATE

The Owner accepts the Work or designated portion as substantially complete and will assume full possession at (*time*) on (*date*).

OWNER	BY	DATE

The responsibilities of the Owner and Developer for security, maintenance, heat, utilities, damage to the Work and insurance shall be as follows:
(Note: Owner's and Developer's legal and insurance counsel should determine and review insurance requirements and coverage.)

EXHIBIT O

Form of Bonds and Dual Obligee Rider

See attached.

County of Orange

OC Public Works

Shane L. Silsby, Director

FAITHFUL PERFORMANCE BOND

BOND NO. ___________________

CONTRACT NO. _______________

(The premium charged on this bond is $___________, being at the rate of $_________ per thousand of the Contract price.)

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS, the GRIFFIN STRUCTURES, INC., entered into a contract dated __________________________2017, hereinafter called "Contract," with

SWINERTON BUILDERS
(Name and Address of Construction Manager at Risk)

hereinafter called "Principal," for the work described as follows:
_____________BUILDING 16, PARKING AND RELATED SITE IMPROVEMENTS_____________
____; and

WHEREAS, said Principal is required under the terms of said Contract to furnish a bond for the faithful performance of said Contract, and,

NOW, THEREFORE, WE, the Principal, and

____
(Name and Address of Surety (ies))

duly authorized to transact business under the laws of the State of California, as Surety (ies), hereinafter called "Surety (ies)," are held and firmly bound unto GRIFFIN STRUCTURES, INC. in the penal sum of ____Dollars ($_______________), lawful money of the United States, for the payment of which sum, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

BOND NO. ________________

THE CONDITION OF THIS OBLIGATION is such that, if the Principal, his or its heirs, executors, administrators, successors or assigns, shall in all things stand to, and abide by, and well and truly keep and perform the covenants, conditions and agreements in the said Contract, and in any alteration thereof made as therein provided, on his or its part to be kept and performed, at the time and in the manner therein specified, in all respects according to their true intent and meaning, and shall indemnify, defend with counsel approved in writing by GRIFFIN STRUCTURES, INC., and save harmless GRIFFIN STRUCTURES, INC., its officers and agents, as therein stipulated, then this obligation shall become null and void; otherwise it shall be and remain in full force and virtue. And the said Surety(ies), for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract, or to the work to be performed thereunder, or to the specifications accompanying the same, shall in anywise affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the Contract, or to the work, or to the specifications.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this ____ day of ____________.

GRIFFIN STRUCTURES, INC.

By ________________________________
Name & Title (see footnote)

By ________________________________
Name & Title (see footnote)

CONSTRUCTION MANAGER AT RISK

By ________________________________
Name & Title (see footnote)

By ________________________________
Name & Title (see footnote)

SURETY (ies)

By ________________________________
Name & Title (see footnote)

Footnote: Pursuant to the requirements of California Corporations Code section 313, one of the following two methods must be used by a corporation when it enters into a contract with the County:

1) Two people must sign the document. One of them must be the chairman of the board, the president or any vice president. The other must be the secretary, any assistant secretary, the chief financial officer or any assistant treasurer.
2) One corporate officer may sign the document, providing that written evidence of the officer's authority to bind the corporation with only his or her signature must be provided. This evidence would ideally be a corporate resolution.

Signature of Surety (ies) representative must be notarized. Attach certificate of notarization to this document. Name of Surety (ies) Company must be typed or stamped above signature line of surety (ies) representative.

County of Orange

OC Public Works

Shane L. Silsby, Director

LABOR AND MATERIAL PAYMENT BOND

BOND NO. ___________________

CONTRACT NO. _______________

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS GRIFFIN STRUCTURES, INC. has entered into with

SWINERTON BUILDERS
(Construction Manager at Risk's Name and Address)

hereinafter called "Construction Manager at Risk," a contract for the work described as follows:

BUILDING 16, PARKING AND RELATED SITE IMPROVEMENTS
____; and

hereinafter called "Contract"; and,

WHEREAS, said Construction Manager at Risk is required by the provisions of Sections 9550 et. seq. of the Civil Code to furnish a bond in connection with said Contract, as hereinafter set forth; and,

NOW, THEREFORE, WE, the undersigned Construction Manager at Risk, as Principal, and

____
[Name and Address of Surety (ies)]

duly authorized to transact business under the laws of the State of California, as Surety (ies), hereinafter called "Surety (ies)," are held and firmly bound unto GRIFFIN STRUCTURES, INC. in the penal sum of

________________________________ Dollars ($____________),

lawful money of the United States, said sum being not less than the estimated amount payable by the said GRIFFIN STRUCTURES, INC. under the terms of the Contract, for the payment of which sum, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

BOND NO. _______________

THE CONDITION OF THIS OBLIGATION is such that, if said Construction Manager at Risk, his or its heirs, executors, administrators, successors, and assigns, or subcontractors, shall fail to pay for any materials, provisions, provender or other supplies, or teams, implements or machinery, used in, upon, for or about the performance of the work under the Contract to be done, or for any work or labor thereon of any kind, or for amounts due under the Unemployment Insurance Code with respect to such work or labor, as required by the provisions of California Civil Code 9550 et. seq., and provided that the claimant shall have complied with the provisions of said Civil Code, the Surety(ies) shall pay for the same in an amount not exceeding the sum specified in this bond, otherwise the above obligation shall be void. In case suit is brought upon this bond, the said Surety (ies) will pay a reasonable attorneys' fee to be fixed by the court. This bond shall inure to the benefit of any and all persons, companies and corporations entitled to file claims under Section 9100 of the Civil Code, so as to give a right of action to them or their assigns in any suit brought upon this bond, and shall also cover payment for any amounts required to be deducted, withheld, and paid over to the Employment Development Department from the wages of employees of the Construction Manager at Risk or his or its subcontractors pursuant to Section 13020 of the Unemployment Insurance Code. And the said Surety (ies), for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract, or to the work to be performed thereunder, or to the specifications accompanying the same, shall in anywise affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the Contract, or to the work, or to the specifications.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this ___ day of ___________________.

GRIFFIN STRUCTURES, INC.	CONSTRUCTION MANAGER AT RISK
By ______________________________ Name & Title (see footnote)	By ______________________________ Name & Title (see footnote)
By ______________________________ Name & Title (see footnote)	By ______________________________ Name & Title (see footnote)
	SURETY (ies)
	By ______________________________ Name & Title (see footnote)

Footnote: Pursuant to the requirements of California Corporations Code section 313, one of the following two methods must be used by a corporation when it enters into a contract with the County:

1) Two people must sign the document. One of them must be the chairman of the board, the president or any vice president. The other must be the secretary, any assistant secretary, the chief financial officer or any assistant treasurer.
2) One corporate officer may sign the document, providing that written evidence of the officer's authority to bind the corporation with only his or her signature must be provided. This evidence would ideally be a corporate resolution.

Signature of Surety (ies) representative must be notarized. Attach certificate of notarization to this document. Name of Surety (ies) Company must be typed or stamped above signature line of surety (ies) representative.

R I D E R

To be attached to and form part

of Bond No. _______________________

on behalf of **SWINERTON BUILDERS**, as Construction Manager at Risk ("Principal"),

in favor of **GRIFFIN STRUCTURES, INC.**

dated _______________________, 2017

It is hereby understood and agreed that:

1. CAPITAL FACILITIES DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation; and
2. ZIONS BANK, a Division of ZB, National Association;

is/are added as additional Obligee(s). Provided, however, that:

1. The Principal and the Surety shall not be liable under this bond to the Obligees, or either of them, unless said Obligees, or either of them shall make payments to the Principal (or to Surety if it arranges for performance of the Contract) in accordance with the terms of said Contract as to payment and shall perform all the other obligations to be performed under said Contract at the time and in the manner therein set forth.
2. Provided, however, that the attached bond as changed by this Rider shall be subject to all its agreements, terms and conditions and limitations except as herein expressly modified and that the liability under the attached bond as changed by this Rider shall not be cumulative and shall be limited in the aggregate to the penalty of the said bond.

Signed and dated this ___________ day of ____________________ 2017

By: ______________________________ By: ______________________________

EXHIBIT P

Form of Project Application For Payment

See attached.

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUATION SHEET

AIA DOCUMENT G703

PAGE OF PAGES

AIA Document G702, APPLICATION AND CERTIFICATION FOR PAYMENT, containing Developer's signed certification is attached.
In tabulations below, amounts are stated to the nearest dollar.
Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO:
APPLICATION DATE:
PERIOD TO:
PROJECT NO:

A	B	C	D	E	F	G	H	I	J
ITEM NO.	**DESCRIPTION OF WORK**	**SCHEDULED VALUE**	**WORK COMPLETED** **FROM PREVIOUS APPLICATION** (D + E)	**THIS PERIOD**	**MATERIALS PRESENTLY STORED** (NOT IN D OR E)	**TOTAL COMPLETED AND STORED TO DATE** (D+E+F)	**%** (G ÷ C)	**BALANCE TO FINISH** (C - G)	**RETAINAGE** (IF VARIABLE RATE)
	(Fill in & break down contract values)								
	(Add any change order(s) descriptions)								
	GRAND TOTALS	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**0%**	**$0.00**	**$0.00**

APPLICATION AND CERTIFICATION FOR PAYMENT

AIA DOCUMENT G702 PAGE ONE OF PAGES

TO CORPORATION: **Capital Facilities Development Corporation**
Santa Ana, CA

PROJECT: **Building 16**

FROM DEVELOPER: **Griffin Structures, Inc.**
2 Technology Drive
Irvine, CA 92618

VIA ARCHITECT:

CONTRACT FOR: Development Management Services

APPLICATION NO:
PERIOD TO:
PROJECT NOS:
CONTRACT DATE:

Distribution to:
- [ ] CORPORATION
- [ ] ARCHITECT
- [ ] DEVELOPER
- [ ] CMAR
- [ ]

DEVELOPER'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract.
Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM $
2. Net change by Change Orders $ 0.00
3. CONTRACT SUM TO DATE (Line 1 ± 2) $ 0.00
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703) $ 0.00
5. RETAINAGE:
   a. ______% of Completed Work (Column D + E on G703) $ $0.00
   b. ______% of Stored Material (Column F on G703) $ Included in above
   Total Retainage (Lines 5a + 5b or Total in Column I of G703) $ 0.00
6. TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total) $ 0.00
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate) $
8. **CURRENT PAYMENT DUE** $ 0.00
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6) $ 0.00

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Corporation		
Total approved this Month		
TOTALS	$0.00	$0.00
NET CHANGES by Change Order	$0.00	

The undersigned Developer certifies that to the best of the Developer's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Developer for Work for which previous Certificates for Payment were issued and payments received from the Corporation and that current payment shown herein is now due.

DEVELOPER:

By: ______________________ Date: ______________

CORPORATION'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the application, the Corporation certifies to the Trustee that to the best of the Corporation's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Developer is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED . . . . $ __________

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and onthe Continuation Sheet that are changed to conform with the amount certified.)

CORPORATION:

By: ______________________ Date: ______________

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Developer named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Corporation or Developer under this Contract.

EXHIBIT Q

List of Geotechnical Reports and Topographic Maps

EXHIBIT Q – LIST OF GEOTECHNICAL AND ENVIRONMENTAL REPORTS AND SURVEYS

Orange County Civic Center Facilities Strategic Plan Draft EIR, dated December 2016

Orange County Civic Center Facilities Strategic Plan - Final Environmental Impact Report, State Clearinghouse No. 2016081044, EIR No. 626

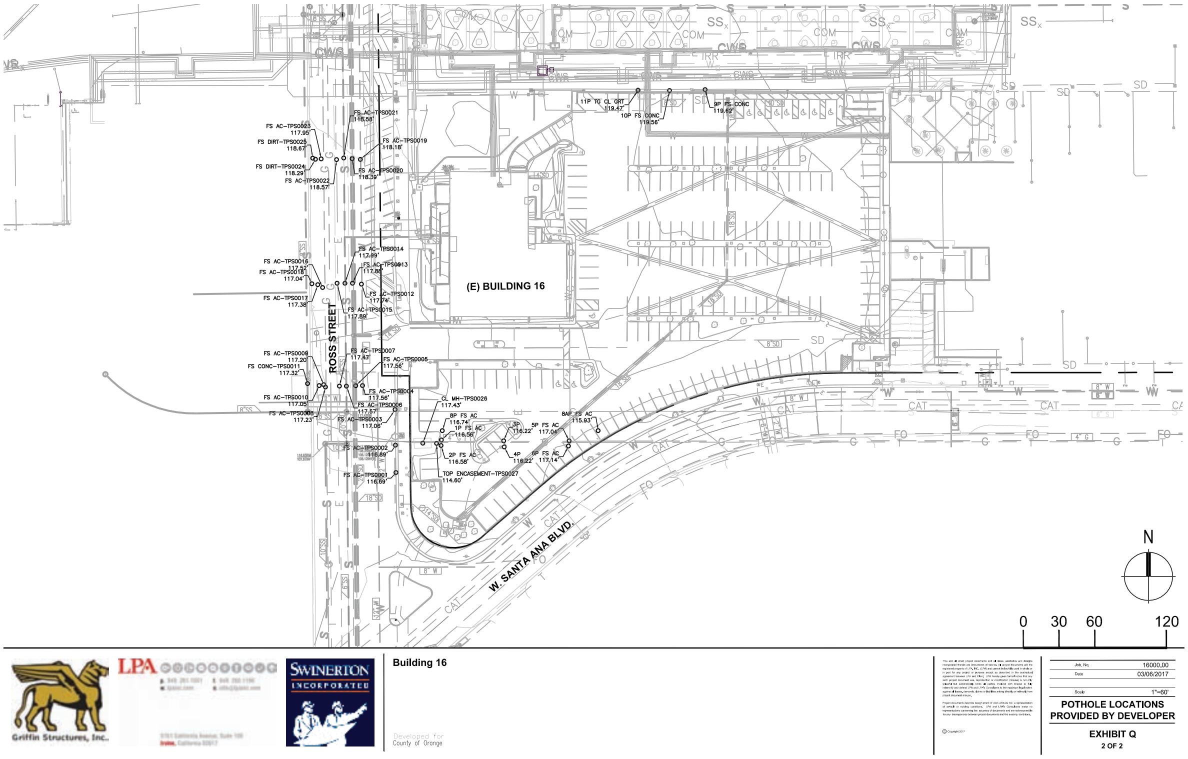
Geotechnical Exploration Report, Orange County Building 16, Prepared by Leighton Consulting, Inc, dated March 6, 2017

Phase I Environmental Site Assessment and Subsurface Baseline Screening Report, Building 16, Prepared by Leighton Consulting Inc, dated December 13, 2016

ALTA/NSPS Land Title Survey, Civic Center Building 16, Prepared by County of Orange, OC Public Works/Engineering Services, dated February 26, 2016

Preliminary Title Report, 601 and 645 North Ross St, Santa Ana, CA and 333 West Santa Ana Blvd, Santa Ana, CA, prepared by Stewart Title, dated Jan 20, 2016

Pothole Locations Provided by County and Developer, dated March 6, 2017


ROSS STREET
(E) BUILDING 16
W. SANTA ANA BLVD.
N
0 30 60 120
LPA
Griffin Structures, Inc.
SWINERTON INCORPORATED
Building 16
Developed for County of Orange
Job No. 16000.00
Date 03/06/2017
Scale 1"=60'
POTHOLE LOCATIONS PROVIDED BY DEVELOPER
EXHIBIT Q
2 OF 2

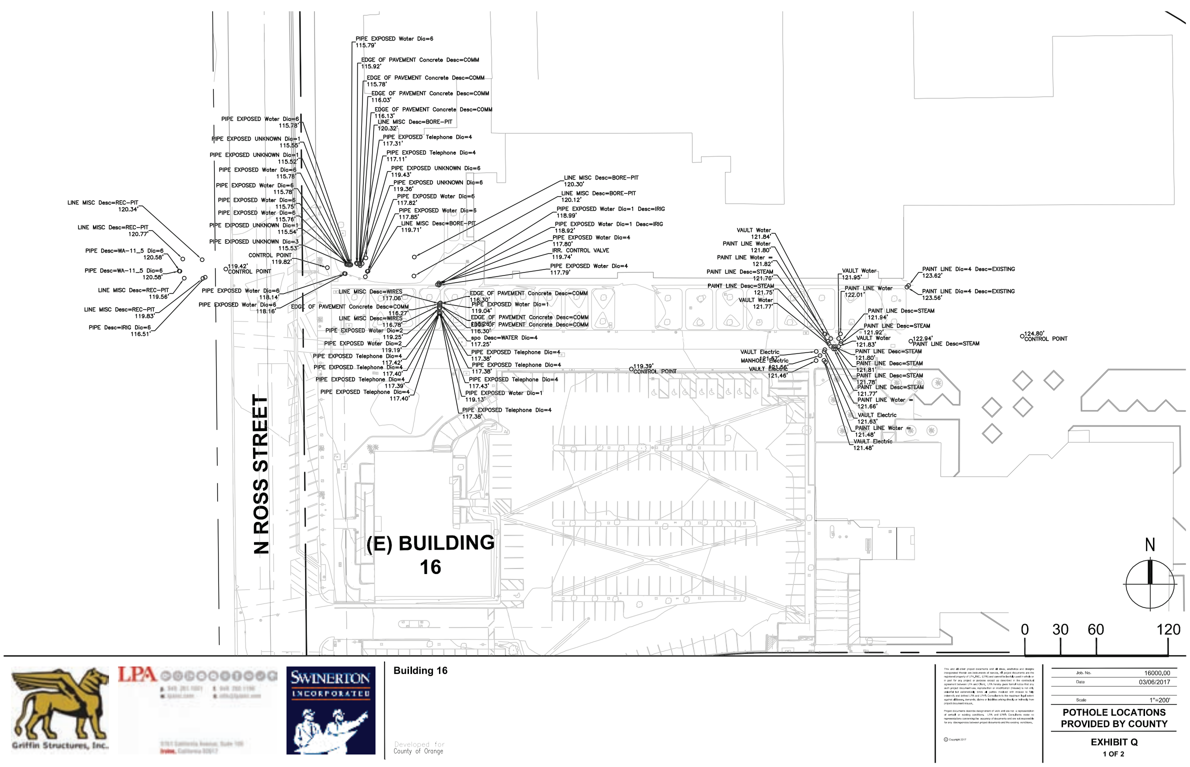

N ROSS STREET
(E) BUILDING 16
N
0 30 60 120
LPA
Griffin Structures, Inc.
SWINERTON INCORPORATED
Building 16
Developed for County of Orange
Job No. 16000.00
Date 03/06/2017
Scale 1"=200'
POTHOLE LOCATIONS PROVIDED BY COUNTY
EXHIBIT Q
1 OF 2

EXHIBIT R

Corporation-Approved Procurement Plan

Exhibit S

[THIS PAGE INTENTIONALLY LEFT BLANK]

Trade Contractor Procurement

- Prequalify All Trade Contractors
- Trade Contractors to be selected on "Best Value Basis" with optional Best and Final Offer process per trade
- Solicit a Minimum of Five (5) Trade Contractor Bids on all Trades over $750,000 (approx. ½ of 1% of overall contract value)
- Solicit a Minimum of Three (3) Trade Contractor bids on all Trades Less Than $750,000 (approx. ½ of 1% of overall contract value)

EXHIBIT R - OWNER APPROVED PROCUREMENT PLAN

Three Procurement Packages

- Package #1 – To be Bid from 100% approved DD Documents
- Package #2 – To Be Bid From Initial Building Permit Submittal Set of Documents
- Package #3 – To Be Bid From Permit Approved Drawings

Bid Package #1 Content

- 100% Approved DD Drawings
- 100% Trade Specifications
- MEP BOD Trade Specifications
- Geotechnical Report
- Project General Requirements
- Trade Contractor Agreement
- Exhibits/Attachments from Trade Contractor Agreement (listed on Page 5)
- Instructions to Bidders and Bid Forms

EXHIBIT R - OWNER APPROVED PROCUREMENT PLAN

Procurement Package #1

Trades (Procurement Critical):

Design Build

- Shoring
- Fire Sprinklers
- Elevators

Design Assist

- Glass and Glazing
- Mechanical
- Plumbing
- Electrical
- Structural Steel
- Precast

Bid Package Process

- Project Team to Prequalify Trade Contractors Utilizing Approved Format
- Project Team to Distribute Bid Packages to Prequalified Trade Contractors
- Project Team to Manage Trade Contractors Bid Process
- Project Team to Receive Trade Contractors Proposals
- Project Team to Review and Level Trade Contractors Proposals
- Project Team to Present Trade Leveling Sheets
- Project Team to Award Trade Contractors

Bid Package Exhibits

- Attachment A – Insurance
- Attachment B – Document List
- Attachment C – Scope of Work
- Attachment D - Contract Recapitulation
- Attachment E – Billing Procedure
- Attachment F – Project Schedule
- Attachment G - Project Procedures Manual
- Attachment H - Collective Bargaining Agreement
- Attachment I - Safety, Health and Environmental Minimum Performance Standard
- Attachment J - MBE/WBE/DVBE
- Attachment K – Trade Contractor Modifications to Standard Documents
- Attachment L - California Public Works Project Requirements/ Prevailing Wage / Certified Payroll
- Attachment M - Virtual Design & Construction Guidelines
- Attachment N - LEED Guidelines
- Attachment O – Not Used
- Attachment P – Phasing and Logistics Plans
- Attachment Q – Quality Control Program

Bid Package #2 Content

- Building Permit Submission Set of Drawings
- 100% Trade Specifications
- Geotechnical Report
- Project General Requirements
- Trade Contractor Agreement Exhibits/Attachments from Trade Contractor Agreement
- Instructions to Bidders and Bid Forms
- Best and Final Offer to be based on Approved Drawings

Procurement Package #2

Trades:

Schedule Critical

- Surveying
- Earthwork
- Demolition
- Site Utilities
- Concrete
- Rebar
- Waterproofing
- Masonry

Bid Package #3 Content

- 100% Approved Permit Drawings
- 100% Trade Specifications
- Geotechnical Report
- Project General Requirements
- Trade Contractor Agreement Exhibits/Attachments from Trade Contractor Agreement
- Instructions to Bidders and Bid Forms

Procurement Package 3

Trades:

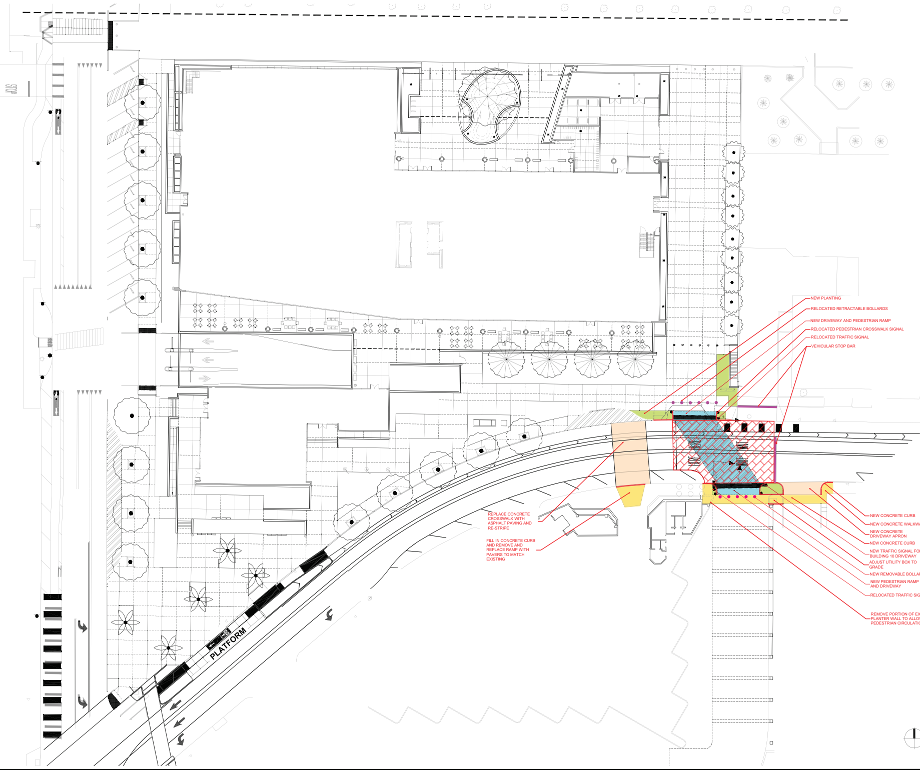
Remaining

- Metal Decking
- Misc Steel
- Framing and Drywall/Insulation
- Sheet Metal
- Caulking and Sealants
- Roofing
- Site Concrete
- Asphalt Paving
- Landscape and Irrigation
- Doors and Frames
- Millwork
- Tile and Stone
- Acoustical Ceilings
- Flooring
- Painting
- Signage
- Toilet Accessories and Partitions
- Window Treatments
- Site Furnishings
- Misc. Items

EXHIBIT S

Basis of Offsite Improvements Allowance

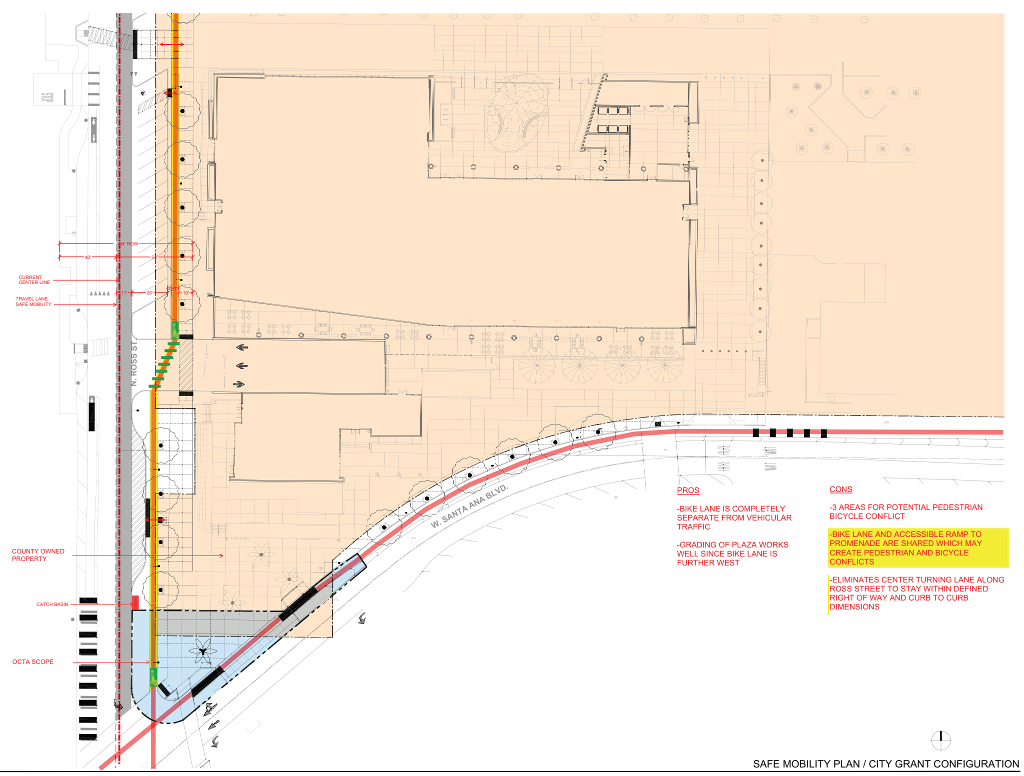
[THIS PAGE INTENTIONALLY LEFT BLANK]



LPA
SWINERTON INCORPORATED
B□□d□n□ 16
County of Orange

Job. No.	16000.10
Date	01. 16. 17
Checked by	
Scale	1"=20'-0"

Santa Ana Cross□alk
EXHIBIT S - OFFSITE ALLOWANCE
2 of 4



SAFE MOBILITY PLAN / CITY GRANT CONFIGURATION

LPA
SWINERTON INCORPORATED
Building 16
County of Orange

Job. No.	16000.10
Date	03 06, 2017
Checked by	
Scale	1"=20'-0"

Ross Street
Bike Lane
Safe Mobility Plan

EXHIBIT S - OFFSITE ALLOWANCE
BIKE LANE - 1 of 4

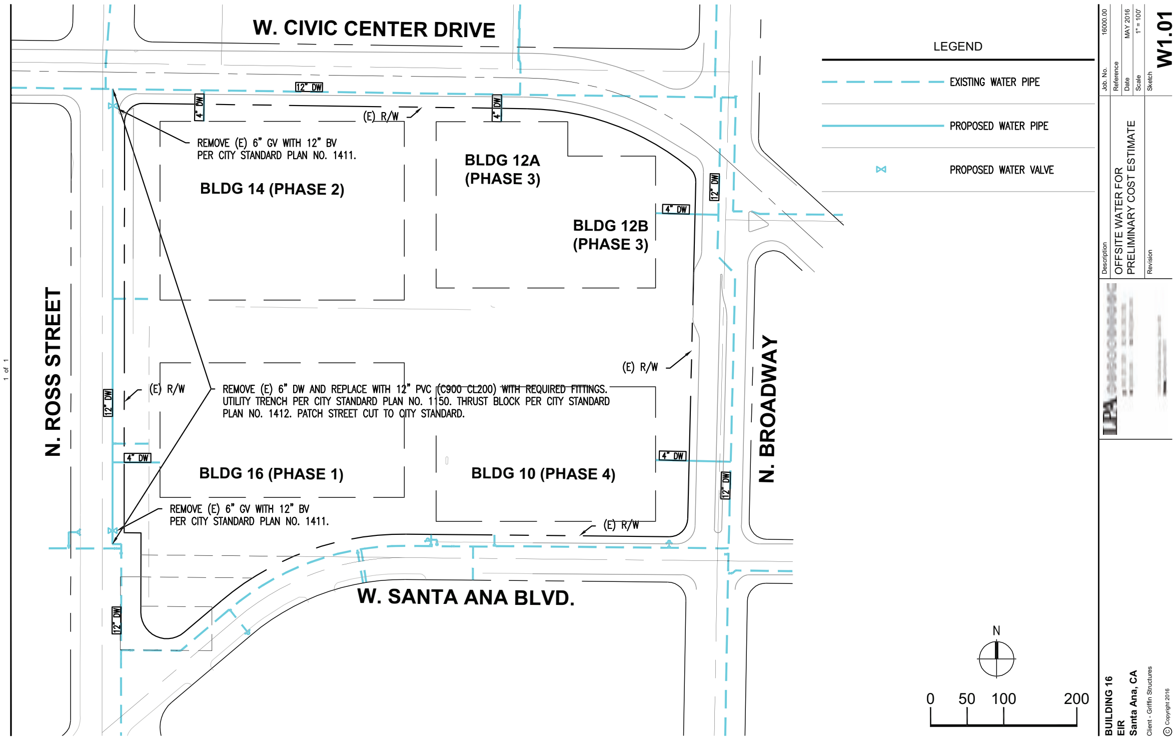


EXHIBIT S - OFFSITE ALLOWANCE WATER - 4 OF 4

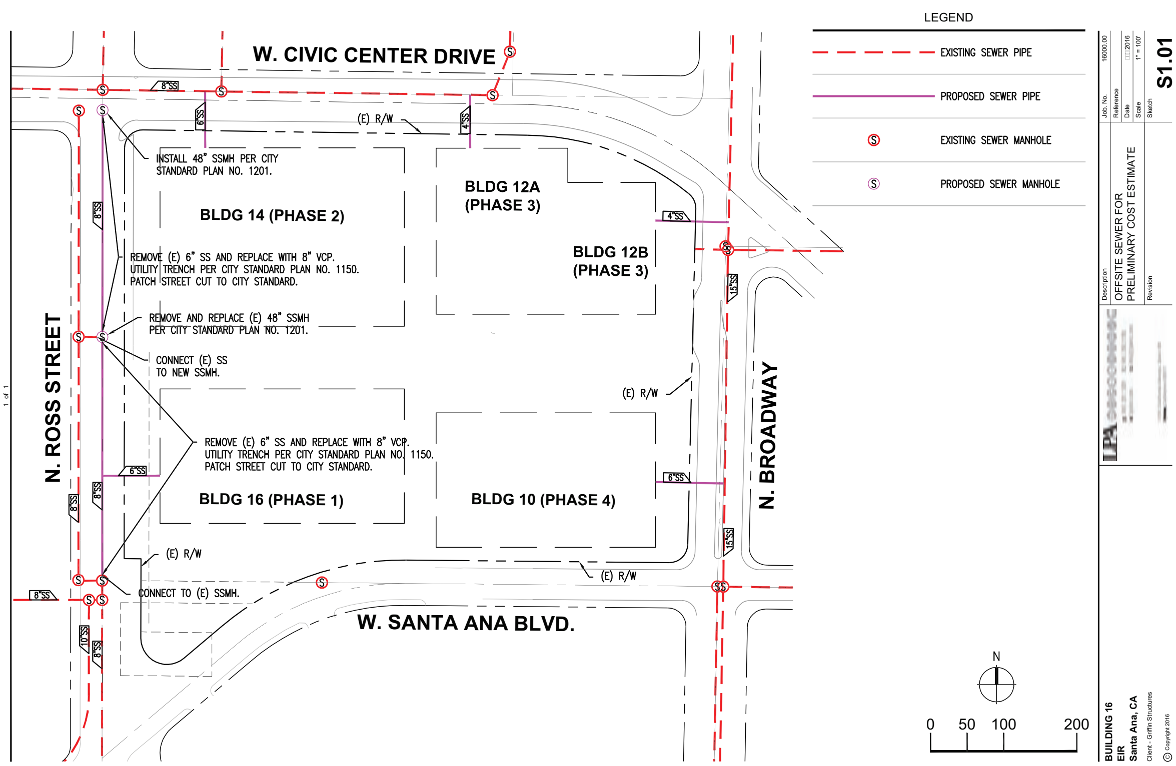


EXHIBIT K - OFFSITE ALLOWANCE SEWER - 3 OF 4

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

CALIFORNIA MUNICIPAL FINANCE AUTHORITY • LEASE REVENUE BONDS, SERIES 2017A (ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE IMPROVEMENT PROGRAM – PHASE I)

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com