COMMUNITY FACILITIES DISTRICT NO. 2023-1 OF THE COUNTY OF ORANGE (RIENDA PHASE 2B) 2023 SERIES A SPECIAL TAX BONDS ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023

Dated February 29, 2024

2023 Series A CUSIP Numbers	
68423PZV5	68423PZW3
68423PZX1	68423PZY9
68423PZZ6	68423PA26
68423PA34	68423PA42
68423PA59	68423PA67
68423PA75	68423PA83
68423PA91	68423PB25

Prepared at the direction of and on behalf of:

County of Orange
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Prepared by:

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Community Facilities District No. 2023-1
of the County of Orange
Special Tax Bonds
2023 Series A (Rienda Phase 2B)
Annual Report
For Fiscal Year Ended June 30, 2023

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INTRODUCTION

The Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) (the "Issuer" or "District") hereby provides its annual report (the "Annual Report") for the fiscal year ended June 30, 2023 in connection with the following Bonds:

Bond Issue:

1. Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) 2023 Series A Special Tax Bonds

Annual Report:

The Issuer's Annual Report required by the Continuing Disclosure Certificate (the "Disclosure Certificate") dated December 7, 2023 with respect to the Series A Bonds for the Fiscal Year ended June 30, 2023 is attached hereto.

Other Matters:

This Annual Report is provided solely for purposes of the Disclosure Certificate. The filing of this Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the County, the Issuer or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the Issuer's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the Issuer.

While the financial statements of the County (which includes the District) for Fiscal Year ended June 30, 2023 have been incorporated herein by reference in order to comply with SEC Rule 15c2-12, the Bonds are a limited obligation of the District and neither the faith and credit nor the taxing power of the County is pledged to the payment of the Bonds. No income, receipts, funds (including the County general fund) or moneys of the County are pledged to the repayment of the Bonds.

SECTION 4 – CONTENT OF ANNUAL REPORT

a. **<u>Audited Financial Statements for Fiscal Year Ended June 30, 2023.</u>**

The County of Orange's Audited Financial Statements for Fiscal Year 2022-2023 were filed with the Municipal Securities Rulemaking Board Electronic Municipal Market Access on January 9, 2024 (Submission ID: P11303917) are included herein as Exhibit A.

While the financial statements of the County (which includes the District) for Fiscal Year ended June 30, 2023 have been incorporated herein by reference in order to comply with SEC Rule 15c2-12, the Bonds are a limited obligation of the District and neither the faith and credit nor the taxing power of the County is pledged to the payment of the Bonds. No income, receipts, funds (including the County general fund) or moneys of the County are pledged to the repayment of the Bonds.

b. **<u>Official Statement</u>**

The Official Statement for the 2023 Series A Special Tax Bonds is included herein as Exhibit B.

CERTAIN DISCLAIMERS

The information contained in this Annual Report expresses only the views of the applicable party. An explanation of the significance of any such information may be obtained from the applicable party; provided, however, that no information provided by any party is incorporated in this Annual Report. The County and the District undertake no responsibility to oppose any revision or withdrawal of such information contained in this Annual Report.

To the extent the County or the District provides information in this Annual Report, the County and the District are not obligated to present or update information in future Annual Reports. Investors are advised to refer to the Official Statement for the Bonds for information concerning the initial delivery of and security for the Bonds.

By providing the information in this Annual Report, the County and the District do not imply or represent (a) that all information provided in this Annual Report is material to investors' decisions regarding investment in the Bonds, (b) the completeness or accuracy of any financial, operational or other information not included herein or in the Official Statement, (c) that no changes, circumstances or events have occurred since the date of this Annual Report (other than as contained herein), or (d) that no other information exists which may have a bearing on the County's financial condition, the security for the Bonds or an investor's decision to buy, sell or hold the Bonds.

The information set forth in this Annual Report or incorporated in this Annual Report has been furnished by the County and the District and is believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in or incorporated by this Annual Report which involves estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained in this Annual Report or incorporated in this Annual Report are subject to change without notice and the delivery of this Annual Report will not, under any circumstances, create any implication that there has been no change in the affairs of the County and the District.

No statement contained in this Annual Report should be construed as a prediction or representation about future financial performance of the County and the District. Historical results presented herein may not be indicative of future operating results.

The information set forth herein, including information provided by others or incorporated by reference, is believed by the County and the District to be reliable but has not been independently verified by the County and the District and is not guaranteed as to accuracy by the County and the District.

EXHIBIT A

ANNUAL COMPREHENSIVE FINANCIAL REPORT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

ANDREW N. HAMILTON, CPA, AUDITOR-CONTROLLER

Each year the Orange County Auditor-Controller's Office releases the County's Annual Comprehensive Financial Report (ACFR) for the prior fiscal year ending June 30. The document is prepared in accordance with Sections 25250 and 25253 of the Government Code of the State of California, to be released no later than December 31. An outside auditing firm, Eide Bailly LLP, is retained to audit the report. The Auditor-Controller Financial Reporting Unit works tirelessly to ensure the report is not only on time, but is of the highest quality. Last year's report received, once again, the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. This award is a prestigious national award recognizing excellence in State and local government financial reporting.

For the past six years, the ACFR has highlighted one of the County's various agencies through a representative photograph on the cover and interior tabs of the report. This year, our theme examines the County's Budget & Finance Office. The Budget & Finance Office is a division under the County's Chief Financial Officer and is responsible for the annual budget and strategic financial planning process and managing the County's public debt programs. The functions carried out are aligned with the Board of Supervisor's adopted priorities, which include stabilizing the budget, preparing for contingencies, and addressing and funding agency infrastructure.

This theme is also carried over into the ACFR's accompanying Citizens' Report, known as the Popular Annual Financial Report (PAFR). We hope you enjoy this look at one of the less visible, but vitally important departments within the County.

In addition to the ACFR, the Auditor-Controller's Office has three Satellite units at John Wayne Airport, OC Community Resources and OC Waste & Recycling with teams also working tirelessly to produce stand-alone financial statements which are audited by the outside auditing firm, Eide Bailly LLP. The statements give a financial picture of those agencies' individual finances for the County's two Enterprise Funds, John Wayne Airport and OC Waste & Recycling, as well as for the County's Redevelopment Successor Agency, a Private-Purpose Trust Fund. To view the stand-alone Financial Statements, please visit ocauditor.gov and select "Component Unit Financial Statements" under the Reports tab.

Thank you to all the employees of the Auditor-Controller's Office for their ongoing hard work and dedication to the residents of Orange County.

To view this year's ACFR, please visit ocauditor.gov/reports/acfrreports/

To view this year's PAFR, please visit ocauditor.gov/reports/citizens-reports/

County of Orange

State of California

Annual Comprehensive Financial Report

For the Year Ended June 30, 2023

Andrew N. Hamilton, CPA
Auditor-Controller

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COUNTY OF ORANGE
CALIFORNIA

COUNTY OF ORANGE
CALIFORNIA

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OCgov.com
Our Community. Our Commitment.

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COUNTY OF ORANGE

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www.ocgov.com

December 20, 2023

The Citizens of Orange County:

The Annual Comprehensive Financial Report (ACFR) of the County of Orange (County), State of California, for the year ended June 30, 2023, 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 is accurate in all material respects and is 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 ACFR has been audited by the independent certified public accounting firm of Eide Bailly LLP. 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, 2023, 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, 2023. The independent auditor's report is located at the front of the financial section of this report.

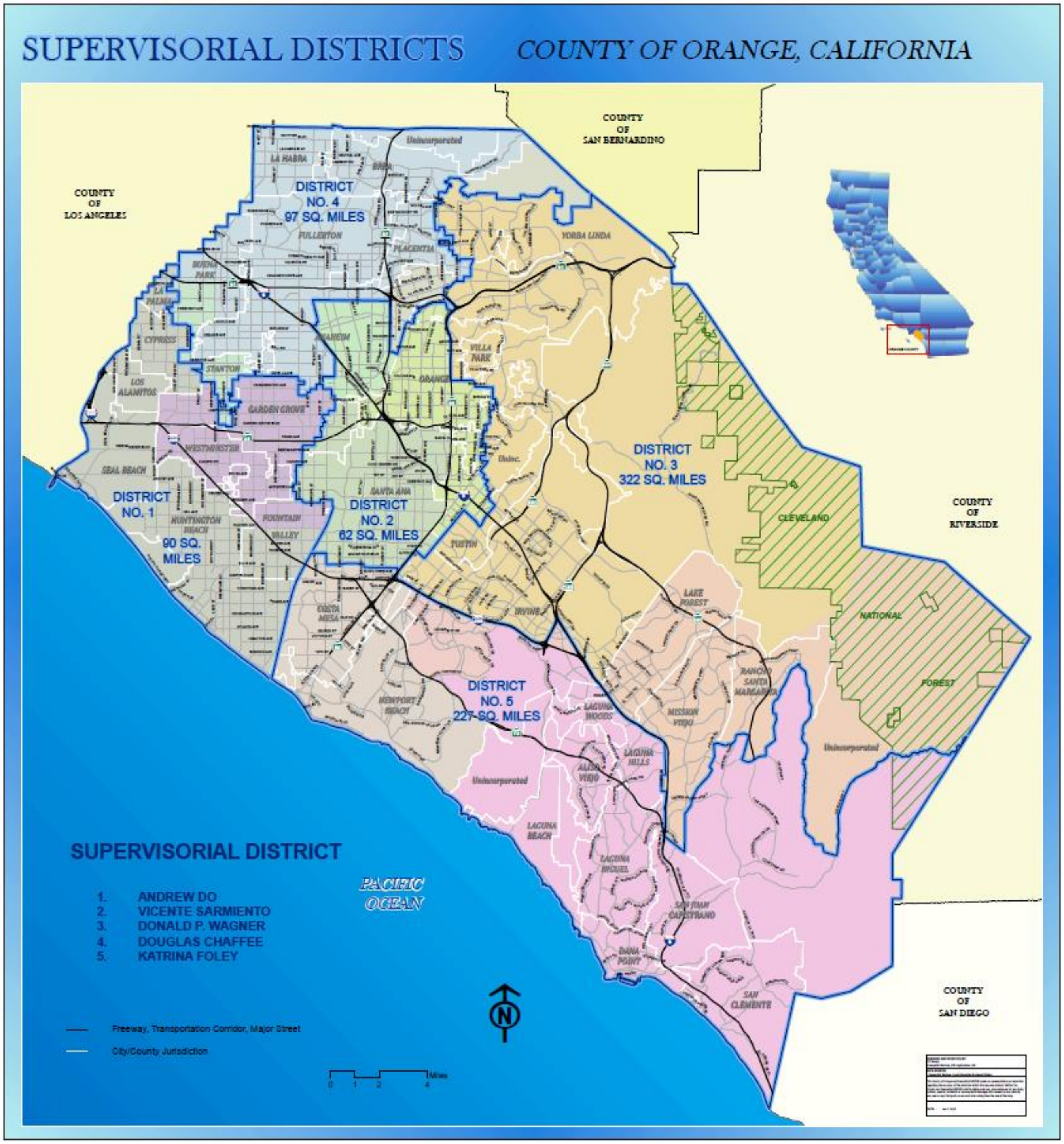
This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and analysis of the basic financial statements.

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 was incorporated as a general law County and converted to a charter county on March 5, 2002, with voter approval. 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, vacation, or compensatory time cash-outs. In June 2012, voters approved Measure B, which requires that any Orange County Supervisors elected 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. 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 governed by a five-member Board of Supervisors (Board), who each serve four-year terms, and annually elect a Chair and Vice-Chair. The Supervisors represent districts that are each approximately equal in population. The district boundaries were revised effective January 6, 2022, incorporating the results of the 2020 census. A County Executive Officer (CEO) oversees 15 County departments, and elected officials serving as 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 Administrator	Public Assistance
Elections & Voter Registration	Public Defender/ Alternate Defense
Environmental/Regulatory Health	Public & Behavioral Health
Flood Control & Transportation	Senior Services
OC Parks	Collection & Appeals
Disaster Preparedness	Weights & Measures
Grand Jury	Property Tax Assessment, Apportionment/Billing, Collection & Receipt
Public Guardian	

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

Contracted 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, which can be either blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the County's operations and, therefore, data from these component units is combined with data of the County. The County has two discretely presented component units, the First 5 Orange County and CalOptima Health, which require discrete presentation in the government-wide financial statements. The County has one fiduciary component unit, OCERS. The following entities are presented as blended component units in the basic financial statements for the year ended June 30, 2023: Orange County Flood Control District (OCFCD), Orange County Housing Authority, Orange County Public Financing Authority, South Orange County Public Financing Authority, Capital Facilities Development Corporation, 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 Section.

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. 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 Section.

(Dollar Amounts in Thousands)

The County's eGovernment website portal at http://www.ocgov.com provides online services and extensive information about County government to Orange County residents, businesses, partners, and visitors. The County's website provides information and online services to the public 24/7. 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, how to license pets, pay property taxes and subscribe to receive emergency alerts. The County continuously strives to improve a constituent's ability to conduct business online with the County.

FACTORS AFFECTING ECONOMIC CONDITION

Local Economy

Two indicators of the County economy are: how well the local economy performs relative to surrounding counties, the State, and the Nation and its own historical trends. This section provides data for various indicators that summarize the current and projected outlook of the County's economy.

Various forecasts indicate that 2023 will be a year of economic slowdown. In terms of historical trends, current and projected activity suggests slow but positive economic growth at the local level which will generally follow national and state trends.

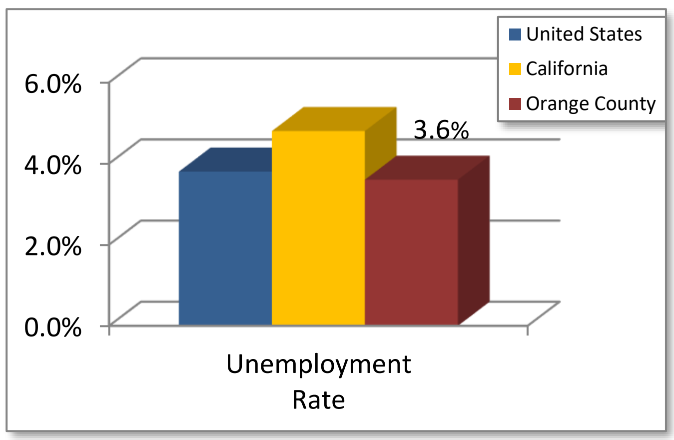
The County's unemployment rate continues to be lower than surrounding Southern California counties, the State, and the Nation (see Table 1).

According to the California Department of Finance, inflation, as measured by the Consumer Price Index (CPI), is expected to be 5.7% for Orange County, lower than both the State and U.S. at 5.9% and 6.5%, respectively, in FY 2022-23 (see Table 2).

Table 1: Unemployment Rate Comparison

Primary Government Entity	July 2023 Unemployment Rate
United States	3.8%
California	4.8%
Los Angeles County	5.4%
Riverside County	5.0%
San Bernardino County	4.8%
San Diego County	3.9%
Orange County	**3.6%**

Unemployment Rate



Note: Unemployment rates are for the month of July 2023

Table 2: 2023 – Projected Increase of the CPI

United States	California	Orange County
6.5%	5.9%	5.7%

Sources: State of California, Employment Development Department
California Department of Finance, 2023

(Dollar Amounts in Thousands)

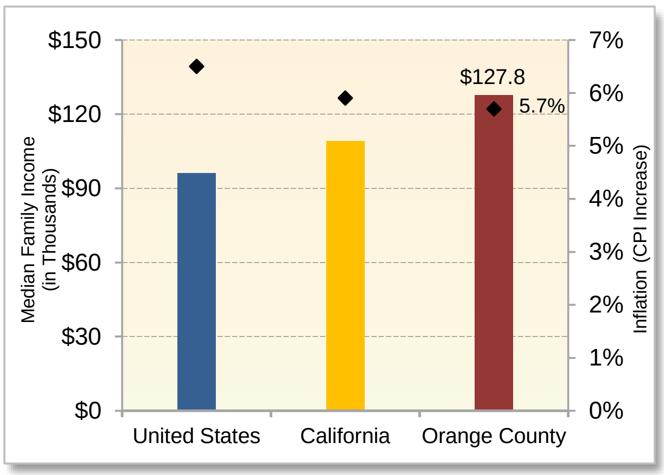
According to the Department of Housing and Urban Development, the County's median family income is expected to be $127,800 (absolute dollars) in 2023, compared to $119,100 (absolute dollars) in 2022. The median family income in the County continues to exceed all surrounding Southern California counties, the State, and the Nation (see Table 3).

Table 3: Median Family Income Comparison

Primary Government Entity	Median Family Income (absolute dollars)
United States	$96,200
California	$109,200
Orange County	**$127,800**
San Diego County	$116,800
Los Angeles County	$98,200
Riverside County	$94,500

Sources: U.S. Department of Housing and Urban Development, 2023

Comparisons of Inflation and Median Family Income



Sources: U.S. Department of Housing and Urban Development, 2023
California Department of Finance, 2023

According to the California Association of Realtors, the median home sales price for existing single-family homes in Orange County was $1,300,000 (absolute dollars) in July 2023, representing a 5.6% increase from July 2022. The median sales price in Orange County continues to exceed all surrounding counties (see Table 4).

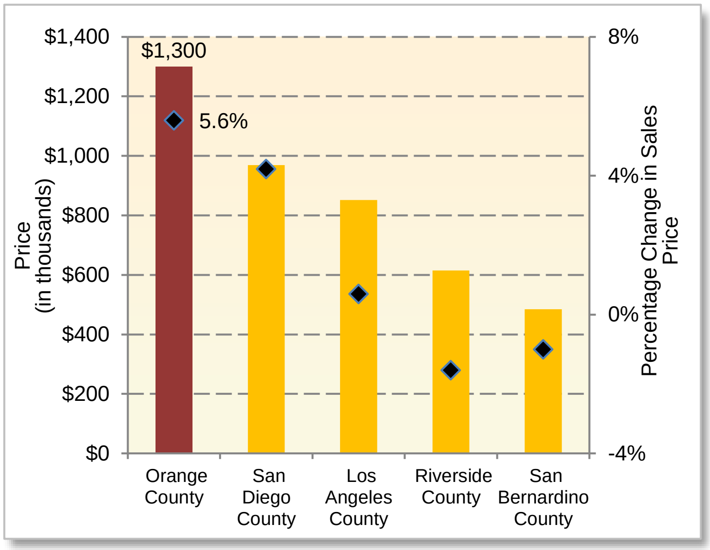
In terms of internal trends, current and projected indicators forecast modest growth in the Orange County economy, with job growth expected to increase by 1.4% in 2023.

Table 4: Median Home Sales Price Comparison-existing single-family homes only Southern California Counties – July 2023

Primary Government Entity	Median Home Sales Price Change increase (decrease)	Median Home Sales Price (absolute dollars)
Orange County	**5.6%**	**$1,300,000**
San Diego County	4.2%	$969,020
Los Angeles County	0.6%	$851,540
Riverside County	(1.6%)	$615,000
San Bernardino County	(1.0%)	$485,000

Source: California Association of Realtors, July 2023

Comparison of Median Home Sales Price and Price Changes Among Counties



Source: California Association of Realtors, July 2023

(Dollar Amounts in Thousands)

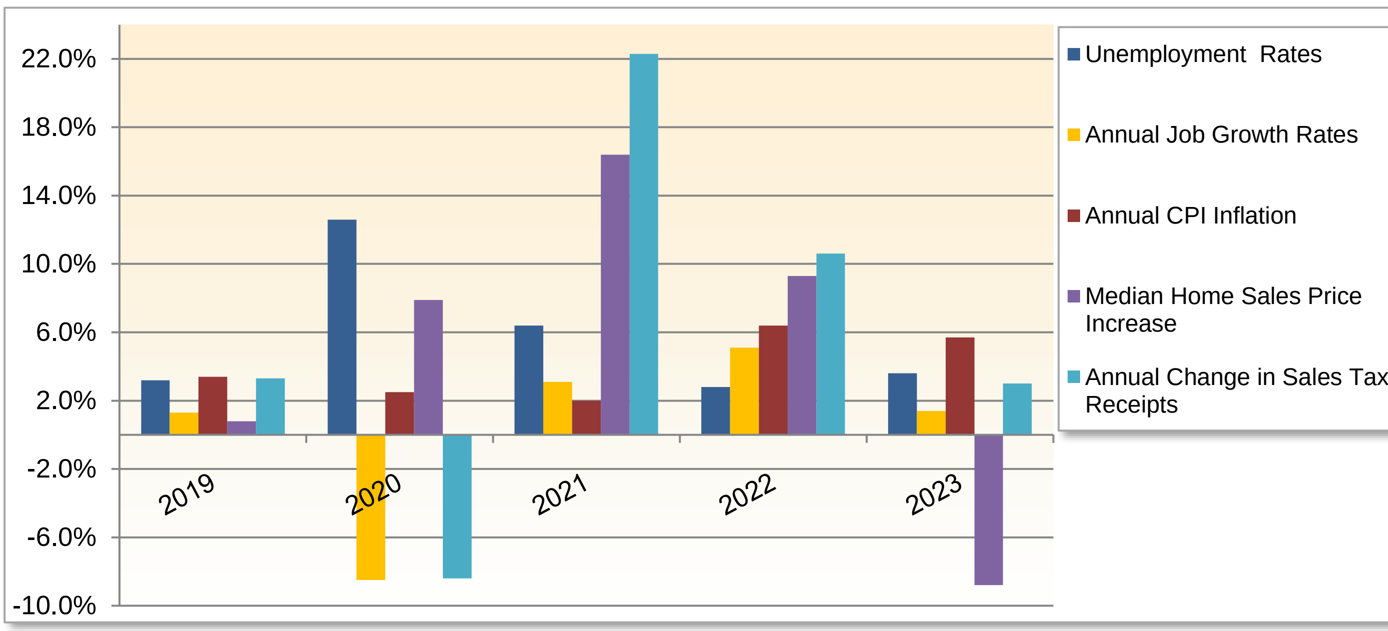
Table 5 shows various internal indicators reflecting a slight decline in the County's economy. The unemployment rate increased from 3.2% in July 2022 to 3.6% in July 2023. According to the June 2023 Chapman University Economic & Business Review, job growth is expected to increase by 1.4% in 2023; median home sales price for existing single-family detached homes are forecasted to decrease by 8.8% in 2023, significantly lower than the 12.5% increase in 2022; and sales tax receipts are forecasted to increase by 3.0% in 2023. In summary, the economy in Orange County is forecasted to show a modest slowdown.

Table 5: Orange County Historical Data

Historical Indicators	2019	2020	2021	2022	2023
Unemployment Rates	3.1%	12.3%	6.4%	3.2%	3.6%
Annual Job Growth Rates	1.3%	(8.5%)	3.6%	5.3%	1.4%
Annual CPI Inflation	3.4%	2.5%	2.0%	6.5%	5.7%
Median Home Sales Price Increase	0.8%	7.9%	16.4%	12.5%	(8.8%)
Annual Change in Sales Tax Receipts	3.3%	(8.4%)	22.6%	12.1%	3.0%

Data in Table 5 for prior years may be different from previous ACFR due to timing. Data for 2023 is preliminary or 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 2023
California Association of Realtors

Long-Term Financial Planning

Strategic Financial Plan (SFP): In March 1997, the Board initiated an annual financial planning process that is a key component of the County's commitment to fiscal responsibility, accountability, and efficiency. The plan includes Countywide initiatives and projections of County general purpose revenues, departmental projections of operating costs, revenues, capital and information technology 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 2023 SFP was presented to the Board on December 19, 2023. The 2023 SFP is the foundation in planning for continued financial stability and is augmented by the monitoring and establishment of budgetary control via the budget reporting process and adoption of the Annual Budget. The five-year SFP projections indicate that General Purpose Revenue will grow, on average, about 3.0% annually. The moderate growth rate for revenue, coupled with the increasing cost of doing business, will require the County to carefully manage programs and service levels. The County continues to believe that sustained job growth and reduced unemployment are the key indicators for economic growth.

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 SFP does not provide an increase in Net County Cost for the five years presented, FY 2024-25 through FY 2028-29. General Purpose Revenue growth will be strategically allocated through the budget process consistent with the priorities identified in the SFP
- A continuation of the policy to not backfill State budget reductions
- Internal financing program to support major capital and information technology projects
- Maintenance of prudent levels of General Fund and Contingency Reserves

The County's long-term financial planning focuses on the current and anticipated uses of County resources in order to maintain or expand operations, address legislative impacts, and implementation of countywide initiatives. Major initiatives continue to focus around OC CARES and the various systems of care provided in the County, addressing homelessness and affordable housing, the Master Plan for Aging initiatives, and addressing sustainability initiatives.

<u>James A. Musick Facility Project</u>: The James A. Musick Facility Project is a multi-year project that includes construction of two inmate housing units with approximately 512 beds and two inmate rehabilitation, treatment, and housing units with approximately 384 beds. The project also includes administrative and support space, a warehouse/maintenance building, and infrastructure and site improvements. Housing units are designed for direct supervision of minimum and medium security inmates, providing a program aimed at reducing recidivism rates and increasing public safety. Programming includes specialized education and enhanced vocational tracks that individuals in custody will be able to participate in that meet their specific needs. The programming services will include three separate tracks which inmates can voluntarily participate in. The educational track will provide assistance with a high school diploma or HiSet, thereby increasing reading, writing, and math skills. The enhanced vocational track will focus on technology-based programming, food service based programming, and skill trade programming. The Reentry track will focus on helping an individual with life skills and changing negative thought processes. Each inmate will have a Reentry Coordinator working with them through their time in custody to ensure that they are meeting their goals. In addition, an individualized discharge plan will be created to ensure direct linkage to service providers immediately post release.

On May 5, 2020, the County awarded a construction contract to Bernards Bros., Inc. for the project in the amount of $261,118 and also approved a five percent construction contingency amount of $13,056. An additional five percent contingency was approved in January 2023 for $13,056. The total project construction cost is estimated to be $318,000 including, owner-carried insurance, construction management, special inspections and utility fees. The cost is funded by $180,000 from AB900 and SB 1022 State funding with the remaining funds coming from the County's General Fund. As of September 2023, the County has received a total of $154,734 in reimbursements from the State. The project is 97% complete and is scheduled for substantial completion by December 2023.

<u>Orange County Civic Center Facilities Master Plan</u>: In 2013, the Board adopted an ordinance approving a public-private partnership to develop the Civic Center Facilities Strategic Plan (Master Plan). The Master Plan included several phases of development with the first phase focused on the general government administration buildings in the center of the Civic Center area.

On April 25, 2017, the Board approved the construction of the new County Administration South (CAS) and establishment of a nonprofit corporation as it related to the financing of CAS and the Master Plan. CAS was completed in November 2019 and is a state-of-the-art facility that has been LEED Certified, meaning it meets the extensive criteria signifying a healthy, highly efficient, cost saving, green building. CAS is occupied by several County departments and includes a one-stop shop public counter where the public has access to services from multiple departments. CAS was financed through a Board adopted ordinance on May 9, 2017, identifying the legal authority for the issuance of bonds, approving a Ground Lease, a Facility Lease, and forming the Capital Facilities Development Corporation (Corporation). In total, the California Municipal Finance Authority (CMFA) issued $152,400 Lease Revenue Bonds and pursuant to a loan agreement, the CMFA loaned a total of $175,340 to the Corporation for the construction. Upon filing the certificate of substantial completion, the County commenced base rental payments, under the Facility Lease, to repay the loan to the CMFA, which pays debt service to the bondholders.

On June 26, 2018, the Board approved the planning and design of a new County Administration North (CAN), within the Civic Center, as a twin building of the above CAS Building; a six-story, approximately 254,000 square foot, with 332 underground parking spaces and an additional 196 surface parking spaces. CAN was completed in July 2022 and is occupied by several County departments, including the County Executive Office and Board of Supervisors and includes a Board Hearing room. Similar to CAS, CAN was also financed through a Board adopted ordinance identifying the legal authority for the issuance of bonds, approving a Ground Lease, a Facility Lease, and using the Corporation. The CMFA issued $185,705 Lease Revenue Bonds and loaned a total of $212,304 to the Corporation, pursuant to a loan agreement, for the construction. Upon filing the certificate of substantial completion, the County commenced base rental payments in FY 2022-23, under the Facility Lease, to repay the loan to the CMFA, which pays debt service to the bondholders.

Additional phases included in the Master Plan are in the planning phases.

<u>Be Well Campuses</u>: County property across from the Great Park in Irvine has been identified as the second location for the Be Well Irvine campus to be established through a public-private partnership with Mind OC, with a long-term ground lease established. The development plans for this campus currently include three phases under the option agreement. The first phase, which is anticipated to be implemented in 2025, will house crisis stabilization units for adults and adolescents, a sobering center, adult residential treatment services, and children, youth and families outpatient clinic. The second phase will include perinatal substance use residential services for pregnant and parenting women and their children up to age 10, a youth and adolescent substance use residential program for both male and female and expanded outpatient and intensive outpatient services for children and youth and perinatal women. The third and final phase will include education and training, a community meeting and events center, youth and senior centers and interfaith shared-use space. The campus is committed to serving all residents of Orange County, by providing a full continuum of services from prevention through treatment, as outlined below:

- Be Well Center for behavioral health and substance use services: A continuum of program offerings from crisis care, extended treatment, to outpatient services, for youth, adolescents, and adults, to support clients wherever they are in their recovery journey.
- Wellness Navigation Center: A single point of entry navigation service to help residents find and connect with a broad range of services across the Orange County system, including housing support, suicide prevention, substance use, depression and related disorders, domestic violence, sexual assault, grief, isolation, child and elder concerns and critical incident debriefings.
- Community and Family Center: A multi-entity, multicultural, multi-faith collective including local Orange County public and private health systems and community-based organizations, integrating health clinics with youth and community education, enrichment and experiential learning spaces.

The Be Well Irvine campus is currently under construction for Phase 1, and in the planning and design phase for Phase 2 and Phase 3. In consideration of the public benefit afforded by the Be Well Campus and Mind OC's operation of the project, the annual rent will be one dollar.

<u>OC CARES Initiatives</u>: OC CARES links the five systems of care in the County (behavioral health, healthcare, community corrections, housing, and benefits & support services) to provide full care coordination and services to address immediate and underlying mental health issues and work towards self-sufficiency. Currently, projects and programs are guided by the OC CARES, Justice Through Prevention and Intervention 2025 Vision overseen by the Orange County Criminal Justice Coordinating Council. A focus is on increasing diversion options from pre-arrest to reintegration that involve treatment, specialty courts, and supportive services. Below is a listing of the significant projects in progress:

- Behavioral Health Public Safety Response Team: The expansion of the behavioral health response team, implemented with the approval of the FY 2023-24 budget, consists of specialized Sheriff Deputies and mental health clinicians to support calls for service with a mental health or substance use nexus and provide diversion options, conduct research, and serve as a resource for the community.

- Coordinated Reentry System: Developing and implementing coordinated reentry services including regional reentry offices, mobile units, centralized adult reentry center with transitional housing, and a workforce reentry program to increase accessibility and linkages to services to meet the needs of the justice-involved population for successful reintegration.
- Juvenile Corrections Campus: Revitalize the existing Juvenile Hall Campus to establish a Youth Transition Center that fully utilizes existing space to provide camp programming, education services, health and mental health services, and housing for juvenile and transition aged youth offenders, including those realigned from the State Correctional System.
- Housing for Transitional Aged Youth (TAY): Establish transitional and permanent supportive housing and placement services for youth and TAY involved in the juvenile justice system that includes treatment for substance use, mental health issues or for those involved in the Commercial Sexual Exploitation of Children population.
- Access to Permanent Supportive & Affordable Housing: In alignment with the updated Housing Funding Strategy: 2022 Update (HFS Update), efforts continue to develop subsidized housing units that combine affordable housing assistance with voluntary support services to address the needs of chronically homeless individuals. The HFS Update outlines the recommendations for a strategic approach to achieve an updated goal of developing 2,396 supportive housing units from 2022 to 2029. The updated goal reflects the progress under the previous 2018 Strategy as well as the additional supportive housing units needed over the next seven-year period based on the 2022 Point in time homeless count.

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 (GFOA) of the United States and Canada 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 Reserve Target
- Reserve-Like Funds
- Reserve-Like Appropriations
- Department-Type Reserves

All of the previously mentioned 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.

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. 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:

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.
Mid-Year Budget Report	The County Executive Office issues mid-year 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.

Relevant Financial Policies (Continued)	
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 $155,430. This compares to the GFOA guidelines for funding contingencies at 15% or higher. The August 31, 2023 balance is $155,430, at 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 $10,000 in the General Fund.
Debt Disclosure Practices	The County presents a set of debt disclosures in the County's adopted Budget document and the ACFR, as well as Continuing Disclosure Annual Reports on its website and the Electronic Municipal Market Access (EMMA) repository.
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 and recommendation of debt financing proposals. The Board may amend, modify or rescind any PFAC recommendation by a four-fifths (4/5) vote. 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, the elected Treasurer-Tax Collector, and the elected Auditor-Controller) (non-voting).

(Dollar Amounts in Thousands)

Relevant Financial Policies (Continued)	
Audit Oversight Committee	The Audit Oversight Committee (AOC) is an advisory committee to the Board that provides oversight of the activities of the County's Internal Audit Department and the County's external audit coverage including financial reporting and federal and state audit activities. The AOC membership includes the Chair and Vice-Chair of the Board, the County Executive Officer, the elected Treasurer-Tax Collector (non-voting), the elected Auditor-Controller (non-voting), and five private sector members appointed by the Board. The private sector members are appointed by the Board and may be reappointed or removed by the Board.
Treasury Oversight Committee	The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the Investment Policy Statement prepared annually by the elected Treasurer-Tax Collector. Changes to the IPS are required to be reviewed by the TOC prior to be presented for review and approval by the Board. In addition, the TOC causes an annual audit of the County's compliance with the IPS and various Government Code sections. The TOC shall also investigate any and all irregularities in the treasury operations, which become known to the TOC. The TOC has an approved policy to investigate and report such irregularities. 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 public members. The public members shall be nominated by the elected Treasurer-Tax Collector 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. https://ocgov.com/how-do-i/report/fraud-waste-abuse (714) 834-3608

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 5 cents on the dollar; while the state average is 14 cents. The formula for retaining local property taxes in 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 or implementable solutions. In looking to legislative solutions, a change in methodologies or shifts in funding formulas could affect other counties receiving more of their share in taxes. Therefore, the answer to assuring funding equity for the 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 and cover costs. 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.

Labor Agreements: Most County employees are represented by one of 21 bargaining units, which are separated into eight labor organizations. The principal organization is the Orange County Employees Association (OCEA), which represents six bargaining units totaling about 11,196 members in budgeted positions. The next largest unions are the Association of Orange County Deputy Sheriffs (AOCDS), which represents four bargaining units totaling about 2,929 members and the American Federation of State, County, and Municipal Employees (AFSCME) at about 1,532 members. All contracts had terms ending June 30, 2023; however, five labor unions, which include OCEA, Orange County Attorney's Association, Orange County Managers Association, International Union of Operating Engineers, and the American Federation of State and Municipal Employees for which four successfully negotiated new three-year labor contracts through June 2026. As of December 19, 2023, negotiations are continuing with the one labor organization.

AWARDS AND ACKNOWLEDGEMENTS

GFOA Awards: The GFOA awarded the Triple Crown Medallion, which recognizes that the County received all three GFOA Awards.

The Certificate of Achievement for Excellence in Financial Reporting for its ACFR for the year ended June 30, 2022; this represents the County's 28th 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 ACFR, whose contents conform to program standards. Such an ACFR 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 will submit it to the GFOA to determine its eligibility for another certificate.

In addition, the County received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2022; this represents the County's 20th consecutive award. 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 ocauditor.gov.

The GFOA also awarded a Distinguished Budget Presentation Award to the County for its FY 2022-23 Annual Budget; this is the County's 7th award. The award is the highest form of recognition in governmental budgeting. In order to receive the award, the entity had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to acknowledge how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communications device.

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, 2022. 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 Eide Bailly LLP. 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,

Andrew N. Hamilton, CPA
Auditor-Controller

Michelle Aguirre
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Orange
California

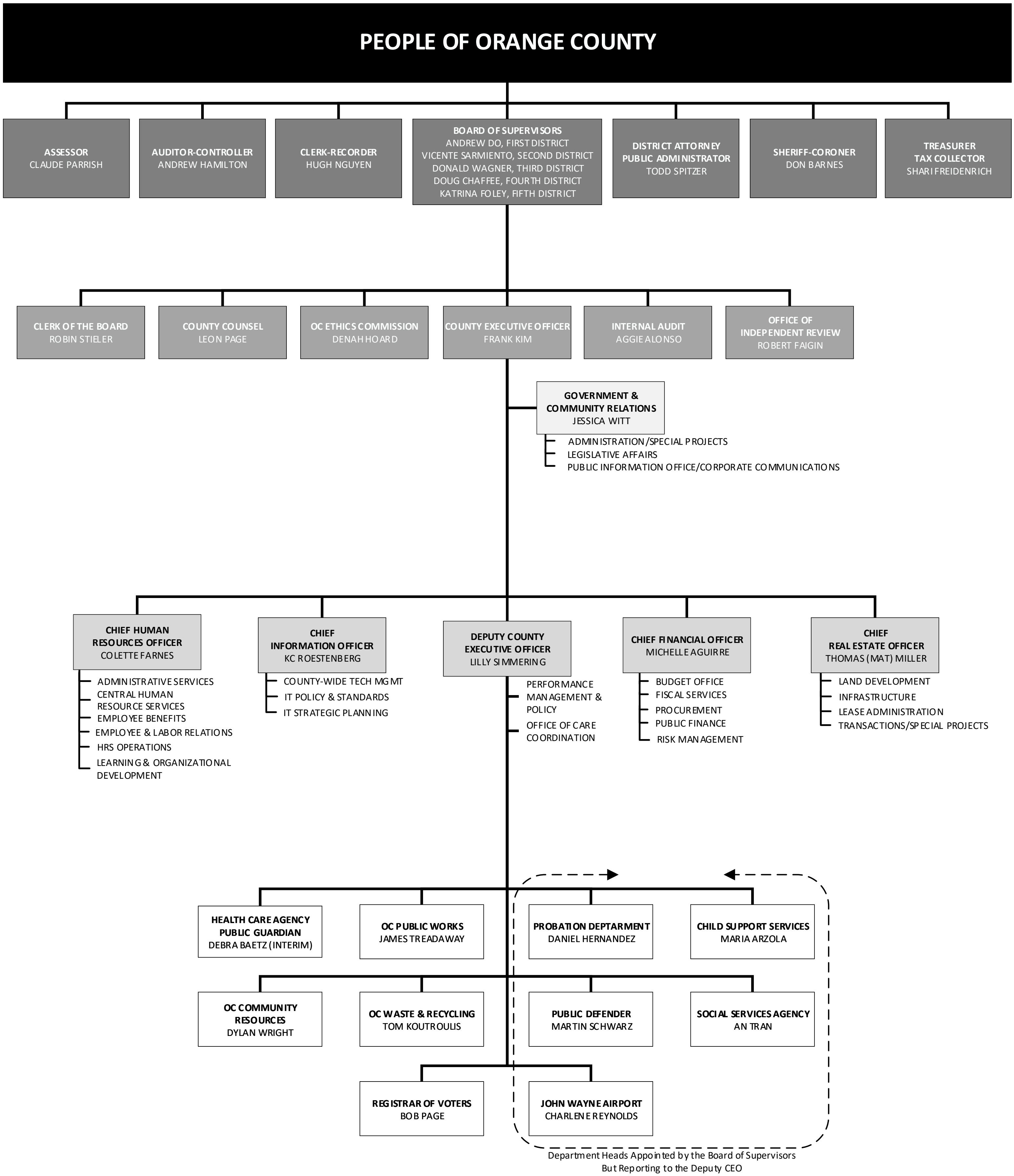
For its Annual Comprehensive Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

County of Orange Organizational Chart



COUNTY OF ORANGE

CALIFORNIA

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Supervisors
County of Orange, California

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying 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, 2023, 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.

We did not audit the financial statements of the Orange County Health Authority, a Public Agency dba Orange Prevention and Treatment Integrated Medical Assistance dba CalOptima Health (CalOptima) and Orange County Employees Retirement System (OCERS), which represent the following percentages of assets, net position/fund balances and revenues of the opinion units listed below as of and for the year ended June 30, 2023:

	Assets	Net Position	Revenues
CalOptima:			
Aggregate discretely presented component units	98.0%	96.2%	99.4%
OCERS:			
Aggregate remaining fund information	62.8%	64.1%	0.0%

Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CalOptima and OCERS, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Notes 2, 7 and 14 to the financial statements, the County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships* and Statement No. 96, *Subscription-Based Information Technology Arrangements,* for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities and business type activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules for the OCERS plan, Orange County Extra-Help Defined Benefit plan, and the Orange County Retiree Medical plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Eide Bailly LLP

Laguna Hills, California
December 20, 2023

COUNTY OF ORANGE
CALIFORNIA


THE OFFICIAL
FY 2023-24
BUDGET
AUGMENTATION
REQUESTS
GO GREEN GO WHITE

COUNTY OF ORANGE

CALIFORNIA

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

This section of the County's ACFR provides a narrative overview and analysis of the financial activities of the County for the year ended June 30, 2023. 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

- Total change in net position, which is the difference between total revenues (including transfers in) and expenses (including transfers out), was $805,092 for the fiscal year, and it increased net position by 16% from prior year.
- Long-term debt obligations increased by $21,252 or 4% during the current fiscal year.
- The County's governmental funds reported combined ending fund balances of $3,733,966, an increase of $559,035 or 18% in comparison with the prior year.
- General Fund revenues and other financing sources ended the year 9% below budget.
- General Fund expenditures and other financing uses ended the year 14% below budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide Financial Statements
- Fund Financial Statements and Budgetary Comparison Statements
- Notes to the Basic Financial Statements

<table>
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<tr><td rowspan="2">Statement of Net Position</td><td>Balance Sheet</td><td>Statement of Net Position</td><td rowspan="2">Statement of Fiduciary Net Position</td></tr>
<tr><td rowspan="2">Statement of Revenues, Expenditures, and Changes in Fund Balances</td><td rowspan="2">Statement of Revenues, Expenses, and Changes in Fund Net Position</td></tr>
<tr><td rowspan="2">Statement of Activities</td><td rowspan="2">Statement of Changes in Fiduciary Net Position</td></tr>
<tr><td>Budgetary Comparison Statements</td><td>Statement of Cash Flows</td></tr>
<tr><td colspan="4">Notes to the Basic Financial Statements</td></tr>
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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 held 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
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, liabilities and deferred inflows of resources held in a trustee or custodial 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 revenues and expenses 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 John Wayne Airport (Airport), OC Waste & Recycling, and Compressed Natural Gas (CNG).

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; therefore, data from these component units are combined with data of the primary government. Financial information for the First 5 Orange County and CalOptima Health, discretely presented component units, are reported separately from the financial information presented for the primary government itself. Separate stand-alone annual financial reports can be obtained by accessing the County's website at the following address: ocauditor.gov. A separate stand-alone CalOptima Health annual financial report can be obtained by accessing the website at http://wpso.dmhc.ca.gov/fe/search/.

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, financed purchases, leases, net pension liability and net Other Postemployment Benefits (OPEB) liability, which are reported in the government-wide statements but not in the fund financial statements.

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 which may change each year depending on if they meet the major funds criteria. Information for nonmajor funds is presented in the aggregate as "Other Governmental Funds" in these statements. Individual fund data for each of the nonmajor governmental funds is presented in the Supplemental Information Section of this ACFR. 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 and are presented in the Basic Financial Statements and Supplemental Information Section of this ACFR, respectively.

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, OC Waste & Recycling, and CNG activities. **Internal Service funds** are used to accumulate and allocate costs, such as insurance, transportation, publishing services, and information technology, internally among the County's various functions. Because these services predominantly benefit governmental rather than business-type functions, Internal Service funds 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 OC Waste & Recycling 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 the combining statements, which can be found in the Supplemental Information Section of this ACFR.

Fiduciary Funds - Fiduciary funds include the **Trust** and **Custodial** funds and are used to account for assets held on behalf of outside parties, including other governments. Financial information for fiduciary funds is 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 ACFR.

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, 2023, the County's combined net position (governmental and business-type activities) totaled $5,852,019 an increase of 16% from June 30, 2022.

COMPONENTS OF NET POSITION

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The largest component of the County's net position, which totals $4,485,884 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.

(Dollar Amounts in Thousands)

The County's **restricted** net position of $2,004,532 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 **unrestricted** net position is the final component of 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, 2023, the County's unrestricted net position totals a deficit of $638,397. Among governmental activities the deficit was $1,385,230 in unrestricted net position, compared to its deficit of $1,718,846 at June 30, 2022. The main contributor of the deficit continues to be the reporting of the County's proportionate share of net pension and net OPEB liabilities 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, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and Other Assets	$ 5,392,474	$ 5,376,307	$ 1,297,045	$ 1,213,291	$ 6,689,519	$ 6,589,598
Capital Assets	4,617,517	4,296,528	940,872	924,633	5,558,389	5,221,161
Total Assets	10,009,991	9,672,835	2,237,917	2,137,924	12,247,908	11,810,759
DEFERRED OUTFLOWS OF RESOURCES	1,315,258	922,650	26,628	20,488	1,341,886	943,138
Total Assets/Deferred Outflows of Resources	**11,325,249**	**10,595,485**	**2,264,545**	**2,158,412**	**13,589,794**	**12,753,897**
LIABILITIES						
Long-term Liabilities	6,188,895	3,653,651	317,385	327,976	6,506,280	3,981,627
Other Liabilities	621,939	1,409,473	103,831	81,409	725,770	1,490,882
Total Liabilities	6,810,834	5,063,124	421,216	409,385	7,232,050	5,472,509
DEFERRED INFLOWS OF RESOURCES	400,548	2,083,886	105,177	150,575	505,725	2,234,461
Total Liabilities/Deferred Inflows of Resources	**7,211,382**	**7,147,010**	**526,393**	**559,960**	**7,737,775**	**7,706,970**
NET POSITION						
Net Investment in Capital Assets	3,558,179	3,423,823	927,705	863,392	4,485,884	4,287,215
Restricted	1,940,918	1,743,498	63,614	65,107	2,004,532	1,808,605
Unrestricted	(1,385,230)	(1,718,846)	746,833	669,953	(638,397)	(1,048,893)
Total Net Position	**$ 4,113,867**	**$ 3,448,475**	**$ 1,738,152**	**$ 1,598,452**	**$ 5,852,019**	**$ 5,046,927**

As of June 30, 2023, the County's total assets and deferred outflows of resources increased by 7% or $835,897 during the current fiscal year. There was an increase of $398,748 in deferred outflows of resources, primarily due to an increase in the difference between the projected and actual investment earnings for 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). In addition, capital assets increased by $337,228, primarily due to the construction of the County Administration North, Building 14 as part of the Civic Center Facilities Master Plan and the purchase and improvements of the Bell Building to be occupied by the Sheriff-Coroner Department.

Total liabilities and deferred inflows of resources as of June 30, 2023, increased by $30,805. Long-term liabilities increased by 63% or $2,524,653, mainly due to an increase in the County's proportionate share of the net pension liability as a result of unfavorable returns from OCERS' investments, which was partially offset by a decrease in unearned revenue related to the funds received from the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) in the prior year and a decrease in bonds payable due to the defeasance of the Airport's 2019A and 2019B Revenue Refunding Bonds. Deferred inflows of resources decreased by 77% or $1,728,736, mainly due to the changes in the net pension liability related deferred inflows of resources calculated as required by GASB Statement No. 68 and a decrease in the deferred payments related to leases established under GASB Statement No. 87, *"Leases"* (GASB Statement No. 87).

(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, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues:						
Charges for Services	$ 675,999	$ 653,695	$ 386,855	$ 348,980	$ 1,062,854	$ 1,002,675
Operating Grants and Contributions	3,208,589	3,166,816	52,105	20,571	3,260,694	3,187,387
Capital Grants and Contributions	200,108	130,593	225	660	200,333	131,253
General Revenues:						
Property Taxes	705,986	653,893	--	--	705,986	653,893
Property Taxes in Lieu of Motor Vehicle License Fees	484,543	455,578	--	--	484,543	455,578
Other Taxes	134,123	149,568	--	--	134,123	149,568
Grants and Contributions not Restricted to Specific Programs	4,675	4,631	--	--	4,675	4,631
State Allocation of Motor Vehicle License Fees	2,931	3,863	--	--	2,931	3,863
Other General Revenues	154,838	63,392	30,744	(7,644)	185,582	55,748
Total Revenues	**5,571,792**	**5,282,029**	**469,929**	**362,567**	**6,041,721**	**5,644,596**
EXPENSES						
General Government	363,314	189,650	--	--	363,314	189,650
Public Protection	1,824,133	1,377,502	--	--	1,824,133	1,377,502
Public Ways and Facilities	167,921	149,290	--	--	167,921	149,290
Health and Sanitation	906,593	830,673	--	--	906,593	830,673
Public Assistance	1,395,469	1,224,045	--	--	1,395,469	1,224,045
Education	61,221	57,060	--	--	61,221	57,060
Recreation and Cultural Services	155,460	129,380	--	--	155,460	129,380
Interest on Long-Term Debt	40,843	35,148	--	--	40,843	35,148
Airport	--	--	159,451	133,555	159,451	133,555
OC Waste & Recycling	--	--	162,221	134,620	162,221	134,620
Compressed Natural Gas	--	--	3	13	3	13
Total Expenses	**4,914,954**	**3,992,748**	**321,675**	**268,188**	**5,236,629**	**4,260,936**
Excess before Transfers	656,838	1,289,281	148,254	94,379	805,092	1,383,660
Transfers	8,554	7,996	(8,554)	(7,996)	--	--
Change in Net Position	**665,392**	**1,297,277**	**139,700**	**86,383**	**805,092**	**1,383,660**
Net Position-Beginning of the Year, as Restated	3,448,475	2,151,198	1,598,452	1,512,069	5,046,927	3,663,267
Net Position-End of the Year	**$ 4,113,867**	**$ 3,448,475**	**$ 1,738,152**	**$ 1,598,452**	**$ 5,852,019**	**$ 5,046,927**

The County's net position increased by $805,092 during the current fiscal year. Revenues for the year totaled $6,041,721, an increase of $397,125 from the previous year. Expenses totaled $5,236,629, an increase of $975,693 from the previous year.

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 property taxes. 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. Property taxes are revenues that arise from charges to real and personal property taxes that 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 Equalization in the case of state-assessed properties. Property taxes are levied annually, except for the supplemental property taxes, which are levied when supplemental assessment events, such as sales of property or new construction, take place.

At the end of FY 2022-23, total revenues for governmental activities, including transfers from the business-type activities, were $5,580,346, an increase of $290,321 from the previous year. Expenses totaled $4,914,954, an increase of $922,206 from the prior year. Net position for governmental activities increased $665,392 from the prior fiscal year for an ending balance of $4,113,867. Key elements of the increase are as follows:

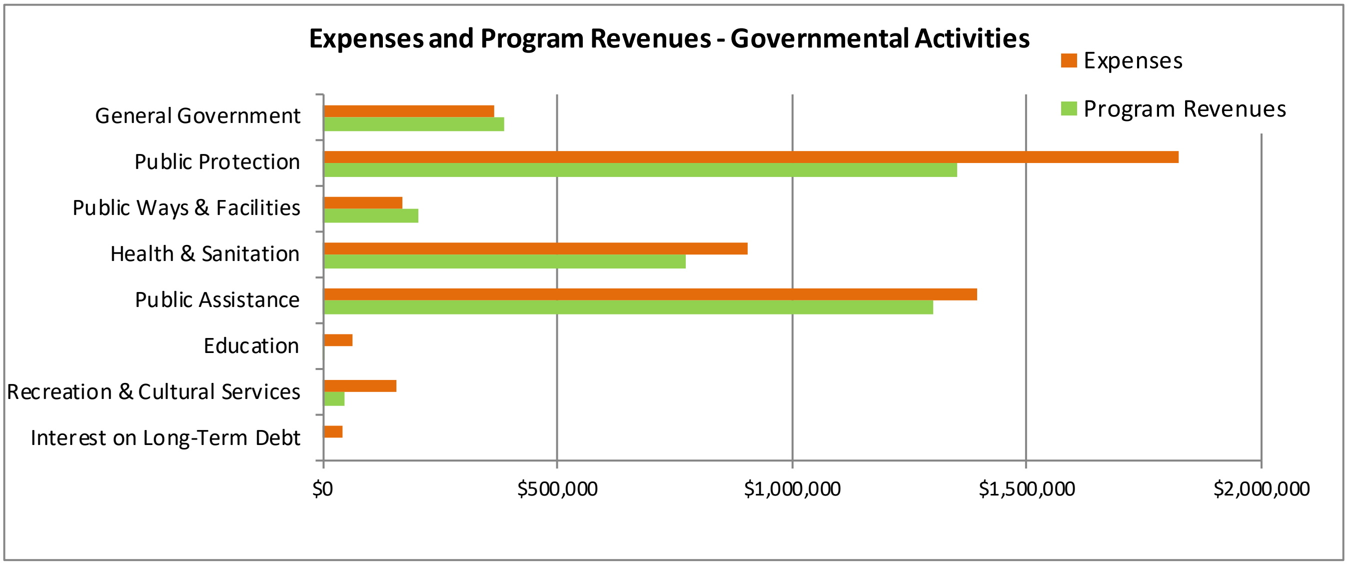
<u>Revenues</u>

- Other General Revenues increased by $91,446, mainly due to a net increase in the fair value of investments.
- Capital grants and contributions increased by $69,515, mainly due to an increase in state funding received for the Santa Ana River Project and bond proceeds for the construction and development of CFD, 2021-1 RMV (Rienda). This increase was partially offset by a decrease in state funding for the James A. Musick Facility Project.
- Property taxes increased by $52,093, mainly due to an increase in secured assessed values.
- Property taxes in lieu of motor vehicle license fees (VLF) increased by $28,965, primarily due to growth in the secured property tax roll value.

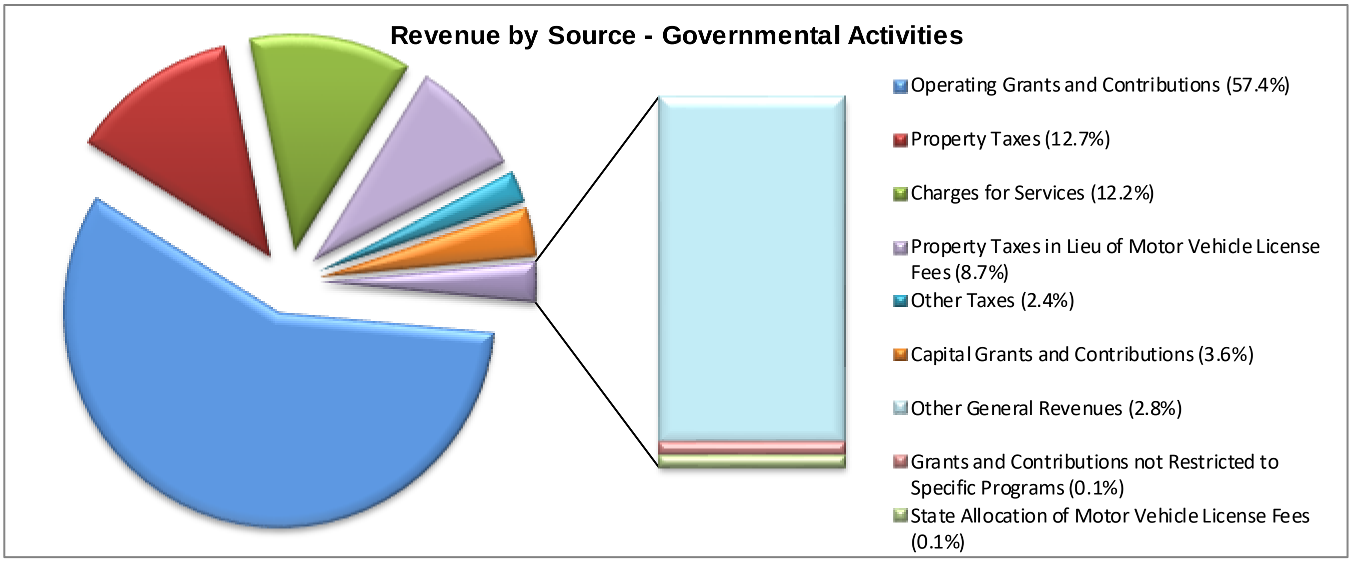
<u>Expenses</u>

- Expenses in public protection increased by $446,631, mainly due to an increase in salaries and employee benefits (S&EB) costs.
- Expenses in general government increased by $173,664, mainly due to an increase in various construction costs for the CFD, 2021-1 RMV (Rienda) and an increase in professional/specialized services related to the OC CARES Initiatives coordination.
- Expenses in public assistance increased by $171,424, mainly due to an increase in S&EB costs and an increase in costs related to public assistance programs such as CalWORKS, IHSS, and General Relief.

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



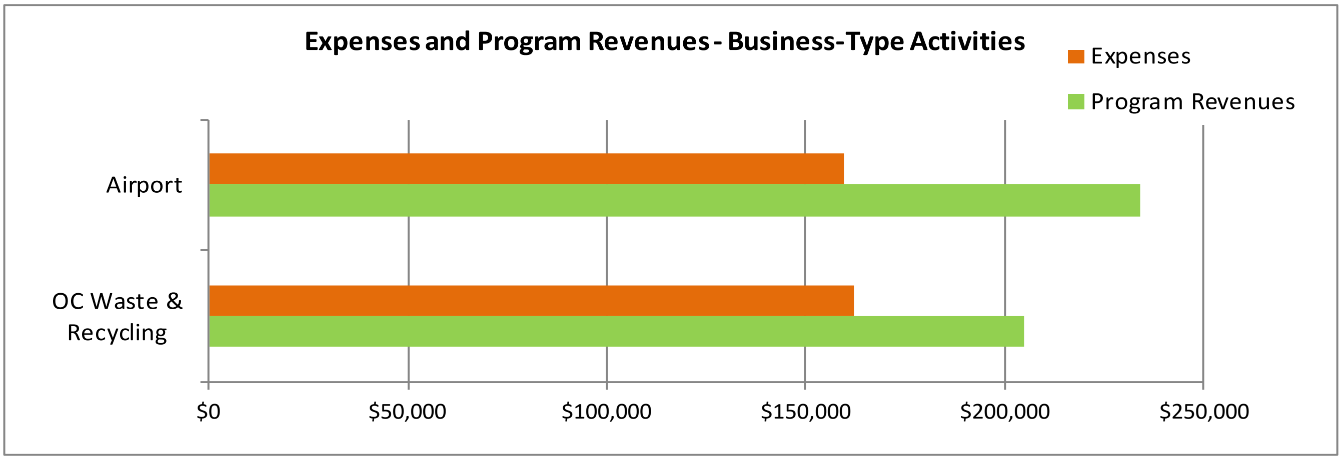
The chart below presents the percentage of total revenues by source for governmental activities:



Business-Type Activities

The County has three business-type activities: Airport, OC Waste & Recycling, and CNG. 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.

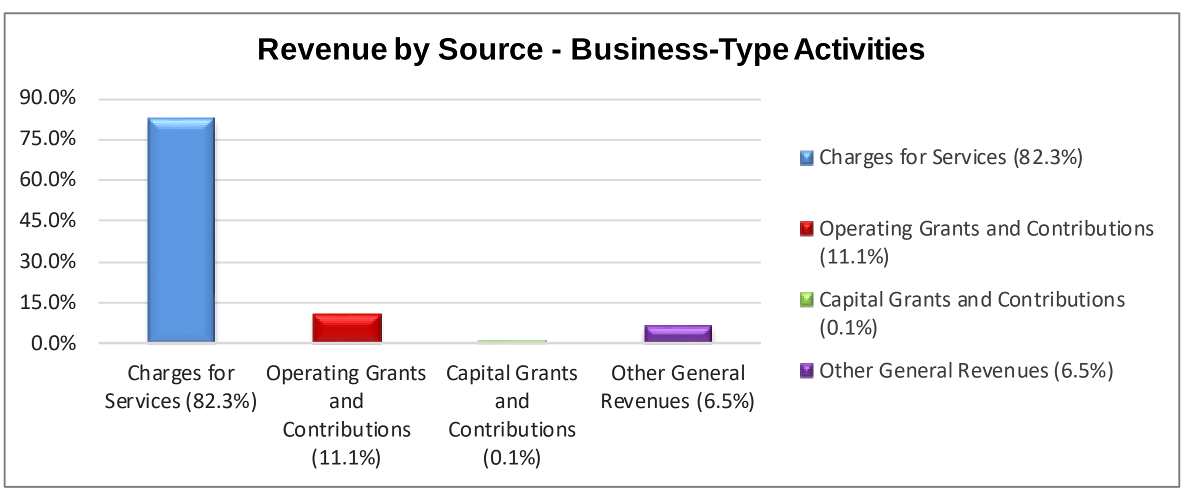
The following chart displays expenses and the associated program revenues by function for the business-type activities (major enterprise funds):



At the end of FY 2022-23, the business-type activities' total revenues exceeded expenses and transfers resulting in an increase of $139,700 in net position compared to the prior year's increase in net position of $86,383. Revenues totaled $469,929, an increase of $107,362 from the previous fiscal year, which is primarily attributable to increases in revenue from OC Waste & Recycling's sanitation and landfill disposal tonnage and fees, interest and investment income, as well as the Airport's revenue from concessions, interest income, and intergovernmental revenues. Offsetting this increase was a net decrease in landing fees.

Expenses, including transfers to governmental activities, totaled $330,229 representing an increase of $54,045 from the previous year. This increase is primarily due to increases in OC Waste & Recycling's closure and postclosure care costs, S&EB, services and supplies (S&S) and professional and specialized services. Also contributing to the increase is Airport's increase in professional and specialized services, S&S and other expenses. 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 chart below presents the percentage of total revenues by source for 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, deferred inflows of resources related to unavailable revenue, leases, and Service Concession Arrangements (SCA) 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, 2023, the County's governmental funds reported total fund balances of $3,733,966, which is an increase of $559,035 in comparison with prior year ending fund balances, as restated.

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, as restated:

GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES
For the Years Ended June 30, 2023 and 2022

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2023	2022	2023	2022	2023	2022
General Fund	$ 4,825,841	$ 4,235,138	$ 4,240,533	$ 3,843,660	$ 585,308	$ 391,478
Flood Control District	209,385	208,778	210,858	226,997	(1,473)	(18,219)
Other Public Protection	64,598	62,662	71,783	78,920	(7,185)	(16,258)
Mental Health Services Act	174,305	249,456	295,594	195,202	(121,289)	54,254
Other Governmental Funds	1,441,889	1,047,180	1,338,215	1,037,977	103,674	9,203
Total	**$ 6,716,018**	**$ 5,803,214**	**$ 6,156,983**	**$ 5,382,756**	**$ 559,035**	**$ 420,458**

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 2022-23, revenues and other financing sources were more than the expenditures and other financing uses resulting in an increase in fund balance of $585,308, compared to last year's increase of $391,478, as restated. Revenues and other financing sources increased by $590,703, and expenditures and other financing uses increased by $396,873. 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 2022-23:

Revenues

- Intergovernmental revenue increased by $212,756, primarily due to an increase in funds received for the County Local Revenue 2011 and the 1991 Realignment programs. Additionally, there was an increase in revenue recognized for the provision of government services under the CSLFRF.
- Transfers to the General Fund increased by $157,553, primarily due to an increase in Prop 63 drawdowns from the Mental Health Services Act (MHSA) Fund and an increase in transfers from the Teeter Debt Service Fund to meet the targeted fund balance assigned for contingencies.

- Leases issued increased by $67,188 mainly due to the recording of new leases in the Health Care Agency (HCA) and the Probation Department.
- Tax revenue increased by $46,887, mainly due to increases in secured property taxes and property taxes in-lieu of VLF resulting from an increase in secured assessed values. These increases were partially offset by a decrease in other property tax related to property transfer tax, residual distributions, and pass-through payments from cities.

Expenditures

- Capital Outlay increased by $114,894, primarily due to new leases entered by HCA, Probation, and the Social Services Agency (SSA). Additionally, there was an increase in the Sheriff-Coroner Department for the purchase and improvements of the new Bell Building.
- Expenditures for the general government increased by $94,899, primarily attributable to CSLFRF funds distributed to cities, educational institutions, and other non-profit organizations to provide services to the County's residents. In addition, there was an increase in professional services in the County Executive Office (CEO) Department related to the OC CARES Initiatives.
- Expenditures for public assistance increased by $65,406, primarily due to increases in S&EB costs for SSA, as well as increases in expenditures for CalWORKs and General Relief Programs.
- Expenditures for Public Protection increased by $52,577, primarily due to increases in S&EB costs and S&S costs for the District Attorney and Sheriff-Coroner.

Flood Control District

This group of funds is used to account 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 2022-23, there was a decrease in fund balance of $1,473 as compared to last year's decrease of $18,219. Revenues and other financing sources increased by $607, mainly due to higher interest and investment income, higher secured property taxes, and higher Bipartisan Budget Act claim payments for the Santa Ana River Project. Expenditures and other financing uses decreased by $16,139, primarily due to lower construction costs for the Huntington Beach Channel and Talbert Channel Sheet Pile Repair Design-Build as the project is reaching its completion.

Other Public Protection

This group of funds accounts for revenues restricted for safety and law enforcement activities such as the child support program, automated fingerprint identification systems, and investigation team. At the end of FY 2022-23, there was a decrease in fund balance of $7,185, compared to last year's decrease of $16,258. Revenues and other financing sources increased by $1,936, primarily attributable to more revenue received from the Department of Justice for the Regional Narcotics Suspension Program and the Sheriff Narcotics Program, and an increase in State Criminal Alien Assistance Program revenue received for costs incurred from incarcerating undocumented criminal aliens with felony or misdemeanor convictions. These increases were partially offset by a decrease in transfers related to Prop 172 Public Safety Sales Tax. Expenditures and other financing uses decreased by $7,137, largely due to lower amounts repaid for cash deposits held in the Consumer Prosecution Fund.

Mental Health Services Act (MHSA)

This fund accounts for purpose restricted MHSA revenues. At the end of FY 2022-23, fund balance decreased by $121,289, compared to last year's increase of $54,254. Revenues and other financing sources decreased by $75,151, primarily due to a lower allocation from the State for approved mental health services for programs related to community services and support. This decrease was partially offset by the return of reserved funds held by the California Housing Finance Agency for special needs housing projects. Expenditures and other financing uses increased by $100,392, primarily due to an increase in transfers out to the General Fund for eligible reimbursement of MHSA related services.

(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 2022-23, fund balances increased by $103,674, in comparison to prior year's increase of $9,203. Revenues and other financing sources increased by $394,709, primarily due to an increase in transfers in for multi-year countywide capital projects, an increase in intergovernmental revenues caused by the reclass of transfers for debt service activity related to the CFD 2021-1 RMV (Rienda), and an increase in bonds issued to finance the new Bell Building facility. Expenditures and other financing uses increased by $300,238, primarily due to the reimbursements to Rancho Mission Viejo for the CFD 2021-1 RMV (Rienda) construction costs, the acquisition and improvements to the Bell Building occupied by Sheriff-Coroner, the transfer of the Teeter Series A proceeds to the General Fund, and the reimbursement of construction costs for the James A. Musick Facility Project.

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

COMPARATIVE FUND BALANCE
GOVERNMENTAL FUNDS
June 30, 2023 and 2022

		2023		2022	Increase/(Decrease) %
General Fund	$	1,712,513	$	1,127,205	52 %
Flood Control District		448,416		449,889	--
Other Public Protection		195,721		202,906	(4)%
Mental Health Services Act		115,124		236,413	(51)%
Other Governmental Funds		1,262,192		1,158,518	9 %
Total	**$**	**3,733,966**	**$**	**3,174,931**	**18 %**

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 OC Waste & Recycling funds, which are considered to be major funds of the County, and the CNG 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, as restated:

ENTERPRISE FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, CONTRIBUTIONS, TRANSFERS, AND CHANGES IN FUND NET POSITION
For the Years Ended June 30, 2023 and 2022

	Revenues, Contributions and Transfers				Expenses and Transfers				Change in Fund Net Position			
		2023		2022		2023		2022		2023		2022
Airport	$	242,496	$	180,243	$	157,229	$	132,815	$	85,267	$	47,428
OC Waste & Recycling		227,613		182,811		170,796		142,953		56,817		39,858
Compressed Natural Gas		321		159		3		13		318		146
Total	**$**	**470,430**	**$**	**363,213**	**$**	**328,028**	**$**	**275,781**	**$**	**142,402**	**$**	**87,432**

Airport
This fund accounts for major construction and self-supporting aviation related activities rendered at the Airport. At the end of FY 2022-23, there was an increase of $85,267 in net position compared to the prior year increase of $47,428. Revenues, contributions and transfers increased by $62,253, primarily due to increases in concessions, interest and investment income, and intergovernmental revenues. The Airport's operating revenues were positively affected by the continued passenger recovery from the COVID-19 pandemic. Expenses increased by $24,414, mainly due to an increase in professional and specialized services, S&S and other expenses.

OC Waste & Recycling
This fund is used to account for the operation, expansion and closing of existing landfills. Monies are collected through gate tipping fees, which users pay based primarily on tonnage. At the end of FY 2022-23, there was an increase of $56,817 in fund net position compared to the prior year increase of $39,858. Revenues, contributions and transfers increased by $44,802, which was primarily due to increases in interest and investment income, sanitation and landfill disposal tonnage and fees collected for waste, recycling, and importation. Expenses and transfers increased by $27,843, primarily due to an increase in landfill site closure and postclosure care costs, S&EB, S&S and professional and specialized services.

Compressed Natural Gas
This fund is used to account for the operation and maintenance of the CNG facility. Revenues consist primarily of compressed natural gas sales to fuel the County's growing fleet of CNG-powered heavy equipment. At the end of FY 2022-23, there was an increase of $318 in fund net position compared to the prior year increase of $146. Revenues increased by $162 due to a higher royalty payment from Clean Energy. Expenditures decreased by $10 due to a decrease in utilities purchased.

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 Budget; and 2) the Final Budget and the budgetary based 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 General Fund Budgetary Comparison Statement for a full budgetary comparison.

Original Revenue Budget vs. Final Revenue Budget

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

Intergovernmental
- An increase of $70,383 in the Public Defender Department related to the allocation of funds from the CSLFRF under the American Rescue Plan Act (ARPA).
- An increase of $59,170 in the Trial Courts Budget Control related to the allocation of funds from the CSLFRF.
- An increase of $48,387 due to anticipated revenues from the Federal Emergency Management Agency (FEMA) for the reimbursement of claims associated with the COVID-19 Pandemic response.
- An increase of $16,051 in the CEO related to Care Coordination that is associated with revenues from the California Emergency Solution Grant and the Permanent Local Housing Allocation grant.
- An increase of $15,099 in HCA due to the allocation of funds from the CSLFRF for the provision of government services.
- An increase of $14,166 in the Probation Department due to the allocation of funds from the CSLFRF for the provision of government services.

Transfers In
- An increase of $54,757 in HCA from various sources, including the MHSA Fund, the OC Tobacco Settlement Revenue and OC Opioid Settlement Revenue Funds to support ongoing programs cost.
- An increase of $25,000 from the Teeter Debt Service Fund to meet the targeted fund balance assigned for contingencies as approved by the Board.
- An increase of $5,057 in the Sheriff-Coroner Department, primarily from the Sheriff's Narcotic Program Fund to cover S&S and the purchase of equipment related to narcotics law enforcement activities.
- An increase of $4,901 in the CEO Department to allow transfers from the Care Coordination Fund for costs related to homeless services, including operation cost at the Garden Grove Navigation Center.
- An increase of $3,634 in the Clerk-Recorder Department to allow transfers from the Real Estate Development Fund for the sale of the 433 Civic Center Drive building, and transfers from the Clerk-Recorder Special Revenue Fund for reimbursement of various eligible expenditures.

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 and other financing sources compared to the final revenue and other financing sources budget:

Intergovernmental

- A $395,999 less than budgeted amount was primarily comprised of the following:
  - $435,562 less in the ARPA budget control due to the reallocation of ARPA monies to different departments for the provision of government services.
  - $47,556 less in SSA mainly due to lower than expected Federal and State funding for the administration of public assistance programs.
  - $12,770 less in the OC Community Resources (OCCR) Department due to lower than anticipated revenues for Office on Aging and OC Workforce and Economic Development Division programs.
  - $12,650 less in HCA due to lower than expected revenues related to Communicable Disease Control, HIV Planning and Coordination, and Nutrition Services programs.
  - Partially offsetting the overall less than budgeted intergovernmental revenue amounts were the following:
    - $94,143 more received in the County Local Revenue 2011 due to sales tax revenue being higher than projected.
    - $25,905 more received by SSA due to higher 1991 Realignment revenue, CalWORKs Assistance payments, Foster Care Assistance payments and IHSS Provider payments.
    - $5,282 more received in the Probation Department due to additional revenue received under the Adult Court Services Division and Juvenile Hall Division programs.

Transfers In

- A $116,374 less than budgeted amount was primarily comprised of the following:
  - $64,191 less received in HCA due to lower than expected drawdowns from the MHSA Fund and OC Tobacco Settlement Revenue.
  - $14,775 less received in SSA mainly attributable to lower than budgeted reimbursements from the SSA Wraparound Fund and from the Operations Facilities Development and Maintenance Fund for expenditures related to the Tustin Family Campus.
  - $9,389 less received in CEO due to lower than expected drawdowns from the Care Coordination Fund for programs such as Project HomeKey, Homeless Housing, Assistance and Prevention Program and Encampment Resolution Funding Program.
  - $7,329 less received in the Sheriff-Coroner Department primarily due to lower than budgeted transfers from the Countywide Capital Projects Non-General Fund, 800 MHz Countywide Coordinated Communications System Fund and the Sheriff Narcotics Program Fund.
  - $6,000 less received from the Teeter Debt Service Fund, which was deemed to be unnecessary.
  - $5,300 less received in the District Attorney-Public Administrator Department due to lower than expected drawdowns from the Real Estate Prosecution Fund and the Excess Public Safety Sales Tax Fund.

Taxes

- A $32,046 higher than budgeted amount was primarily comprised of the following:
  - $12,112 more in current secured property taxes resulting from an increase in secured assessed values.
  - $11,880 more in VLF Swap property taxes resulting from an increase in secured assessed values.
  - $7,828 more in supplemental property tax due to growth in supplemental property tax roll value.

Use of Money and Property

- A $26,870 higher than budgeted amount was primarily comprised of the following:
  - $26,979 more in interest due to higher interest rates and cash balance in the General Fund.
  - Partially offsetting the overall higher than budgeted use of money and property revenue amounts was the following:
    - $1,616 less received by HCA from short-term leases and concessionaires.

Charges for Services

- A $21,413 less than budgeted amount was primarily comprised of the following:
  - $16,551 less received in reimbursements from various departments for charges for services provided by OC Public Works.

Fines, Forfeitures, and Penalties

- $9,504 more in revenues was primarily comprised of penalties on delinquent taxes.

Original Expenditure Budget vs. Final Expenditure Budget

The following provides a brief summary of the primary factors attributable to the increase or decrease in the General Fund final budget expenditures and other financing uses compared to the original budget expenditures and other financing uses:

Miscellaneous

- An increase of $267,725, mainly due to the budgeted transfers out to the OC CARES Fund, Countywide Capital Projects Non-General Fund, and the OC Housing Fund. The increase in budgeted transfers out was partially offset by a decrease in appropriations for contingencies.

Health Care Agency

- An increase of $72,500, mainly due to budgeted transfers out to the Countywide Capital Projects Non-General Fund, and the MHSA Housing Fund for the construction of permanent supporting housing. This increase was partially offset by a decrease in professional and specialized services.

Public Defender

- An increase of $70,527, primarily due to a budgeted transfer out to the OC CARES Fund partially offset by a decrease in S&EB.

Trial Courts

- An increase of $59,170, primarily due to a budgeted transfer out to the Countywide Capital Projects Non-General Fund.

County Executive Office

- An increase of $20,952, mainly due to an increase in S&S related to Care Coordination and to allow for the reimbursement of eligible expenses of the Huntington Beach Oasis interim housing and shelter operations that will provide housing and other services to individuals experiencing homelessness.

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:

American Rescue Plan Act (ARPA)

- $435,562 lower than budgeted amount mainly as a result of the reallocation of ARPA funds to other County departments for the provision of government services.

Health Care Agency

- $98,223 less than budgeted amount mainly due to lower than anticipated expenditures for S&EB, professional and specialized services and IT professional services contracts associated with Communicable Disease Control, MHSA/Prop 63, and Medical Safety Net programs.

Sheriff-Coroner

- $40,996 lower than budgeted amount mainly due to lower than expected costs for S&EB, supplies for the shooting range facility, and office related expenses such as telephone services, computer equipment and IT hardware.

(Dollar Amounts in Thousands)

Social Services Agency

- $38,933 lower than budgeted amount primarily due to lower expenditures for S&EB and lower project costs for the improvements to the 840 N. Eckhoff Building.

OC Public Works

- $21,976 lower than budgeted amount mainly due to S&EB and savings resulting from vacant positions, delayed or deferred maintenance or improvement projects, and a decrease in professional and specialized contracted services.

OC Community Resources

- $16,502 lower than budgeted amount primarily due to lower contract and administrative expenditures for Community Investment, Office on Aging, and Veteran Service programs.

County Executive Office

- $16,349 lower than budgeted amount primarily due to lower expenditures for professional and specialized services for OC Care Coordination programs.

Capital Assets

At June 30, 2023, the County's capital assets, as restated, for both the governmental and business-type activities amounted to $5,558,389 net of accumulated depreciation/amortization. The investment in capital assets includes land, structures and improvements, land improvements, equipment, software, infrastructure, intangible in progress, land use rights, construction in progress and intangible right-to-use assets. The total increase in the County's investment in capital assets for the current year was 6%.

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

CAPITAL ASSETS
(Net of Accumulated Depreciation/Amortization)
June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total		Increase/ (Decrease)
	2023	2022	2023	2022	2023	2022	% Change
Land	$ 900,174	$ 838,106	$ 38,379	$ 38,379	$ 938,553	$ 876,485	7 %
Structures and Improvements	1,000,728	801,296	493,906	524,505	1,494,634	1,325,801	13 %
Land Improvements	42,149	8,182	544	564	42,693	8,746	388 %
Equipment	204,886	198,752	58,994	55,502	263,880	254,254	4 %
Software	41,086	35,188	2,357	2,687	43,443	37,875	15 %
Infrastructure	1,388,002	1,307,476	251,410	267,978	1,639,412	1,575,454	4 %
Intangible in Progress	3,416	21,725	--	335	3,416	22,060	(85)%
Land Use Rights	16,682	16,435	--	--	16,682	16,435	2 %
Construction in Progress	555,576	654,949	94,786	34,683	650,362	689,632	(6)%
Intangible Right-to-Use Assets	464,818	414,419	496	--	465,314	414,419	--
Total	**$ 4,617,517**	**$ 4,296,528**	**$ 940,872**	**$ 924,633**	**$ 5,558,389**	**$ 5,221,161**	**6 %**

The following lists the significant expenditures for capital assets in FY 2022-23:

General Fund

- $8,003 for the completion of work for the Bell Building for the use of the Sheriff-Coroner's Technology division
- $5,320 for the purchase of IT hardware, software and services for the Sheriff-Coroner Department
- $2,892 for the Orangewood Children and Family Center kitchen upgrades
- $2,571 for the purchase of telecommunications equipment for the Tustin Dispatch Center

- $2,307 for the purchase of IT hardware, software and services for Public Defender
- $1,611 for the purchase of Registrar of Voters' automation machines for elections
- $1,394 for the purchase of laboratory equipment and technical support for the OC Crime Lab
- $1,365 for the replacement of HVAC units at Orangewood Children and Family Center
- $1,219 for the purchase of IT hardware and software, maintenance and support for District Attorney
- $1,100 for the purchase of tactical multipurpose response and rescue vehicle and an explosives disposal robotic system
- $1,077 for the Property Tax System Re-platforming Project

Flood Control District
- $34,012 for the purchase of properties for the Santa Ana River Mainstem and Prado Dam Project
- $15,953 for the East Garden Grove Wintersburg Channel Project
- $15,336 for the Huntington Beach and Talbert Channels Rehabilitation Project
- $8,493 for the Laguna Canyon Channel Replacement Project
- $1,756 for the Santa Ana Gardens Channel Bikeway Extension Project
- $1,129 for the Santa Ana Delhi Channel Improvement Project

Other Public Protection
- $1,384 for the purchase of various telecommunication equipment for the 800 MHz Countywide Coordinated Communication Systems Upgrade Project

Other Governmental Funds
- $91,000 for the purchase of the Bell Building for the Sheriff-Coroner
- $56,500 for the James A. Musick Facility Master Plan, Phase I Project
- $29,819 for the James A. Musick Facility Master Plan, Phase II Project
- $14,659 for the Civic Center Facilities Master Plan, CAN Building Construction Project
- $9,408 for the Civic Center Facilities Master Plan Phase III
- $7,498 for the Katella Range Facility Upgrade Project
- $7,394 for the Mile Square Regional Park Expansion Phase I Project
- $5,499 for the El Toro Emergency Medical Facility
- $4,683 for the Intake Release Center Mod M-Mental Health upgrades
- $4,147 for the County Operations Center-B-2nd Floor remodel and HVAC upgrade
- $3,264 for the Loma Ridge Road Widening Project
- $2,918 for the Traffic Management Center Fiber Optic Expansion Project
- $1,422 for the Coyote Creek Channel Segment O Project
- $1,310 for the William Mason Park Entry Roadway Redesign and Roadway Improvement Project
- $1,250 for the replacement of the Variable Air Volume (VAV) Boxes Phase III Project at the Brad Gates building
- $1,099 for the replacement of emergency generators at the Intake Release Center
- $1,031 for the Brea Library tenant enhancements
- $1,002 for the Juvenile Hall-Main Control System Replacement Project

Airport
- $3,330 for the repairs to parking structures A1, A2 & B2
- $1,513 for the purchase of electric shuttle buses
- $1,214 for the rental car reconfiguration

OC Waste & Recycling
- $19,112 for the Frank R. Bowerman (FRB) Phase VIII-A Groundwater Projection & Stockpile Project
- $15,993 for the Prima Deshecha Fee Booth Replacement Project
- $6,348 for the purchase of heavy equipment at FRB Landfill and Central Regional Landfill
- $5,646 for the Valencia Greenery Phase 1A Project composting facility improvement
- $3,255 for the purchase of heavy equipment at the Olinda Alpha Landfill (OAL) and North Regional Landfill
- $2,830 for the FRB Landfill Bee Canyon Greenery Phase 1B Expansion Project
- $1,600 for the OAL Gas Heater Upgrade Phase 1 Project
- $1,568 for the purchase of heavy equipment at Prima Deshecha Landfill and South Regional Landfill

(Dollar Amounts in Thousands)

Internal Service Funds

- $9,252 for the purchase of various vehicles for OC Fleet Services
- $1,864 for the interior renovations of the Registrar of Voters Printing & Graphics area
- $1,377 for the replacement of network equipment at the OC Data Center
- $1,084 for the upgrade and replacement of audio/visual equipment at the OC Data Center
- $1,044 for the OC Data Center roof replacement

Additional information on the County's capital assets can be found in Note 6, Changes in Capital Assets, Note 13, Leases and Note 14, Subscription-Based Information Technology Arrangements (SBITA) in the Notes to the Basic Financial Statements section.

Commitments for Capital Expenditures
At the end of FY 2022-23, significant commitments for capital expenditures included the following:

- $35,135 for the Frank R. Bowerman Phase VIII-A1 Groundwater Protection and Stockpile Project
- $18,527 for the East Garden Grove-Wintersburg Channel Bridges at Warner Ave, Springdale St., and Edwards St.
- $12,404 for the purchase of various vehicles
- $8,422 for the Frank R. Bowerman Sewer Line and Water Treatment System
- $5,771 for the Civic Center Master Plan Phase III
- $5,000 for the Bell Building- Electrical Services
- $4,672 for the Central Utility Facility-Replacement of Steam and Condensate Lines to Jail/Intake Release Center
- $4,520 for the Coyote Creek Channel Segment O
- $4,007 for the Prima Fee Booth Replacement
- $3,619 for the Facility Accessibility Improvements for Terminal Phase II
- $3,342 for the Huntington Beach and Talbert Channels Rehabilitation Project
- $3,230 for the Los Alamitos/Rossmoor Library-Tenant Enhancements HVAC & Roof
- $3,151 for the Prado Dam Project

Additional information on the County's commitments for capital expenditures can be found in Note 16, Construction and Other Significant Commitments in the Notes to the Basic Financial Statements section.

Long-Term Debt
June 30, 2023, the County had total debt obligations outstanding of $603,214, excluding long-term liabilities such as compensated absences payable, pension, OPEB, lease obligations payable, and SBITA. During the year, the County's outstanding bond obligations increased by $21,252, or 4%, which is primarily attributable to the issuance of the Lease Revenue Bonds, Series 2022 (County of Orange Sheriff-Coroner Facility) in the amount of $83,375, and the addition of $82,308 in Teeter Plan Notes. Partially offsetting the increase was the redemption of $79,978 of Teeter Plan Notes and the redemption of $66,190 of the Airport revenue bonds.

The following table summarizes the County's outstanding bonds at June 30, 2023 and 2022:

LONG-TERM DEBT OBLIGATIONS
June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total		Increase/ (Decrease)
	2023	2022	2023	2022	2023	2022	% Change
Revenue Bonds	$ 451,166	$ 376,781	$ --	$ 60,010	$ 451,166	$ 436,791	3 %
Teeter Plan Notes (Direct Placement)	82,308	79,978	--	--	82,308	79,978	3 %
Add: Premium on Bonds Payable	69,740	59,013	--	6,180	69,740	65,193	7 %
Total	**$ 603,214**	**$ 515,772**	**$ --**	**$ 66,190**	**$ 603,214**	**$ 581,962**	**4 %**

(Dollar Amounts in Thousands)

The following summarizes the County's long-term debt issuance during FY 2022-23:

Lease Revenue Bonds, Series 2022 On July 26, 2022, the South Orange County Public Financing Authority (SOCPFA) issued its $83,375 Lease Revenue Bonds, Series 2022 (County of Orange Sheriff-Coroner Facility) at a premium of $12,350, with an interest rate coupon of 5%. The Lease Revenue Bonds, payable through June 2052, were issued to finance the acquisition of and construction of certain improvements to a new facility for the Sheriff-Coroner to be owned by the County and to pay costs relating to the issuance of the bonds. As of June 30, 2023, the outstanding principal amount, including the premium of the Series 2022 Bonds, and interest were $95,725 and $76,314, respectively.

Teeter Plan Notes On July 18, 2022, the County paid off its $79,978 taxable Teeter Plan Obligation Notes, Series B utilizing $45,810 in accumulated base taxes. On July 18, 2022, the Teeter Plan Notes were issued for $82,308 in taxable Teeter Plan Obligations Notes, Series B, to refund the outstanding balance of $34,168 and finance the purchase of $48,140 in delinquent property tax receivables. The Teeter Notes issued on July 18, 2022, were issued pursuant to a First Amendment to Second Amended and Restated Note Purchase and Reimbursement Agreement, dated between the County and Wells Fargo Bank, National Association. Teeter Notes may be issued from time to time by the County provided that the total principal amount of Teeter Notes outstanding at any one time shall not exceed $150,000. The Teeter Notes mature on July 17, 2023 and bear interest at the rate of 3.46% per annum. As of June 30, 2023, the outstanding principal amount of the Teeter Plan Obligation Notes was $82,308.

Additional information on the County's long-term debt activity can be found in Note 11, Long-Term Obligations, and Note 23, Subsequent Events in the Notes to the Basic Financial Statements section.

Bond Ratings

The County maintained its Issuer Credit Rating of Aa1 from Moody's Investors Service (Moody's), AA+ from Standard & Poor's Global Ratings (S&P), and AAA Issuer Default Rating (IDR) from Fitch Ratings.

On July 26, 2022, the County issued the 2022 Lease Revenue Bonds with an AA rating from S&P and an AA+ rating from Fitch Ratings.

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

LONG-TERM DEBT RATINGS
June 30, 2023

	S&P	Moody's	Fitch
2016 Lease Revenue Bonds	AA	NR	NR
2017 Lease Revenue Bonds	AA	NR	AA+
2018 Lease Revenue Bonds	AA	NR	AA+
2022 Lease Revenue Bonds	AA	NR	AA+
Teeter Plan Notes	NR	NR	NR

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

System of Care-Homelessness
The County continues to work together with cities to respond to regional community needs in addressing homelessness. The partnership between the County and each of the 34 cities in the County is essential to meet the needs of people experiencing homelessness and leverages the funding available with the Building Homes Job Act (SB 2) or other programs such as the State's No Place like Home, California Advancing and Innovating Medi-Cal, and the Special Needs Housing Programs.

In June 2018, the County filed the Housing Funding Strategy with the goal of developing 2,700 units of permanent supportive housing. In December 2022, an update to the Housing Funding Strategy identified the new goal of developing 2,396 units of permanent supportive housing and recognized the significant investments in capital and operating expenses made since the previous Housing Funding Strategy, producing a pipeline of 1,384 supportive housing units and a total projected pipeline of 2,653 supportive and affordable housing units. The update also addressed the housing needs for individuals reentering the community upon release from custody; affordable housing assistance with voluntary support services to address the needs of chronically homeless individuals; and transitional and permanent supportive housing as well as placement services for youths and veterans experiencing challenges on the path to a successful adulthood. In addition to the larger housing efforts, the County is assisting with housing stability by providing landlord incentives for 500 units and match commitments for developing an additional 300 units. Significant efforts include the following:

- Operational funding was provided to three city-operated emergency shelters and capital funding was provided for a city-operated emergency shelter.
- Funding was provided for development and operation of a transitional aged youth-focused emergency shelter and construction of the Yale Navigation Center.
- California Department of Housing and Community Development awarded $20,590 in funding during Homekey Round one and $33,600 during Round two. In total, the funding was used to support the acquisition and rehab of five motels converting to 305 units of interim and permanent supportive housing. Additionally, the County supported the City of Anaheim in an application for Homekey Round two funds for an 89-unit motel conversion (interim to permanent housing) by providing a commitment of funding for operating costs. The County also applied for up to $29,000 in Homekey Round three funding for the conversion of a 120-room motel to 78 units of permanent supportive housing.
- State Homeless Housing, Assistance and Prevention funding identified to create 62 units of non-congregate shelter.
- Field-based outreach teams integrate with County behavioral health resources to support city-led homeless services programs.
- The Emergency Rental Assistance Program provided nearly $39,000 in financial assistance to tenant households experiencing financial hardship due to COVID-19 to pay for rental arrears and past due utilities thus promoting housing stability and minimizing the risk of homelessness.

In addition, the County utilizes the Care Plus Program to provide services through a multi-disciplinary team approach focusing on person-centered care for those experiencing homelessness to streamline their access of County programs and improve outcomes related to health and housing.

Master Plan for Aging

The Governor's January 2021 Master Plan for Aging included five distinct goals for counties to achieve as California prepares for a projected increase in the number of California residents age 60 years and older. An intradepartmental team consisting of OCCR, SSA, HCA, and CEO have collaborated in a joint effort to build the foundation for Orange County to improve the quality of service delivery to this population. A Countywide healthy aging assessment is being completed to identify and prioritize the needs and factors affecting the health of our aging population.

FEMA and ARPA Revenue for COVID-19

The County has filed all required claims for reimbursement for eligible COVID-19-related expenditures from FEMA. As of June 2023, the County submitted $199,310 in FEMA claims which were reduced by $5,257. The County received reimbursement for $147,048 and the remaining balance is currently under review by FEMA for the following seven eligible COVID-19 projects: Emergency Operations Center, Testing Kits, Personal Protective Equipment, Project RoomKey, the Great Plates Program, Vaccinations and Care Sites. In addition to FEMA funding, some County departments received additional funding from the state/federal governments for other eligible program costs related to COVID-19.

In May 2021, the County received $308,420, the first tranche of ARPA funds from the United States Treasury, and in June 2022, the County received the second and final tranche of $308,420. The CSLFRF, under the ARPA, provided funds to state, territorial, local, and tribal governments. Use of the funds is subject to the restrictions outlined in ARPA. All ARPA funds must be obligated by December 31, 2024 and spent by December 31, 2026 according to Federal guidelines issued by the United States Treasury. As of June 30, 2023, the County used the ARPA funds in its entirety for eligible expenditures.

Long-Term Financial Planning

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. As of December 31, 2022, the funding ratio for the System is 81.5%, which is an increase from 81.2% in 2021. The System's Unfunded Actuarial Accrued Liability (UAAL) increased from $4.52 billion ($3.88 billion attributable to the County) to $4.70 billion ($3.99 billion attributable to the County). The increase in the UAAL is primarily attributable to investment returns (after smoothing) lower than the 7.00% return assumption, salary increases greater than expected and cost-of-living adjustment (COLA) increases greater than expected.

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.

OCERS Assumed Investment Rate of Return
The assumed investment rate of return is the rate of investment yield that the System 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 reducing to 7.25% effective July 2015. On October 16, 2017, the OCERS Board adopted a reduction in the assumed investment rate of return to 7.00% effective July 1, 2019. The assumed rate of return reduction had the impact of increasing contribution rates of members and plan sponsors.

OCERS Actuarial Funding Policy (Amortization)
On November 18, 2013, the OCERS Board adopted the actuarial funding policy to reduce the amortization period for future 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.

OCERS Actuarial Assumptions
The 2014 through 2016 valuations were impacted by economic assumption changes, which flowed from the 2014 Triennial Study of Actuarial Assumptions. These changes, adopted by the OCERS Board on September 23, 2014, included a decrease in the inflation assumption from 3.25% to 3.00% per annum. As a result of the 2017 Triennial Study of Actuarial Assumptions, the OCERS Board, on October 16, 2017, adopted a further decrease in the inflation assumption to 2.75%, which was effective with the 2017 valuation. On August 17, 2020, the OCERS Board adopted a further decrease in the inflation rate assumption to 2.50%, while maintaining the post-retirement COLA at 2.75%. The new assumption changes were effective with the 2020 valuation.

Requests for Information

We hope that the preceding information provides 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, 1770 N. Broadway, Santa Ana, CA 92706 or you can access our website at ocauditor.gov.

COUNTY OF ORANGE
CALIFORNIA

(Dollar Amounts in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	First 5 OC	CalOptima Health
ASSETS					
Cash and Cash Equivalents	$ 3,664,581	$ 969,373	$ 4,633,954	$ 67,400	$ 773,516
Restricted Cash and Cash Equivalents	62,716	148,310	211,026	--	300
Investments	494,387	--	494,387	--	2,251,348
Deposits In-Lieu of Cash	11,539	41,036	52,575	--	--
Internal Balances	9,682	(9,682)	--	--	--
Due from Component Unit	274	--	274	--	--
Due from Primary Government	--	--	--	310	--
Receivables, Net of Allowances					
Accounts	21,656	26,214	47,870	--	380,840
Taxes	38,568	--	38,568	2,746	--
Interest/Dividends	21,479	5,977	27,456	620	--
Deposits	1,265	--	1,265	--	--
Advances	330	--	330	582	--
Leases	76,028	103,853	179,881	--	--
Service Concession Arrangements	143,805	--	143,805	--	--
Due from Other Governmental Agencies, Net	629,573	10,389	639,962	719	--
Notes Receivable, Net	68,708	--	68,708	--	--
Prepaid Costs	145,531	1,575	147,106	95	108,145
Inventory of Materials and Supplies	2,352	--	2,352	--	--
Net Pension Asset	--	--	--	22	--
Capital Assets					
Not Depreciable/Amortizable	1,475,848	133,165	1,609,013	--	14,956
Depreciable/Amortizable, Net	3,141,669	807,707	3,949,376	521	69,252
Total Capital Assets	4,617,517	940,872	5,558,389	521	84,208
Total Assets	10,009,991	2,237,917	12,247,908	73,015	3,598,357
DEFERRED OUTFLOWS OF RESOURCES	1,315,258	26,628	1,341,886	1,471	25,969

(Dollar Amounts in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	First 5 OC	CalOptima Health
LIABILITIES					
Accounts Payable	$ 158,848	$ 32,441	$ 191,289	$ 2,091	$ 14,541
Salaries and Employee Benefits Payable	109,892	2,194	112,086	95	23,332
Retainage Payable	10,977	2,374	13,351	1,195	--
Interest Payable	1,128	--	1,128	--	--
Deposits from Others	105,376	43,660	149,036	--	--
Due to Primary Government	--	--	--	274	--
Due to Component Unit	2	--	2	--	--
Due to Other Governmental Agencies	104,240	11,036	115,276	2,435	1,303,463
Unearned Revenue	131,476	12,126	143,602	--	61,886
Long-Term Liabilities					
Due Within One Year					
Civic Center Facilities Master Plan Loan	8,385	--	8,385	--	--
Estimated Liability-Litigation and Claims	755	--	755	--	--
Insurance Claims Payable	70,699	--	70,699	--	--
Medical Claims Payable	--	--	--	--	338,306
Capitation and Withholds	--	--	--	--	125,444
Compensated Employee Absences Payable	115,534	2,473	118,007	92	--
Financed Purchase Liability	10,513	331	10,844	--	--
Notes Payable	82,308	--	82,308	--	--
Bonds Payable	4,388	--	4,388	--	--
Pollution Remediation Obligation	--	612	612	--	--
Intangible Assets Obligations Payable	1,203	89	1,292	--	--
Lease Liability	27,341	27	27,368	58	--
Subscription Liability	16,949	295	17,244	--	4,557
Landfill Site Closure/Postclosure Liability	--	3,391	3,391	--	--
Due in More than One Year					
Civic Center Facilities Master Plan Loan	364,754	--	364,754	--	--
Estimated Liability-Litigation and Claims	100	--	100	--	--
Insurance Claims Payable	191,995	--	191,995	--	--
Compensated Employee Absences Payable	59,046	1,038	60,084	16	--
Financed Purchase Liability	10,441	--	10,441	--	--
Bonds Payable	143,379	--	143,379	--	--
Pollution Remediation Obligation	--	8,537	8,537	--	--
Intangible Assets Obligations Payable	945	89	1,034	--	--
Lease Liability	421,641	--	421,641	466	--
Subscription Liability	15,844	225	16,069	--	12,173
Landfill Site Closure/Postclosure Liability	--	200,414	200,414	--	--
Net Pension Liability	4,376,337	94,785	4,471,122	--	40,465
Net OPEB Liability	266,338	5,079	271,417	269	18,975
Total Liabilities	6,810,834	421,216	7,232,050	6,991	1,943,142
DEFERRED INFLOWS OF RESOURCES	400,548	105,177	505,725	730	11,176
NET POSITION					
Net Investment in Capital Assets	3,558,179	927,705	4,485,884	(2)	66,134
Restricted for:					
Expendable					
Pension Benefits	144,682	--	144,682	--	--
Capital Projects	30,210	--	30,210	--	--
Debt Service	26,462	--	26,462	--	--
Legally Segregated for Grants and Other Purposes	1,739,190	--	1,739,190	--	--
Regional Park Endowment	174	--	174	--	--
CalOptima Health	--	--	--	--	107,969
Passenger Facility Charges Approved Capital Projects	--	30,663	30,663	--	--
Landfill Closure/Postclosure	--	18,401	18,401	--	--
Landfill Corrective Action	--	13,671	13,671	--	--
Wetland	--	879	879	--	--
Nonexpendable					
Regional Park Endowment	200	--	200	--	--
Unrestricted (Deficit)	(1,385,230)	746,833	(638,397)	66,767	1,495,905
Total Net Position	$ 4,113,867	$ 1,738,152	$ 5,852,019	$ 66,765	$ 1,670,008

(Dollar Amounts in Thousands)

	Expenses		Program Revenues		
Functions/Programs	**Direct Expenses**	**Indirect Expenses Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government					
Governmental Activities					
General Government	$ 418,378	$ (55,064)	$ 63,337	$ 204,435	$ 118,678
Public Protection	1,786,460	37,673	325,800	955,988	68,039
Public Ways and Facilities	170,289	(2,368)	64,912	127,678	8,842
Health and Sanitation	899,270	7,323	153,271	643,011	--
Public Assistance	1,387,473	7,996	26,627	1,268,517	4,549
Education	60,558	663	671	3,404	--
Recreation and Cultural Services	153,298	2,162	41,381	5,556	--
Interest on Long-Term Debt	40,843	--	--	--	--
Total Governmental Activities	4,916,569	(1,615)	675,999	3,208,589	200,108
Business-Type Activities					
Airport	158,776	675	185,369	48,359	225
OC Waste & Recycling	161,283	938	201,179	3,746	--
Compressed Natural Gas	1	2	307	--	--
Total Business-Type Activities	320,060	1,615	386,855	52,105	225
Total Primary Government	$ 5,236,629	$ --	$ 1,062,854	$ 3,260,694	$ 200,333
Component Units					
First 5 Orange County	$ 23,789	$ --	$ --	$ 24,429	$ --
CalOptima Health	4,080,065	--	4,240,820	--	--
Total Component Units	$ 4,103,854	$ --	$ 4,240,820	$ 24,429	$ --

General Revenues
Taxes
Property Taxes, Levied for General Fund
Property Taxes, Levied for Flood Control District
Property Taxes, Levied for OC Parks
Property Taxes, Levied for OC Public Libraries
Property Taxes in-Lieu of Motor Vehicle License Fees
Other Taxes
Grants and Contributions Not Restricted to Specific Programs
State Allocation of Motor Vehicle License Fees
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position-Beginning of Year, as Restated
Net Position-End of Year

(Dollar Amounts in Thousands)

Net (Expense) Revenue and Change in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	First 5 OC	CalOptima Health	Functions/Programs
					Primary Government
					Governmental Activities
$ 23,136	$ --	$ 23,136	$ --	$ --	General Government
(474,306)	--	(474,306)	--	--	Public Protection
33,511	--	33,511	--	--	Public Ways and Facilities
(110,311)	--	(110,311)	--	--	Health and Sanitation
(95,776)	--	(95,776)	--	--	Public Assistance
(57,146)	--	(57,146)	--	--	Education
(108,523)	--	(108,523)	--	--	Recreation and Cultural Services
(40,843)	--	(40,843)	--	--	Interest on Long-Term Debt
(830,258)	--	(830,258)	--	--	Total Governmental Activities
					Business-Type Activities
--	74,502	74,502	--	--	Airport
--	42,704	42,704	--	--	OC Waste & Recycling
--	304	304	--	--	Compressed Natural Gas
--	117,510	117,510	--	--	Total Business-Type Activities
(830,258)	117,510	(712,748)	--	--	Total Primary Government
					Component Units
			640	--	First 5 Orange County
			--	160,755	CalOptima Health
			640	160,755	Total Component Units
					General Revenues
					Taxes
398,794	--	398,794	--	--	Property Taxes, Levied for General Fund
135,749	--	135,749	--	--	Property Taxes, Levied for Flood Control District
105,157	--	105,157	--	--	Property Taxes, Levied for OC Parks
66,286	--	66,286	--	--	Property Taxes, Levied for OC Public Libraries
484,543	--	484,543	--	--	Property Taxes in-Lieu of Motor Vehicle License Fees
134,123	--	134,123	--	--	Other Taxes
4,675	--	4,675	--	--	Grants and Contributions Not Restricted to Specific Programs
2,931	--	2,931	--	--	State Allocation of Motor Vehicle License Fees
64,350	29,291	93,641	2,014	89,743	Unrestricted Investment Earnings
90,488	1,453	91,941	181	--	Miscellaneous
8,554	(8,554)	--	--	--	Transfers
1,495,650	22,190	1,517,840	2,195	89,743	Total General Revenues and Transfers
665,392	139,700	805,092	2,835	250,498	Change in Net Position
3,448,475	1,598,452	5,046,927	63,930	1,419,510	Net Position-Beginning of Year, as Restated
$ 4,113,867	$ 1,738,152	$ 5,852,019	$ 66,765	$ 1,670,008	Net Position-End of Year

(Dollar Amounts in Thousands)

	General Fund	Flood Control District	Other Public Protection
ASSETS			
Pooled Cash/Investments	$ 1,141,884	$ 487,552	$ 220,697
Cash/Cash Equivalents	--	--	14,953
Imprest Cash Funds	1,847	--	--
Restricted Cash and Investments with Trustee	--	--	--
Investments	494,387	--	--
Deposits In-Lieu of Cash	9,170	--	--
Receivables			
Accounts	18,288	661	166
Taxes	7,305	2,119	--
Interest/Dividends	8,814	2,741	1,365
Deposits	412	575	--
Advances	330	--	--
Leases	9,408	24,520	--
Service Concession Arrangements	--	1,477	--
Allowance for Uncollectible Receivables	(672)	(143)	--
Due from Other Funds	158,689	1,841	1,561
Due from Component Unit	274	--	--
Due from Other Governmental Agencies, Net	450,698	96,357	4,517
Inventory of Materials and Supplies	1,326	532	295
Prepaid Costs	849	--	--
Notes Receivable, Net	--	--	--
Total Assets	$ 2,303,009	$ 618,232	$ 243,554
LIABILITIES			
Accounts Payable	$ 98,630	$ 6,093	$ 629
Retainage Payable	189	7,855	15
Salaries and Employee Benefits Payable	102,816	1,373	300
Interest Payable	--	--	--
Deposits from Others	23,335	7,392	22,366
Due to Other Funds	63,747	7,090	11,768
Due to Component Unit	1	--	--
Due to Other Governmental Agencies	32,152	21,653	10,485
Estimated Litigation and Claims	855	--	--
Unearned Revenue	59,693	4,829	30
Advances from Other Funds	--	--	--
Total Liabilities	381,418	56,285	45,593
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	209,078	113,531	2,240
FUND BALANCES			
Nonspendable	2,175	532	295
Restricted	284,714	447,884	195,426
Assigned	653,241	--	--
Unassigned	772,383	--	--
Total Fund Balances	1,712,513	448,416	195,721
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,303,009	$ 618,232	$ 243,554

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

(Dollar Amounts in Thousands)

Mental Health Services Act	Other Governmental Funds	Total Governmental Funds	
			ASSETS
$ 143,121	$ 1,304,039	$ 3,297,293	Pooled Cash/Investments
--	--	14,953	Cash/Cash Equivalents
--	45	1,892	Imprest Cash Funds
--	62,716	62,716	Restricted Cash and Investments with Trustee
--	--	494,387	Investments
--	2,369	11,539	Deposits In-Lieu of Cash
			Receivables
--	3,057	22,172	Accounts
--	29,144	38,568	Taxes
1,067	5,717	19,704	Interest/Dividends
--	278	1,265	Deposits
--	--	330	Advances
--	42,077	76,005	Leases
--	142,328	143,805	Service Concession Arrangements
--	(218)	(1,033)	Allowance for Uncollectible Receivables
--	76,506	238,597	Due from Other Funds
--	--	274	Due from Component Unit
12,088	65,625	629,285	Due from Other Governmental Agencies, Net
--	--	2,153	Inventory of Materials and Supplies
--	--	849	Prepaid Costs
--	68,708	68,708	Notes Receivable, Net
$ 156,276	$ 1,802,391	$ 5,123,462	Total Assets
			LIABILITIES
$ --	$ 41,429	$ 146,781	Accounts Payable
--	2,838	10,897	Retainage Payable
--	4,264	108,753	Salaries and Employee Benefits Payable
--	253	253	Interest Payable
--	52,283	105,376	Deposits from Others
41,152	106,428	230,185	Due to Other Funds
--	1	2	Due to Component Unit
--	39,343	103,633	Due to Other Governmental Agencies
--	--	855	Estimated Litigation and Claims
--	66,924	131,476	Unearned Revenue
--	20,000	20,000	Advances from Other Funds
41,152	333,763	858,211	Total Liabilities
			DEFERRED INFLOWS OF RESOURCES
--	206,436	531,285	Total Deferred Inflows of Resources
			FUND BALANCES
--	200	3,202	Nonspendable
115,124	881,240	1,924,388	Restricted
--	380,752	1,033,993	Assigned
--	--	772,383	Unassigned
115,124	1,262,192	3,733,966	Total Fund Balances
$ 156,276	$ 1,802,391	$ 5,123,462	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

(Dollar Amounts in Thousands)

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 between the two of $379,901 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		$ 3,733,966
Capital assets used in the operations of the County that are not reported in the governmental funds financial statements:		
Land	900,174	
Structures and Improvements	1,858,328	
Equipment	358,451	
Software	177,854	
Infrastructure	2,225,061	
Land Use Rights (Permanent)	16,682	
Intangible Right-to-Use Lease and Subscription Assets	556,380	
Land Improvements	45,878	
Construction in Progress	552,643	
Intangible in Progress	3,291	
Accumulated Depreciation/Amortization	(2,161,147)	4,533,595
Other assets used in governmental activities that do not consume current financial resources, and therefore, are not reported in the governmental funds:		
Prepaid Pension Investment with OCERS		144,682
The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.		132,642

Deferred outflows of resources are similar to assets, but they do not meet the definition of an asset. 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 do not meet the definition of a liability. When all recognition criteria are met, the deferred inflows of resources will become revenue, except for pension and OPEB related deferred inflows of resources which will be recognized as a credit to expense. 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:	
Employer retirement contribution subsequent to measurement date for the Deferred Outflows related to Pension	1,248,974
Employer retirement contribution subsequent to measurement date for the Deferred Outflows related to OPEB	51,304

(Dollar Amounts in Thousands)

Deferred Inflows of Resources:		
Deferred Inflows of Resources that have been earned but not available to finance expenditures in the current period		323,288
Deferred Inflows of Resources Related to Pension		(114,938)
Deferred Inflows of Resources Related to OPEB		(42,662)
Deferred Inflows from Service Concession Arrangements		(31,989)
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 Payable, Net	(147,767)	
Civic Center Facilities Master Plan Financing	(373,139)	
Teeter Plan Notes Payable	(82,308)	
Compensated Employee Absences Payable	(172,258)	
Financed Purchase Liability	(12,075)	
Intangible Assets Obligations Payable	(2,148)	
Lease Liability	(448,855)	
Subscription Liability	(26,661)	
Interest Payable on Bonds	(875)	
County's proportionate share of Net Pension Liability	(4,335,885)	
County's proportionate share of Net OPEB Liability	(263,024)	(5,864,995)
Net Position of Governmental Activities		$ 4,113,867

(Dollar Amounts in Thousands)

	General Fund	Flood Control District	Other Public Protection
Revenues			
Taxes	$ 936,727	$ 153,253	$ --
Licenses, Permits, and Franchises	28,358	1,486	11
Fines, Forfeitures, and Penalties	43,991	16	3,166
Use of Money and Property	41,298	17,101	7,628
Intergovernmental	2,623,835	15,504	34,674
Charges for Services	548,513	18,091	10,376
Other	33,953	3,700	4,856
Total Revenues	4,256,675	209,151	60,711
Expenditures			
Current			
General Government	321,782	--	--
Public Protection	1,526,204	129,639	26,792
Public Ways and Facilities	46,490	--	--
Health and Sanitation	878,092	--	--
Public Assistance	1,099,470	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	134,133	75,888	2,865
Debt Service			
Principal Retirement	51,391	462	314
Interest	16,793	--	68
Total Expenditures	4,074,355	205,989	30,039
Excess (Deficit) of Revenues Over Expenditures	182,320	3,162	30,672
Other Financing Sources (Uses)			
Transfers In	472,846	215	3,755
Transfers Out	(166,178)	(4,869)	(41,744)
Debt Issued	--	--	--
Premium on Debt Issued	--	--	--
Leases Issued	72,830	19	--
Subscriptions Issued	23,490	--	132
Total Other Financing Sources (Uses)	402,988	(4,635)	(37,857)
Net Change in Fund Balances	585,308	(1,473)	(7,185)
Fund Balances-Beginning of Year	1,127,205	449,889	202,906
Fund Balances-End of Year	$ 1,712,513	$ 448,416	$ 195,721

(Dollar Amounts in Thousands)

Mental Health Services Act	Other Governmental Funds	Total Governmental Funds	
			Revenues
$ --	$ 189,789	$ 1,279,769	Taxes
--	958	30,813	Licenses, Permits, and Franchises
--	12,215	59,388	Fines, Forfeitures, and Penalties
8,206	78,419	152,652	Use of Money and Property
160,340	570,918	3,405,271	Intergovernmental
--	41,913	618,893	Charges for Services
5,759	37,314	85,582	Other
174,305	931,526	5,632,368	Total Revenues
			Expenditures
			Current
--	94,763	416,545	General Government
--	70	1,682,705	Public Protection
--	92,556	139,046	Public Ways and Facilities
104	371	878,567	Health and Sanitation
--	263,232	1,362,702	Public Assistance
--	58,206	58,206	Education
--	148,586	148,586	Recreation and Cultural Services
--	270,615	483,501	Capital Outlay
			Debt Service
--	90,188	142,355	Principal Retirement
--	25,281	42,142	Interest
104	1,043,868	5,354,355	Total Expenditures
174,201	(112,342)	278,013	Excess (Deficit) of Revenues Over Expenditures
			Other Financing Sources (Uses)
--	331,421	808,237	Transfers In
(295,490)	(294,347)	(802,628)	Transfers Out
--	165,683	165,683	Debt Issued
--	12,350	12,350	Premium on Debt Issued
--	367	73,216	Leases Issued
--	542	24,164	Subscriptions Issued
(295,490)	216,016	281,022	Total Other Financing Sources (Uses)
(121,289)	103,674	559,035	Net Change in Fund Balances
236,413	1,158,518	3,174,931	Fund Balances-Beginning of Year
$ 115,124	$ 1,262,192	$ 3,733,966	Fund Balances-End of Year

(Dollar Amounts in Thousands)

The Net Change in Fund Balances for governmental funds of $559,035 in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Position for governmental activities of $665,392 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		$ 559,035
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 are 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	87,937	
Construction in Progress	333,615	
Equipment	27,662	
Software	31,024	
Net of Gains/(Losses) on Capital Assets Dispositions	(13,976)	
Depreciation/Amortization Expense	(187,826)	
Capital Contributions	4,656	283,092
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	(82,308)	
Leases Issued	(73,216)	
Subscription Proceeds	(24,164)	
Issuance of Long-Term Bonds	(95,725)	
Principal and Other Long-Term Liability Payments:		
Bonds Payable	8,990	
Teeter Plan Notes Payable	79,978	
Leases	21,773	
Subscriptions	25,011	
Financed Purchases	6,048	(133,613)

(Dollar Amounts in Thousands)

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	(84,067)	
Property Tax Revenues	622	(83,445)
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	(319)	
Amortization of Bond Premiums	1,623	
Change in Compensated Employee Absences Payable	2,623	
Pension Costs and Investment Gain of the County's Investment Account with OCERS	8,938	
Estimated Litigation and Claims Expense	21,392	34,257
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 operating loss of the ISF's 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 ISF are recorded in governmental activities.		
Allocation of ISF's Operating Loss to Governmental Activities, net of Business-Type Activities	(28,666)	
Consolidation of Nonoperating Revenues, Expenses and Transfers to Governmental Activities	27,811	(855)
GASB Statement No. 75 requires an employer to record OPEB expense and employer contribution that affects the County's proportionate share of the net OPEB liability.		
OPEB Expense	(11,730)	
OPEB Employer Contribution	41,964	30,234
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.		
Pension Expense	(562,827)	
Pension Employer Contribution	539,514	(23,313)
Change in Net Position of Governmental Activities		$ 665,392

(Dollar Amounts in Thousands)

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	$ 905,374	$ 905,374	$ 937,420	$ 32,046
Licenses, Permits, and Franchises	28,382	28,682	27,902	(780)
Fines, Forfeitures, and Penalties	34,877	34,877	44,381	9,504
Use of Money and Property	8,501	22,386	49,256	26,870
Intergovernmental	2,719,977	2,980,372	2,584,373	(395,999)
Charges for Services	596,756	599,985	578,572	(21,413)
Other	26,174	40,731	46,153	5,422
Transfers In	479,194	579,148	462,774	(116,374)
Total Revenues and Other Financing Sources	4,799,235	5,191,555	4,730,831	(460,724)
Expenditures and Other Financing Uses				
General Government:				
American Rescue Plan Act	494,947	505,653	70,091	435,562
Assessor	46,568	46,568	43,675	2,893
Auditor-Controller	21,602	21,602	19,508	2,094
Board of Supervisors-1st District	1,593	1,593	1,489	104
Board of Supervisors-2nd District	1,926	1,926	1,613	313
Board of Supervisors-3rd District	1,708	1,708	1,676	32
Board of Supervisors-4th District	1,624	1,624	1,567	57
Board of Supervisors-5th District	1,640	1,640	1,591	49
Capital Acquisition Financing	1,702	1,702	1,659	43
Capital Projects	13,609	13,609	12,236	1,373
CAPS Program	14,104	14,104	12,438	1,666
CEO Real Estate	10,349	11,449	9,748	1,701
Clerk of the Board	9,860	9,860	9,449	411
County Counsel	13,158	14,356	14,124	232
County Executive Office	63,366	84,318	67,969	16,349
Data Systems Development Project	4,000	4,370	4,370	--
Employee Benefits	2,472	2,988	2,488	500
FEMA Reimbursements	--	5,351	5,351	--
Human Resources	8,517	8,931	7,977	954
IBM Mainframe	2,396	2,396	1,511	885
Internal Audit	3,342	3,342	2,941	401
Miscellaneous	54,577	322,302	315,088	7,214
OC Campaign Finance and Ethics Commission	470	503	500	3
OCIT Shared Services	4,381	5,232	5,207	25
Office of Independent Review	1,145	1,145	926	219
Performance Audit	46	46	14	32
Prepaid Pension Obligation	11	81	10	71
Property Tax System Centralized O & M Support	5,639	6,116	5,396	720
Registrar of Voters	21,252	30,349	29,573	776
Treasurer-Tax Collector	17,741	17,741	16,229	1,512
Utilities	33,838	39,217	31,953	7,264
Public Protection:				
Alternate Defense	6,488	6,488	5,204	1,284
Building & Safety	15,765	16,540	14,060	2,480
Child Support Services	55,604	55,604	51,317	4,287
Clerk-Recorder	20,300	21,250	17,985	3,265
District Attorney	190,251	190,798	182,453	8,345
District Attorney-Public Administrator	4,259	4,259	3,888	371
Grand Jury	603	611	596	15
HCA Public Guardian	5,513	7,745	7,745	--
Juvenile Justice Commission	218	218	157	61
OC Animal Care	24,649	25,108	23,297	1,811
Pretrial Services	2,286	2,383	2,249	134
Probation	210,646	224,812	219,598	5,214
Public Defender	108,146	178,673	173,824	4,849
Sheriff-Coroner	986,656	994,030	953,034	40,996
Trial Courts	66,444	125,614	125,247	367
Public Ways and Facilities:				
OC Public Works	80,385	80,425	58,449	21,976
Health and Sanitation:				
Health Care Agency	1,020,243	1,092,743	994,520	98,223
OC Watersheds	20,479	20,598	14,136	6,462
Public Assistance:				
OC Community Resources	75,141	85,141	68,639	16,502
Social Services Agency	1,108,671	1,116,053	1,077,120	38,933
Total Expenditures and Other Financing Uses	4,860,330	5,430,915	4,691,885	739,030
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(61,095)	(239,360)	38,946	$ 278,306
Fund Balances-Beginning of Year	1,171,779	1,171,779	1,171,779	
Fund Balances-End of Year	$ 1,110,684	$ 932,419	$ 1,210,725	

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

(Dollar Amounts in Thousands)

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	$ 139,813	$ 139,813	$ 153,515	$ 13,702
Licenses, Permits, and Franchises	--	--	296	296
Fines, Forfeitures, and Penalties	18	18	16	(2)
Use of Money and Property	4,381	4,381	14,541	10,160
Intergovernmental	48,028	48,028	17,270	(30,758)
Charges for Services	13,598	13,598	19,197	5,599
Other	168	168	3,787	3,619
Transfers In	80,766	80,766	40,766	(40,000)
Total Revenues and Other Financing Sources	286,772	286,772	249,388	(37,384)
Expenditures and Other Financing Uses				
Public Protection:				
OC Flood	255,401	255,461	143,811	111,650
OC Flood-Capital Improvement Projects	94,201	94,201	43,749	50,452
OC Flood-Santa Ana River	123,566	123,566	64,692	58,874
Total Expenditures and Other Financing Uses	473,168	473,228	252,252	220,976
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(186,396)	(186,456)	(2,864)	$ 183,592
Fund Balances-Beginning of Year	455,915	455,915	455,915	
Fund Balances-End of Year	$ 269,519	$ 269,459	$ 453,051	

(Dollar Amounts in Thousands)

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	$ 11	$ 11	$ 11	$ --
Fines, Forfeitures, and Penalties	3,417	3,417	1,941	(1,476)
Use of Money and Property	2,633	2,633	6,855	4,222
Intergovernmental	23,886	27,173	35,428	8,255
Charges for Services	14,935	14,935	10,376	(4,559)
Other	5,016	5,016	4,866	(150)
Transfers In	4,087	6,298	5,589	(709)
Total Revenues and Other Financing Sources	53,985	59,483	65,066	5,583
Expenditures and Other Financing Uses				
Public Protection:				
Building and Safety-Operating Reserve	1,158	1,591	4	1,587
California Automated Fingerprint Identification Operational Costs	1,743	1,743	1,287	456
California Automated Fingerprint Identification Systems Costs	42,594	42,596	2,050	40,546
Child Support Program Development	4,662	4,662	1,957	2,705
Clerk Recorder Operating Reserve	1,005	1,740	1,740	--
Clerk Recorder Special Revenue	8,618	9,568	7,323	2,245
County Automated Fingerprint Identification	2,409	2,409	1,895	514
Delta Special Revenue	23	23	7	16
District Attorney's Supplemental Law Enforcement Services	2,161	2,161	2,157	4
Excess Public Safety Sales Tax	5,980	18,780	15,084	3,696
Inmate Welfare	13,577	13,577	2,999	10,578
Jail Commissary	8,330	8,330	6,361	1,969
Motor Vehicle Theft Task Force	5,778	5,793	3,664	2,129
Narcotic Forfeiture and Seizure	485	685	276	409
Orange County Jail	244	244	--	244
Proposition 64-Consumer Protection	2,127	2,127	1,918	209
Proposition 69-DNA Identification	1,347	2,195	673	1,522
Real Estate Prosecution	2,683	2,224	746	1,478
Regional Narcotic Suppression Program-Other	4,312	2,841	1,248	1,593
Sheriff Court OPS-Special Collections	2,104	2,104	1,222	882
Sheriff Narcotics Program-CALMMET-Treasury	1,696	1,770	1,633	137
Sheriff Narcotics Program-Dept of Justice	11,382	11,873	2,970	8,903
Sheriff Narcotics Program-Other	3,210	3,640	3,411	229
Sheriff-Coroner Replacement and Maintenance	23,806	23,806	1,043	22,763
Sheriff's State Criminal Alien Assistance Program	2,693	2,693	2,012	681
Sheriff's Substations Fee Program	136	136	57	79
Sheriff's Supplemental Law Enforcement Services	2,583	2,583	1,001	1,582
Traffic Violator	890	890	234	656
Ward Welfare	186	186	186	--
800 MHz Countywide Coordinated Communications System	12,742	15,447	8,287	7,160
Total Expenditures and Other Financing Uses	170,664	188,417	73,445	114,972
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(116,679)	(128,934)	(8,379)	$ 120,555
Fund Balances-Beginning of Year	191,534	191,534	191,534	
Fund Balances-End of Year	$ 74,855	$ 62,600	$ 183,155	

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON STATEMENT
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	$ 1,251	$ 1,251	$ 5,917	$ 4,666
Intergovernmental	267,643	267,643	166,092	(101,551)
Other	--	--	7	7
Total Revenues and Other Financing Sources	268,894	268,894	172,016	(96,878)
Expenditures and Other Financing Uses				
Health & Sanitation:				
Mental Health Services Act	282,247	323,642	295,594	28,048
Total Expenditures and Other Financing Uses	282,247	323,642	295,594	28,048
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(13,353)	(54,748)	(123,578)	$ (68,830)
Fund Balances-Beginning of Year	240,269	240,269	240,269	
Fund Balances-End of Year	$ 226,916	$ 185,521	$ 116,691	

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

(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	
ASSETS					
Current Assets					
Pooled Cash/Investments	$ 341,422	$ 627,092	$ 690	$ 969,204	$ 348,239
Cash/Cash Equivalents	120	--	--	120	2,196
Imprest Cash Funds	14	35	--	49	8
Restricted Pooled Cash and Investments	28,451	1,206	--	29,657	--
Deposits In-Lieu of Cash	6,668	34,368	--	41,036	--
Receivables:					
Accounts	6,466	15,985	109	22,560	624
Passenger Facility Charges	3,399	--	--	3,399	--
Interest/Dividends	1,945	4,029	3	5,977	1,775
Pollution Remediation Obligation Recoveries	256	--	--	256	--
Leases	14,283	2,150	--	16,433	17
Allowance for Uncollectible Receivables	--	(1)	--	(1)	(107)
Due from Other Funds	14	51	--	65	3,451
Due from Other Governmental Agencies	8,134	2,255	--	10,389	288
Inventory of Materials and Supplies	--	--	--	--	199
Prepaid Costs	1,520	55	--	1,575	--
Total Current Assets	412,692	687,225	802	1,100,719	356,690
Noncurrent Assets					
Restricted Pooled Cash and Investments	--	14,813	--	14,813	--
Restricted Pooled Cash and Investments-Closure and Postclosure Care Costs	--	103,840	--	103,840	--
Advances to Other Funds	--	20,000	--	20,000	--
Leases Receivable	82,343	5,077	--	87,420	6
Capital Assets:					
Not Depreciable/Amortizable	51,382	81,783	--	133,165	3,058
Depreciable/Amortizable, Net	522,807	284,900	--	807,707	80,864
Total Capital Assets	574,189	366,683	--	940,872	83,922
Total Noncurrent Assets	656,532	510,413	--	1,166,945	83,928
Total Assets	1,069,224	1,197,638	802	2,267,664	440,618
DEFERRED OUTFLOWS OF RESOURCES	11,410	15,218	--	26,628	14,980

(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
LIABILITIES					
Current Liabilities					
Accounts Payable	$ 11,225	$ 21,216	$ --	$ 32,441	$ 12,067
Retainage Payable	120	2,254	--	2,374	80
Salaries and Employee Benefits Payable	731	1,463	--	2,194	1,139
Unearned Revenue	12,062	64	--	12,126	--
Due to Other Funds	2,389	8,809	--	11,198	730
Due to Other Governmental Agencies	88	10,948	--	11,036	607
Insurance Claims Payable	--	--	--	--	70,699
Compensated Employee Absences Payable	827	1,646	--	2,473	1,427
Pollution Remediation Obligation	--	612	--	612	--
Intangible Assets Obligations Payable	89	--	--	89	--
Landfill Site Closure/Postclosure Liability	--	3,391	--	3,391	--
Financed Purchase Liability	331	--	--	331	3,833
Lease Liability	16	11	--	27	115
Subscription Liability	6	289	--	295	2,322
Deposits from Others	7,856	35,804	--	43,660	--
Total Current Liabilities	35,740	86,507	--	122,247	93,019
Noncurrent Liabilities					
Insurance Claims Payable	--	--	--	--	191,995
Compensated Employee Absences Payable	312	726	--	1,038	895
Pollution Remediation Obligation	994	7,543	--	8,537	--
Intangible Assets Obligations Payable	89	--	--	89	--
Landfill Site Closure/Postclosure Liability	--	200,414	--	200,414	--
Financed Purchase Liability	--	--	--	--	5,046
Lease Liability	--	--	--	--	12
Subscription Liability	7	218	--	225	3,810
Net Pension Liability	42,203	52,582	--	94,785	40,452
Net OPEB Liability	2,212	2,867	--	5,079	3,314
Total Noncurrent Liabilities	45,817	264,350	--	310,167	245,524
Total Liabilities	81,557	350,857	--	432,414	338,543
DEFERRED INFLOWS OF RESOURCES	95,818	9,359	--	105,177	2,962
NET POSITION					
Net Investment in Capital Assets	570,576	357,129	--	927,705	68,055
Restricted for:					
Passenger Facility Charges Approved Capital Projects	30,663	--	--	30,663	--
Landfill Closure/Postclosure	--	18,401	--	18,401	--
Landfill Corrective Action	--	13,671	--	13,671	--
Wetland	--	879	--	879	--
Unrestricted	302,020	462,560	802	765,382	46,038
Total Net Position	$ 903,259	$ 852,640	$ 802	1,756,701	$ 114,093
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				(2,702)	
Cumulative Effect of Prior Years' Internal Service Funds Allocation				(15,847)	
Net Position of Business-Type Activities				$ 1,738,152	

(Dollar Amounts in Thousands)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

	Business-Type Activities - Enterprise Funds				
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
Operating Revenues					
Use of Money and Property	$ 132,067	$ 4,585	$ 307	$ 136,959	$ 1,237
Licenses, Permits, and Franchises	--	318	--	318	--
Charges for Services	30,016	196,263	--	226,279	121,044
Insurance Premiums	--	--	--	--	354,096
Total Operating Revenues	162,083	201,166	307	363,556	476,377
Operating Expenses					
Salaries and Employee Benefits	18,042	34,211	--	52,253	28,931
Services and Supplies	45,661	43,650	--	89,311	43,941
Professional Services	52,730	21,965	3	74,698	70,361
Insurance Claims and Premiums	--	--	--	--	344,256
Pollution Remediation Expense	--	476	--	476	--
Other Charges	--	--	--	--	687
Taxes and Other Fees	192	21,610	--	21,802	10
Landfill Site Closure/Postclosure Costs	--	17,820	--	17,820	--
Depreciation/Amortization	34,220	22,452	--	56,672	19,559
Total Operating Expenses	150,845	162,184	3	313,032	507,745
Operating Income (Loss)	11,238	38,982	304	50,524	(31,368)
Nonoperating Revenues (Expenses)					
Fines, Forfeitures, and Penalties	410	13	--	423	--
Intergovernmental Revenues	48,359	3,746	--	52,105	3,457
Interest and Investment Income	12,260	28,334	21	40,615	13,155
Net Decrease in the Fair Value of Investments	(3,736)	(7,581)	(7)	(11,324)	(3,428)
Interest Expense	(487)	(4)	--	(491)	(4)
Gain (Loss) on Disposition of Capital Assets	(2,096)	486	--	(1,610)	229
Loss on Debt Defeasance	(1,189)	--	--	(1,189)	--
Passenger Facility Charges Revenue	22,876	--	--	22,876	--
Other Taxes	--	--	--	--	9
Other Revenue (Expense)	(2,581)	1,383	--	(1,198)	11,349
Total Nonoperating Revenues	73,816	26,377	14	100,207	24,767
Income (Loss) Before Contributions and Transfers	85,054	65,359	318	150,731	(6,601)
Capital Grant Contributions	225	--	--	225	--
Capital Contributions	--	--	--	--	99
Transfers In	19	66	--	85	6,827
Transfers Out	(31)	(8,608)	--	(8,639)	(3,882)
Change in Net Position	85,267	56,817	318	142,402	(3,557)
Net Position-Beginning of Year, as Restated	817,992	795,823	484		117,650
Net Position-End of Year	$ 903,259	$ 852,640	$ 802		$ 114,093
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				(2,702)	
Change in Net Position of Business-Type Activities				$ 139,700	

COUNTY OF ORANGE

CALIFORNIA

(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	$ 144,247	$ 195,976	$ 244	$ 340,467	$ 38,720
Cash Received for Premiums within the County's Entity	--	--	--	--	354,096
Payments to Suppliers for Goods and Services	(96,112)	(62,884)	(3)	(158,999)	(444,220)
Payments to Employees for Services	(12,688)	(33,966)	--	(46,654)	(25,730)
Receipts from Interfund Services	--	384	--	384	80,717
Payments for Interfund Services Provided	(348)	--	--	(348)	(1,035)
Payments for Landfill Site Closure/Postclosure Care Costs	--	(3,391)	--	(3,391)	--
Payment for Taxes and Other Fees	(192)	(21,610)	--	(21,802)	(10)
Other Operating Receipts	486	8,016	--	8,502	11,353
Other Operating Payments	(277)	(4,947)	--	(5,224)	(702)
Net Cash Provided by Operating Activities	35,116	77,578	241	112,935	13,189
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	19	66	--	85	6,827
Transfers Out	(31)	(8,608)	--	(8,639)	(3,882)
Intergovernmental Revenues	52,088	3,746	--	55,834	3,457
Other Taxes	--	--	--	--	9
Payments Received on Advances made to other Funds	--	20,000	--	20,000	--
Net Cash Provided by Noncapital Financing Activities	52,076	15,204	--	67,280	6,411
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(14,891)	(53,615)	--	(68,506)	(15,327)
Cash Contributed to an Irrevocable Escrow Fund to Defease Debt	(58,478)	--	--	(58,478)	--
Principal Paid on Bonds	(6,750)	--	--	(6,750)	--
Interest Paid on Long-Term Debt	(2,832)	--	--	(2,832)	--
Capital Grant Contributions	2,468	--	--	2,468	--
Passenger Facility Charges Received	21,499	--	--	21,499	--
Principal Paid on Financed Purchase Liability	(332)	--	--	(332)	(4,363)
Principal Paid on Leases	(18)	(17)	--	(35)	(152)
Interest Paid on Leases	(1)	(1)	--	(2)	(4)
Principal Paid on Subscriptions	(7)	(304)	--	(311)	(5,287)
Interest Paid on Subscriptions	--	(3)	--	(3)	--
Receipts for Leases Receivables	15,044	215	--	15,259	17
Interest Received on Leases Receivables	3,125	166	--	3,291	1
Proceeds from Sale of Capital Assets	28	625	--	653	448
Net Cash Used for Capital and Related Financing Activities	(41,145)	(52,934)	--	(94,079)	(24,667)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	10,541	24,934	19	35,494	11,672
Net Change in the Fair Value of Investments	(3,736)	(7,581)	(7)	(11,324)	(3,428)
Sale of Investments	17,091	--	--	17,091	--
Net Cash Provided by Investing Activities	23,896	17,353	12	41,261	8,244
Net Increase in Cash and Cash Equivalents	69,943	57,201	253	127,397	3,177
Cash and Cash Equivalents-Beginning of Year	300,064	689,785	437	990,286	347,266
Cash and Cash Equivalents-End of Year	$ 370,007	$ 746,986	$ 690	$ 1,117,683	$ 350,443

(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	$ 11,238	$ 38,982	$ 304	$ 50,524	$ (31,368)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation/Amortization	34,220	22,452	--	56,672	19,559
Recognition of Lease Income	(18,168)	(381)	--	(18,549)	(18)
Fines, Forfeitures and Penalties	410	13	--	423	--
Other Revenue (Expense)	70	1,383	--	1,453	11,349
(Increases) Decreases In:					
Deposits In-Lieu of Cash	(216)	(8,045)	--	(8,261)	--
Receivables, Net	14,041	(6,389)	(63)	7,589	179
Due from Other Funds	(120)	117	--	(3)	(500)
Due from Other Governmental Agencies	(277)	(474)	--	(751)	53
Prepaid Costs	2,285	3,479	--	5,764	3,154
Deferred Outflows of Resources Related to Pension	(2,956)	(4,086)	--	(7,042)	(4,202)
Deferred Outflows of Resources Related to OPEB	(187)	(217)	--	(404)	(281)
Increases (Decreases) In:					
Accounts Payable	2,665	2,120	--	4,785	(2,169)
Retainage Payable	(33)	--	--	(33)	78
Salaries and Employee Benefits Payable	(139)	254	--	115	89
Unearned Revenue	1,047	--	--	1,047	(3,626)
Due to Other Funds	(228)	267	--	39	604
Due to Other Governmental Agencies	(235)	611	--	376	--
Insurance Claims Payable	--	--	--	--	12,671
Compensated Employee Absences Payable	(447)	(9)	--	(456)	(194)
Pollution Remediation Obligation	--	(4,471)	--	(4,471)	--
Deposits from Others	746	8,313	--	9,059	--
Net Pension Liability	20,610	24,700	--	45,310	27,751
Net OPEB Liability	326	392	--	718	498
Landfill Site Closure/ Postclosure Liability	--	14,429	--	14,429	--
Deferred Inflows of Resources Related to Pension	(14,088)	(17,156)	--	(31,244)	(19,838)
Deferred Inflows of Resources Related to OPEB	(404)	(492)	--	(896)	(622)
Deferred Inflows of Resources Related to Leases	(15,044)	1,786	--	(13,258)	22
Total Adjustments	23,878	38,596	(63)	62,411	44,557
Net Cash Provided by Operating Activities	$ 35,116	$ 77,578	$ 241	$ 112,935	$ 13,189
Reconciliation of Cash and Cash Equivalents to Statement of Net Position Accounts					
Pooled Cash/Investments	$ 341,422	$ 627,092	$ 690	$ 969,204	$ 348,239
Cash/Cash Equivalents	120	--	--	120	2,196
Imprest Cash Funds	14	35	--	49	8
Restricted Pooled Cash/Investments	28,451	16,019	--	44,470	--
Restricted Pooled Cash/Investments-Closure and Postclosure Care Costs	--	103,840	--	103,840	--
Total Cash and Cash Equivalents	$ 370,007	$ 746,986	$ 690	$ 1,117,683	$ 350,443

Schedule of Noncash Investing, Capital, and Financing Activities:
- The Internal Service Funds' gain of $229 on disposition of capital assets.
- The Internal Service Funds' received $99 of capital contributions.
- The Internal Service Funds' acquisition of capital assets with accounts payable is $652.
- The Internal Service Funds' acquisition of capital assets with retainage payable is $77.
- The Internal Service Funds' financial purchase liability acquisitions is $732.
- Internal Service Funds' lease liability for acquisition of lease assets is $158.
- Internal Service Funds' subcription liability for acquisition of lease assets is $7,737.
- Airport's loss of $2,096 on disposition of capital assets.
- Airport's lease liability for acquisition of lease assets is $34.
- Airport's acquisition of capital assets with retainage payable is $103.
- Airport's acquisition of capital assets with accounts payable is $2,972.
- Airport's accrued capital grant contribution receivable is $221.
- Airport's amortization of bond premium is $6,180.
- Airport's amortization of deferred charge on refunding is $1,306.
- Airport's loss of $1,189 on debt defeasance.
- OC Waste & Recycling's gain of $486 on disposition of capital assets.
- OC Waste & Recycling's acquisition of capital assets with retainage payable is $2,172.
- OC Waste & Recycling's acquisition of capital assets with accounts payable is $6,864.
- OC Waste & Recycling's lease liability for acquisition of lease assets is $27.
- OC Waste & Recycling's subcription liability for acquisition of lease assets is $403.

(Dollar Amounts in Thousands)

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

	Private-Purpose Trust Funds	Investment Trust Funds	Pension and OPEB Trust Funds	Custodial Funds
ASSETS				
Pooled Cash/Investments	$ 73,609	$ 9,132,497	$ 3,963	$ 327,301
Cash/Cash Equivalents	--	--	411,606	665
Securities Lending Collateral	--	--	202,096	--
Restricted Cash and Investments				
Restricted Investments with Trustee				
Money Market Mutual Funds	2,355	--	--	43,804
Global Public Equity	--	--	8,817,154	11,459
Private Equity	--	--	3,301,871	--
Core Fixed Income	--	--	1,634,516	5,245
Credit	--	--	1,750,047	--
Real Assets	--	--	2,907,077	--
Risk Mitigation	--	--	1,757,155	--
Unique Strategies	--	--	74,365	--
Cash Equivalent	--	--	730	--
Exchange-Traded Funds	--	--	164,379	--
Mutual Funds	--	--	77,877	--
Mutual Bond Funds	--	--	6,831	--
Stable Value Fund	--	--	34,818	--
Total Restricted Cash and Investments	2,355	--	20,526,820	60,508
Receivables				
Accounts	--	--	--	301
Investments	--	--	15,320	--
Taxes	--	--	--	263,211
Securities Sales	--	--	141,477	--
Contributions	--	--	15,437	--
Interest/Dividends	606	74,956	19	76,000
Other Receivables	--	--	7,880	--
Allowance for Uncollectible Receivables	--	--	--	(48,447)
Due from Other Governmental Agencies	--	559	1,958	9,379
Notes Receivable	15,339	--	--	--
Capital Assets, Net	--	--	9,088	--
Total Assets	91,909	9,208,012	21,335,664	688,918
LIABILITIES				
Accounts Payable	--	--	264,378	9,477
Salaries and Employee Benefits Payable	--	--	127,098	--
Unearned Contributions	--	--	320,009	--
Investment Obligations	--	--	204,463	--
Bonds Payable	1,406	--	--	--
Interest Payable	22	--	--	--
Unapportioned Interest	--	--	--	42,997
Due to Other Governmental Agencies	480	28	--	21,085
Unapportioned Taxes	--	--	--	146,839
Total Liabilities	1,908	28	915,948	220,398
DEFERRED INFLOWS OF RESOURCES				
Deferred Charge on Refunding	9	--	--	--
Total Deferred Inflows of Resources	9	--	--	--
NET POSITION				
Restricted for:				
OPEB Benefits	--	--	663,420	17,221
Pension Benefits	--	--	19,756,296	--
Pool Participants	--	9,207,984	--	--
Individuals, Organizations, and Other Governments	89,992	--	--	451,299
Total Net Position	$ 89,992	$ 9,207,984	$ 20,419,716	$ 468,520

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

(Dollar Amounts in Thousands)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Private-Purpose Trust Funds	Investment Trust Funds	Pension and OPEB Trust Funds	Custodial Funds
Additions:				
Contributions to Pension and OPEB				
Employer	$ --	$ --	$ 793,626	$ 655
Employee	--	--	272,059	--
Contributions to Pooled Investments	--	13,158,590	--	1,037,711
Contributions to Private-Purpose Trust	38,140	--	--	--
Intergovernmental Revenues	10,027	--	--	--
Other Revenues	5,585	1,201	--	--
Taxes	--	--	--	11,380,854
Investment Earnings				
Interest and Investment Income	1,190	210,412	507,793	485,628
Net Decrease in the Fair Value of Investments	(428)	(4,931)	(2,431,176)	(6,673)
Securities Lending	--	--	4,406	--
Less: Investment Expense	(15)	(3,232)	(153,976)	(84)
Total Additions	54,499	13,362,040	(1,007,268)	12,898,091
Deductions:				
Benefits Paid to Participants	--	--	1,259,005	1,466
Distributions from Pooled Investments	--	11,487,512	--	1,030,385
Distributions from Private-Purpose Trust	40,812	--	--	--
Professional Services	621	--	23,591	6,991
Other Expenses	--	--	--	48,445
Tax Pass-Throughs	212	--	--	--
Apportioned Taxes	--	--	--	11,799,183
Interest Expense, Net	(50)	--	--	--
Total Deductions	41,595	11,487,512	1,282,596	12,886,470
Change in Net Position	12,904	1,874,528	(2,289,864)	11,621
Net Position-Beginning of Year	77,088	7,333,456	22,709,580	456,899
Net Position-End of Year	$ 89,992	$ 9,207,984	$ 20,419,716	$ 468,520

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

COUNTY OF ORANGE
CALIFORNIA

COUNTY OF ORANGE
CALIFORNIA

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 (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*," Statement No. 61*, "The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34,"* Statement No. 80, *"Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14,"* and Statement No. 84, "*Fiduciary Activities*," 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 Orange County Board of Supervisors is the governing body of the District. The Board's powers include, but are not limited to, approving the District's budget, levying a tax or assessment upon real property in the District, approving contracts for the District, and appointing County officers to perform additional duties for the District. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Capital Facilities Development Corporation The Corporation has a three-member governing body that is appointed by the Board. Its purpose is to facilitate financings, acquisitions of property, and other financial and property related transactions, by or for the benefit of the County, including but not limited to purchasing property from or for the benefit of, borrowing or loaning money and selling or leasing property to, and otherwise participating in financial and leasing transactions with the County. The Corporation is reported in governmental fund types.

Orange County Public Facilities Corporation The Corporation has a five-member governing body that is appointed by the Board. It provides services entirely to the County, through the purchases, construction or lease of land and buildings, 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 (districts) is the County's governing body. It approves the districts' budgets, and approves parcel fees, special assessments and special taxes. The 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 IHSS providers and consumers. The Authority is reported in governmental fund types.

Fiduciary Component Unit

Orange County Employee Retirement System (OCERS) OCERS is a public retirement system established in 1945 that administers the County's retirement and Other Postemployment Benefits (OPEB) Plans in accordance with the County Employees Retirement Law of 1937 and the California Public Employees' Pension Reform Act (PEPRA) of 2013. OCERS was determined to be a fiduciary component unit of the County based on the guidelines of GASB Statement No. 84. It is reported in the Pension and OPEB Trust Funds and Custodial Fund Fiduciary financial statements. OCERS issues a stand-alone financial report with year-end December 31 and is available online at www.ocers.org or in writing if requested to the Orange County Employees Retirement System, P.O. Box 1229, Santa Ana, CA 92702.

Discretely Presented Component Units

First 5 Orange County First 5 Orange County (formerly Children and Families Commission of Orange County) 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 which were approved by California voters via Prop 10 in November 1998. First 5 Orange County 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 First 5 Orange County, the appointed First 5 Orange County 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 First 5 Orange County, 1505 E. 17th Street, Suite 230, Santa Ana, CA 92705, or by accessing Orange County's website: ocauditor.gov.

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 Health) The Board established CalOptima Health in 1993. The governing board of CalOptima Health is comprised of nine voting members and includes two County Board members and 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 Medi-Cal, OneCare (HMO D-SNP), and Program of All-Inclusive Care for the Elderly (PACE). CalOptima Health 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 Health, the appointed CalOptima Health members serve at the will of the Board members who appoint them. CalOptima Health will continue until such time as the Board takes action to terminate CalOptima Health. A separate stand-alone annual financial report can be obtained by writing to CalOptima Health, 505 City Parkway West, Orange, CA 92868 or can be accessed via the website http://wpso.dmhc.ca.gov/fe/search/.

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 deferred outflows of resources, 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/amortization include the costs and depreciation of infrastructure assets.

The fund financial statements for the governmental funds are prepared using the modified accrual basis of accounting and the current financial resources measurement focus. 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. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

Government 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 and 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, First 5 Orange County and CalOptima Health, for which the 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 or other obligations are 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 liabilities 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 and amortization.

- 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, 2023, the County's governmental activities reported restricted net position of $1,940,918 and is restricted for pension benefits related to the 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 $63,614 and is restricted for the use of John Wayne Airport (Airport) and OC Waste & Recycling activities, including passenger facility charges (PFC), landfill closure/postclosure, landfill corrective action, and wetland. At June 30, 2023, the County reported $30,663 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 (deficit). 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 match the reimbursement of indirect costs recorded as program revenues to the same function where the related expense is recorded. Program revenues include:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

- *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 (loss) not properly included among program revenues are reported instead as general revenues.

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 1% income tax on personal income in excess of one million dollars.

The County reports the following proprietary enterprise funds:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

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.

OC Waste & Recycling 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.

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 other services (including claims for workers' compensation, property damage, information & technology, insurance and various health programs) provided to other County departments or agencies. The Internal Service Funds receive revenues on a cost-reimbursement basis.

Fiduciary Fund Types The County has a total of 424 individual trust and custodial funds for FY 2022-23. These trust and custodial funds are used to account for assets held on behalf of outside parties including other governments. They also include funds to account for financial activities of Pension and OPEB Plans administered by OCERS. When these assets are held under the terms of a formal trust agreement, a private-purpose trust, pension trust or OPEB trust fund is used. An investment trust fund is used for the portion of the County investment pool representing external pool participants, whose assets are deemed to be held in trust by the County's Treasurer. Custodial 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 custodial 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.

Investment Trust (Orange County Treasurer's Pool)

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 Investment Pool, and includes debt reserves for school and community college districts.

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 Postemployment Benefits Trust The County reports nine Pension and OPEB Trust funds, which includes three trust funds under OCERS, the County's fiduciary component unit. 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 OPEB plans.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Custodial Funds These funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds, such as funds to hold property taxes and special assessments collected on behalf of various local governments, monies held in the Redevelopment Property Tax Trust funds, civil filing fees, and special assessment districts debt service funds. They also include the Orange County Transportation Agency, which is an OCERS custodial fund that is used to account for the Health Care Plan established in accordance with Internal Revenue Code (IRC) Section 115. The County's custodial funds use the economic resources measurement focus and accrual basis of accounting.

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, and 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 (e.g., 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

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 recorded along with deferred inflows of resources. Once the intergovernmental revenue is received, revenue and cash are recorded, and the receivable and deferred inflows of resources are eliminated. Receipts that have not met all of the earning requirements are reported as unearned revenue received. Refer to Note 21, Deferred Outflows and Inflows of Resources for additional information.

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, financed purchases, leases and subscription-based information technology arrangements (SBITAs) 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. General capital asset acquisitions, including entering into contracts, giving the County the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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 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, OC Waste & Recycling, and CNG. The principal operating revenues of the Airport, OC Waste & Recycling, and CNG enterprise funds are charges to customers for (1) landing fees, terminal space rental, auto parking, concessions, revenue from use of property, revenue from services, and aircraft tie-down fees, (2) disposal fees charged to users of the waste disposal sites, and (3) natural gas sales, respectively.

Internal Service 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

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 and amortization on capital assets.

Fiduciary Fund Financial Statements

Fiduciary funds are used to account for assets held in a trustee or custodial capacity and cannot be used to support the County's own programs. They are accounted for using the economic resources measurement focus and accrual basis of accounting.

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 and budget control (a collection of account numbers necessary to fund a certain division or set of goal related activities) and will not include the carried forward prior year encumbrances. However, the original and final budget amounts presented in the financial statements may differ due to the inclusion of the carried forward prior year encumbrances.

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 and 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, and 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 Capital Facilities Development Corporation Fund, South OC Public Financing Authority Fund, and Capital Facilities Construction 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 actual comparisons are presented on a budgetary basis and will not compare to the Statement of Revenues, Expenditures and Changes in Fund Balance.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

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, revenues are normally 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, all nonexchange transactions, 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 31 and records adjustments to deferred inflows of resources for transactions that are not collected.
- GASB Statement No. 84 establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes. 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 do not 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 intrafund transfers.
- 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 expenditure 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.
- The OC Animal Care Center used cash basis to record money it received 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.
- Under the budgetary basis, lease rental payments were recorded in the Information Technology Internal Service Fund (ISF). Per GAAP, the lease payments were reclassed to the fund where the financed purchase liability is recorded.
- Under a budgetary basis, the County bills department for their portion of the pension required contribution to OCERS and recognizes the portion that is not forwarded to OCERS as revenue because the County Investment Account at OCERS funded this portion of the required contribution. For the GAAP financial statements, the County reclassified the budgeted revenue for the portion of the required contribution funded by the County Investment Account to reduce expenditures.
- For the GAAP financial statements, the County recorded an expenditure and other financing source for the period the lease/subscription is initially recognized for the present value of the payments expected to be made during the lease/subscription term.

(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:

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act
Actual Revenues and Other Financing Sources from the Budgetary Comparison Statements	$ 4,730,831	$ 249,388	$ 65,066	$ 172,016
Differences-budget to GAAP:				
Change in unrealized gain(loss) on investment	(1,759)	2,039	733	2,289
Adjustment to report redirected investment income as transfers	--	--	41	--
Adjustment of revenue accruals for 60 day recognition period	18,568	(802)	(764)	--
Adjustment to record Public-Purpose Trust Fund monies as revenue in benefitting fund	36	16	--	--
Adjustment to eliminate intrafund transfers	(16,083)	(40,551)	(1,835)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	7,751	(1,230)	--	--
Revenues and Other Financing Sources for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	1,225	--
Recognition of outstanding invoices for OC Animal Care Center	456	--	--	--
Reclassification of Other Revenues to an Expenditure for portion of pension obligation bonds funded by the County Investment Account with OCERS	(10,548)	--	--	--
Reclass ISF financed purchase rental to General Fund	133	--	--	--
Record Lessee/Lessor activities	72,966	525	--	--
Record Subscription Liabilities activities	23,490	--	132	--
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	$ 4,825,841	$ 209,385	$ 64,598	$ 174,305
Actual Expenditures and Other Financing Uses from the Budgetary Comparison Statements	$ 4,691,885	$ 252,252	$ 73,445	$ 295,594
Differences-budget to GAAP:				
Adjustment to report redirected investment income as transfers	--	--	41	--
Adjustment of expenditure accruals for timing differences	(529,170)	368	--	--
Adjustment to eliminate intrafund transfers	(16,083)	(40,551)	(1,835)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	7,751	(1,230)	--	--
Reclassification of Other Revenues to an Expenditure for portion of pension obligation bonds funded by the County Investment Account with OCERS	(10,548)	--	--	--
Reclass ISF financed purchase rental to General Fund	133	--	--	--
Record Lessee/Lessor activities	73,075	19	--	--
Record Subscription Liabilities activities	23,490	--	132	--
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 4,240,533	$ 210,858	$ 71,783	$ 295,594

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance

The County applies GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions"* (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 (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 2022-23, 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.

With regards to 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	$ 1,326	$ 532	$ 295	$ --	$ --	$ 2,153
Prepaid costs	849	--	--	--	--	849
Endowment	--	--	--	--	200	200
Total Nonspendable Fund Balance	2,175	532	295	--	200	3,202
Restricted for:						
Public Safety Realignment	284,714	--	--	--	--	284,714
Flood Control District	--	147,750	--	--	--	147,750
Flood Control District-Construction & Maintenance	--	111,004	--	--	--	111,004
Flood Control District-Project Management	--	64,087	--	--	--	64,087
OC Flood Santa Ana River Mainstem/Prado Dam Capital Project	--	125,043	--	--	--	125,043
Building & Safety Operating Reserve	--	--	5,066	--	--	5,066
Motor Vehicle Theft Task Force	--	--	3,112	--	--	3,112
Child Support Program Development	--	--	14,226	--	--	14,226
Clerk Recorder Special Revenue	--	--	12,911	--	--	12,911
Clerk Recorder Operating Reserve	--	--	13,749	--	--	13,749
Sheriff-Coroner Replacement & Maintenance	--	--	21,931	--	--	21,931
Sheriff-Coroner State Criminal Alien Assistance Program	--	--	2,776	--	--	2,776
Excess Public Safety Sales Tax	--	--	9,793	--	--	9,793
CAL-ID System Costs	--	--	60,479	--	--	60,479
Jail Commissary	--	--	4,206	--	--	4,206
Inmate Welfare	--	--	12,173	--	--	12,173
800 MHz Countywide Coordinated Communications System	--	--	2,151	--	--	2,151
Prop 64-Consumer Protection	--	--	5,395	--	--	5,395
Supplemental Law Enforcement Services	--	--	3,509	--	--	3,509
Regional Narcotics Suppression Program	--	--	15,894	--	--	15,894
Other Public Safety Programs	--	--	8,055	--	--	8,055
Mental Health Services Workforce Education & Training	--	--	--	36,484	--	36,484
Mental Health Services Prevention & Early Intervention	--	--	--	60,028	--	60,028
Mental Health Services General	--	--	--	18,612	--	18,612
OC Dana Point Harbor Projects	--	--	--	--	63,648	63,648
Community and Welfare Services	--	--	--	--	124,666	124,666
Low and Moderate Income Housing Program	--	--	--	--	29,528	29,528
Health Care Programs	--	--	--	--	21,093	21,093
Parking Facilities	--	--	--	--	3,856	3,856
Roads	--	--	--	--	155,920	155,920
OC Road-Capital Improvement	--	--	--	--	86,922	86,922
Major Thoroughfare & Bridge Fee Program	--	--	--	--	18,648	18,648
Public Libraries	--	--	--	--	114,974	114,974
OC Parks	--	--	--	--	86,625	86,625
OC Parks-Capital Projects	--	--	--	--	28,005	28,005
County Tidelands-Newport Bay	--	--	--	--	10,495	10,495
Service Areas, Lighting, Maintenance and Assessment Districts	--	--	--	--	31,518	31,518
Other Environmental Management	--	--	--	--	11,164	11,164
Tobacco Settlement Programs	--	--	--	--	23,272	23,272
Opioid Settlement Programs	--	--	--	--	674	674
Housing Programs	--	--	--	--	26,986	26,986
Technological & Capital Acquisitions/Improvements	--	--	--	--	1,870	1,870
Endowment	--	--	--	--	174	174
South OC Public Financing Authority	--	--	--	--	136	136
Teeter Plan Notes	--	--	--	--	26,462	26,462
Capital Facilities Development Corporation	--	--	--	--	23	23
Capital Projects:						
Criminal Justice Facilities Improvement	--	--	--	--	14,581	14,581
Total Restricted Fund Balance	$ 284,714	$ 447,884	$ 195,426	$ 115,124	$ 881,240	$ 1,924,388

(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
Assigned to:						
General Services:						
General Services-Operations	$ 26,140	$ --	$ --	$ --	$ --	$ 26,140
Imprest Cash	1,847	--	--	--	45	1,892
Public Safety	40,564	--	--	--	--	40,564
Public Works	3,002	--	--	--	--	3,002
Watershed Programs	3,829	--	--	--	--	3,829
Social Services Programs	5,020	--	--	--	--	5,020
Health Care Programs	622	--	--	--	13,588	14,211
OC CARES Initiative	214,448	--	--	--	--	214,448
Affordable Housing and Support Services	45,678	--	--	--	--	45,678
OC Care Coordination	6,074	--	--	--	--	6,074
Teeter Plan Notes	--	--	--	--	117,160	117,160
Capital Projects:						
Strategic Priorties Capital Projects	125,400	--	--	--	--	125,400
Financial/Procurement/HR Payroll System Upgrade	26,169	--	--	--	--	26,169
OC CARES-Capital and Deferred Mainteance Projects/ADA	22,323	--	--	--	--	22,323
Emergency Medical Services Operating Facility	78,865	--	--	--	--	78,865
Sheriff-Coroner Renovation & Upgrade Projects	24,465	--	--	--	--	24,465
Sheriff-Coroner Maintenance Repair	4,000	--	--	--	--	4,000
Various IT/CAPS+ Upgrade projects	5,711	--	--	--	--	5,711
Veterans Cemetery	19,084	--	--	--	--	19,084
Countywide Projects	--	--	--	--	214,386	214,386
Parking Facilities	--	--	--	--	4,363	4,363
Real Estate Development	--	--	--	--	8,198	8,198
Community and Welfare Services	--	--	--	--	23,012	23,012
Total Assigned Fund Balance	653,241	--	--	--	380,752	1,033,993
Unassigned	772,383	--	--	--	--	772,383
Total Unassigned Fund Balance	772,383	--	--	--	--	772,383
Total Fund Balances	$ 1,712,513	$ 448,416	$ 195,721	$ 115,124	$ 1,262,192	$ 3,733,966

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange 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 assigned fund balance includes funding approved by the Board as part of the April 25, 2023 Budget Update. These funds were transferred to other governmental funds in July 2023.

F. Cash and Investments

The County's cash and investments are called the Orange County Investment Fund (OCIF), which includes all cash and investment balances entrusted to the Treasurer and may include cash on hand, demand deposits, restricted cash, investments in Orange County Treasurer's Pool (OCTP) and specific investments. For reporting purposes, OCTP is further divided into 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. The OCTP is maintained for the County, Educational Districts and other Non-County government entities for the purpose of benefiting from economies of scale through pooled investment activities.

The County has reported investment values at fair value in the accompanying financial statements, using the fair value measurement within the fair value hierarchy established by GASB Statement No. 72 "*Fair Value Measurement and Application*" (GASB Statement No. 72).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments (Continued)

Proceeds from County-issued bonds are held by trustees and are invested in instruments authorized by the respective trust agreements may include money market mutual funds, investment agreements, repurchase agreements, and U.S. Government securities. All investments are measured at fair value. The trustees generally use an independent service to value those securities.

Participants' shares are valued using an amortized cost basis and income is distributed 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) actual investment administrative cost of such investing, depositing or handling of funds. 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. Refer to Note 4, Cash 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 20, Other Postemployment Benefits, 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 non-spendable 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.

H. Prepaid Costs

The County may pay for certain types of services in advance, such as pension costs and rents, and recognizes these expenditures/expenses when consumed.

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 "*Accounting and Financial Reporting for Pensions*" (GASB Statement No. 68) and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date*" (GASB Statement No. 71). Refer to Note 19, Retirement Plans for additional information.

I. 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, land improvements, structures and improvements, equipment, intangible, intangible right-to-use lease and SBITAs assets, and infrastructure. Infrastructure assets are grouped by categories that include flood channels, roads, bridges, trails, traffic signals, watersheds, 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. Intangible right-to-use assets are recorded at the present value of future lease/subscription payments over the contract/subscription term. In the case of SBITAs, capitalizable initial implementation costs are included as well. The County's capitalization thresholds shown in the following table are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

Asset Type	Capitalization Threshold
Land	$ 0
Land Improvements	$150
Structures and Improvements	$150
Equipment	$ 5
Intangible:	
Software (Commercially Acquired)	$ 5
All Other	$150
Intangible Right-To-Use Asset:	
Lease Equipment	$10
Lease IT Equipment	$10
Lease Structure and Improvements	$ 0
Lease Land	$ 0
SBITAs	$10
Infrastructure	$150

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the related assets. Intangible right-to-use lease and SBITA assets are amortized over the shorter of lease/subscription term or the estimated useful life of the asset. 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, intangibles, and infrastructure are as follows:

Land Improvements	10 to 20 years
Structures and Improvements	5 to 60 years
Equipment	2 to 40 years
Intangibles:	
Computer Software	2 to 20 years
Intangible Right-To-Use Assets:	
Lease Equipment	2 to 5 years
Lease IT Equipment	2 to 3 years
Lease Structures and Improvements	2 to 28 years
Lease Land	6 to 13 years
SBITAs	2 to 5 years
Infrastructure:	
Flood Channels	20 to 100 years
Roads	10 to 20 years
Bridges	50 to 75 years
Trails	20 to 75 years
Traffic Signals	15 to 75 years
Harbors	20 to 50 years
Airport-Runways, Taxiways, and Aprons	15 to 60 years
OC Waste & Recycling-Cell Development, Drainage Channels, Facility Improvements, Habitat, Landfill Gas/Environmental, Closure/Other Earthwork	2 to 153 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

An impairment loss of capital assets is measured using one of several allowable methodologies based on the reason for the impairment, which is reported net of insurance recovery, and is reported as a program or operating expense, special item or extraordinary item, depending on the circumstances.

J. Leases

GASB Statement No. 87 defines a lease as a contract that transfers the right to use another entity's asset for a specific period of time in an exchange or exchange-like transaction. The County has entered into various lease agreements, primarily for office buildings, office equipment and other equipment. Under these contracts, the County recognizes a lease liability and a lease asset (intangible right-to-use asset) at the commencement of the lease term in the government-wide financial statements or Proprietary Funds' Statement of Net Position. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Likewise, the County leases its real property, structures and improvements to others, which include the Airport's non-cancellable leases with air carriers and concessionaires, OC Waste & Recycling landfill gas lease agreements, and other recreational boating, golf course, retail, restaurants, and commercial operations at County parks and facilities. Under these contracts, the County recognizes a leases receivable and a deferred inflows of resources at the commencement of the lease term in the fund financial statements. The leases receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflows of resources is measured at the value of the leases receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

An amendment to a lease contract is considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it is considered a partial or full lease termination. A lease termination is accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the leases receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss.

The future lease payments are discounted using the interest rate implicit in the lease contract. If the interest rate is not available, the County uses its incremental borrowing rate determined by CEO Budget and Finance. The lease term is determined by the sum of the non-cancelable periods, plus renewal options when they are reasonably certain of being exercised or early termination options when they are reasonably certain of not being exercised.

K. Subscription-Based IT Arrangements (SBITA)

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" (GASB Statement No. 96) defines a SBITA as a contract that transfers the right to use another entity's subscription asset for a specific period of time in an exchange or exchange-like transaction. The County has entered into various SBITA agreements, primarily for Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS). Under these contracts, the County recognizes a SBITA liability and a SBITA asset (intangible right-to-use SBITA asset) at the commencement of the SBITA term in the government-wide financial statements or Proprietary Funds' Statement of Net Position. The SBITA liability is measured at the present value of payments expected to be made during the SBITA term (less any SBITA incentives). The SBITA asset is measured at the amount of the initial measurement of the SBITA liability, plus any payments made to the vendor at or before the commencement of the SBITA term and any capitalizable initial implementation costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Subscription-Based IT Arrangements (SBITA) (Continued)

An amendment to a SBITA contract is considered a SBITA modification, unless the County's right to use the underlying asset decreases, in which case it is considered a partial or full SBITA termination. A SBITA termination is accounted for by reducing the carrying values of the SBITA liability and SBITA asset by the County, with any difference being recognized as a gain or loss.

The future SBITA payments are discounted using the interest rate implicit in the SBITA contract. If the interest rate is not available, the County uses its incremental borrowing rate determined by CEO Budget and Finance. The SBITA term is determined by the sum of the non-cancelable periods, plus renewal options when they are reasonably certain of being exercised or early termination options when they are reasonably certain of not being exercised.

L. Deferred Outflows/Inflows of Resources

The County reports deferred outflows and inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements. Deferred outflows of resources represent a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net assets by the government that is applicable to a future period. Refer to Note 21, Deferred Outflows and Inflows of Resources for a detailed listing of the deferred inflows and outflows of resources the County has recognized.

M. 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 17, Self-Insurance.

N. 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 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, 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 custodial 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 custodial 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

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Property Taxes (Continued)

received, tax delinquency dates, the type of property tax roll unapportioned fund (e.g. secured, unsecured, supplemental, delinquent secured, delinquent unsecured, delinquent supplemental, homeowners' property tax subvention, or state-assessed properties, etc.), 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, 2023 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 records an allowance to recognize uncollectible taxes receivable.

Local assessed values are subject to appeal. 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.

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 Treasurer-Tax Collector on or before the levy date (the 4th Monday in September).	2601
Secured tax payment due dates are:	
1st Installment - November 1, and	2605
2nd Installment - February 1.	2606
Secured tax delinquent dates (last day to pay without penalty) are:	
1st Installment - December 10, and	2617
2nd Installment - April 10.	2618
Declaration of tax default for unpaid taxes occurs July 1.	3436
Power to sell is effective five years (three years for nonresidential commercial property), after tax default.	3691

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Compensated Employee Absences

Compensated employee absences (vacation, compensatory time off, performance incentive plan time off, annual leave, and sick/healthcare 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.

P. 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.

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 from 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, 2023, the County's net pension liability from OCERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by using actuarial valuation results. The County's net pension liability from the Extra-Help Defined Benefit Plan was measured as of June 30, 2023; and the plan's total pension liability used to calculate the net pension liability was determined by rolling forward the July 1, 2021 valuation to June 30, 2023.

Q. Other Postemployment Benefits (OPEB)

The County recognizes a net OPEB liability to reflect the County's proportionate share of the excess of the total OPEB liability over the fiduciary net position of the County's Retiree Medical Plan. The Retiree Medical Plan is reported in the County's financial statements and has a plan year-end of December 31, 2022.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County's Retiree Medical Plan and additions to/deductions from the Retiree Medical Plan's fiduciary net position have been determined on the same basis as they are reported by the Retiree Medical Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2023, the County's net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

R. Statement of Cash Flows

A Statement of Cash Flows is presented for proprietary fund types. The County's cash and cash equivalents for cash flow reporting purposes are considered to be cash on hand, demand deposits, unrestricted and restricted investments held in the County Treasury's investment pooled funds and outside trustees.

Only investments with maturities of three months or less at the time of purchase may be classified as cash equivalent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. 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 2022-23 County-Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Code of Federal Regulation, Title 2, Part 200. For financial statement purposes, the County has elected to allocate and record indirect costs to budget controls within the General Fund in order to match the reimbursement of indirect costs recorded as program revenues to the same function.

T. Effects of New Pronouncements

The following lists recent GASB Pronouncements that have been implemented in FY 2022-23:

In May 2019, GASB issued Statement No. 91, "*Conduit Debt Obligations*." This statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, and all reporting periods thereafter. The County implemented this Statement without any impact to the County.

In March 2020, GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*." (GASB Statement No. 94). This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). It also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The County implemented this Statement in FY 2022-23. Refer to Note 7, Service Concession Arrangements and Note 2, Change in Accounting Principle for additional information.

In May 2020, GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*." This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Statement was implemented in FY 2022-23. The effect of the implementation of this standard on beginning net position is disclosed in Note 2, Change in Accounting Principle and the additional disclosures required by this standard are included in Note 14, Subscription-Based Information Technology Arrangements.

The following summarizes recent GASB Pronouncements that will be implemented in future financial statements. The County has not determined the effect of these Statements.

In April 2022, GASB issued Statement No. 99, "*Omnibus 2022*." The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of other GASB statements, and (2) adding accounting and financial reporting guidance for financial guarantees. Portions of this Statement are effective upon issuance and were implemented in FY 2021-22 without an impact to the County. Certain requirements related to the leases, PPPs, and SBITAs, are effective for reporting periods beginning after June 15, 2022. The County implemented this requirement in FY 2022-23 without any impact to the County. The requirements related to the financial guarantees and the classification and reporting of certain derivatives are effective for periods beginning after June 13, 2023, which requires the County to implement them in FY 2023-24.

In June 2022, GASB issued Statement No. 100, "*Accounting Changes and Error Corrections-an amendment of GASB Statement No.62*." This Statement improves accounting and financial reporting requirements for accounting changes and errors corrections to provide more understandable, reliable,

(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Effects of New Pronouncements (Continued)

relevant, consistent, and comparable information. It also requires the display of note disclosures of the accounting change and error corrections. The requirements of this statement are effective for reporting periods after June 15, 2023, which requires the County to implement the Statement in FY 2023-24.

In June 2022, GASB issued Statement No. 101, "*Compensated Absences*" in which the primary objective is to update the recognition and measurement guidance for compensated absences. This is achieved by a unified model and amends certain previously required disclosures. The requirements of this statement are effective for reporting periods after December 15, 2023, which requires the County to implement the Statement in FY 2023-24.

U. 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.

V. 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.

Government-Wide Statement of Net Position Line Item	***Corresponding Governmental Funds Balance Sheet or Proprietary Funds 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

2. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in the Summary of Significant Accounting Policies' "Effects of New Pronouncements," the County implemented GASB Statement No. 94 and GASB Statement No. 96 in the current financial statements, which resulted in the restatement of the following:

Restatement of Statement of Net Position:

	Governmental Activities	Business-Type Activities	CalOptima Health	Total
Net Position at June 30, 2022	$ 3,448,475	$ 1,598,452	$ 1,419,467	$ 5,046,927
Capital Assets under Service Concession Arrangements Subject to GASB Statement No. 94	25,419	--	--	25,419
Deferred Inflows of Resources under GASB Statement No.94	(25,419)	--	--	(25,419)
Right-to-Use SBITA Assets under GASB Statement No.96	31,210	428	347,722	379,360
SBITA Liabilities under GASB Statement No. 96	(31,210)	(428)	(347,679)	(379,317)
Net position at June 30, 2022, as restated	$ 3,448,475	$ 1,598,452	$ 1,419,510	$ 5,046,970

(Dollar Amounts in Thousands)

2. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

Restatement of Proprietary Funds Net Position:

	Airport	OC Waste & Recycling	Total	Governmental Activities-Internal Service Funds
Net Position Proprietary Funds at June 30, 2022	$ 817,992	$ 795,823	$ 1,613,815	$ 117,650
Right-to-Use SBITA Assets under GASB Statement No.96	20	408	428	3,682
SBITA Liabilities under GASB Statement No. 96	(20)	(408)	(428)	(3,682)
Net Position Proprietary Funds at June 30, 2022, as restated	$ 817,992	$ 795,823	$ 1,613,815	$ 117,650

Refer to Note 7, Service Concession Arrangements for more information on GASB Statement No. 94. Refer to Note 6, Changes in Capital Assets and Note 14, Subscription-Based Information Technology Arrangements, for additional information on GASB Statement No. 96.

3. DEFICIT FUND EQUITY

The Property and Casualty ISF reported a deficit net position balance of $28,381. 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 is primarily due to elevated insurance premiums on the back of a hard commercial insurance market for the last several years, combined with higher than anticipated claim and settlement costs. Charges to County departments have not provided sufficient cash flows to entirely fund the deficit in the Property and Casualty ISF. The County will continue to review charges to departments and manage the funding status of the Property and Casualty Program.

The Workers’ Compensation ISF reported a deficit net position balance of $5,126. 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 decreased by $8,715 from the previous fiscal year primarily due to stable charges to program participants combined with favorable actuarial results. 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.

The Retiree Medical Plan 115 Trust reported a deficit net position balance of $61,242. The deficit increased by $59,955 due to the timing of employer contributions to fund the transition of new and existing employees to the County Health Reimbursement Arrangement Plan (HRA) as part of the restructuring of the Retiree Medical Plan. Refer to Note 20, Other Postemployment Benefits for more information.

4. CASH AND INVESTMENTS

The elected 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 is responsible for conducting County investment activities for all public funds in the OCIF. The County Treasury contains pooled funds called the OCTP in an external investment pool wherein monies of the County and other legally separate external entities, which are not part of the County reporting entity, are commingled (pooled) for investment purposes only and invested on the participants’ behalf. The OCTP is not registered with the Securities and Exchange Commission (SEC) as an investment company, and therefore is exempt from SEC rules. The Treasurer will act on a “best efforts” basis to stabilize the Net Asset Value (NAV) at or above $0.9975 (in absolute dollar amounts). OCTP does not have any legally binding guarantees of share values. The OCTP’s maximum duration is 1.5 years. For reporting purposes only, the Treasurer separates OCTP into the OCIP and the OCEIP. In addition to the pooled funds in OCTP, the Treasurer separately invests other non-pooled funds (Specific Investments).

The Treasurer further invests pooled funds from the OCTP into three Funds: The Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF), and the Extended Fund. On November 14, 2022, Standard & Poor’s (S&P) reaffirmed its highest rating of AAAm Principal Stability Fund Rating (AAAm) on the OCMMF and the OCEMMF, which represents 2.7% of the total OCTP.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

Pursuant to CGC Sections 27130-27137, the Board has established a Treasury Oversight Committee (TOC) that monitors and reviews the Treasurer's Investment Policy Statement (IPS) annually and also causes an audit of the County Treasury annually to assure compliance. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the County elected Superintendent of Schools, or their respective designees, and four public members, with at least three having expertise in, or an academic background in, public finance.

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 general ledger accounts monthly based on the average daily balances of each account on deposit with the Treasurer.

Cash and investments in OCIF with the Treasurer totaled $15,212,221 as of June 30, 2023, consisting of $55,806 in pooled cash, $14,597,791 in investment securities in OCTP and $558,624 in the Specific Investments.

Total County cash and investments at fair value as of June 30, 2023, are reported as follows:

Cash:	
Imprest Cash	$ 1,959
Pooled Cash for OCTP with Treasurer	55,806
Cash with Trustees	3,851
All other Cash and Timing Differences	(319,609)
Total Cash and Timing Differences	(257,993)
Investments:	
Pooled Investments for OCTP with Treasurer	14,597,791
Specific Investments with Treasurer	558,624
Restricted Investments with Trustees	376,658
Total Investments	15,533,073
Component Units Cash and Investments: (1)	
External-OCERS	20,873,107
External-CalOptima Health	3,025,164
Total Cash and Investments	$ 39,173,351

Total County Cash and Investments are reported in the following funds:

Governmental Activitives	$ 4,221,684
Business-Type Activities	1,117,683
Fiduciary Funds	30,741,420
Component Unit-First 5 Orange County	67,400
Component Unit-CalOptima Health	3,025,164
Total Cash and Investments	$ 39,173,351

(1) The Cash and Investments are held by the Component Unit and are not with the County Treasurer.

A. Cash 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 Department of Financial Protection and Innovation. Collateral is required for demand deposits at 110% of all deposits not covered by Federal 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

4. CASH AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. 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 agreements are required to provide, among other things, that the collateral securities are held separately from the assets of the custodial institution. FDIC insurance is available for demand deposits and interest saving deposit funds deposited at any one financial institution up to a maximum of $250. The County's 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 53652 and 53658.

B. Investments

The CGC Sections 53601 and 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 and credit quality to minimize the risk of loss. The IPS adds further restrictions to permitted investments from the CGC. The current IPS expressly prohibits leverage, reverse repurchase agreements as defined by CGC Section 53601, structured notes, structured investment vehicles, derivative instruments, and money market mutual funds that do not maintain a constant net asset value. All investments must be United States dollar denominated. As of June 30, 2023, the Treasurer was in full compliance with the CGC and the County's IPS for the OCIF. Investments by the Treasurer are stated at fair value and are marked-to-market on a daily basis.

Unless otherwise required in a trust agreement, educational districts (public school and community college), including certain bond-related funds are required by state law to deposit all monies received from any source with the County Treasurer. At June 30, 2023, the OCTP includes approximately 57.50% of these involuntary participant deposits. Involuntary (Education Code Sections 41001 and 41002) and other external pool participants funds (Government Code Section 27100.1) are deemed to be held in trust and such funds shall not be deemed funds or assets of the County and the relationship of the depositing entity and the County shall not be one of creditor-debtor.

Investment in State Investment Pool
The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by CGC Section 16429.1 under the oversight of the Treasurer of the State of California. The fair value of the investment in this pool is reported in the accompanying financial statements at amounts based on the pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Fair Value Measurements
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.

Fair value measurements are based on pricing received from the County's third party vendors. Investments in money market mutual funds are priced using amortized cost which approximates fair value, with a net asset value of $1.00 (in absolute dollar amounts) per share, and per GASB Statement No. 72 not subject to the fair value hierarchy. Additionally, the LAIF is not subject to the fair value hierarchy.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

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.

Fair Value Measurements (Continued)

The following table presents a summary of the County's investments according to the assigned fair value hierarchy level as of June 30, 2023.

		Fair Value Measurement		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
OCIF-OCTP				
U.S. Treasuries	$ 2,634,663	$ --	$ 2,634,663	$ --
U.S. Government Agencies:				
Federal Farm Credit Bank	1,587,032	--	1,587,032	--
Federal Home Loan Bank Bonds	7,956,020	--	7,956,020	--
Federal National Mortgage Association	332,761	--	332,761	--
Federal Home Loan Mortgage Corporation	303,519	--	303,519	--
Sub-total	12,813,995	--	12,813,995	--
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	1,712,170			
Local Agency Investment Fund	71,626			
Total, OCIF-OCTP	**$ 14,597,791**			
OCIF-Specific Investments				
U.S. Treasuries	$ 520,057	$ --	$ 520,057	$ --
U.S. Government Agencies:				
Federal Farm Credit Bank	12,495	--	12,495	--
Federal Home Loan Bank Bonds	6,690	--	6,690	--
Federal National Mortgage Association	14,770	--	14,770	--
Federal Home Loan Mortgage Corporation	4,172	--	4,172	--
Sub-total	558,184	--	558,184	--
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	440			
Total, OCIF-Specific Investments	**$ 558,624**			
With Trustees				
Exchange-Traded Funds	$ 164,379	$ 164,379	$ --	$ --
Mutual Funds	77,877	77,877	--	--
Bond Mutual Funds	6,831	6,831	--	--
Sub-total	249,087	249,087	--	--
Investments Not Subject to Fair Value Hierarchy:				
Cash Equivalent	$ 730			
Money Market Mutual Funds	92,023			
Stable Value Funds	34,818			
Total, With Trustees	**$ 376,658**			

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk
This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, fixed income 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 and providing daily and ongoing liquidity in the portfolio. The Treasurer manages its exposure to interest rate risk by carefully matching incoming cash flows and maturing investments to meet expenditures and by maintaining a duration of 1.50 years or less. The duration of OCTP at June 30, 2023 is 0.59 year. The table below shows the maturities distribution of the OCTP as of June 30, 2023.

Maturies		Principal	% of Portfolio
1 day to 30 days	$	3,084,899	20.80%
31 days to 180 days		4,292,515	28.93%
181 days to 365 days		3,968,500	26.75%
1 year to 2 years		2,643,105	17.82%
2 years to 3 years		845,000	5.70%
Total	$	14,834,019	100.00%

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 OCTP are presented in the table below under Credit Risk. The OCTP at June 30, 2023 has 49.73% of investments maturing in six months or less and 50.27% maturing between six months and three years. As of June 30, 2023, the OCTP had no variable-rate notes.

Credit Risk
This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations or that negative perceptions of the issuer's ability to make these payments will cause the price to decline. The IPS, which is more restrictive than the government code, sets forth the minimum acceptable credit ratings for investments from at least two of the following NRSROs: S&P, Moody's, or Fitch. All short-term and long-term investments, except those noted below, 1) must have the minimum ratings required below by at least two NRSROs, and 2) the lowest rating of any NRSRO must meet or exceed the minimum rating required below:

S&P	A-1, "AA"
Moody's	P-1, MIG 1/VMIG 1, "Aa"
Fitch	F-1, "AA"

If an issuer of long-term debt has a short-term debt rating, then it may not be less than the minimum required short-term debt ratings above.

a) Municipal debt issued by the County of Orange, California, U.S. Government obligations and State Pool are exempt from the credit rating requirements listed above.
b) Money Market Mutual and Investment Pools require the highest ranking or the highest letter and numerical rating provided by at least one NRSRO.

No investment may be purchased from an issuer and all related entities, including parent and subsidiaries, that have been placed on "credit watch-negative" by any of the 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 AA or Aa2; and the Treasurer has approved the purchase in writing prior to purchase.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk (Continued)

The following table presents a summary of the County's investments by interest rate risk and credit risk at June 30, 2023.

With Treasurer:	Fair Value	Principal	IPS Maximum Maturity	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
OCIF-OCTP						
U.S. Treasuries	$ 2,634,663	$ 2,750,000	5 Year	0.177	NA	18.05%
U.S. Government Agencies:						
Federal Home Loan Bank Bonds	7,956,020	8,033,900	5 Year	0.320	AA	54.50%
Federal National Mortgage Association	332,761	344,605	5 Year	0.016	AA	2.28%
Federal Farm Credit Bank	1,587,032	1,610,615	5 Year	0.083	AA	10.87%
Federal Home Loan Mortgage Corporation	303,519	310,000	5 Year	0.008	AA	2.08%
Money Market Mutual Funds	1,712,170	1,712,170	N/A	0.000	AAA	11.73%
Local Agency Investment Fund	71,626	72,729	N/A	0.000	NR	0.49%
	$ 14,597,791	**$ 14,834,019**		**0.604** (2)		**100.00%**

With Treasurer:	Fair Value	Principal	Maximum Maturity	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
OCIF-Specific Investments						
U.S. Treasuries	$ 520,057	$ 546,400	2/15/2036	0.979	NA	93.10%
U.S. Government Agencies:						
Federal Home Loan Bank Bonds	6,690	6,750	11/16/2028	0.006	AA	1.20%
Federal National Mortgage Association	14,770	15,310	5/15/2029	0.061	AA	2.63%
Federal Farm Credit Bank	12,495	13,131	11/2/2035	0.144	AA	2.24%
Federal Home Loan Mortgage Corporation	4,172	3,500	7/15/2032	0.064	AA	0.75%
Money Market Mutual Funds	440	440	N/A	0.000	AAA	0.08%
	$ 558,624	**$ 585,531**		**1.254** (2)		**100.00%**

With Trustees:	Fair Value	Principal	Maximum Maturity	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
Restricted Investments with Trustees						
Money Market Mutual Funds	$ 92,023	$ 92,023	N/A	0.002	AAA	24.44%
Bond Mutual Funds	6,831	6,831	N/A	0.000	Baa	1.81%
Cash Equivalent	730	730	N/A	0.000	NR	0.19%
Exchange-Traded Funds	164,379	164,379	N/A	0.003	NR	43.64%
Mutual Funds	77,877	77,877	N/A	0.002	NR	20.68%
Stable Value Funds	34,818	34,818	N/A	0.001	AA	9.24%
	$ 376,658	**$ 376,658**		**0.008** (2)		**100.00%**

(1) The County obtains credit ratings from S&P, Moody's and Fitch. The rating indicative of the greatest of risk has been disclosed. NR means not rated. The County is not required to disclose the credit ratings of obligations of the U.S. government or obligations explicitly guaranteed.
(2) Portfolio weighted average maturity.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

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, 2023, all OCIF investments were in compliance with state law and the IPS single issuer limits.

The following holdings in OCTP exceeded five percent of the portfolio at June 30, 2023.

Investment Type	Issuer	Fair Value	Portfolio %
U.S. Government Agencies	Federal Home Loan Bank Bonds	$ 7,956,020	54.50%
	Federal Farm Credit Bank	1,587,032	10.87%

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 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 OCTP 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).

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 the OCIF are presented below as of and for the year ended June 30, 2023:

OCIF

Statement of Net Position

	OCIP	OCEIP	Total
Net Position Held for Pool Participants	$ 6,297,063	$ 8,719,142	$ 15,016,205
Equity of Internal Pool Participants	$ 5,866,685	$ --	$ 5,866,685
Equity of External Pool Participants	488,842	8,807,438	9,296,280
Undistributed and Unrealized Loss	(58,464)	(88,296)	(146,760)
Total Net Position	$ 6,297,063	$ 8,719,142	$ 15,016,205

Statement of Changes in Net Position

	OCIP	OCEIP	Total
Net Position at July 1, 2022	$ 5,994,171	$ 6,733,366	$ 12,727,537
Net Changes in Investments by Pool Participants	302,892	1,985,776	2,288,668
Net Position at June 30, 2023	$ 6,297,063	$ 8,719,142	$ 15,016,205

(Dollar Amounts in Thousands)

4. CASH 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	$ 484,854	$ 8,647,643	$ 9,132,497
Receivables			
Interest/Dividends	4,016	70,940	74,956
Due from Other Governmental Agencies	--	559	559
Total Assets	488,870	8,719,142	9,208,012
Liabilities			
Due to Other Governmental Agencies	28	--	28
Total Liabilities	28	--	28
Net Position			
Restricted for Pool Participants	488,842	8,719,142	9,207,984
Total Net Position	$ 488,842	$ 8,719,142	$ 9,207,984

Combining Statement of Changes in Fiduciary Net Position

	OCIP	OCEIP	Total
Additions:			
Contributions to Pooled Investments	$ 754,971	$ 12,403,619	$ 13,158,590
Other Revenues	--	1,201	1,201
Interest and Investment Income	17,277	193,135	210,412
Net Decrease in the Fair Value of Investments	(4,931)	--	(4,931)
Less: Investment Expense	(141)	(3,091)	(3,232)
Total Additions	767,176	12,594,864	13,362,040
Deductions:			
Distributions from Pooled Investments	878,424	10,609,088	11,487,512
Total Deductions	878,424	10,609,088	11,487,512
Change in Net Position Held in Trust For External Investment Pool	(111,248)	1,985,776	1,874,528
Net Position-Beginning of Year	600,090	6,733,366	7,333,456
Net Position-End of Year	$ 488,842	$ 8,719,142	$ 9,207,984

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.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments

Narratives and tables presented for investments managed by OCERS are taken directly from OCERS' ACFR for the year ended December 31, 2022 (tables were formatted to conform with the County's presentation). The custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk related to OCERS investments are different than the corresponding risk on investments held by the Treasurer.

OCERS may invest, in accordance with state statutes, in any form or type of investment deemed prudent by the Board of Retirement. Pension and 401(h) Health Care plan assets are restricted for the exclusive purposes of providing benefits to plan participants and defraying reasonable expenses of administering the plans. The Board of Retirement may invest, or delegate the authority to invest, the assets of the funds through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction. Custodial fund assets, restricted pursuant to Section 115 of the IRC, are separately invested in domestic equity, international equity and domestic bond index funds in accordance with the respective OCTA Third-Party Administrative and Investment Management Agreement.

The following table shows the Investment Allocation as of December 31, 2022:

Investment Category	Target Ranges	Actual
Global Public Equity	40-54%	44%
Core Fixed Income	6-16%	8%
Credit	4-10%	7%
Real Assets	8-16%	14%
Private Equity	9-17%	16%
Risk Mitigation	6-14%	9%
Unique Strategies	0-5%	0%
Cash	0-5%	2%
Total		100%

During 2022, no changes were made to the investment allocation.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution's failure, OCERS would not be able to recover its deposits. Deposits are exposed to custodial risk if they are not insured or not collateralized. As of December 31, 2022, OCERS' deposits with a financial institution are fully insured by FDIC insurance up to $250 with the remaining balance exposed to custodial credit risk as it is not insured; however, the financial institution does collateralize the deposit of monies in excess of the FDIC insurance amount with eligible securities held by the pledging financial institution, but not in OCERS' name, which approximates $102,700. Deposits held by OCERS' custodial bank are not exposed to custodial credit risk as they are held in a qualified pool trust, separate from the custodial bank assets.

For an investment, custodial credit risk is the risk that, in the event of a counterparty failure, OCERS will not be able to recover the value of its investments or collateral securities that are in the possession of counterparties. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in OCERS' name or by other qualified third-party administrator trust accounts.

OCERS' investments and collateral received through securities lending are not exposed to custodial credit risk because all securities are held by OCERS' custodial bank in OCERS' name or by other qualified third-party administrator trust accounts. The risk is managed by the custodian bank by diversifying the number of counterparties, with periodic review of the credit quality of counterparties and by regularly posting/receiving margins. OCERS does not maintain any general policies regarding custodial credit risk.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments (Continued)

Credit Risk

By definition, credit risk measures the risk that an issuer or counterparty will not fulfill its obligations. S&P Global defines investment grade as those fixed income securities with ratings between AAA and BBB. OCERS' investment policy permits, on an opportunistic basis, the investment in fixed income securities rated below investment grade. A rating of N/R represents pooled funds and other securities that have not been rated by S&P Global and N/A represents securities explicitly guaranteed by the U.S. Government that are not subject to the GASB Statement No. 40 disclosure requirements. The credit ratings for individual OCERS' fixed income portfolios are monitored regularly.

As of December 31, 2022, the S&P Global credit ratings of the OCERS' fixed income portfolio were as follows:

	Rating as of December 31, 2022											
Investment Type	AAA	AA	A	BBB	BB	B	CCC	CC	D	N/R	N/A	Total
Pooled	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 448,419	$ --	$ 448,419
U.S. Treasury Notes	--	--	--	--	--	--	--	--	--	--	285,069	285,069
Corporate Bonds	528	7,499	37,811	178,108	76,168	40,563	10,994	70	--	17,234	--	368,975
Mortgage-Backed Securities	6,300	302,575	892	469	589	228	138	--	--	28,926	5,275	345,392
Asset-Backed Securities	12,666	9,419	2,086	3,448	2,122	1,410	1,787	--	982	27,984	--	61,904
Municipal Bonds	3,838	11,062	8,432	1,845	818	1,031	--	--	--	3,539	--	30,565
Agencies	--	--	--	--	--	--	--	--	--	1,625	--	1,625
International	--	1,861	21,691	95,713	34,466	19,449	696	--	--	30,915	--	204,791
Swaps	--	--	--	--	--	--	--	--	--	(1,187)	--	(1,187)
Total	$ 23,332	$ 332,416	$ 70,912	$ 279,583	$ 114,163	$ 62,681	$ 13,615	$ 70	$ 982	$ 557,455	$ 290,344	$ 1,745,553

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed-income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

Interest rate risk is managed through OCERS' investment policies requiring that investment managers investing on behalf of OCERS have applicable investment guidelines and that the effective durations of fixed income portfolios remain within a defined range of the benchmark's effective duration. The primary benchmark for domestic fixed income is a blend of two indices, the Bloomberg US Universal (82%), and the Bloomberg US Treasury TIPS (18%). As of December 31, 2022, the durations of these indices are 6.32 years and 2.35 years, respectively for a blended duration of 5.61 years. All investment managers were in compliance within their defined range.

OCERS invests in a variety of fixed income instruments including asset-backed securities, corporate obligations and commercial mortgage-backed securities. The value, liquidity and income of these securities are sensitive to changes in overall economic conditions and the fair value of these securities may be affected by changes in interest rates, default rates and the value of the underlying securities.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments (Continued)

Interest Rate Risk (Continued)

The interest rate risk schedule presents the duration of fixed income securities by investment category as of December 31, 2022:

Investment Type	Fair Value	Portfolio %	Duration (in Years)
Pooled	$ 448,419	26%	3.40
U.S. Treasury Notes	285,069	16%	8.51
Corporate Bonds	354,131	20%	5.35
Mortgage-Backed Securities	337,196	19%	4.82
Asset-Backed Securities	52,678	3%	2.76
Municipal Bonds	30,565	2%	8.96
Agencies	1,625	0%	3.04
International	203,988	12%	4.00
No Effective Duration:			
Corporate Bonds	14,844	1%	N/A
Mortgage-Backed Securities	8,196	0%	N/A
Asset-Backed Securities	9,226	1%	N/A
International	803	0%	N/A
Swaps	(1,187)	0%	N/A
Total Fair Value	$ 1,745,553	100%	
Portfolio Duration			4.99

Foreign Currency Risk

The value of deposits or investments denominated in foreign currency may be adversely affected by changes in currency exchange rates. OCERS' investment policy permits investment in international securities that includes investments in international equity securities, global equity securities, emerging markets equity securities and debt, public real estate securities, and real return. Investment managers monitor currency exposures daily.

The following schedule represents OCERS' net exposure to foreign currency risk in U.S. dollars as of December 31, 2022:

Currency in U.S. Dollar	Cash	Equity	Fixed Income	Options	Forward Contracts	Swaps	Total
Australian Dollar	$ 24	$ 31,705	$ --	$ --	$ 181	$ --	$ 31,910
Brazilian Real	--	6,432	--	--	(9)	(446)	5,977
Canadian Dollar	1,479	25,514	130	--	(6)	--	27,117
Colombian Peso	--	--	--	--	(6)	--	(6)
Danish Krone	51	32,104	--	--	(8)	--	32,147
Euro Currency	4,045	346,708	2,024	(1,623)	631	(752)	351,033
Hong Kong Dollar	(74)	25,273	--	--	(3)	--	25,196
Indonesian Rupiah	--	886	--	--	--	--	886
Japanese Yen	812	144,768	25,394	--	(2,738)	(173)	168,063
Mexican Peso	11	--	191	--	(7)	--	195
New Israeli Sheqel	--	--	--	--	(61)	--	(61)
New Zealand Dollar	--	1,275	--	--	3	--	1,278
Norwegian Krone	--	4,063	--	--	10	--	4,073
Polish Zloty	--	--	--	--	(144)	--	(144)
Pound Sterling	(718)	88,555	3,405	--	130	1,055	92,427
Russian Ruble	--	1,514	--	--	--	--	1,514
Singapore Dollar	127	9,453	--	--	51	--	9,631
South African Rand	--	--	--	--	64	--	64
South Korean Won	--	6,330	--	--	--	--	6,330
Swedish Krona	(80)	26,058	--	--	(127)	25	25,876
Swiss Franc	80	44,183	--	--	(327)	197	44,133
Amount Exposed to Foreign Currency Risk	$ 5,757	$ 794,821	$ 31,144	$(1,623)	$ (2,366)	$ (94)	$ 827,639

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of OCERS' investment in a single issuer. By policy, OCERS did not hold investments in any one issuer that represented five percent or more of plan net position and net investments. Investments issued or explicitly guaranteed by the U.S. Government and pooled investments are excluded from this policy requirement.

Concentration of Investments

As of December 31, 2022, OCERS did not hold investments in any one organization that represented five percent or more of the plan's fiduciary net position. Investments issued or explicitly guaranteed by the U.S. Government and pooled investments are excluded from this requirement.

Derivative Instruments

As of December 31, 2022, all derivative instruments held by OCERS are considered investments and not hedges for accounting purposes. Any reference to the term hedging in these financial statements references an economic activity and not an accounting method. All gains and losses associated with these activities are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

The table that follows presents the related net appreciation/(depreciation) in fair value, the fair value amounts and the notional amounts of derivative instruments outstanding at December 31, 2022.

	Changes in Fair Value Net Appreciation/ (Depreciation) (4)	Fair Value at December 31, 2022		
Derivative Instruments	**Amount (1)**	**Classification**	**Amount (2)**	**Notional (3)**
Commodity Futures Long	$ 2,794	Cash	$ --	$ 1,133
Commodity Futures Short	(318)	Cash	--	--
Credit Default Swaps Bought	2	Cash	--	--
Credit Default Swaps Written	(1,081)	Core Fixed Income	344	35,794
Fixed Income Futures Long	(35,933)	Cash / Core Fixed Income	--	97,307
Fixed Income Futures Short	3,491	Core Fixed Income	--	(38,208)
Fixed Income Options Bought	770	Core Fixed Income	1,043	13,400
Fixed Income Options Written	(2,529)	Core Fixed Income	(3,380)	(135,467)
Foreign Currency Futures Long	(312)	Cash	--	700
FX Forwards	(3,926)	Foreign Currency Forward Contracts Receivables and Payables	(2,366)	275,870
Index Futures Long	(45,171)	Cash/ Global Public Equity	--	1,923
Index Futures Short	3,017	Global Public Equity	--	(33)
Pay Fixed Interest Rate Swaps	1,961	Core Fixed Income	1,599	22,632
Receive Fixed Interest Rate Swaps	(3,586)	Core Fixed Income	(3,130)	59,596
Rights	88	Global Public Equity	--	--
Total Return Swaps Bond	(7)	Global Public Equity	232	8,783
Total Return Swaps Equity	(1,076)	Global Public Equity	(232)	(8,362)
Total	$ (81,816)		$ (5,890)	

(1) Negative values (in brackets) refer to losses.
(2) Negative values refer to liabilities and are reported net of investments.
(3) Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions.
(4) Excludes futures margin payments.

Valuation of Derivative Instruments

Non-exchange traded instruments, such as swaps, are valued using similar methods as those described for debt securities.

Futures contracts are traded on exchanges and typically derive their value from underlying indices and are marked to market daily. All gains and losses associated with changes in the value of futures contracts also

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments (Continued)

Valuation of Derivative Instruments (Continued)

settle on a daily basis and result in the contracts themselves having no fair value at the end of any trading day, including December 31, 2022. Future variation margin accounts also settle daily and are recognized in the financial statements under net appreciation/(depreciation) in the fair value of the investments as incurred.

In general, option values are dependent upon a number of different factors, including the current market price of the underlying security, the strike price of the option, costs associated with holding a position in the underlying security including interest and dividends, the length of time until the option expires and an estimate of the future price volatility of the underlying security relative to the time period of the option.

Foreign currency forward contracts are agreements to buy or sell a currency at a specified exchange rate on a specified date. The fair value of a foreign currency forward is determined by the difference between the specified exchange rate and the closing exchange rate at December 31, 2022.

Custodial Credit Risk–Derivative Instruments

As of December 31, 2022, all investments in derivative instruments are held in OCERS' name and are not exposed to custodial credit risk as described in the previous discussion of custodial credit risk.

A summary of counterparty credit ratings relating to non-exchange traded derivatives in asset positions as of December 31, 2022 is as follows:

Counterparty Name	S&P Rating	Foreign Currency Forward Contracts	Swaps	Total Fair Value
Bank of America, N.A.	A+	$ 12	$ --	$ 12
BNP Paribas SA	A+	20	--	20
Citibank N.A.	A+	906	--	906
Credit Event	NR	--	1,977	1,977
Goldman Sachs Bank USA	BBB+	22	--	22
HSBC Bank PLC	A-	67	--	67
JP Morgan Chase Bank, N.A.	A+	896	--	896
Morgan Stanley and Co. International PLC	A-	52	--	52
Morgan Stanley Co Incorporated	A-	--	231	231
Standard Chartered Bank	A+	2	--	2
UBS AG	A+	24	--	24
Total		$ 2,001	$ 2,208	$ 4,209

Interest Rate Risk–Derivatives

At December 31, 2022, OCERS is exposed to interest rate risk on its investments in various swap arrangements based on daily interest rates for Brazilian Interbank Deposit Rate (BRCDI), Sterling Overnight Index Rate (SONIA), London Interbank Offered Rate (LIBOR), Latin America largest central depository (CETIP), Secured Overnight Financing Rate (SOFR), and European reference rates.

The following table illustrates the maturity periods of these investments:

		Investment Maturities (In years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10
Credit Default Swaps Written	$ 344	$ --	$ 370	$ (17)	$ (9)
Fixed Income Options Bought	1,043	1,043	--	--	--
Fixed Income Options Written	(3,380)	(3,380)	--	--	--
Pay Fixed Interest Rate Swaps	1,599	37	2	1,097	463
Receive Fixed Interest Rate Swaps	(3,130)	(1,078)	(778)	(805)	(469)
Total Return Swaps Bond	232	232	--	--	--
Total Return Swaps Equity	(232)	(232)	--	--	--
Total	$ (3,524)	$ (3,378)	$ (406)	$ 275	$ (15)

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments (Continued)

Interest Rate Risk–Derivatives (Continued)

The following table illustrates derivative instruments highly sensitive to interest rate changes:

	Receive Rate	Payable Rate	Fair Value	Notional
Pay Fixed Interest Swaps	Variable 3-month LIBOR	Fixed 0.25%-2.00%	$ 43	$ 3,420
Pay Fixed Interest Swaps	Variable 12-month SOFR	Fixed 1.75%-4.27%	501	6,100
Pay Fixed Interest Swaps	Variable 12-month SONIA	Fixed 0.08%-2.00%	1,055	13,112
Total Pay Fixed Interest Swaps			1,599	
Received Fixed Interest Rate Swaps	Fixed 10.12%-11.84%	Variable 0-month BRCDI	(445)	12,349
Received Fixed Interest Rate Swaps	Fixed 10.21%	Variable 0-month CETIP	(1)	19
Received Fixed Interest Rate Swaps	Fixed 0.65%-1.75%	Variable 6-month EURIB	(801)	7,428
Received Fixed Interest Rate Swaps	Fixed 1.27%	Variable 3-month LIBOR	(1,077)	34,100
Total Received Fixed Interest Rate Swaps	Fixed 1.85%-1.86%	Variable 12-month SOFR	(806)	4,895
Total Interest Rate Swaps			(3,130)	
			$ (1,531)	

Foreign Currency Risk–Derivatives

At December 31, 2022, OCERS is exposed to foreign currency risk on investments in swaps and forward currency contracts denominated in foreign currencies that may be adversely affected by changes in the currency exchange rates.

		Currency Forward Contracts			
Currency Name	Options	Net Receivables	Net Payables	Swaps	Total Exposure
Australian Dollar	$ --	$ 275	$ (94)	$ --	$ 181
Brazilian Real	--	14	(23)	(446)	(455)
Canadian Dollar	--	2	(8)	--	(6)
Colombian Peso	--	--	(6)	--	(6)
Danish Krone	--	24	(32)	--	(8)
Euro Currency	(1,623)	821	(190)	(752)	(1,744)
Hong Kong Dollar	--	2	(5)	--	(3)
Japanese Yen	--	206	(2,944)	(173)	(2,911)
Mexican Peso	--	--	(7)	--	(7)
New Israeli Sheqel	--	60	(121)	--	(61)
New Zealand Dollar	--	5	(2)	--	3
Norwegian Krone	--	222	(212)	--	10
Polish Zloty	--	--	(144)	--	(144)
Pound Sterling	--	207	(77)	1,055	1,185
Singapore Dollar	--	55	(4)	--	51
South African Rand	--	65	(1)	--	64
Swedish Krona	--	8	(135)	25	(102)
Swiss Franc	--	35	(362)	197	(130)
Total Foreign Currency	$ (1,623)	$ 2,001	$ (4,367)	$ (94)	$ (4,083)
U.S. Dollar	(714)	--	--	(1,093)	(1,807)
Total	$ (2,337)	$ 2,001	$ (4,367)	$ (1,187)	$ (5,890)

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on the assets of the plan, net of investment expense, was (7.88%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the changing amounts actually invested.

Securities Lending

OCERS is authorized by investment policy and state law to lend its investment securities including global public equities, core fixed income, and credit to broker/dealers in exchange for collateral in the form of either cash or securities. Lent domestic and international securities are collateralized with an initial fair value of not

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments (Continued)

Securities Lending (Continued)

less than 102% or 105% depending on the nature of the loaned securities and the collateral received, of fair value of the loaned securities. The lending agent receives cash and non-cash collateral for the securities on loan. There are no restrictions on the amount of securities that can be lent at one time. State Street Bank serves, in accordance with a Securities Lending Authorization Agreement, as OCERS' agent to loan domestic and international securities. State Street Bank does not have the ability to pledge or sell collateral securities delivered absent a borrower default.

Cash collateral received on loaned securities is invested together with the cash collateral of other qualified tax-exempt investors in a collective investment fund managed by State Street. The collective investment fund is not rated and is comprised of one liquidity investment pool. As of December 31, 2022, the liquidity pool had an average duration of 96 days and a WAM of 3 days. Because loans are terminable at will, the duration of the loans did not generally match the duration of the investments made with the cash collateral. The Securities Lending Authorization Agreement requires State Street to indemnify OCERS if the broker/dealer fails to return any borrowed securities. During 2022, there were no failures to return loaned securities or to pay distributions by the borrowers. Furthermore, there were no losses due to borrower defaults. The fair value of securities on loan and the total cash collateral held as of December 31, 2022 was $196,261 and $202,096, respectively.

The following table shows fair values of securities on loan and cash collateral received by asset class:

Securities Lent for Cash Collateral	Fair Value of OCERS' Security Lent	Cash Collateral Received	Non-Cash Collateral Received	Total Collateral Received
Global Public Equity	$ 89,353	$ 92,649	$ --	$ 92,649
Core Fixed Income	75,140	76,936	--	76,936
Credit	31,768	32,511	--	32,511
Total	$ 196,261	$ 202,096	$ --	$ 202,096

Investments–Fair Value Measurements

OCERS categorizes its fair value measurements of its investments based on the three-level fair value hierarchy established by GAAP. The fair value hierarchy is based on the valuation inputs used to measure fair value of the asset or liability and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Unobservable inputs are developed using the best information available about the assumptions that market participants would use when pricing an investment.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments (Continued)

Investment–Fair Value Measurements (Continued)

The following table represents the fair value measurements as of December 31, 2022.

		Fair Value Measurement		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Fixed Income:				
U.S. Fixed Income:				
Pooled	$ 448,419	$ --	$ 448,419	$ --
U.S. Treasury Notes	285,069	--	285,069	--
Corporate Bonds	368,975	--	368,975	--
Mortgage-Backed Securities	345,392	--	345,392	--
Asset-backed Securities	61,904	--	61,904	--
Municipal Bonds	30,565	--	30,565	--
Agencies	1,625	--	1,625	--
International	204,791	--	204,791	--
Total Fixed Income	1,746,740	--	1,746,740	--
Global Public Equity investments:				
Domestic Equity	5,449,485	503,460	4,946,025	--
International Equity	2,146,589	695,456	1,451,133	--
Emerging Markets Equity	322,121	--	322,121	--
Total Global Public Equity	7,918,195	1,198,916	6,719,279	--
Real Assets:				
Agriculture	46,557	--	--	46,557
Real Estate	11,082	--	--	11,082
Timber	21	--	--	21
Total Real Assets	57,660	--	--	57,660
Other Investments:				
Risk Mitigation	467,049	--	467,049	--
Total Other Investments	467,049	--	467,049	--
Total Investments at Fair Value Level	$ 10,189,644	$ 1,198,916	$ 8,933,068	$ 57,660

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments (Continued)

Investment–Fair Value Measurements (Continued)

	Fair Value	Fair Value Measurement: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured at the NAV:				
Global Public Equity investments:				
International Equity	$ 445,329			
Emerging Markets Equity	589,043			
Total Global Public Equity	1,034,372			
Real Assets:				
Energy	694,444			
Infrastructure	577,643			
Real Estate	1,577,330			
Total Real Assets	2,849,417			
Other Investments:				
Credit (includes private credit)	1,522,987			
Private Equity	3,301,522			
Risk Mitigation	1,290,106			
Unique Strategies	74,365			
Total Other Investments	6,188,980			
Total investments measured at the NAV	$ 10,072,769			
Investments Derivative Instruments:				
Swaps:				
Interest Rate Swaps	$ (1,531)	$ --	$ (1,531)	$ --
Credit Default Swaps	344	--	344	--
Options	(2,337)	--	(2,337)	--
Total Investment Derivative Instruments	$ (3,524)	$ --	$ (3,524)	$ --
Total Investments Measured at Fair Value	$ 20,258,889			

Core fixed income include actively traded debt instruments such as those securities issued by the United States government, federal agencies, municipal obligations, foreign governments, and both U.S. and foreign corporate issuers. Core fixed income securities are reported at fair value as of the close of the trading date. Fair values for securities not traded on a regular basis are obtained from pricing vendors who employ modeling techniques, such as matrix pricing or discounted cash flow method, in determining security values. These inputs are observable, which supports the Level 2 fair value hierarchy.

Global public equity include U.S. and international equity securities, and emerging markets equity securities. Global public equity securities classified in Level 1 of the fair value hierarchy are primarily common and preferred stock or real estate investment trusts. Fair value for these exchange traded securities is determined as of the close of the trading date in the primary market or agreed upon exchange. The last known price is used for listed securities that did not trade on a particular date. Fair value is obtained from third-party pricing sources for securities traded over-the-counter. Global public equity securities classified in Level 2 of the fair value hierarchy consist of institutional funds that are valued based on the fair value of underlying investments using pricing models or other valuation methodologies that use pricing inputs that are either directly or indirectly observable on the valuation date for the securities or assets held in the fund.

Real assets investments at fair value include a variety of real return investments in agriculture, real estate and timber resources, which are held directly. Real estate assets held directly are appraised by independent third-party appraisers in accordance with the Uniform Standards of Professional Appraisal Practice.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments (Continued)

Investment–Fair Value Measurements (Continued)

Independent appraisals use professional judgment, which is unobservable input, to determine the fair value of the asset; therefore, these real estate investments are classified as Level 3. Agriculture and timber resources included in Level 3 are based on independent appraisals and/or the good faith estimates of management.

Other investments include two risk mitigation funds. These investments are classified in Level 2 of the fair value hierarchy and include primarily institutional mutual funds that are valued based on the fair value of underlying investments using pricing models or other valuation methodologies that use pricing inputs that are either directly or indirectly observable on the valuation date for the securities or assets held in the fund.

Derivative instruments classified as Level 2 are valued using a market approach with observable inputs from major indices as well as benchmark interest rates and foreign exchange rates.

The System uses the NAV to determine the fair value of the underlying investments, when an investment does not have a readily determinable fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with GAAP requirements.

The follow table represents the investments measured at NAV as of December 31, 2022.

	Fair Value Measured at NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)*	Redemption Notice Period
Investments measured at the NAV:				
Global Public Equity Investments:				
International Equity	$ 445,329	$ --	W	7 days
Emerging Markets Equity	589,043	--	M	30 days
Total equity investments measured at the NAV	1,034,372	--		
Real Assets:				
Agriculture	--	22,451	Q	60 days
Energy	694,444	383,621	N/A	N/A
Infrastructure	577,643	272,190	N/A	N/A
Real Estate	1,577,330	612,515	Q, N/A	7-90 days, N/A
Total real assets measured at the NAV	2,849,417	1,290,777		
Other Investments:				
Credit (includes private credit)	1,522,987	652,551	M, Q, N/A	5-90 days, N/A
Private Equity	3,301,522	1,588,829	N/A	N/A
Risk Mitigation	1,290,106	--	D, W, M, Q	1-75 days
Unique Strategies	74,365	99,831	Q, N/A	60 days, N/A
Total other investments at the NAV	6,188,980	2,341,211		
Total investments measured at the NAV	$ 10,072,769	$ 3,631,988		

* D=Daily, W=Weekly, M=Monthly, Q=Quarterly, N/A=No redemption or frequency period

The investment types listed in the above table measured at the NAV as explained below:

Global public equity includes five institutional funds. Two funds focus on international securities and three funds focus on emerging markets equities. The fair value of each fund has been determined using NAV per share or unit of the investments.

Real assets: Agriculture includes one fund that invests in a diversified portfolio of vegetable and permanent crop farmland in select major agricultural states. The fund is an open-end, infinite life, private real estate investment trust (REIT) subject to the redemption terms in the schedule above.

4. CASH AND INVESTMENTS (Continued)

D. OCERS Investments (Continued)

Investment–Fair Value Measurements (Continued)

Real assets: Energy consists of 19 limited partnerships that invest primarily in oil and gas related investments. There are no redemption terms for any of these partnerships. These investments are considered illiquid. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The fair values of this investment type have been determined using estimates provided by the underlying partnerships and are at NAV. One of the partnerships is considered a going concern, and is included at a zero value.

Real assets: Infrastructure consists of ten limited partnerships that invest primarily in energy related renewable infrastructure. There are no redemption terms for any of these partnerships. These investments are considered illiquid. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The fair values of this investment type have been determined using estimates provided by the underlying partnerships and are at NAV.

Real assets: Real estate investments include 21 funds consisting of primarily trust funds and limited partnerships. The purpose of these funds is to acquire, own, invest in real estate and real estate related assets with the intention of achieving current income, capital appreciation or both. These investments are valued through independent appraisals and other unobservable methods. The majority of these funds are closed-end funds with structured investment periods, and considered illiquid investments. All other funds have no redemption restrictions other than the restrictions noted above.

Credit includes investments in 24 limited partnership funds and one equity fund. 18 of these funds are considered private credit investments, which are closed-end funds and are considered illiquid investments. These investments represent approximately 53% of the value. The remaining six funds allow for redemption based on the terms noted above. The fair value of these investments has been determined using NAV per share of the investments.

Private equity includes primarily investments in limited partnership funds, managed by various different investment managers. Generally, the partnership strategies are to maximize the return by participating in private equity and equity-related investments through a diversified portfolio of venture capital, growth equity, buyouts, special situation partnerships and other limited liability vehicles. Investments in these partnerships are typically for 10-12 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The fair values of this investment type have been determined using NAV per share of the System's ownership interest in partners' capital.

Risk mitigation includes eight limited partnership funds, which allow redemption with proper notification. The funds assist in diversifying the portfolio and protecting in an economic downturn of growth assets. The strategies are uncorrelated or negatively correlated to economic growth assets. The fair value of these investments has been determined using NAV per share.

Unique Strategies includes three limited partnership funds, one of the funds allows for redemptions and the other fund has no redemption terms and is considered an illiquid investment. This asset class provides additional diversification which can be used to help mitigate risk and provide value to the OCERS portfolio. These investments are valued at NAV.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

E. CalOptima Health Cash and Investments

Cash and investments are reported in the statements of net position as follows:

	2023
Current Assets:	
Cash and Cash Equivalents	$ 771,576
Investments	1,676,736
Board-Designated Assets and Restricted Cash:	
Cash and Cash Equivalents	1,940
Investments	574,612
Restricted Deposit	300
Total	$ 3,025,164

Board-designated assets and restricted cash are available for the following purposes:

	2023
Board-Designated Assets and Restricted Cash:	
Contingency Reserve Fund	$ 576,552
Restricted Deposits with DMHC	300
Total	$ 576,852

Custodial Credit Risk Deposits

Custodial credit risk is the risk that, in the event of a bank failure, CalOptima Health 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. As of June 30, 2023, no deposits were exposed to custodial credit risk, as CalOptima Health has pledged collateral to cover the amounts.

Investments

CalOptima Health 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 Health manages its exposure to decline in fair value from increasing interest rates by matching maturity dates to the extent possible with CalOptima Health's expected cash flow draws. Its investment policy limits maturities to five years, while also staggering maturities. CalOptima Health 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.

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

E. CalOptima Health Cash and Investments (Continued)

Interest Rate Risk (Continued)

As of June 30, 2023, CalOptima Health's investments, including cash equivalents, had the following modified duration:

		Investment Maturities (In Years)	
	Fair Value	Less Than 1	1-5
U.S. Treasury Notes	$ 652,373	$ 334,436	$ 317,937
U.S. Agency Notes	294,565	--	294,565
Corporate Bonds	606,479	151,601	454,878
Asset-Backed Securities	167,709	41,291	126,418
Mortgage-Backed Securities	352,526	24,027	328,499
Municipal Bonds	69,679	26,905	42,774
Supranational	9,707	--	9,707
Commercial Paper	34,825	34,825	--
Certificates of Deposit	48,083	48,083	--
Cash Equivalents	666,834	666,834	--
Cash	7,274	7,274	--
Total	2,910,054	$ 1,335,276	$ 1,574,778
Accrued Interest Receivable	15,402		
	$ 2,925,456		

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 Health portfolios are of high credit quality, with relatively short average lives that represent limited prepayment and interest rate exposure risk. CalOptima Health'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:

	June 30, 2023
Asset-Back Securities	$ 167,709
Mortgage-Backed Securities	352,526
	$ 520,235

Credit Risk

CalOptima Health'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: S&P, 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, 2023, following are the credit ratings of investments and cash equivalents:

		Minimum	Exempt	Rating as of Year-End					
Investment Type	Fair Value	Legal Rating	From Disclosure	AAA	Aa & Aa+	Aa-	A+	A	A-
U.S. Treasury Notes	$ 709,754	N/A	$ 709,754	$ --	$ --	$ --	$ --	$ --	$ --
U.S. Agency Notes	472,402	N/A	472,402	--	--	--	--	--	--
Corporate Bonds	610,956	A-	--	48,289	8,241	108,468	189,593	154,798	101,567
Asset-Backed Securities	167,997	AA-	--	165,939	2,058	--	--	--	--
Mortgage-Backed Securities	355,150	AAA	--	355,150	--	--	--	--	--
Municipal Bonds	107,478	A-	--	66,287	26,429	10,728	1,007	1,568	1,459
Supranational	9,779	AAA	--	9,779	--	--	--	--	--
Certificates of Deposit	48,839	A1/P1	--	48,839	--	--	--	--	--
Commercial Paper	435,827	A1/P1	--	420,914	14,913	--	--	--	--
Money Market Mutual Funds	7,274	AAA	--	7,274	--	--	--	--	--
Total	$ 2,925,456		$ 1,182,156	$ 1,122,471	$ 51,641	$ 119,196	$ 190,600	$ 156,366	$ 103,026

(Dollar Amounts in Thousands)

4. CASH AND INVESTMENTS (Continued)

E. CalOptima Health Cash and Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of CalOptima Health's investment in a single issuer. CalOptima Health's investment policy limits to no more than 5% 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% may be invested in one money market mutual. As of June 30, 2023, all holdings complied with the foregoing limitations.

Fair Value Measurements

CalOptima Health categorizes its fair value investments within the fair value hierarchy established by U.S. 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.

- 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 CalOptima Health's 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 CalOptima Health's 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, 2023			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	$ 652,373	$ --	$ --	$ 652,373
U.S. Agency Notes	--	294,565	--	294,565
Corporate Bonds	--	606,479	--	606,479
Asset-Backed Securities	--	167,709	--	167,709
Mortgage-Backed Securities	--	352,526	--	352,526
Municipal Bonds	--	69,679	--	69,679
Supranational	--	9,707	--	9,707
Commercial Paper	--	34,825	--	34,825
Certificates of Deposits	--	48,083	--	48,083
	$ 652,373	$ 1,583,573	$ --	$ 2,235,946

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 as follows:

5. RECEIVABLES (Continued)

Accounts Receivable

Accounts Receivable had a balance of $47,870 as of June 30, 2023. Of this amount, $3,161 is not expected to be collected within the next fiscal year. This primarily consists of $2,899 for animal care delinquent invoices. Also, $256 is for expected recoveries from the Airport's multi-year fixed-base operator lessee for pollution remediation costs.

Deposits Receivable

Deposits Receivable had a balance of $1,265 as of June 30, 2023. Of this amount, $982 is not expected to be collected within the next fiscal year. This primarily consists of a $400 deposit required by the vendor per agreement with the Health Care Agency (HCA) and $561 in deposits with the U.S. Army Corps of Engineers for regulatory permitting process on various maintenance.

Leases Receivable

Leases Receivable had a balance of $179,881 as of June 30, 2023. Of this amount, $159,193 is not expected to be received within the next fiscal year. This represents multiple lease agreements, as described in Note 13, Leases.

Service Concession Arrangements Receivable

Service Concession Arrangements Receivable had a balance of $143,805 as of June 30, 2023. Of this amount, $141,925 is not expected to be received within the next fiscal year. This represents multiple lease agreements, as described in Note 7, Service Concession Arrangements.

Due from Other Governmental Agencies

Due from Other Governmental Agencies had a balance of $639,962 as of June 30, 2023. Of this amount, $116,641 is not expected to be received within the next fiscal year, which primarily consists of $86,640 which is expected reimbursement of the Santa Ana River Subvention claims that will be submitted to the State Department of Water Resources, $16,938 for COVID-19 program reimbursements from the Federal Emergency Management Agency (FEMA) and $12,634, net of an allowance of $10,527, owed by the State to the County for various mandated cost reimbursements for programs and services the State requires the County to provide. Also, $429 is for the expected reimbursement of Medi-Cal administrative activities.

Notes Receivable

Notes Receivable had a balance of $68,708 as of June 30, 2023. Of this amount, $41,244 is not expected to be received within the next fiscal year. This primarily consists of $33,867 for loans made to developers to build affordable, low to moderate income, and senior housing. In addition, $6,378 is for housing loans for Mental Health Services Act (MHSA) programs and $950 is for loans provided to first time home buyers.

(Dollar Amounts in Thousands)

6. 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, 2022, as restated	Increases	Decreases	Balance June 30, 2023
Governmental Activities:				
Capital Assets Not Depreciable/Amortizable:				
Land	$ 838,106	$ 62,420	$ (352)	$ 900,174
Land Use Rights (Permanent)	16,435	247	--	16,682
Construction in Progress	654,949	269,598	(368,971)	555,576
Intangible in Progress	21,725	1,012	(19,321)	3,416
Total Capital Assets Not Depreciable/Amortizable	1,531,215	333,277	(388,644)	1,475,848
Capital Assets, Depreciable/Amortizable:				
Structures and Improvements	1,657,793	251,405	(26,835)	1,882,363
Land Improvements	10,208	35,670	--	45,878
Equipment	509,581	45,050	(56,633)	497,998
Software	159,749	19,202	(979)	177,972
Infrastructure:				
Flood Channels	1,374,867	92,160	(195)	1,466,832
Roads	460,538	11,323	(428)	471,433
Bridges	156,969	4,023	--	160,992
Trails	49,387	26	--	49,413
Traffic Signals	20,602	3,301	--	23,903
Harbors and Beaches	41,238	11,767	(517)	52,488
Right-to-Use Assets:				
Lease Equipment	1,543	2,095	(40)	3,598
Lease IT Equipment	229	31	(1)	259
Lease Structures and Improvements	447,676	71,251	(25,865)	493,062
Lease Land	2,996	--	--	2,996
SBITA	31,210	37,072	--	68,282
Total Capital Assets, Depreciable/Amortizable	4,924,586	584,376	(111,493)	5,397,469
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(856,497)	(50,863)	25,725	(881,635)
Land Improvements	(2,026)	(1,703)	--	(3,729)
Equipment	(310,829)	(32,293)	50,010	(293,112)
Software	(124,561)	(12,377)	52	(136,886)
Infrastructure:				
Flood Channels	(423,590)	(19,403)	141	(442,852)
Roads	(229,153)	(17,056)	--	(246,209)
Bridges	(55,582)	(2,921)	--	(58,503)
Trails	(39,672)	(859)	--	(40,531)
Traffic Signals	(13,414)	(568)	--	(13,982)
Harbors and Beaches	(34,714)	(785)	517	(34,982)
Right-to-Use Assets:				
Lease Equipment	(771)	(1,619)	27	(2,363)
Lease IT Equipment	(105)	(105)	--	(210)
Lease Structures and Improvements	(36,917)	(37,301)	3,176	(71,042)
Lease Land	(232)	(232)	--	(464)
SBITA	--	(29,300)	--	(29,300)
Total Accumulated Depreciation/Amortization	(2,128,063)	(207,385)	79,648	(2,255,800)
Total Capital Assets, Depreciable/Amortizable (Net)	2,796,523	376,991	(31,845)	3,141,669
Governmental Activities Total Capital Assets, Net	$ 4,327,738	$ 710,268	$ (420,489)	$ 4,617,517

(Dollar Amounts in Thousands)

6. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government			
	Balance July 1, 2022, as restated	Increases	Decreases	Balance June 30, 2023
Business-Type Activities:				
Capital Assets Not Depreciable/Amortizable:				
Land	$ 38,379	$ --	$ --	$ 38,379
Construction in Progress	34,683	63,617	(3,514)	94,786
Intangible in Progress	335	--	(335)	--
Total Capital Assets Not Depreciable/Amortizable	73,397	63,617	(3,849)	133,165
Capital Assets, Depreciable/Amortizable:				
Structures and Improvements	966,956	535	(2,689)	964,802
Land Improvements	611	--	--	611
Equipment	119,075	13,531	(5,092)	127,514
Software	6,957	396	(58)	7,295
Infrastructure	729,676	127	--	729,803
Right-to-Use Assets:				
Lease Equipment	--	62	--	62
SBITA	428	446	--	874
Total Capital Assets, Depreciable/Amortizable	1,823,703	15,097	(7,839)	1,830,961
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(442,451)	(29,010)	565	(470,896)
Land Improvements	(47)	(20)	--	(67)
Equipment	(63,573)	(9,839)	4,892	(68,520)
Software	(4,270)	(668)	--	(4,938)
Infrastructure	(461,698)	(16,695)	--	(478,393)
Right-to-Use Assets:				
Lease Equipment	--	(44)	--	(44)
SBITA	--	(396)	--	(396)
Total Accumulated Depreciation/Amortization	(972,039)	(56,672)	5,457	(1,023,254)
Total Capital Assets, Depreciable/Amortizable (Net)	851,664	(41,575)	(2,382)	807,707
Business-Type Activities Total Capital Assets, Net	$ 925,061	$ 22,042	$ (6,231)	$ 940,872

Depreciation/Amortization expense was allocated among functions of the primary government as follows:

Government Activities:	
General Government	$ 23,965
Public Protection	67,127
Public Ways and Facilities	32,848
Health and Sanitation	27,325
Public Assistance	24,377
Education	2,521
Recreation and Cultural Services	9,663
Internal Service Funds' Depreciation Expense Allocated to Various Functions	19,559
Total Governmental Activities Depreciation/Amortization Expense	207,385
Business-Type Activities:	
Airport	34,220
OC Waste & Recycling	22,452
Total Business-Type Activities Depreciation/Amortization Expense	56,672
Total Depreciation/Amortization Expense	$ 264,057

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB Statement No. 94 defines the required criteria for which a public-private or public-public partnership arrangement qualifies as a SCA:

- The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of an underlying asset in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility;
- The operator collects and is compensated by fees from third parties;
- The transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and
- The transferor is entitled to significant residual interest in the service utility of the underlying asset at the end of the arrangement.

The County determined that the following arrangements met the criteria of SCAs as set forth in GASB Statement No. 94, where the County is the transferor, and therefore included these arrangements in the County's financial statements.

Dana Point Harbor

On October 29, 2018, later amended, the County entered into 66-year term lease agreements with Dana Point Harbor Partners, LLC (DPHP), and Dana Point Harbor Partners Drystack, LLC (DPHPD) to conduct due diligence regarding master lease and development of the Dana Point Harbor. The County must ensure that DPHP and DPHPD, as the Lessees, adhere to the tidelands trust and all applicable laws. The agreements include the reconstruction of the commercial core, the east and west marinas, two new hotels, and the rebuilding of docks. DPHP and DPHPD will fund and build the improvements, and then operate those portions of the harbor on a 66-year lease. DPHP and DPHPD are required to assume full responsibility for operation and maintenance of their lease premises, and make minimum rent payments to the County, in accordance with their respective agreements. Additionally, the agreements provide for the County to receive a percentage of the gross receipts generated from sales, subleases, or any activity permitted under the DPHP and DPHPD arrangements. After the leases end, the assets and improvements will be returned to the County. In April 2020, DPHP, and DPHPD entered into tolling agreements with the County due to the County State of Emergency, declared March 3, 2020, in connection with the COVID-19 pandemic. Except for the lease terms and due dates for the monthly minimum and percentage rents, dates and deadlines under the Ground Leases were tolled. On March 9, 2022, the County approved the second amendment to the Master Ground Lease Agreement mainly to terminate the tolling amendment and to modify the schedule of the construction and redevelopment work. The leases terms, minimal rent payments and revenue share percentages prevailed. Under the terms of the agreement with DPHPD, the County is committed to reimburse the Lessee $20,000 for applicable redevelopment costs as certain construction milestones are met. As of June 30, 2023, the County is not liable for any reimbursements.

Newport Dunes Aquatic Park

On February 16, 1989, and later amended, the County entered into a 50-year agreement with Newport Dunes Partnership for the improvement and operation of the Newport Dunes Aquatic Park, a 102-acre recreational facility owned by the County, which includes a 450-slip marina, a launch ramp, a dry boat storage facility, an RV park, a beach and swimming lagoon, and a restaurant. It also includes an underdeveloped 13-acre parcel. On August 1, 2002, the County consented to the assignment of the original lease from Newport Dunes Partnership to Waterfront Resort Properties, LP and Newport Dunes Marina. In addition, on August 25, 2009, the County agreed to grant the Newport Dunes Marina an option for a new 50-year lease to accommodate development of a 275-room Family Inn by a sublessee, Winsor Newport Dunes LP (Winsor), an affiliate of Winsor Capital Group. The option is exercisable upon the completion of the hotel. In 2015, Winsor pulled out of the construction of the Family Inn, and on December 8, 2015, the Newport Dunes Marina obtained approval from the County for a sublease with Brighton Management, LLC (Brighton), for construction of the Family Inn. However, in 2019 Brighton filed for bankruptcy. Hence, Newport Dunes Marina is currently looking for a developer to build the Family Inn. In April 2020, Waterfront Resort Properties, LP, and Newport Dunes Marina entered into a tolling agreement with the County due to the County State of Emergency, declared March 3, 2020, in connection with

(Dollar Amounts in Thousands)

7. SERVICE CONCESSION ARRANGEMENTS (SCA) (Continued)

the COVID-19 pandemic. All deadlines under the lease were tolled. The tolling period ended on February 28, 2023. After the lease ends, the assets and improvements will return to the County. Under the current agreement, the County receives minimum rent payments and a percentage of the gross receipts generated from the sales, subleases or any other activity permitted under the arrangement. Additionally, the County is required to make annual contributions to a dredging reserve fund in the amount of $309.

Furthermore, the County entered into several SCA's with third parties or operators to maintain and operate a boat-berthing facility at Lower Newport Bay and various golf courses. The County receives minimal rent payments and a percentage of gross receipts generated from the sales, subleases or any other activity permitted under each arrangement. The County has no contractual obligations to sacrifice financial resources that meet the criteria to be recognized as liability for these SCAs.

A summary of the important details for each SCA over the term of their agreements are as follows:

	Date SCA Entered Into	Term of SCA	Expiration of SCA	Minimum Rent Payment Received in FY 2022-23	Revenue Sharing
Dana Point Harbor	10/29/2018	66 yrs	10/29/2084	$ 1,790	Between 2% and 20% of the gross receipts from the operation of the different components of the Harbor
Newport Dunes Aquatic Park	3/1/1989	53 yrs *	2/9/2042	2,210	Between 5% to 35% of the gross receipts from the operation of the different business areas of the Newport Dunes
Lower Newport Bay	11/1/2015	50 yrs	10/31/2065	76	Agreement does not include revenue sharing
Mile Square Golf Course	7/1/1999	43 yrs *	6/10/2042	850	40% of gross receipts from Green Fees, Driving Range and golf equipment rentals; 15% of gross receipts from golf lessons and 6% from gross receipts from other sales or services performed at the golf course
Mason Regional Park Golf Course	12/1/1996	45 yrs	11/30/2041	409	25% of gross receipts from Green Fees, Driving Range and golf equipment rental; between 5% and 10% of gross receipts from other sales and services performed at the golf course
Green River Golf Club	1/1/2022	20 yrs plus two 10 yr extensions	12/31/2061	60	1.5% of the gross receipts from the operation of the golf course; 3% of gross receipts above $10,000
				$ 5,395	

* Term includes tolling amendment, which extended the term by 3 years

The capital assets that underlie each SCA over the term of the agreement and reported at year ended June 30, 2023, are as follows:

	Land, Land Improvements, Structures & Improvements
Dana Point Harbor	$ 7,923
Newport Dunes Aquatic Park	18,087
Lower Newport Bay	3,583
Mile Square Golf Course	39,146
Mason Regional Park Golf Course	2,561
Green River Golf Club	19,930
	$ 91,230

(Dollar Amounts in Thousands)

7. SERVICE CONCESSION ARRANGEMENTS (SCA) (Continued)

The deferred inflows of resources for each SCA for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022, as restated	Additions	Amortization (1)	Balance June 30, 2023
SCA Capital Assets (1)				
Dana Point Harbor	$ -	$ 7,869	$ (127)	$ 7,742
Newport Dunes Aquatic Park	15,299	-	(765)	14,534
Lower Newport Bay	3,731	-	(87)	3,644
Mile Square Golf Course	6,174	-	(309)	5,865
Mason Regional Park Golf Course	215	-	(11)	204
	$ 25,419	$ 7,869	$ (1,299)	$ 31,989
Present Value of Installment Payments (2)				
Dana Point Harbor	$ 87,095	$ -	$ (1,405)	$ 85,690
Newport Dunes Aquatic Park	30,017	-	(1,533)	28,484
Lower Newport Bay	1,831	-	(42)	1,789
Mile Square Golf Course	11,657	-	(585)	11,072
Mason Regional Park Golf Course	6,008	-	(309)	5,699
Green River Golf Club	1,478	-	(37)	1,441
	138,086	-	(3,911)	134,175
	$ 163,505	$ 7,869	$ (5,210)	$ 166,164

(1) Amortization is calculated using the straight-line method for the term of the agreement for the SCA.
(2) Present value of installment payments is calculated using discount rates ranging from 2.5% to 4% for the term of each SCA.

8. 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, 2023 is as follows:

Due from/to other funds:

	Receivable Funds							
Payable Funds	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Airport	OC Waste & Recycling	Internal Service Funds	Total
General Fund	$ -	$ 322	$ 1,560	$ 59,243	$ 14	$ 10	$ 2,598	$ 63,747
Flood Control District	5,976	-	-	863	-	37	214	7,090
Other Public Protection	11,760	-	-	3	-	-	5	11,768
Mental Health Services Act	41,152	-	-	-	-	-	-	41,152
Other Governmental Funds	88,262	1,498	1	16,324	-	4	339	106,428
Airport	2,091	10	-	56	-	-	232	2,389
OC Waste & Recycling	8,747	-	-	11	-	-	51	8,809
Internal Service Funds	701	11	-	6	-	-	12	730
Total	$ 158,689	$ 1,841	$ 1,561	$ 76,506	$ 14	$ 51	$ 3,451	$ 242,113

Interfund transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	Amount
Primary Government-General Fund	Component Unit-First 5 Orange County	$ 274
Component Unit-First 5 Orange County	Primary Government-General Fund	310

(Dollar Amounts in Thousands)

8. INTERFUND RECEIVABLES AND PAYABLES (Continued)

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
OC Waste & Recycling	Other Governmental Funds	$ 20,000

The interfund loans represent an advance made by OC Waste & Recycling to Other Governmental Funds for the Sheriff-Coroner's James A. Musick Facility project.

9. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2023 were as follows:

	Transfer In Funds							
Transfer Out Funds	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Airport	OC Waste & Recycling	Internal Service Funds	Total
General Fund	$ --	$ --	$ 3,755	$ 157,550	$ --	$ --	$ 4,873	$ 166,178
Flood Control District	4,194	--	--	355	--	--	320	4,869
Other Public Protection	28,435	--	--	13,244	--	--	65	41,744
Mental Health Services Act	295,490	--	--	--	--	--	--	295,490
Other Governmental Funds	132,512	--	--	160,231	--	66	1,538	294,347
Airport	--	--	--	--	--	--	31	31
OC Waste & Recycling	8,608	--	--	--	--	--	--	8,608
Internal Service Funds	3,607	215	--	41	19	--	--	3,882
Total	$ 472,846	$ 215	$ 3,755	$ 331,421	$ 19	$ 66	$ 6,827	$ 815,149

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. Recurring 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) contribute resources to comply with Prop 63 MHSA, (5) transfer waste importation revenue in accordance to the Waste Disposal Agreement, and (6) transfer excess unrestricted revenues to finance various County programs based on budgetary authorizations by the Board. Not all-inclusive, the summary below details some of the more significant transfers:

Recurring Transfers

From General Fund

- $56,269 was transferred to Other Governmental Funds for the construction of the James A. Musick and future capital projects
- $21,964 was transferred to Other Governmental Funds in connection with debt service payments for the CUF, CAS, and CAN facilities
- $19,370 was transferred to Other Governmental Funds for Countywide IT projects
- $8,759 was transferred to Other Governmental Funds to finance the County's 60% share of the Wraparound Program
- $3,778 was transferred to Internal Service Funds primarily for the purchase of Sheriff-Coroner vehicles
- $1,729 was transferred to Other Governmental Funds for the maintenance and repair of various Probation Criminal Justice Facilities
- $1,480 was transferred to Other Public Protection for the purchase, replacement, and maintenance of Sheriff-Coroner equipment

9. INTERFUND TRANSFERS (Continued)

Recurring Transfers (Continued)

- $1,300 was transferred to Other Governmental Funds to cover expenditures for Sheriff-Coroner construction and facility development projects

From Flood Control District

- $3,137 was transferred to the General Fund for the Watershed Management Program

From Other Public Protection

- $13,150 was transferred to Other Governmental Funds for the Sheriff-Coroner James A. Musick Facility construction
- $10,237 was transferred to the General Fund to support the Sheriff-Coroner Department's operations
- $8,493 was transferred to the General Fund to fund various District Attorney funds, such as Prop 64 Consumer Protection Fund, Real Estate Fraud, Orange County Auto Theft Task Force, and Supplemental Law Enforcement Services Fund
- $7,538 was transferred to the General Fund to cover the qualifying public protection expenditures incurred by the Clerk-Recorder's Office for specific charges mandated by state law that includes modernization of the County's record keeping system, health statistics, micrographics, and security measures
- $1,948 was transferred to the General Fund to cover the shortfall of state and federal revenues over department expenditures in Child Support Services

From Mental Health Services Act

- $295,490 was transferred to the General Fund to cover the qualifying Prop 63 MHSA expenditures

From Other Governmental Funds

- $61,202 was transferred to Other Governmental Funds for Sheriff-Coroner capital projects
- $52,087 was transferred to the General Fund to fund various County programs as follows:
  - $27,682 for the County's Wraparound Program
  - $8,584 for the Homeless Emergency Aid Program and Crisis Stabilization Program
  - $7,787 for Environmental Health program
  - $6,164 for Emergency Medical Services
  - $1,870 for health disaster preparedness and the Center for Disease Control pandemic flu costs
- $34,274 of tobacco settlement monies was transferred to the General Fund to finance HCA's various health care programs and Sheriff-Coroner Department's operational costs

From Enterprise Funds

- $7,668 was transferred to the General Fund for the County's portion of OC Waste & Recycling's net importation revenue

In addition, the County had non-recurring transfers in the current fiscal year, which consisted of the following:

Non-Recurring Transfers

From General Fund

- $45,752 was transferred to Other Governmental Funds for permanent supportive housing
- $1,460 was transferred to Other Governmental Funds for Social Services Agency Leased Facilities to cover shortfall at the end of the lease term

From Flood Control District

- $1,056 was transferred to the General Fund in connection with debt service payments for the CAS facility

(Dollar Amounts in Thousands)

9. INTERFUND TRANSFERS (Continued)

Non-Recurring Transfers(Continued)

From Other Governmental Funds

- $91,006 was transferred to Other Governmental Funds for the purchase of Sheriff-Coroner's Bell Building and land
- $25,000 was transferred to the General Fund to increase contingency reserves per Board action
- $6,265 was transferred to the General Fund for Central Utility Facility's maintenance projects
- $4,375 was transferred to Other Governmental Funds for construction of the Garden Grove Navigation Center to provide temporary housing to adults experiencing homelessness
- $4,228 was transferred to the General Fund to redirect interest back to the earning fund
- $2,536 was transferred to the General Fund for the loan repayment for the construction of the new animal shelter
- $2,168 was transferred to Other Governmental Funds to move System Coordination Services from HCA to CEO
- $1,745 was transferred to the General Fund to reimburse CEO Real Estate for costs
- $1,405 was transferred to the General Fund to pay for eligible expenses under the National Opioid Settlement.
- $1,206 was transferred to Internal Service Funds to cover costs for data services
- $1,000 was transferred to Other Governmental Funds to implement and administer Resolution Funding Grant program to help with the homelessness and encampment site at Talbert Regional Park

From Internal Service Funds

- $2,442 was transferred to the General Fund for the countywide installation of the VoIP phone system

10. SHORT-TERM OBLIGATIONS

Taxable Pension Obligation Bonds, 2022 Series A

On January 13, 2022, the County issued Taxable Pension Obligation Bonds, 2022 Series A (the 2022 POBs) in the principal amount of $521,784. The 2022 POBs were issued in order to take advantage of the discount offered by the OCERS Board of Retirement to prepay the County's FY 2022-23 pension contribution. The 2022 POBs were issued as standard bonds, with four fixed-rate tranches, and a final maturity date of April 28, 2023. The obligation of the County to pay principal and interest on the 2022 POBs is imposed by law and is absolute and unconditional. Pledged security for the bonds are any lawfully available funds of the County. If an event of default has occurred and is continuing, the trustee may proceed to protect or enforce its rights by a suit in equity or action at law. The County repaid in full the outstanding balance of the bonds on April 28, 2023.

Description	Balance July 1, 2022	Issuances & Discount/ Premium Amortization	Retirements	Balance June 30, 2023	Amounts Due within One Year
County of Orange Taxable Pension Obligation Bonds, 2022 Series A					
Date Issued: January 13, 2022					
Interest Rate: 0.550% to 0.678%					
Original Amount: $521,784					
Maturing in installments through April 28, 2023	$ 521,784	$ --	$ (521,784)	$ --	$ --
Total	$ 521,784	$ --	$ (521,784)	$ --	$ --

11. LONG-TERM OBLIGATIONS

Legal Debt Margin

The County's legal debt limit for the year was $9,170,431. 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.

Revenue Bonds Payable

Central Utility Facility Lease Revenue Bonds, Series 2016

On June 2, 2016, the South Orange County Public Financing Authority (SOCPFA) issued its $56,565 Lease Revenue Bonds, Series 2016 at a premium of $11,724 with an interest rate range of 3.00% to 5.00%. 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 to pay costs relating to the issuance of the bonds. As of June 30, 2023, the outstanding principal amount, including the premium of the Series 2016 Bonds, and interest were $52,042 and $16,185 respectively.

The bonds are special obligations of the SOCPFA payable from and secured by the base rental payments to be made by the County pursuant to and as required under the lease agreement and the amounts held in all funds and accounts (other than the rebate fund) under the indenture. The Central Utility Facility is pledged as collateral for the debt. In the event of default, the SOCPFA or the trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease.

Lease Revenue Bonds, Series 2017A

On June 22, 2017, the California Municipal Finance Authority (CMFA) issued its $152,400 Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program-Phase I) at a premium of $22,940, with an interest rate range from 4.00%-5.00%. As the debt was issued by CMFA, this does not constitute debt for the County. Pursuant to a loan agreement, CMFA loaned the bond proceeds totaling $175,340 to the Capital Facilities Development Corporation (Corporation), a component unit of the County, to construct the County Administration South (CAS) located at 601 N. Ross Street. As of June 30, 2023, the outstanding principal amount, including the premium of the Series 2017 Bonds, and interest were $164,962 and $95,950, respectively.

The County's payment obligation commenced on November 12, 2019 when the building's Certificate of Substantial Completion was delivered to the trustee. County departments occupying CAS will be responsible for making base rental payments. The County's base rental payments, under the Facility Lease, began in FY 2020-21 and will be used to repay the loan to the CMFA. Loan repayments are scheduled to conclude when the bonds mature, in June 2047. In the event of default, the trustee may exercise any remedies available under the Indenture, the Loan Agreement and the Facility Lease.

Lease Revenue Bonds, Series 2018A

On December 13, 2018, CMFA issued its $185,705 Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program-Phase II) at a premium of $26,599, with an interest rate coupon of 5%. As the debt was issued by CMFA, this does not constitute debt for the County. Pursuant to a loan agreement, CMFA loaned the bond proceeds totaling $212,304 to the Corporation, a component unit of the County, to construct County Administration North (CAN) located at 400 W. Civic Center Drive. As of June 30, 2023, the outstanding principal amount, including the premium of the Series 2018 Bonds, and interest were $208,177 and $140,890, respectively.

The County's payment obligation commenced on August 5, 2022 when the building's Certificate of Substantial Completion was delivered to the trustee. County departments occupying CAN will be responsible for making base rental payments. The County's base rental payments, under the Facility Lease, began in FY 2022-23 and will be used to repay the loan to the CMFA. Loan repayments are scheduled to end when the bonds mature, in June 2048. In the event of default, the trustee may exercise any remedies available under the Indenture, the Loan Agreement and the Facility Lease.

11. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable (Continued)

Airport Revenue Refunding Bonds, Series 2019A and 2019B

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. 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 consist of numerous direct improvements to the Airport facilities such as construction of Terminal C, Parking Structure C and two commuter/regional holdrooms at the north and south ends of the extended Terminal.

On May 14, 2019, the Airport issued the Airport Revenue Refunding Bonds, Series 2019A and 2019B (2019A and 2019B Bonds) in the principal amount of $85,030, with a premium of $13,404. The 2019A and 2019B Bonds were issued to refund and defease the 2009A and 2009B Bonds, fund a debt service reserve subaccount for the bonds, and pay certain expenses in connection with the issuance of the bonds. For the year ended June 30, 2023, the total debt service principal and interest paid were $6,750 and $2,832, respectively. The 2019 Bonds were 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. In the event of default, the trustee could exercise any remedies available under the bond indentures and under state and federal law.

On February 16, 2023, the Airport executed the in-substance defeasance of the 2019A and 2019B Bonds, for the outstanding principal and interest balances of $53,260 and $7,662, respectively. The Airport defeased its bonds due to the availability of federal relief aid and available PFC collections eligible to fund the defeasance. The Airport deposited $58,479 in an irrevocable escrow fund, and the amounts were invested in State and Local Government Series (SLGS) securities to be used solely for satisfying scheduled debt service payments of the defeased debt through and including July 1, 2027. As a result, the beginning fiscal year principal balance of $60,010, including the $6,180 premium, of the 2019A and 2019B Bonds, totaling $66,190, is no longer reported as a liability in the Airport's financial statements. Additionally, in accordance with GASB Statement No. 86, "*Certain Debt Extinguishment Issues*", the Airport recognized a loss on the defeasance of $1,189. As of June 30, 2023, the outstanding balance of the defeased bonds was $60,922.

Fiscal Year 2022-23 Debt Obligation Activity

During FY 2022-23, the following events concerning County debt obligations occurred.

Revenue Bonds Payable

Lease Revenue Bonds, Series 2022

On July 26, 2022, the SOCPFA issued its $83,375 Lease Revenue Bonds, Series 2022 (County of Orange Sheriff-Coroner Facility) at a premium of $12,350, with an interest rate coupon of 5%. The Lease Revenue Bonds, payable through June 2052, were issued to finance the acquisition of and construction of certain improvements to a new facility for the County Sheriff-Coroner's department to be owned by the County and to pay costs relating to the issuance of the bonds. As of June 30, 2023, the outstanding principal amount, including the premium of the Series 2022 Bonds, and interest were $95,725 and $76,314, respectively.

The bonds are special obligations of the SOCPFA payable from and secured by the base rental payments to be made by the County pursuant to and as required under the lease agreement and the amounts held in all funds and accounts (other than the rebate fund) under the indenture. The property itself was pledged as collateral for the debt. In the event of default, the SOCPFA or the trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease.

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year 2022-23 Debt Obligation Activity (Continued)

Direct Placement Obligations

Teeter Plan Notes

On April 21, 2020, the Board approved an increase in the authorized amount from $100,000 to $150,000 due to the anticipated economic impact of the COVID-19 pandemic. On June 24, 2020, the County used accumulated base taxes to redeem $8,778 of the Teeter Plan Obligation Notes. As of June 30, 2020, the outstanding principal amount of the Teeter Plan Obligation Notes was $34,661 and the authorized, unused available commitment under the First Amendment to Amended and Restated Note Purchase and Reimbursement Agreement was $115,339. At the time of the increase in authorized amount, the prior notes in the amount of $43,439 were paid off, and new notes in the amount of $43,439 were issued.

On July 14, 2020, additional Teeter Plan Notes were issued in the amount of $50,725 to finance the delinquent property tax receivables associated with the Teeter Plan for a new outstanding balance of $85,386.

On December 30, 2020 and June 28, 2021, the County used all of the accumulated base taxes to redeem $32,756 and $15,224, respectively, of the Teeter Plan Obligation Notes. As of June 30, 2021, the outstanding principal amount of the Teeter Plan Obligation Notes was $37,406.

On July 14, 2021, the County issued taxable Teeter Plan Obligation Notes, Series B to refund the $37,406 outstanding Teeter Plan Obligation Notes and to finance the purchase of $42,572 of delinquent property tax receivables associated with the Teeter plan for a new outstanding balance of $79,978.

On July 18, 2022, the County paid off its $79,978 taxable Teeter Plan Obligation Notes, Series B utilizing $45,810 in accumulated base taxes. On July 18, 2022, the Teeter Plan Notes were issued for $82,308 in taxable Teeter Plan Obligations Notes, Series B, to refund the outstanding balance of $34,168 and finance the purchase of $48,140 in delinquent property tax receivables. The Teeter Notes issued on July 18, 2022, were issued pursuant to a First Amendment to Second Amended and Restated Note Purchase and Reimbursement Agreement, dated between the County and Wells Fargo Bank, National Association. Teeter Notes may be issued from time to time by the County provided that the total principal amount of Teeter Notes outstanding at any one time shall not exceed $150,000. The Teeter Notes mature on July 17, 2023 and bear interest at the rate of 3.46% per annum. As of June 30, 2023, the outstanding principal amount of the Teeter Plan Obligation Notes was $82,308 and the authorized, unused available commitment under the First Amendment to Amended and Restated Note Purchase and Reimbursement Agreement was $67,692.

(Dollar Amounts in Thousands)

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2022-23

The table below summarizes the revenue bonds and direct placement obligations outstanding and related activity for the year ended June 30, 2023.

Description	Balance July 1, 2022	Loans/Debt Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2023	Amounts Due within One Year
Governmental Activities:					
Revenue Bonds:					
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 2022-23 Principal and Interest: $4,486					
FY 2022-23 Total Pledged Revenues: $4,492					
Maturing in installments through April 1, 2036	$ 54,820	$ (513)	$ (2,265)	$ 52,042	$ 2,969
California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program-Phase I)					
Date Issued: June 22, 2017					
Interest Rate: 4.00% to 5.00%					
Original Amount: $152,400; Plus Premium: $22,940					
FY 2022-23 Principal and Interest: $9,979					
Maturing in installments through June 1, 2047	168,670	(618)	(3,090)	164,962	3,967
California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program-Phase II)					
Date Issued: December 13, 2018					
Interest Rate: 5.00%					
Original Amount: $185,705; Plus Premium: $26,599					
FY 2022-23 Principal and Interest: $12,920					
Maturing in installments through June 1, 2048	212,304	(492)	(3,635)	208,177	4,418
South Orange County Public Financing Authority Lease Revenue Bonds, Series 2022 (County of Orange Sheriff-Coroner Facility)					
Date issued: July 26, 2022					
Interest Rate: 5.00%					
Original Amount: $83,375					
FY 2022-23 Interest: $3,532					
FY 2022-23 Total Pledged Revenues: $81					
Maturing in installments through June 1, 2052	--	95,725	--	95,725	1,419
Subtotal-Revenue Bonds	435,794	94,102	(8,990)	520,906	12,773

(Dollar Amounts in Thousands)

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2022-23 (Continued)

Description	Balance July 1, 2022	Loans/Debt Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2023	Amounts Due within One Year
Direct Placement Obligations:					
County of Orange					
Teeter Plan Notes					
Date of Issuance: July 14, 2021 Interest Rate: .43% Taxable Fixed Rate Original Amount: $79,978 FY 2022-23 Principal and Interest: $79,994 Maturing on July 18, 2022	$ 79,978	$ --	$ (79,978)	$ --	$ --
Date of Issuance: July 18, 2022 Interest Rate: 3.46% Taxable Fixed Rate Original Amount: $82,308 FY 2022-23 Interest: $2,769 FY 2022-23 Total Pledged Revenues: $8,658 Maturing on July 17, 2023	--	82,308	--	82,308	82,308
Subtotal-Direct Placement Obligations	79,978	82,308	(79,978)	82,308	82,308
Subtotal-Governmental Activities	515,772	176,410	(88,968)	603,214	95,081
Business-Type Activities:					
Airport Revenue Refunding Bonds-					
Series 2019A and 2019B					
Date Issued: May 14, 2019 Interest Rate: 5.00% Original Amount: $85,030 FY 2022-23 Principal and Interest: $60,922 Maturing in installments through July 1, 2030	66,190	--	(66,190)	--	--
Subtotal-Business-Type Activities	66,190	--	(66,190)	--	--
Total	$ 581,962	$ 176,410	$ (155,158)	$ 603,214	$ 95,081

(Dollar Amounts in Thousands)

11. 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 activity type on an annual basis.

	Governmental Activities				
	Revenue Bonds		Direct Placement Obligations		
Fiscal Year(s) Ending June 30	Principal	Interest	Principal	Interest	Total
2024	$ 10,780	$ 22,115	$ 82,308	$ 111	$ 115,314
2025	11,320	21,576	--	--	32,896
2026	11,885	21,009	--	--	32,894
2027	12,480	20,415	--	--	32,895
2028	13,100	19,791	--	--	32,891
2029-2033	76,016	88,444	--	--	164,460
2034-2038	87,820	67,670	--	--	155,490
2039-2043	96,475	45,543	--	--	142,018
2044-2048	111,765	20,275	--	--	132,040
2049-2052	19,525	2,500	--	--	22,025
Total	451,166	329,338	82,308	111	862,923
Add: Premium/(Discount)	69,740	--	--	--	69,740
Total	$ 520,906	$ 329,338	$ 82,308	$ 111	$ 932,663

Changes in Long-Term Liabilities

Long-term liability activities, for the year ended June 30, 2023, were as follows:

	Balance July 1, 2022, as restated	Additions	Reductions	Balance June 30, 2023	Due within One Year
Governmental Activities:					
Revenue Bonds	$ 376,781	$ 83,375	$ (8,990)	$ 451,166	$ 10,780
Teeter Plan Notes (Direct Placement)	79,978	82,308	(79,978)	82,308	82,308
Add: Premium/(Discount) on Bonds Payable	59,013	12,350	(1,623)	69,740	1,993
Total, Net	515,772	178,033	(90,591)	603,214	95,081
Other Long-Term Liabilities: *					
Compensated Employee Absences Payable	177,397	172,015	(174,832)	174,580	115,534
Financed Purchase Liability	30,633	732	(10,411)	20,954	10,513
Insurance Claims Payable	250,023	156,671	(144,000)	262,694	70,699
Estimated Liability-Litigation and Claims	21,392	855	(21,392)	855	755
Intangible Assets Obligations Payable	3,584	133	(1,569)	2,148	1,203
Lease Liability ***	426,957	73,377	(51,352)	448,982	27,341
Subscription Liability ***	31,210	31,901	(30,318)	32,793	16,949
Total Other Long-Term Liabilities	941,196	435,684	(433,874)	943,006	242,994
Total Long-Term Liabilities ** For Governmental Activities	$ 1,456,968	$ 613,717	$ (524,465)	$ 1,546,220	$ 338,075

* Includes amount of $8,879 for Financed Purchase Liability, $127 for Lease Liability, and $6,132 for Subscription Liability from an Internal Service Fund.

** The total long-term liabilities do not include Net Pension Liability or Net OPEB Liability. Refer to Note 19 for additional information on the Net Pension Liability and Note 20 for the Net OPEB Liability.

*** Refer to Note 2, Changes in Accounting Principle for additional information on the restatement.

(Dollar Amounts in Thousands)

11. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2022, as restated	Additions	Reductions	Balance June 30, 2023	Due within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	$ 60,010	$ --	$ (60,010)	$ --	$ --
Add: Premium (Discount) on Bonds Payable	6,180	--	(6,180)	--	--
Total Bonds Payable, Net	66,190	--	(66,190)	--	--
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	3,967	3,692	(4,148)	3,511	2,473
Financed Purchase Liability	663	--	(332)	331	331
Landfill Site Closure/Postclosure Liabilities*	189,376	17,820	(3,391)	203,805	3,391
Pollution Remediation Obligation**	13,620	--	(4,471)	9,149	612
Intangible Assets Obligations Payable	324	--	(146)	178	89
Lease Liability ****	--	62	(35)	27	27
Subscription Liability ****	428	403	(311)	520	295
Total Other Long-Term Liabilities	208,378	21,977	(12,834)	217,521	7,218
Total Long-Term Liabilities * For Business-Type Activities**	$ 274,568	$ 21,977	$ (79,024)	$ 217,521	$ 7,218

* Refer to Note 15 for additional information regarding the increase in Landfill Site Closure/Post Closure Liabilities.
** Refer to Note 18 for additional information regarding the decrease in Pollution Remediation Obligation.
*** The total long-term liabilities do not include Net Pension Liability or Net OPEB Liability. Refer to Note 19 for additional information on the Net Pension Liability and Note 20 for Net OPEB Liability.
**** Refer to Note 2, Changes in Accounting Principle for additional information on the restatement.

For Governmental activities, typically the General Fund has been primarily used to liquidate the pension and OPEB liability.

Compensated Employee Absences

The estimated compensated employee absences payable recorded at June 30, 2023 is $178,091. The County's policy permits employees to accrue vacation, compensatory time, and sick leave benefits. Employees are entitled to be paid compensated time, and in some cases annual leave, vacation and sick/healthcare leave 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.

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

11. LONG-TERM OBLIGATIONS (Continued)

Special Assessment District Bonds (Continued)

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 Custodial 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, 2023, amounted to $566,170.

12. 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 are 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.

As of June 30, 2023, there were 11 series of bonds outstanding with an aggregate principal amount payable of $55,646.

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 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 Neighborhood Development and Preservation Project and Santa Ana Heights Project Refunding Bonds debt service obligations for FY 2022-23 appeared on the OCDA Successor Agency Recognized Obligation Payment Schedule 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 reflects the custodial role accepted by the successor agency. As of June 30, 2023, the NDAPP bonds were paid off and the outstanding principal amount, including the premium of the SAH bonds and remaining interest was $1,406 and $33, respectively.

The bonds do not constitute a liability of the County. Neither the County, the State of California nor any political subdivisions thereof are 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.

(Dollar Amounts in Thousands)

13. LEASES

Lessee

The County is currently engaged in noncancelable leases with various vendors as a lessee for the intangible right-to-use lease equipment, IT equipment, structures and improvements, and land. The lease terms include the noncancelable period per the contract plus/minus any extension options or termination options the County is reasonably certain to exercise. As of June 30, 2023, the right-to-use asset balance is $499,977.

In FY 2022-23, the discount rate applied to new or modified leases is 4%. The County recognized $27,559 and $13,551 in principal and interest payments. The County also incurred $9 in fees for the early termination of a building lease. The lease liability at June 30, 2023 is $449,009.

As of July 1, 2022, the County was engaged in a sublease transaction with Orange County Royale Convalescent Hospital, where a building was leased to HCA and HCA leased a portion of that building to Royale Health Care Center. On March 24, 2023, Orange County Convalescent Hospital sold the building to 1030 Warner Ave Propco, LLC, and signed an Assignment and Assumption of Master Lease. As a result of this transaction, the County recognized a gain of $5,859 and a right-to-use lease asset ending balance of $10,596 at June 30, 2023.

Governmental Activities	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Right-to-Use Assets				
Lease Equipment	$ 1,543	$ 2,095	$ (40)	$ 3,598
Lease IT Equipment	229	31	(1)	259
Lease Structures and Improvements	447,676	71,251	(25,865)	493,062
Lease Land	2,996	--	--	2,996
Total Right-to-Use Assets	452,444	73,377	(25,906)	499,915
Less Amortization				
Lease Equipment	(771)	(1,619)	27	(2,363)
Lease IT Equipment	(105)	(105)	--	(210)
Lease Structures and Improvements	(36,917)	(37,301)	3,176	(71,042)
Lease Land	(232)	(232)	--	(464)
Total Amortization	(38,025)	(39,257)	3,203	(74,079)
Total Lease Assets, Net of Amortization	$ 414,419	$ 34,120	$ (22,703)	$ 425,836

Business-Type Activities	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Right-to-Use Assets				
Lease Equipment	$ --	$ 62	$ --	$ 62
Total Right-to-Use Assets	--	62	--	62
Less Amortization				
Lease Equipment	--	(44)	--	(44)
Total Amortization	--	(44)	--	(44)
Total Lease Assets, Net of Amortization	$ --	$ 18	$ --	$ 18

Governmental & Business-Type Activities	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Total Lease Assets	$ 452,444	$ 73,439	$ (25,906)	$ 499,977
Total Amortization	(38,025)	(39,301)	3,203	(74,123)
Total Net Right-to-Use Assets	$ 414,419	$ 34,138	$ (22,703)	$ 425,854

(Dollar Amounts in Thousands)

13. LEASES (Continued)

Lessee (Continued)

The future principal and interest payments as of June 30, 2023 are as follows:

	Governmental Activities		Business-Type Activities	
Fiscal Year Ended June 30	**Principal**	**Interest**	**Principal**	**Interest**
2024	$ 27,341	$ 14,150	$ 27	$ --
2025	24,572	13,306	--	--
2026	23,662	12,579	--	--
2027	27,196	11,777	--	--
2028	28,008	10,907	--	--
2029-2033	121,011	42,202	--	--
2034-2038	80,225	25,756	--	--
2039-2043	68,733	14,041	--	--
2044-2048	44,012	3,496	--	--
2049-2052	4,222	59	--	--
Total	$ 448,982	$ 148,273	$ 27	$ --

Lessor

The County leases its real property, and structures and improvements to others for various commercial, recreational, retail, and restaurant purposes. The terms of these noncancelable leases include the noncancelable period per the contract plus/minus any extension options or termination options the County is reasonably certain to exercise. Governmental activities leases receivables are held primarily by the Other Governmental Funds, and business-type activities leases receivables are held by the Airport and OC Waste & Recycling.

In FY 2022-23, the discount rate applied to new or modified leases is 4%. The County recognized $18,777 and $5,463 in principal and interest cash receipts. In addition $4,027 was recognized as lease variable revenue based on lessee performance and changes in consumer price index (CPI). The leases receivable ending balance is $179,881 at June 30, 2023.

As of July 1, 2022, the County subleased a building to Royale Health Care Center. On March 24, 2023, Royale Health Care Center sold its operations to 1030 Warner Ave Propco, LLC, and signed an Assignment and Assumption of Master Lease. As a result of this transaction, the County recognize a gain of $244 and a leases receivable ending balance of $9,311 at June 20, 2023.

Governmental Activities	**Balance July 1, 2022**	**Increases**	**Decreases**	**Balance June 30, 2023**
Leases Receivable				
Structures & Improvements	$ 10,932	$ 9,720	$ (15,612)	$ 5,040
Land	99,074	21,698	(49,784)	70,988
Total Leases Receivable	$ 110,006	$ 31,418	$ (65,396)	$ 76,028

Business-Type Activities	**Balance July 1, 2022**	**Increases**	**Decreases**	**Balance June 30, 2023**
Leases Receivable				
Structures & Improvements	$ 7,540	$ --	$ (931)	$ 6,609
Land	108,234	2,133	(13,123)	97,244
Total Leases Receivable	$ 115,774	$ 2,133	$ (14,054)	$ 103,853

(Dollar Amounts in Thousands)

13. LEASES (Continued)

Lessor (Continued)

Governmental & Business-Type Activities	
Total Leases Receivable	$ 259,331
Total FY 22-23 Payments	(18,777)
Total FY 22-23 Adjustments/Terminations	(60,673)
Leases Receivable Balance	$ 179,881

The following schedule presents by fiscal year the future minimum principal and interest revenue to be received for Governmental and Business-Type activities:

	Governmental Activities		Business-Type Activities	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest
2024	$ 5,300	$ 2,697	$ 14,491	$ 2,963
2025	5,357	2,472	14,949	2,520
2026	5,300	2,267	15,422	2,063
2027	4,967	2,062	15,895	1,591
2028	3,875	1,896	15,663	1,111
2029-2033	17,458	7,417	22,196	1,515
2034-2038	10,117	4,727	1,479	820
2039-2043	5,860	3,331	2,240	483
2044-2048	2,417	2,591	1,518	95
2049-2053	2,034	2,196	--	--
2054-2058	1,847	1,873	--	--
2059-2063	2,114	1,576	--	--
2064-2068	2,457	1,232	--	--
2069-2073	2,792	838	--	--
2074-2078	3,243	387	--	--
2079-2082	890	18	--	--
Total	$ 76,028	$ 37,580	$ 103,853	$ 13,161

Regulated Leases

In accordance with GASB Statement No. 87, certain lease agreements, between airports and aeronautical users are subject to regulations set forth by the Federal Aviation Administration and Department of Homeland Security. A lease receivable and a deferred inflows of resources is not recognized for these leases. The Airport identifies the following regulated leases:

Commercial and Commuter Airlines and Cargo Leases

The Airport entered into five-year lease agreements with various commercial and commuter airlines and cargo carriers that commenced on January 1, 2021 and expire on December 31, 2025, with no option to extend. Revenues from terminal rates, landing, operations, and remain over-night fees totaled $66,365 for the year ended June 30, 2023, of which $35,120, are considered variable rental payments.

Airline minimum rental revenues are based on rates adopted by the Board and are subject to change semi-annually in accordance with the related airlines' operating lease agreements. Due to the nature of the above revenues, expected future minimum payments are indeterminable.

(Dollar Amounts in Thousands)

13. LEASES (Continued)

Regulated Leases (Continued)

Fixed-Base Operation Leases

The Airport entered into multi-year lease agreements with full service and limited service fixed-base operators (FBO) that commenced on January 1, 2021. The full service agreements expire on December 31, 2055, with no option to extend. The limited service agreement expires on December 31, 2050, and with certain conditions, the lessee shall have the option to extend. Revenues from ground rent, building rent, and percentage rent of various gross receipts totaled $10,278 for the year ended June 30, 2023, of which $2,357, are considered variable rental payments. The future minimum payments are shown in the following table.

Limited Use General Aviation Facility Lease

The Airport entered into a two-year agreement with a limited use general aviation operator on September 1, 2006, which included an option for an 18 year lease extension. On October 21, 2008, the lease was extended to August 31, 2026, and on December 18, 2012, the lease was extended to August 31, 2036. Revenue from ground rent totaled $510 for the year ended June 30, 2023, paid in twelve monthly installments. The future minimum payments are shown in the following table.

Hydrant Fueling Facilities Lease

The Airport entered into a 25 year hydrant fueling facilities lease agreement with a consortium of airline carriers on September 14, 1990. On September 14, 2010, the lease was extended to December 31, 2030. Revenue from rent totaled $29 for the year ended June 30, 2023, paid in twelve monthly installments. The future minimum payments are shown in the following table.

Security Services Lease

The Airport entered into a five-year agreement with the Transportation Security Administration on October 1, 2018. On October 1, 2023, the lease was extended to September 30, 2033. Revenue from rent totaled $278 for the year ended June 30, 2023, paid in twelve monthly installments.

Future minimum lease payments to be received as of June 30, 2023 are as follows:

Year Ending June 30	Fixed-Base Operation Lease	Limited Use General Aviation Facility Lease	Hydrant Fueling Facilities Lease	Security Services Lease	Total
2024	$ 8,182	$ 509	$ 27	$ 327	$ 9,045
2025	8,182	509	27	352	9,070
2026	7,673	509	27	365	8,574
2027	7,164	509	27	379	8,079
2028	7,164	509	27	394	8,094
2029-2033	31,685	2,546	69	2,215	36,515
2034-2038	22,031	1,619	--	121	23,771
2039-2043	22,031	--	--	--	22,031
2044-2048	22,031	--	--	--	22,031
2049-2053	20,936	--	--	--	20,936
2054-2058	7,257	--	--	--	7,257
Total	$ 164,336	$ 6,710	$ 204	$ 4,153	$ 175,403

(Dollar Amounts in Thousands)

13. LEASES (Continued)

Regulated Leases (Continued)

Under the agreements with the airlines, they may have exclusive use of certain space and facilities of the terminals in the Airport as summarized below:

Terminal	Airlines Using the Terminal Area Exclusively	Exclusively Used Terminal Area (Sqft)
A	Air Canada	597
A	American	11,201
A	Breeze	298
A	Delta	3,182
A	WestJet	474
B	Alaska	3,083
B	United	11,687
C	Allegiant	603
C	Frontier	605
C	Southwest	10,460
C	Spirit	810
	Total	43,000

14. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The County entered into noncancelable SBITAs with various vendors for the intangible right-to-use SBITA assets. The SBITA terms include the noncancelable period per the contract plus/minus any extension options or termination options the County is reasonably certain to exercise. The County recognized in FY 2022-23 an initial right-to-use SBITA asset balance of $31,638, increases of $37,518 due to new SBITAs, and amortization of $29,696, for a right-to-use asset balance of $39,460, net of amortization at June 30, 2023.

In FY 2022-23, the discount rate applied to SBITAs is 4%. Using this discount rate, the County recognized in FY 2022-23 an initial SBITA liability of $31,638, increases of $32,304 due to new SBITAs, principal SBITA payments of $30,629, and interest SBITA payments of $603. In addition, $2,233 was recognized as SBITA variable payment based on performance. The principal SBITA payments reduced the SBITA liability to $33,313 at June 30,2023.

	Balance July 1, 2022, as restated	Increases	Decreases	Balance June 30, 2023
Governmental Activities				
Right-to-Use SBITA Assets	$ 31,210	$ 37,072	$ --	$ 68,282
Total Right-to-Use SBITA Assets	31,210	37,072	--	68,282
Less Amortization	--	(29,300)	--	(29,300)
Total Amortization	--	(29,300)	--	(29,300)
Total Right-to-Use SBITA Assets, net of amortization	$ 31,210	$ 7,772	$ --	$ 38,982

(Dollar Amounts in Thousands)

14. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA) (Continued)

	Balance July 1, 2022, as restated	Increases	Decreases	Balance June 30, 2023
Business-Type Activities				
Right-to-Use SBITA Assets	$ 428	$ 446	$ --	$ 874
Total Right-to-Use SBITA Assets	428	446		874
Less Amortization	--	(396)	--	(396)
Total Amortization	--	(396)	--	(396)
Total Right-to-Use SBITA Assets, net of amortization	$ 428	$ 50	$ --	$ 478

	Balance July 1, 2022, as restated	Increases	Decreases	Balance June 30, 2023
Governmental & Business-Type Activities				
Total Right-to-Use SBITA Assets	$ 31,638	$ 37,518	$ --	$ 69,156
Total Amortization	--	(29,696)	--	(29,696)
Total Net Right-to-Use SBITA Assets	$ 31,638	$ 7,822	$ --	$ 39,460

The future principal and interest payments as of June 30, 2023 are as follows:

	Governmental Activities		Business-Type Activities	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest
2024	$ 16,949	$ 1,083	$ 295	$ 18
2025	11,221	661	225	6
2026	3,212	180	--	--
2027	1,411	51	--	--
Total	$ 32,793	$ 1,975	$ 520	$ 24

15. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require OC Waste & Recycling to place final covers on its landfill sites when the landfills stop accepting waste, and to 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, OC Waste & Recycling reports a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of the Statement of Net Position date.

OC Waste & Recycling 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, 2023 was $203,805. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (39.81% for FRB, 92.14% for Olinda Alpha and 24.36% for Prima Deshecha), less actual costs paid related to both closure, and postclosure of the Santiago and Coyote Canyon landfills. OC Waste & Recycling will recognize the remaining estimated cost of closure and postclosure care of $191,666 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and

(Dollar Amounts in Thousands)

15. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

postclosure care in 2022 dollars (using the 2022 inflation factor of 1.070). OC Waste & Recycling has enough landfill capacity to operate the system for a minimum of 25 years. However, OC Waste & Recycling estimates that it 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, OC Waste & Recycling makes cash contributions as required 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 which is adjusted annually by the Cal Recycle-provided CPI factor. Also, in compliance with regulations, OC Waste & Recycling has executed pledge-of-revenue agreements to provide financial assurance for estimated future landfill postclosure maintenance costs. The agreements state that OC Waste & Recycling pledges revenue from future gate fees deposited to pay for estimated postclosure maintenance or shall obtain alternative coverage within sixty (60) days if OC Waste & Recycling ceases at any time to retain control of its ability to allocate pledged revenue to pay postclosure maintenance costs. OC Waste & Recycling 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, 2023, a total of $103,840 has been set aside for estimated closure and postclosure costs and is included in the accompanying Statement of Net Position as Restricted Pooled Cash and 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 18, Pollution Remediation, for additional discussion regarding pollution remediation liabilities.

16. 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 at June 30, 2023, as follows:

General Fund	$ 67,917
Flood Control District	64,815
Other Public Protection	4,806
Other Governmental Funds	110,651
Total Encumbrances for Governmental Funds	$ 248,189

(Dollar Amounts in Thousands)

16. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments

At June 30, 2023, the County's total commitments for major contracts entered into for equipment, intangible assets, 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	
Sheriff Bell Building-Electrical Services	$ 5,000
Central Utility Facility-Replacement of Steam & Condensate Lines to Jail/Intake Release Center	4,672
Telecommunications Technology	1,975
Purchase of Heavy Equipment for Facilities Operations	1,083
Harbor Patrol Bureau-Purchase and Repair of Boats/Boat Equipment	1,038
	13,768
Flood Control District	
East Garden Grove-Wintersburg Channel Bridges at Warner Ave, Springdale St, Edwards St	18,527
Huntington Beach and Talbert Channels Rehabilitation Project	3,342
Prado Dam Project	3,151
Santa Ana Gardens Channel Bikeway Extension Phases 2-4	2,598
Santa Ana Delhi Channel-Backbay, University to Mesa Dr	2,000
East Garden Grove-Wintersburg Channel U/S Warner	1,977
Laguna Canyon Channel Replacement Woodland to Canyon Frontage Road	1,680
Santa Ana River Parkway Extension	1,124
	34,399
Other Public Protection	
Purchase of Fireboat	1,478
Purchase of Cellular Equipment	1,373
	2,851
Other Governmental Funds	
Civic Center Master Plan Phase III	5,771
Coyote Creek Channel Segment O	4,520
Los Alamitos/Rossmoor Library-Tenant Enhancements HVAC & Roof	3,230
El Toro Emergency Medical Facility	2,578
Trabuco Creek Road Stabilization	2,371
Adult Re-entry Facility	2,187
Probation Youth Transition Center	2,158
Trabuco Canyon Bridge 55C-008 Replacement	2,067
HCA 17th St at El Toro Feasibility	1,846
Manchester Office Building-Replace Building Automation System Controls	1,372
Jail Facilities ADA Compliance Upgrade	1,302
Jail Security Electronic Control Systems Upgrade	1,246
Loma Ridge Emergency Generators Replacement	1,223
Gates-Building Generator Replacement	1,135
Gates-Building Variable Air Volume Boxes Phase III Replacement	1,114
County Operations Center-Building B 1st Floor Remodel & HVAC	1,001
	35,121
Internal Service Funds	
Purchase of Various Vehicles	12,404
	12,404

(Dollar Amounts in Thousands)

16. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

Project Title	Significant Commitments
Business-Type Activities:	
Airport	
Facility Accessibility Improvements for Terminal Phase II	$ 3,619
Design and Build of Aircraft Rescue and Fire Fighting Vehicle	1,647
	5,266
OC Waste & Recycling	
Frank R. Bowerman Phase VIII-A1 Groundwater Protection & Stockpile Project	35,135
Frank R. Bowerman Sewer Line and Water Treatment System	8,422
Prima Fee Booth Replacement	4,007
Various Heavy Equipment Purchases for Olinda Alpha/North Regional Landfill	2,807
Various Heavy Equipment Purchases for Prima/South Regional Landfill	2,122
	52,493
Total Commitments	$ 156,302

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 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 OCFCD through a separate Project Cooperation Agreement (PCA). The purpose of the SARMP is to prevent 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 potential impacts to 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 $2,830,419. OCFCD's combined cost share is estimated to be $1,053,008 for the entire Santa Ana River Project. As of June 30, 2023, the OCFCD has expended about $759,743 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 to the spillway are also ongoing. 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 Green River Golf Course was acquired in September 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

16. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

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 occurred in February 2020. 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 was completed in January 2019. The construction contract for Phase 5B was awarded in September 2016 with an estimated cost of $25,500, but it was ultimately terminated in FY 2019-20. A new contract was awarded in September 2020 and was completed in September 2022. 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 Phase II was completed in July 2019. A contract for the construction of the Yorba-Slaughter Adobe Dike was awarded in December of 2012 at a cost of $6,000 and was substantially completed in August 2017. The Women’s Prison Dike (to protect the California Institute of Women) was awarded September 2014 for $12,700 and a $3,400 modification which was awarded in August 2015. This feature was substantially completed April of 2016.The OCFCD continues to acquire property rights for the Prado Dam Project, subject to the availability of funding. OCFCD has also commenced the relocation of utilities that will be impacted by the expanded inundation area due to the raising of the Prado Spillway crest.

The Santa Ana River Mainstem 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, 2023, OCFCD has submitted $446,556 in claims, and received $436,332 in reimbursements. An additional $6,185 in claims to DWR and $20,320 reimbursement to DWR are in the process of being prepared for submittal to the DWR. Of the total amount outstanding, $6,185 was reported as deferred inflows of resources at the fund level and recognized as revenue and $20,320 was reported as due to other governmental agencies and recognized as expense 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.

The Prado Dam Project, a separable element of the Santa Ana River Mainstem Project, has been authorized for reimbursement of up to 100% of the Non-Federal Sponsors’ eligible expenses through the Bipartisan Budget Act of 2018, which is administered by the Department of the Army. Non-eligible expenses will continue to be claimed from the State Flood Control Subvention Fund. As of June 30, 2023, OCFCD has submitted $46,706 in claims, and received $5,710 in reimbursements. An additional $47,514 in claims is in the process of being prepared for submittal to the Department of the Army. Of the total amount outstanding, $80,476 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 the Department of the Army, 100% of the eligible expenditures can be paid, subject to available funding. The Bipartisan Budget Act funded projects include River Road Dike, Alcoa Dike Phase 2, Norco Bluffs Slope Stabilization and Prado Spillway. The construction contract for the River Road Dike, Alcoa Dike Phase 2, and the Norco Bluffs contract have been awarded and construction has commenced. The Spillway design is ongoing and will be advertised for construction in October 2023.

17. 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 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.

(Dollar Amounts in Thousands)

17. SELF-INSURANCE (Continued)

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 $30,000 in liability coverage. There were no losses that impacted the County's excess insurance coverage for the last three fiscal years.

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 3.00% in the Workers' Compensation ISF and 2.00% 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, productive hours, 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 PPO plans have no lifetime coverage maximum limitations. The dental insurance coverage is up to $1,500 (absolute dollars) annually for each covered employee or dependent. The short-term disability insurance coverage is up to 12 months or when the employee returns to work, whichever occurs first. 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 Benefits	Total
Unpaid Claims, Beginning of FY 2021-22	$ 159,536	$ 67,289	$ 669	$ 9,988	$ 237,482
Claims and Changes in Estimates	45,362	21,417	1,004	77,377	145,160
Claim Payments	(38,111)	(16,269)	(969)	(77,270)	(132,619)
Unpaid Claims, End of FY 2021-22	166,787	72,437	704	10,095	250,023
Claims and Changes in Estimates	47,145	34,009	1,322	74,195	156,671
Claim Payments	(40,165)	(28,667)	(1,263)	(73,905)	(144,000)
Unpaid Claims, End of FY 2022-23	$ 173,767	$ 77,779	$ 763	$ 10,385	$ 262,694

(Dollar Amounts in Thousands)

18. POLLUTION REMEDIATION

GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*," requires state and local governments to disclose to the public 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 the Airport and OC Waste & Recycling 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 the Airport and OC Waste & Recycling.

John Wayne Airport (Airport)

In 1988, the Airport was named as a responsible party in a cleanup and abatement order (CAO) issued by the Regional Water Quality Control Board (RWQCB). The CAO identified four sites on Airport property as having chemical impacts to soil and groundwater. Site investigation and remedial action activities were completed, and in 2003, the RWQCB issued No Further Action letters to the Airport for the sites except the Old Fuel Farm site.

At the Old Fuel Farm, site investigation activities were completed, and on-going remedial activities include removal of residual free hydrocarbon product and monitored natural attenuation of groundwater. Annual groundwater sampling and reporting is currently conducted at the Old Fuel Farm, and the reports are prepared and submitted to the RWQCB.

In 1993, hydrocarbon-impacted soils were documented following removal of two 1,000-gallon underground storage tanks (USTs) at Former Fire Station #33. Following over-excavation and off-site disposal of hydrocarbon-impacted soils, the Orange County Health Care Agency issued a Completion of Corrective Action Letter to the Airport in 1994 related to the UST removal activities. During geotechnical assessment activities conducted at Former Fire Station #33 in 1999, soils appearing to be impacted with hydrocarbons were encountered and the soil boring logs were submitted to the RWQCB. In 2002, the RWQCB requested that the Airport assess the presence and distribution of chemical impacts to soil and groundwater. Site investigation activities were conducted between 2002 and 2006, and on-going remedial activities include monitored natural attenuation of groundwater. Currently, semi-annual groundwater sampling and reporting is conducted at Former Fire Station #33, and the reports prepared are submitted to the RWQCB.

In 2009, a new estimated pollution remediation liability was calculated based on a more active method of remediation for each of the Old Fuel Farm and Former Fire Station #33 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, 2023, the Airport has a liability of $994 based on management's assessment and the results of the consultant's evaluation of potential remediation costs. The liability is not expected to decrease until active remediation begins or a closure plan is accepted by the RWQCB.

In 1995, the Airport entered into a Memorandum of Understanding (MOU) with one of its fixed-base operators (FBO) lessees to address the remediation of the Old Fuel Farm. The FBO was identified as the operator of the site 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 Proprietary Funds Statement of Net Position as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is $256 as of June 30, 2023.

The estimated pollution remediation obligation as of June 30, 2023, is:

Old Fuel Farm Site	$	785
Former Fire Station #33 Site		692
Less: Remediation Activity		(483)
Airport Pollution Remediation Obligation	$	994

18. POLLUTION REMEDIATION (Continued)

OC Waste & Recycling

Six closed sites were identified and 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 as of June 30, 2023, after deducting actual pollution remediation expenses incurred during fiscal year 2023 is $8,155.

Cannery Former Refuse Disposal Station A park owned by the City of Huntington Beach (Huntington Beach), California 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 Huntington Beach, requiring Huntington Beach to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, Huntington Beach and the Huntington Beach City School District (Huntington Beach School District) issued the Notices of Intent to Sue under the Resource and Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation, and Liability Act to the County in 2004. Under an agreement with the County, Huntington Beach, and Huntington Beach School District claims were tolled until June 2006.

The County, Huntington Beach, and Huntington Beach School District entered into a Settlement Agreement in 2007 whereby Huntington Beach 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 waste has been buried and other factors, the County anticipates that the landfill gas collection system will operate fully for 15 years from beginning of the obligation date. The cost to operate and maintain the landfill gas collection system at the site for the next fiscal year of operation is $7. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is $25.

Lane Road Former Refuse Disposal Station The site, located in the City of Irvine, California 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 was present above regulatory limits in close proximity to residential housing units. The LEA issued a Notice and Order to the property owner 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 owner 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.

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 from beginning of the obligation date, then will most likely either no longer be required or will 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. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next fiscal year of operation is $303. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is $606.

18. POLLUTION REMEDIATION (Continued)

OC Waste & Recycling (Continued)

San Joaquin Former Refuse Disposal Station The site, owned by the University of California at Irvine (UC 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 U.S. 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 UC Irvine that was approved by the Board in May 2008. 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 from beginning of the obligation date. The cost to operate and maintain the landfill gas collection system at the site for the next fiscal year of operation is $116. The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is $231.

Forster Former Refuse Disposal Station The site, located in the City of San Juan Capistrano (San Juan Capistrano), California, was formerly leased and operated as a refuse disposal station by the County from 1958 to 1976. The current owner, Advanced Group 99-SJ, is proposing a change in land use for the property and has notified the County of its position that the County is responsible for re-closure of the site to meet current commercial and redevelopment requirements. The County disputes responsibility for site development related costs. In early 2010, 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 San Juan Capistrano 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 CEQA approvals. The settlement and release will permit the development of the site, with monies 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.

The 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 anticipated to be released within five years from the approval of the project grading permits, but is dependent upon actions by the owner and regulatory approvals for the project. 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 as of June 30, 2023.

The remaining balance for landfill gas remediation at the Forster site is $3,000 as of June 30, 2023. Distribution of these funds will occur over time, based on specific milestones in the development of the site.

Yorba Refuse Disposal Station The site, located in Orange, California (Orange), was owned and operated as a solid waste disposal site by the County. After disposal operations ceased, the site was sold to Orange for use as a city park. Park deed restrictions were later lifted from the property at the request of the city, which then began investigation into some form of commercial application or development at the site. In 2010, the Orange Redevelopment Agency filed suit against the City of Orange. The Complaint alleged various causes of action, including those for private nuisance, public nuisance, dangerous condition of property and statutory contributions for hazardous substances, and a Porter-Cologne contribution and for Polanco Redevelopment Act cost recovery. The relief sought is for unknown costs and damages. In turn, Orange filed a cross-

(Dollar Amounts in Thousands)

18. POLLUTION REMEDIATION (Continued)

OC Waste & Recycling (Continued)

Yorba Refuse Disposal Station (Continued)

complaint against the County. The causes of action alleged include indemnity and/or contribution, declaratory relief, hazardous substance account act indemnity and remedies under the Porter-Cologne Act.

The County and Orange entered into negotiations to resolve the issues brought forth by Orange. The negotiations resulted in a settlement agreement and release of claims executed on November 5, 2015. This settlement agreement and release of claims provides a remedy for the differential settlement or subsidence, to replace the irrigation system, and for costs associated with site maintenance with monies paid for by the County. In addition, effective on the date of the agreement, the County assumed responsibility and ownership of the landfill gas control system at the site. In exchange, indemnification has been provided by Orange to the County. 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 30 years from beginning of the obligation date, then will most likely either no longer be required or will 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 system needed upgrades and relocation of critical equipment. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next fiscal year of operation will be $186. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is $4,293 as of June 30, 2023.

The estimated pollution remediation obligation as of June 30, 2023 is:

Cannery Former Refuse Disposal Station	$	25
Lane Road Former Refuse Disposal Station		606
San Joaquin Former Refuse Disposal Station		231
Forster Former Refuse Disposal Station		3,000
Yorba Refuse Disposal Station		4,293
OC Waste & Recycling Pollution Remediation Obligation	$	8,155

19. RETIREMENT PLANS

The County participates in a number of pension plans. The OCERS plan and Extra-Help Defined Benefit plan are cost-sharing multiple-employer defined benefit pension plans. The County of Orange 401(a) and County of Orange 1.62% at 65 Retirement 401(a) plans are defined contribution plans. A summary of pension amounts for the County's defined benefit plans at June 30, 2023 is presented below:

		OCERS		Extra-Help Defined Benefit Plan		Total
Deferred Outflows of Resources Related to Pension	$	1,288,672	$	240	$	1,288,912
Net Pension Liability		4,469,948		1,174		4,471,122
Deferred Inflows of Resources Related to Pension		120,775		-		120,775
Pension Expense		580,232		98		580,330

For further information on the deferred outflows/inflows of resources related to pension refer to Note 21, Deferred Outflows and Inflows of Resources.

19. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS)

Plan Description: Substantially all County employees participate in 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, CGC 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 elected County Treasurer-Tax Collector serves as an Ex-Officio 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.

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 OCERS' year end.

OCERS operates as a cost-sharing multi-employer defined benefit pension plan for the County, Orange County Superior Court of California, City of San Juan Capistrano, and ten special districts: Orange County Cemetery District, First 5 Orange County, Orange County Department of Education, Orange County Employees Retirement System, Orange County Fire Authority, Orange County In-Home Supportive Services Public Authority, Orange County Local Agency Formation Commission (LAFCO), Orange County Public Law Library, Orange County Sanitation District, Orange County Transportation Authority, Transportation Corridor Agencies and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of California, Irvine Medical Center and Campus are closed to new member participation. Capistrano Beach, Cypress Recreation & Parks District, Orange County Mosquito and Vector Control and City of Rancho Santa Margarita are no longer active plan sponsors, but retired members and their beneficiaries, as well as deferred members, remain in the System. OCERS is legally and fiscally independent of the County. However, it is presented as a fiduciary component unit of the County based on the GASB Statement No. 84 guidelines.

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.

19. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Benefits Provided (Continued)

Effective July 1, 2005, as part of collective bargaining agreements with County employees, most General members who work for the County (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 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 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 141 retirees (of which 138 are County retirees) who retired on or 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 2022-23, employer's contributions for funding purpose, as a percentage of covered payrolls, were 40.82% for General members, 63.25% for Safety-Law Enforcement members and 56.85% for Safety-Probation members, as determined by the December 31, 2020, actuarial valuation. The County's total contribution to OCERS for the year ended June 30, 2023 was $591,307.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2023, the County reported a liability of $4,469,948 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined using actuarial valuation results. At December 31, 2022, the County's proportion was 82.92%, which was a decrease of 16.94% from its proportion measured as of December 31, 2021.

(Dollar Amounts in Thousands)

19. 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)

For the year ended June 30, 2023, the County recognized pension expense of $580,232. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Governmental Activities	Airport	OC Waste & Recycling	Total
Deferred Outflows of Resources Related to Pension per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 764,546	$ 7,284	$ 8,458	$ 780,288
Difference Between Expected and Actual Experience	83,660	724	872	85,256
Changes of Assumptions	79,762	662	1,121	81,545
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	16,209	139	184	16,532
Deferred Outflows of Resources Related to Pension - Employer Contributions after Measurement date	318,862	2,153	4,036	325,051
Total Deferred Outflows of Resources Related to Pension	**$ 1,263,039**	**$ 10,962**	**$ 14,671**	**$ 1,288,672**
Deferred Inflows of Resources Related to Pension per Actuarial Studies				
Difference Between Expected and Actual Experience	$ 53,302	$ 727	$ 1,098	$ 55,127
Changes of Assumptions	58,417	689	849	59,955
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,589	47	57	5,693
Total Deferred Inflows of Resources Related to Pension	**$ 117,308**	**$ 1,463**	**$ 2,004**	**$ 120,775**

$325,051 reported as deferred outflows or 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, 2024. For further information on the deferred outflows and inflows of resources related to pension refer to Note 21, Deferred Outflows and Inflows of Resources.

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, 2023, $144,682 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, 2023, the County did not utilize funds available in the County Investment Account to pay a portion of the prepayment.

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:	
2024	$ (62,058)
2025	118,402
2026	262,797
2027	521,276
2028	2,429
Total	$ 842,846

(Dollar Amounts in Thousands)

19. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Actuarial Assumptions: The actuarial assumptions included a 2.50% inflation rate, 4.00% to 11.00% projected salary increases to general members and 4.60% to 15.00% to safety members, and a 7.00% 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, 2017 through December 31, 2019, using the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2019.

Discount Rate: The discount rate used to measure the total pension liability was 7.00%, the long-term expected rate of return on pension plan investments. 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 expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 13 basis points. 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.

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 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 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 Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA - Trend Following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%
Total	100.00%	

(Dollar Amounts in Thousands)

19. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	$ 7,074,862	$ 4,469,948	$ 2,345,200

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, P.O. Box 1229, Santa Ana, CA 92702, or by calling (714) 558-6200.

County Administered Plans

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 service credited under the Plan. 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 the greater of the actuarial equivalent of the participant's frozen accrued monthly benefit or 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 greater of the participant's account balance or the present value of their normal retirement benefit. As of June 30, 2023, the plan consists of 11 active plan participants, 150 terminated plan participants entitled to but not yet receiving benefits, and 35 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 Empower Retirement Investment management fee is an annual asset-based fee of 8.5 basis points (each basis point is one hundredth of a percent).

(Dollar Amounts in Thousands)

19. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Contributions: The County has the authority to determine plan contributions. GASB Statement No. 67, "*Financial Reporting for Pension Plans,"* 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 as of July 1, 2021, rolled forward to June 30, 2023 using actual benefit payments for FY 2022-23. In both the 2021 valuation and the 2023 roll forward calculations the actuarial assets are valued at fair value. Because plan benefits are frozen, the actuary has determined the County's actuarially determined contribution using the projected unit credit method and a 5-year rolling amortization of the Unfunded Actuarial Accrued Liability. 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 $8,130. For the year ended June 30, 2023, the County and six (6) cost-sharing agencies contributed $160. The County's proportionate share of the contribution was $157.

Plan participants do not contribute to the fund effective November 21, 2008 (the date of the freeze). Note that effective November 21, 2008, there is no normal cost 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). The allocation policy with the target asset class and allocation is set forth in the investment policy.

Concentrations: Empower is the record keeper for the investments. The plan has stated its assets at fair value based on information provided by Empower Retirement.

Discount Rate: For the year ended June 30, 2023, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, was 7.04%. 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 4.75%, the same as the long-term expected rate of return on plan assets.

In accordance with paragraph 30 of GASB Statement No. 68, the long-term discount rate was determined without reduction for pension plan administrative expense.

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 plus expected inflation, rounded to the nearest 0.25%. The target investment allocation is 33% equities and 67% fixed income. The best estimate of the long-term expected geometric real rate of return for the equities and fixed income (net of investment expense and inflation) are 4.29% U.S. equity, 4.55% U.S. small cap equity, 4.49% non-U.S. equity, 0.78% U.S. fixed income, and 0.46% global fixed income.

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, 2023 were as follows:

Total Pension Liability	$	5,165
Plan's Fiduciary Net Position		(3,962)
Plan's Net Pension Liability	$	1,203
Plan Fiduciary Net Position as a percentage of the Total Pension Liability		76.73%

(Dollar Amounts in Thousands)

19. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pensions (Continued)

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 and rolled forward to the measurement date of June 30, 2023. The County's proportionate share of the June 30, 2023 net pension liability is $1,174. 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, 2023, the County recognized pension expense of $98. At June 30, 2023, the County reported deferred outflows of resources of $240, which represents the aggregated net difference between projected and actual earnings on plan investments.

	Governmental Activities	Airport	OC Waste & Recycling	Total
Deferred Outflows of Resources Related to Pension per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 235	$ 1	$ 4	$ 240
Total Deferred Outflows of Resources Related to Pension	**$ 235**	**$ 1**	**$ 4**	**$ 240**

The deferred outflows and inflows of resources related to this pension plan will be recognized as pension expense for the County as follows:

Year ending June 30:	
2024	$ 60
2025	46
2026	146
2027	(12)
Total	$ 240

Actuarial Assumptions: The total pension liability based on the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement: (a) 2.50% inflation, (b) 4.75% 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 4.50%, and (d) PubG-2010 Healthy Retiree Mortality Table projected generationally with mortality improvement Scale MP-2019. 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 4.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.75%) or 1-percentage-point higher (5.75%) than the current rate:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Collective plan	$ 1,331	$ 1,203	$ 1,088
County's proportionate share	$ 1,306	$ 1,174	$ 1,068

19. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

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 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, 2023, there were 7,680 participants with a balance in the plan, with 1,616 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 the third party administrator of the plan. The County established a trust to hold the plan assets, and Empower Retirement administers the plan at the will and approval of the County. In the current fiscal year, there was no additional contribution made by the County and total employee contributions were $1,008. As of June 30, 2023, total plan assets were $10,852.

Administrative Cost: There is an annual administrative fee of 0.16% charged to participants (at a monthly rate of 0.013%), which is capped for account balances at $125. 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.

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 into 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 and all grandfathered administrative managers effective June 23, 2016 and December 28, 2012, respectively. 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

19. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

County of Orange 401(a) Defined Contribution Plan (Continued)

Plan Description (Continued)

individual contributions and investment return. As of June 30, 2023, the plan had 600 participants with a balance in the plan, with 283 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. An additional 1.5% is contributed on behalf of Elected Officials who choose not to participate in OCERS. Total contributions for the fiscal year ended June 30, 2023, were $1,420 by the County and zero by the employees.

As previously described, Empower Retirement serves on behalf of the County as the third party administrator of the plan. The plan is reported as a fiduciary activity as the County has control of the assets. Contribution to the plan defaults to the County's Stable Value Fund upon initial enrollment, which is offered through Empower Retirement and designed to generate a stable yield while preserving the investor's principal. 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. A small percentage of participants self-direct. As of June 30, 2023, total plan assets were $22,179.

Administrative Cost: There is an annual administrative fee of 0.16% charged to participants (at a monthly rate of 0.013%) which is capped for account balances at $125. There is an additional $9 (absolute dollars) flat fee per year, which is a monthly fee $0.75 (absolute dollars) charged to each participant. 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.

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" OCERS retirement formula for certain eligible employees. Effective May 7, 2010, as amended and restated on July 1, 2011, the Board approved the County 1.62% Defined Contribution Plan for the benefit of employees in the "1.62% at 65" OCERS 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 strictly voluntary. Employees are auto enrolled into the Plan and are given the option to opt out. It is designed to supplement the "1.62% at 65" OCERS retirement formula. Only employees in the "1.62% at 65" OCERS retirement formula are eligible to participate in the 1.62% Defined Contribution Plan.

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" OCERS 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 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 2,080 hours of service,

19. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

County of Orange - 1.62% at 65 Retirement, 401(a) Defined Contribution Plan (Continued)

Plan Description (Continued)

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, 2023, the plan had 6,333 participants with a balance in the plan, with 4,994 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 July 1, 2020, 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 ended June 30, 2023, were $6,208 by the County and zero by the employees.

As previously described, Empower Retirement serves on behalf of the County as the third party administrator of the plan. The plan is reported as a fiduciary activity as the County has control of the assets. 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. A small percentage of participants self-direct. As of June 30, 2023, total plan assets were $29,282.

Administrative Cost: There is an annual administrative fee of 0.16% charged to participants (at a monthly rate of 0.013%), which is capped for account balances at $125. 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.

(Dollar Amounts in Thousands)

19. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

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 fiscal year ended June 30, 2023:

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	$ 557	$ 554	$ 1	$ 1	$ 1
Cash and Cash Equivalents	1	--	--	1	--
Restricted Cash and Investments					
Restricted Investments with Trustee	65,333	3,404	10,817	22,121	28,991
Receivables:					
Interest Receivable	4	4	--	--	--
Due from Other Governmental Agencies	380	--	34	56	290
Total Assets	66,275	3,962	10,852	22,179	29,282
Net Position					
Restricted for Pension	66,275	3,962	10,852	22,179	29,282
Total Net Position	$ 66,275	$ 3,962	$ 10,852	$ 22,179	$ 29,282

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	$ 7,788	$ 160	$ --	$ 1,420	$ 6,208
Employee	1,008	--	1,008	--	--
Interest and Investment Income	18	18	--	--	--
Net Increase in the Fair Value of Investments	5,488	235	204	1,966	3,083
Less: Investment Expense	(93)	(4)	(10)	(25)	(54)
Total Additions	14,209	409	1,202	3,361	9,237
Deductions:					
Benefits Paid to Participants	3,316	404	963	1,655	294
Total Deductions	3,316	404	963	1,655	294
Change in Net Position	10,893	5	239	1,706	8,943
Net Position at Beginning of Year	55,382	3,957	10,613	20,473	20,339
Net Position at End of Year	$ 66,275	$ 3,962	$ 10,852	$ 22,179	$ 29,282

(Dollar Amounts in Thousands)

20. OTHER POSTEMPLOYMENT BENEFITS

County of Orange Retiree Medical Plan

Plan Description: The County of Orange Fourth Amended Retiree Medical Plan (the Retiree Medical Plan) is a cost-sharing multiple-employer defined benefit OPEB plan, intended to assist career employees in maintaining health insurance coverage following retirement from County and participating employers' 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 County Employees Retirement Law of 1937 ("CERL")–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. The Plan is reported in the County's financial statements since it administers the Plan. The Plan is reported as of December 31, 2022.

Plan Membership: As of June 30, 2023, seven employers, the County, Orange County Public Law Library, Superior Courts of Orange County, Orange County Local Agency Formation Commission, Orange County Employees Retirement System, First 5 Orange County, and Orange County Cemetery District have elected to participate in the plan. As of April 30, 2021, the membership consisted of the following:

Inactive plan members currently receiving benefit payments	9,565
Inactive plan members entitled to but not yet receiving benefit payments	53
Active plan members	14,333
	23,951

Benefits Provided: In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County and/or participating employers' 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 2022 was $24.63 (absolute dollars) per year of County service, and the maximum base monthly Grant was $615.75 (absolute dollars). The base number for calendar year 2023 is $25.37 (absolute dollars) per year of County service, and the maximum monthly Grant is $634.25 (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 plan was amended in 2007. Certain plan provisions were changed as of effective dates that varied by labor group. 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 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. 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

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Benefits Provided (Continued)

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 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.

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 (HRA) was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Association of County Law Enforcement Management (ACLEM) employees 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 ACLEM 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 HRA 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 AOCDS and ACLEM employees enrolled in the AOCDS health plans must be 10% higher than active employees. Because retirees as a group have higher medical costs than active employees, the pooling of active and pre-Medicare retiree premiums in the AOCDS health plans results in "blended rates". Blending the premium rates provides the pre-Medicare retirees the benefit of lower rates, while increasing the rates for active employees. The blended rates benefit for pre-Medicare retirees reflects the difference between the true cost of retiree benefits and the blended premium charged. GASB requires the cost of this blended rates benefit be included in the total OPEB liability.

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.

Effective July 3, 2020, the Retiree Medical Grant was frozen for all employees of the AOCDS Public Safety General and Public Safety Supervisory Unit. Service hour accruals for the Grant calculations are frozen. Only employees with ten or more credited service years as of the effective date are eligible for a Grant. Cost of living and age adjustments ceased in the calculation of the Grant. A Defined Contribution Plan HRA was established to replace the Grant or Lump Sum for all active employees with less than ten years of credited service as of the effective date, and to supplement the frozen grants for current employees with at least ten years of credited service as of the effective date.

All AOCDS Public Safety employees who retired on or after January 4, 2019 were enrolled in AOCDS retiree health plans. Employees who retired before this date remained in County retiree health plans.

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Benefits Provided (Continued)

Effective July 15, 2020 through October 8, 2020, the County implemented the Voluntary Incentive Program (VIP). Retirees who were eligible for the Grant and retired during the effective period could choose one of the following options rather than activating their Grant:

Option 1: Opt out of the Retiree Medical Plan at retirement with the option to opt back in at any open enrollment or within 30 days of a qualifying life event subject to the terms and conditions of the applicable insurance plans at the time the retiree opts back into health coverage. The retiree will be ineligible to receive their Grant during the period the retiree has opted out of the Retiree Medical Plan but their Grant will be effective the first day of the month following the date the retiree elects to opt back into the Retiree Medical Plan. When the Grant is received, the Grant will be calculated based on retiree medical years of service and age at original date of retirement, including any other adjustments required by Retiree Medical Plan provisions. While not participating in the Retiree Medical Plan and the Grant is suspended, retiree must maintain minimum essential coverage under California state law, Federal law and Medicare (if applicable), and provide proof of coverage upon County request, to be eligible to enroll in the County Retiree Medical Plan and receive the Grant. This option does not apply to retirees participating in AOCDS health plans.

Option 2: Permanently waive the right to participate in the Retiree Medical Plan and the right to receive the Grant, including a Medicare Part B reimbursement once Medicare eligible. A retiree who chose this option received a contribution to an HRA in lieu of participation in the Retiree Medical Plan.

On July 13, 2021 the Board approved a one-time voluntary opt out of the Retiree Medical Plan at retirement with the same terms and conditions as option 1 of VIP. The voluntary opt out was effective January 1, 2022.

On December 20, 2022, the Board approved restructuring of the Retiree Medical Plan for the following labor groups: Orange County Employees Association (OCEA), Orange County Managers Association (OCMA) International Union of Operating Engineers (IUOE), Teamsters, and unrepresented employees effective June 16, 2023. The Orange County Superior Courts, Orange County Public Law Library, OCERS, First 5 Orange County, Orange County Cemetery District, and the Orange County Local Agency Formation Commission also approved participation in the restructured Retiree Medical Plan.

The restructuring effective June 16, 2023, eliminates the Grant for new employees, freezes the Grant for existing employees, and transitions new and existing employees to the County Health Reimbursement Arrangement (HRA) Plan with the option for existing employees as of June 15, 2023, to place the value of their Grant in the County HRA Plan in lieu of receiving the Grant at retirement.

As of June 16, 2023, the Grant will be frozen for existing employees and they will not accrue additional service hours towards eligibility for the Grant. All employees with one or more years of credited service as of June 15, 2023, shall be eligible for the frozen Grant. The annual COLA and age adjustment (+/- 7.5%) will be eliminated. New employees as of June 16, 2023, will not be eligible for the Grant.

Existing employees as of June 15, 2023, who have accrued at least one full year of qualified credited service under the Plan Document may choose not to receive the frozen Grant and instead have $855 (absolute value) for each full year of credited qualified service deposited into the employee's HRA account. Any employee who elects to receive the frozen Grant shall be subject to the 25 year cap; however, they shall be credited $855 (absolute value) per each full year of eligible service beyond the 25 year cap in their HRA account (e.g., a 30 year employee would have $855 (absolute value) for each of the 5 years over the 25 year cap deposited into their HRA account, and at retirement receive a frozen Grant based on 25 years of service).

(Dollar Amounts in Thousands)

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Contributions: The County implemented a policy to make annual employer contributions in an amount equal to the Actuarially Determined Contribution (ADC) for the affected labor groups except ACLEM. In FY 2019-20, to ensure adequate funding of the Grant, the ADC included normal cost and amortization of liabilities for the Grant, Lump Sum and blended rates. In addition to contributing the ADC for the blended rates of retired employees enrolled in the AOCDS health plans, the County funded the blended rates benefit on a pay-as-you-go basis. Beginning in 2021, the employer contribution includes only the Grant and Lump Sum benefit. The blended rates benefit are funded on a pay-as-you-go basis.

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 IRC Section 115 trust for which the County Chief Financial Officer is the Trustee. In addition, OCERS has established an IRC Section 401(h) account to invest monies and acts as Trustee for the 401(h) account which is used to pay the Grant. The combined Trust and 401(h) represent the fiduciary net position of the Plan and are reported in the County's ACFR.

During the current fiscal year, the County set aside contributions of 0.2% of payroll for AFSCME, 0.3% for OCAA, 1.3% for AOCDS, 2.7% for law enforcement management, 3.3% for the Probation Department safety personnel, 1.8% for public safety general employees and 3.4% of payroll for all other labor groups, which is the estimated employer contribution for those groups calculated by an actuary. Additionally, ACLEM employees covered under the "3%@50" safety retirement formula contributed 1.6% of base pay.

For the Plan year ended December 31, 2022, the total Plan contributions were $46,389. The County's contribution was $42,188 (90.94%), Superior Court was $3,716 (8.01%), OCERS was $328 (0.71%), First 5 Orange County was $40 (0.09%), Law Library was $39 (0.08%), Cemetery District was $60 (0.13%), and LAFCO was $18 (0.04%). The County's contribution for the fiscal year ended June 30, 2023 was $43,336.

Funds were initially deposited into the Trust in December 2007, with subsequent deposits made throughout each fiscal year. The administrative expenses for the Trust are paid from the Trust.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The components of the collective net OPEB liability of the participating employers as of June 30, 2023 were as follows:

Collective OPEB Liability	$	689,935
Collective Plan's Fiduciary Net Position		(391,478)
Collective Net OPEB Liability	$	298,457
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		56.74%

The Collective OPEB Liability of $689,935 includes $539,027 for the Grant and Lump Sum benefits and $150,908 for the blended rates benefit. GASB requires the blended rates benefit be included in the Net OPEB liability, but the County's funding policy of only contributing towards the Grant and Lump Sum benefits means the County intends to use the Trust assets only to pay for Grant and Lump Sum benefits. If the funded percent were calculated reflecting the County's funding policy rather than GASB requirements, it would be larger than that shown above. Excluding the OPEB liability for the blended rates benefit, which are funded on a pay-as-you-go basis, from the Collective OPEB Liability, the Plan Fiduciary Net Position as a percentage of the total OPEB liability for the Grant and Lump Sum benefit is 72.63%.

(Dollar Amounts in Thousands)

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The Collective Plan Fiduciary Net Position reflects a reduction for an amount payable ($59,975) for the assets moved to the HRA for eligible General employees who chose not to receive the frozen Grant in the Plan restructure effective June 16, 2023, or for those who chose to receive the frozen Grant and have greater than 25 years of service. The amount of assets payable were adjusted for the timing difference between the measurement date and the expected date the assets were to be moved to the HRA.

At June 30, 2023, the County reported a liability of $271,417 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The County's proportion of the collective net OPEB liability was based on the 2022 share of employer contributions to the OPEB plan relative to the projected contributions of all participating employers. At December 31, 2022, the County's proportion was 90.94%, which was an increase of 0.02% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the County recognized OPEB expense of $12,114. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities	Airport	OC Waste & Recycling	Total
Deferred Outflows of Resources Related to OPEB per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	$ 21,793	$ 192	$ 222	$ 22,207
Changes of Assumptions	5,446	47	57	5,550
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,651	23	27	2,701
Employer Contributions after Measurement Date	22,094	185	237	22,516
Total Deferred Outflows of Resources Related to OPEB	**$ 51,984**	**$ 447**	**$ 543**	**$ 52,974**
Deferred Inflows of Resources Related to OPEB per Actuarial Studies				
Difference Between Expected and Actual Experience	$ 31,739	$ 274	$ 331	$ 32,344
Changes of Assumptions	8,015	71	83	8,169
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,478	30	35	3,543
Total Deferred Inflows of Resources Related to OPEB	**$ 43,232**	**$ 375**	**$ 449**	**$ 44,056**

Deferred outflow of resources of $22,516 related to OPEB resulting from County's contributions subsequent to the measurement date will be included as a reduction of the collective net OPEB liability in the following fiscal year. For further information on the deferred outflows and inflows of resources related to OPEB refer to Note 21, Deferred Outflows and Inflows of Resources. Other deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the County's OPEB expense as follows:

(Dollar Amounts in Thousands)

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Year ending June 30:		
2024	$	(7,583)
2025		(3,610)
2026		(840)
2027		5,780
2028		(5,216)
Thereafter		(2,129)
Total	$	(13,598)

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 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.

Actuarial Methods and Assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2021. The County contracts with an outside actuarial consultant to prepare a biennial actuarial valuation in conformance with GASB requirements and is based on established pattern of practice. The actuarial methods and significant actuarial assumptions used in the June 30, 2021 actuarial valuation are:

- The entry age normal actuarial cost method
- 7.00% long-term expected rate of return, net of investment expenses, on funds held in the Trusts
- 3.00% per annum payroll increase assumption
- 2.50% per annum general inflation rate assumption
- 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 in almost all future years. Therefore, it is the Grant annual increase rather than the healthcare trend that has the largest impact on the projected benefits and the net OPEB liability.
- Grant participation rate was 50% to 100%, determined by employee group and Grant service at retirement, based on the April 2019 participation study and individual Grant elections of the applicable General employees from the restructuring effective June 16, 2023.

Medical trend used for pre-Medicare members was 6.50% for 2023, decreasing to 3.75% for 2076 and later. For Medicare eligible members, 4.60% was used for 2023 decreasing to 3.75% for 2076 and later (Kaiser) and 5.65% was used for 2023, decreasing to 3.75% for 2076 and later (Non-Kaiser). Mortality rates were based on the Pub-2010 Benefit-Weighted Mortality Tables with separate tables for males and females. Mortality improvement was projected fully generational with Society of Actuaries mortality improvement Scale MP-2019.

Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%, the long-term expected rate of return on plan assets, net of investment expenses. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current negotiated contribution rate and that the employer contributions will be made at rates equal to the actuarially determined contribution rates for the Grant and lump sum benefits (with blended rates benefit paid on a pay-as-you-go basis). Based on actuarial assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Dollar Amounts in Thousands)

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Discount Rate (Continued)

The target allocation and long-term expected real rate of return for each asset class are summarized in the following table:

Asset class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Coporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA-Trend Following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%
Total	100.00%	
Assumed Long Term Rate of Inflation		2.50%
Expected Long Term Net Rate of Return		7.00%

Rate of Return: For the year ended December 31, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (7.88%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For further information on the investment policy of OCERS refer to Note 4, Cash and Investments.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate: The following presents the Net OPEB liability of the collective plan and the County's proportionate share, calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Collective plan	$ 361,121	$ 298,457	$ 243,976
County's proportionate share	$ 328,404	$ 271,417	$ 221,872

(Dollar Amounts in Thousands)

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued): The following presents the Net OPEB liability of the collective plan and the County's proportionate share, as well as what they would be calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50%/4.65%/3.60% decreasing to 2.75%) or 1-percentage-point higher (7.50%/6.65%/5.60% decreasing to 4.75%) than the current healthcare cost trend rates:

	1% Decrease (5.50%/4.65%/3.60% decreasing to 2.75%)	Current Healthcare Cost Trend Rates (6.50%/5.65%/4.60% decreasing to 3.75%)	1% Increase (7.50%/6.65%/5.60% decreasing to 4.75%)
Collective plan	$ 281,014	$ 298,457	$ 318,443
County's proportionate share	$ 255,554	$ 271,417	$ 289,592

OPEB Plan Fiduciary Net Position: As previously described, the 401(h) assets are held with OCERS. The underlying investments are presented in the Combining Statement of Fiduciary Net Position. OCERS issues an ACFR for each year ending on December 31, which includes the 401(h) assets. This report can be obtained online at www.ocers.org by request, or in writing, to the Orange County Employees Retirement System, P.O. Box 1229, Santa Ana, CA 92702, or by calling (714) 558-6200.

County of Orange Health Reimbursement Arrangement (HRA)

Plan Description: On October 23, 2007, the Board approved and adopted a 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.

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 Board or the plan administrator to comply with federal, state, or local laws, statutes, regulations, or guidance from regulatory agencies.

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; it 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.

Administration of the HRA by the third-party administrator began in August 2009. The Plan Document was amended and restated on January 1, 2011, to reflect changes to the definition of a "dependent" due to healthcare reform legislation.

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 replaces the Retiree Medical Plan for all active attorney employees.

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

County of Orange Health Reimbursement Arrangement (HRA) (Continued)

Plan Description (Continued)

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.

On January 4, 2019, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan HRA for employees of Public Safety General Unit and Public Safety Supervisory Unit effective July 3, 2020. The HRA replaces the Retiree Medical Plan for all active employees of Public Safety units.

On July 14, 2020, the Board approved and enacted the VIP, which offered the incentives to eligible employees who volunteered to separate by resignation or retirement between July 15, 2020 through October 8, 2020. Employees who were eligible for a Service Retirement Allowance pursuant to OCERS under the Retirement Law received the employer contribution to the HRA at retirement. A one-time County contribution, in the amount equal to the pre-tax amount approved by the Board, or contribution equal to the Board approved percentage of base annual salary (whichever was greater), was contributed to the County's HRA. In addition, employees eligible for a Grant in the Retiree Medical Insurance Program were offered an HRA contribution in lieu of a Grant. The value contributed to the HRA was $655 (absolute dollars) multiplied by an employee's total years of County service.

On December 20, 2022, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan HRA for employees represented by OCEA, OCMA, IUOE, Teamsters, and unrepresented employees effective June 16, 2023. The Orange County Superior Courts, Orange County Public Law Library, OCERS, First 5 Orange County, Orange County Cemetery District, and the Orange County Local Agency Formation Commission also approved participation in the restructured Retiree Medical Plan. The HRA replaces the Retiree Medical Plan for new employees and supplements the current employees' frozen service hour accruals for the Grant.

Existing employees as of June 15, 2023 who have accrued at least one full year of qualified credited service under the Retiree Medical Plan Document may choose not to receive the frozen Grant and instead have $855 (absolute value) for each full year of credited qualified service deposited into the employee's HRA account. The HRA assets for this group of employees are expected to be transferred by September 2023.

As of June 30, 2023, the plan had 3,485 active and 2,102 inactive participants.

Funding Policy: Employer and mandatory employee contributions were effective October 12, 2007 for employees represented by AOCDS, effective June 19, 2009 for employees represented by ACLEM, and 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.

For employees represented by AOCDS, the County contributes 5.0% of base salary each pay period. For employees represented by ACLEM, the County contributes 4.0% of base salary each pay period. For employees represented by OCAA, 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. For employees represented by AOCDS Public Safety, the County contributed 4.5% of base salary each pay period starting on July 1, 2022 and increased to 5% starting on January 13, 2023.

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

County of Orange Health Reimbursement Arrangement (HRA) (Continued)

Funding Policy (Continued)

As of pay period beginning June 16, 2023, for employees represented by OCEA, OCMA, IUOE, Teamsters, unrepresented employees and employees of Orange County Superior Courts, Orange County Public Law Library, OCERS, First 5 Orange County, Orange County Cemetery District, and the Orange County Local Agency Formation Commission, the employer will contribute $60 (absolute value) per pay period.

Contributions from employees who elected the HRA rather than the Frozen Grant will be defaulted to the MissionSquare PLUS fund. Once contributed, employees may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the HRA. A small percentage of participants self-direct. It is anticipated that these contributions will be made approximately in September 2023.

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. Total contributions for the fiscal year ended June 30, 2023 were $16,826 by the County and $815 by the employees. As of June 30, 2023, the value of the HRA assets was $220,937.

Administrative Cost: Prior to April 1, 2019, annual administrative fees included a plan asset fee of 0.40% and an annual account fee of $80 (absolute dollars). Beginning on April 1, 2019, the administrative fee was reduced to 0.195% with no annual account fee. 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.

(Dollar Amounts in Thousands)

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2023:

Statement of Fiduciary Net Position	Total	Orange County Employees Retirement System-401(h)*	Retiree Medical Plan 115 Trust *	Health Reimbursement Arrangement Plan
Assets				
Pooled Cash/Investments	$ 3,406	$ --	$ 3,349	$ 57
Cash/Cash Equivalents	9,152	9,152	--	--
Securities Lending Collateral	4,494	4,494	--	--
Restricted Cash and Investments				
Restricted Investments with Trustee	669,407	450,105	--	219,302
Investments Receivable	3,487	3,487	--	--
Interest/Dividends Receivable	15	--	15	--
Other Receivables	175	175	--	--
Due from Other Governmental Agencies	1,578	--	--	1,578
Total Assets	691,714	467,413	3,364	220,937
Liabilities				
Accounts Payable	64,520	4,545	59,975	--
Salaries and Employee Benefits Payable	10,232	5,601	4,631	--
Investment Obligations	4,547	4,547	--	--
Total Liabilities	79,299	14,693	64,606	--
Net Position				
Restricted for OPEB Benefits	612,415	452,720	(61,242)	220,937
Total Net Position	$ 612,415	$ 452,720	$ (61,242)	$ 220,937

Statement of Changes in Fiduciary Net Position	Total	Orange County Employees Retirement System-401(h)*	Retiree Medical Plan 115 Trust *	Health Reimbursement Arrangement Plan
Additions:				
Employer Contributions	$ 63,215	$ 41,652	$ 4,737	$ 16,826
Employee Contributions	1,052	237	--	815
Interest and Investment Income	11,377	11,289	82	6
Net Increase (Decrease) in the Fair Value of Investments	(22,757)	(46,439)	--	23,682
Securities Lending Income Gross Earnings	98	98	--	--
Less: Investment Expense	(3,791)	(3,413)	(4)	(374)
Total Additions	49,194	3,424	4,815	40,955
Deductions:				
Benefits Paid to Participants	109,316	37,013	64,770	7,533
Administrative Expense	23	23	--	--
Total Deductions	109,339	37,036	64,770	7,533
Change in Net Position	(60,145)	(33,612)	(59,955)	33,422
Net Position-Beginning of Year	672,560	486,332	(1,287)	187,515
Net Position-End of Year	$ 612,415	$ 452,720	$ (61,242)	$ 220,937

* The Plan assets are a combination of the assets held by OCERS-401(h) and the County's Retiree Medical Plan 115. These are presented as of 12/31/22 in accordance with the plan year.

(Dollar Amounts in Thousands)

21. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The deferred outflows/inflows of resources amounts included on the government-wide Statement of Net Position and the Proprietary Funds Statement of Net Position are comprised of deferred outflows/inflows of resources related to pension, deferred outflows/inflows of resources related to OPEB, deferred inflows of resources for leases and service concession arrangements (SCA). The deferral of resources related to leases and SCAs is the difference between the guaranteed installment payments and contractual commitments. For SCAs, there is an additional deferred inflows of resources recorded in relation to the capital assets built or improved by the operator that will revert to the County at the end of the agreement. Deferred resources related to pension and OPEB result from the net difference between projected and actual investment earnings on the plan investments, changes of assumptions and changes in proportion and differences between employer contributions and the proportionate share of contributions calculated by the actuarial study and differences between expected and actual experience. The deferred outflows of resources related to pension and OPEB also include employer contributions made after the measurement date. Deferred outflows/inflows of resources included in the statement of net position, governmental activities and business-type activities as of June 30, 2023, are described as follows:

Government-wide
Statement of Net Position

	Governmental Activities	Business-Type Activities	Total	First 5 OC	CalOptima Health
Deferred Outflows of Resources:					
Pension	$ 1,263,274	$ 25,638	$ 1,288,912	$ 1,355	$ 24,373
OPEB	51,984	990	52,974	116	1,596
Total Government-Wide Deferred Outflows of Resources	**$ 1,315,258**	**$ 26,628**	**$ 1,341,886**	**$ 1,471**	**$ 25,969**
Deferred Inflows of Resources:					
Pension	$ 117,308	$ 3,467	$ 120,775	$ 689	$ 3,388
OPEB	43,232	824	44,056	41	7,788
Service Concession Arrangements	166,164	--	166,164	--	--
Leases	73,844	100,886	174,730	--	--
Total Government-Wide Deferred Inflows of Resources	**$ 400,548**	**$ 105,177**	**$ 505,725**	**$ 730**	**$ 11,176**

Proprietary Funds
Statement of Net Position

	Airport	OC Waste & Recycling	Total	Governmental Activities-Internal Service Funds
Deferred Outflows of Resources:				
Pension	$ 10,963	$ 14,675	$ 25,638	$ 14,300
OPEB	447	543	990	680
Total Proprietary Funds Deferred Outflows of Resources	**$ 11,410**	**$ 15,218**	**$ 26,628**	**$ 14,980**
Deferred Inflows of Resources:				
Pension	$ 1,463	$ 2,004	$ 3,467	$ 2,370
OPEB	375	449	824	570
Leases	93,980	6,906	100,886	22
Total Proprietary Funds Deferred Inflows of Resources	**$ 95,818**	**$ 9,359**	**$ 105,177**	**$ 2,962**

(Dollar Amounts in Thousands)

21. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

On the Balance Sheet for Governmental funds, the General Fund, Flood Control District, Other Public Protection, and several nonmajor Special Revenue funds reported deferred inflows of resources related to future reporting periods. The following provides the unavailable revenue expected to be collected after August 31, 2023, as well as the portion of the lease and SCA receivable expected payments related to future periods.

Governmental Funds
Balance Sheet

	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Total
Deferred Inflows of Resources:					
Unavailable Revenue					
Intergovernmental Revenues	$ 170,969	$ 86,393	$ 2,240	$ 30,413	$ 290,015
Senate Bill 90 Mandated Claims, Net	12,634	--	--	--	12,634
Property Taxes	9,731	1,989	--	--	11,720
Other	6,433	75	--	2,411	8,919
Total Unavailable Revenue	199,767	88,457	2,240	32,824	323,288
Leases	9,311	23,633	--	40,878	73,822
Service Concession Arrangements	--	1,441	--	132,734	134,175
Total Governmental Funds Deferred Inflows of Resources	**$ 209,078**	**$ 113,531**	**$ 2,240**	**$ 206,436**	**$ 531,285**

22. 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 claim payments and unpaid claims balance for self-insurance claims, refer to Note 17, Self-Insurance.

Federal Assistance

On August 17, 2021, the Airport received an allocation of $33,582 from the Airport Rescue Grants under the American Rescue Plan Act. This grant can be used to reimburse the Airport for allowable costs incurred from January 20, 2020 to August 16, 2025. During the year ended June 30, 2023, the Airport recognized grant revenue of $30,586. The grant balance was $2,996 as of June 30, 2023.

23. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2023:

Teeter Plan Notes: On July 14, 2023, the County paid $41,208 of its $82,308 taxable Teeter Plan Obligation Notes, Series B utilizing accumulated base taxes. On July 17, 2023, the Teeter Plan Notes were issued for $89,004 in taxable Teeter Plan Obligation Notes, Series B, to refund the outstanding balance of $41,100 and to finance the purchase of $47,904 in delinquent property tax receivables. The Teeter Plan Notes issued on July 17, 2023, were issued pursuant to a First Amendment to Second Amended and Restated Note Purchase and Reimbursement Agreement, dated between the County and Wells Fargo Bank, National Association. Teeter Plan Notes may be issued from time to time by the County provided that the total principal amount of Teeter Plan Notes outstanding at any one time shall not exceed $150,000.

23. SUBSEQUENT EVENTS (Continued)

The County paid $18,200 on September 15, 2023, and $15,017 on November 17, 2023, of its $89,004 Teeter Plan Notes utilizing accumulated base taxes. The Teeter Plan Notes mature on July 30, 2024, and bear a variable interest rate.

Withdrawal of County from Orange County Power Authority (OCPA): On December 20, 2022, the Board voted to withdraw from the OCPA for a variety of reasons, including concerns over OCPA's financial status and its rate structure for unincorporated residents. This withdrawal became effective at the beginning of the following fiscal year, or July 1, 2023. Pursuant to the Joint Powers Agreement, the County is responsible for non-mitigatable costs incurred on the County's behalf. While OCPA has made various demands against the County, including its most recent demand in July 2023, for $913, the County does not agree that any amount is owed, since the power procured by OCPA on the County's behalf can be sold at a significant profit to OCPA.

CARE Act: CARE Court connects a person struggling with untreated mental illness, and often co-occurring substance use challenges, with a court-ordered Care Plan for up to 24 months. Each plan is managed by a care team within the Health Care Agency (HCA) and can include clinically prescribed, individualized interventions with several supportive services, medication, and a housing plan. The client-centered approach also includes the Public Defender to help individuals make self-directed care decisions in addition to their full clinical team. HCA went live with CARE court on October 01, 2023. HCA expended $42 in CARE Court start-up costs of the $7,185 CARE funding received in FY 2022-23. The remainder of the CARES funds received will be expended in FY 2023-24.

Orange County Treasurer's Pool: On November 1, 2023, the Orange County Treasurer's Pool (OCTP) received the highest credit rating of AAAf from Fitch Ratings (Fitch). This is the first time that the OCTP has been rated by an independent rating agency and provides independent oversight to the pool participants of the highest underlying credit quality of the pool's investments. Fitch also assigned a Fund Market Risk Sensitivity Rating of 'S1' denoting a very low sensitivity to market risk and changes in interest rates.

COUNTY OF ORANGE
CALIFORNIA

Required Supplementary Information
(Dollar Amounts in Thousands)

Orange County Employees Retirement System (OCERS)

Schedule of County's Proportionate Share of the Net Pension Liability [1]

	2022	2021	2020	2019	2018
County's proportion of the net pension liability	82.92%	99.86%	84.21%	81.27%	79.39%
County's proportionate share of the net pension liability	$ 4,469,948	$ 2,047,343	$ 3,547,851	$ 4,124,932	$ 4,919,675
Covered payroll [2]	$ 1,420,176	$ 1,375,892	$ 1,404,516	$ 1,313,952	$ 1,272,895
County's proportionate share of the net pension liability as a percentage of its covered payroll [2]	314.75%	148.80%	252.60%	313.93%	386.49%
Plan fiduciary net position as a percentage of the total pension liability [4]	78.51%	91.45%	81.69%	76.67%	70.03%

Schedule of County Contributions [3]

	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 539,755	$ 511,496	$ 481,791	$ 440,042	$ 419,159
Contributions in relation to the actuarially determined contribution	591,307	557,225	513,799	475,676	440,634
Contribution excess	$ (51,552)	$ (45,729)	$ (32,009)	$ (35,634)	$ (21,475)
Covered payroll [2] [5]	$ 1,351,874	$ 1,398,034	$ 1,390,204	$ 1,359,234	$ 1,293,424
Contributions as a percentage of covered payroll	43.74%	39.86%	36.96%	35.00%	34.07%

(1) Information is from OCERS' actuary report for OCERS' fiscal year ended December 31.
(2) The numbers for 2014-2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.
(3) For the 12-month period ending on June 30, fiscal year end.
(4) In FY 2019-20, the presentation of the percentages was changed from the Employer percentage to the Plan percentage.
(5) Current year is estimated based on an average of the preceding years. The actual number will be updated in the subsequent year when data is available.

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)

2017	2016	2015	2014	
80.46%	77.91%	76.83%	76.68%	County's proportion of the net pension liability
$ 3,984,401	$ 4,044,638	$ 4,391,967	$ 3,897,223	County's proportionate share of the net pension liability
$ 1,247,616	$ 1,200,243	$ 1,118,395	$ 1,198,458	Covered payroll (2)
319.36%	336.98%	392.70%	325.19%	County's proportionate share of the net pension liability as a percentage of its covered payroll (2)
74.93%	71.16%	67.10%	69.42%	Plan fiduciary net position as a percentage of the total pension liability (4)

2018	2017	2016	2015	
$ 401,323	$ 386,138	$ 358,103	$ 340,626	Actuarially determined contribution
433,098	405,494	411,426	397,044	Contributions in relation to the actuarially determined contribution
$ (31,775)	$ (19,356)	$ (53,323)	$ (56,418)	Contribution excess
$ 1,260,255	$ 1,223,930	$ 1,159,319	$ 1,158,427	Covered payroll (2) (5)
34.37%	33.13%	35.49%	34.27%	Contributions as a percentage of covered payroll

(Dollar Amounts in Thousands)

Orange County Extra-Help Defined Benefit Plan

Schedule of County's Proportionate Share of the Net Pension Liability [(2)]

	2023	2022	2021	2020	2019
County's proportion of the net pension liability	98.12%	98.12%	98.12%	98.12%	98.12%
County's proportionate share of the net pension liability (asset)	$ 1,174	$ 1,337	$ (149)	$ 440	$ 1,382
Covered payroll [(1)]	$ 2,806	$ 2,938	$ 3,169	$ 3,613	$ 3,906
County's proportionate share of the net pension liability as a percentage of its covered payroll [(1)]	41.82%	45.51%	(4.71%)	12.18%	35.38%
Plan fiduciary net position as a percentage of the total pension liability	76.73%	74.30%	103.06%	92.18%	81.06%

Schedule of Collective Plan Contributions

	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 160	$ 160	$ 114	$ 114	$ 555
Contributions in relation to the actuarially determined contribution	160	160	114	114	565
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (10)
Covered payroll [(1)]	$ 2,806	$ 2,938	$ 3,169	$ 3,613	$ 3,906
Contributions as a percentage of covered payroll	5.70%	5.45%	3.60%	3.16%	14.46%

Schedule of County Contributions

	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 157	$ 157	$ 112	$ 112	$ 544
Contributions in relation to the actuarially determined contribution	157	157	112	112	554
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (10)
Covered payroll [(1)]	$ 2,806	$ 2,938	$ 3,169	$ 3,613	$ 3,906
Contributions as a percentage of covered payroll	5.59%	5.34%	3.53%	3.10%	14.19%

(1) The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

(2) 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.

(Dollar Amounts in Thousands)

	2018	2017	2016	2015
County's proportion of the net pension liability	98.12%	98.12%	98.12%	98.12%
County's proportionate share of the net pension liability (asset)	$ 1,962	$ 1,995	$ 2,845	$ 3,163
Covered payroll [1]	$ 4,298	$ 4,725	$ 1,747	$ 1,829
County's proportionate share of the net pension liability as a percentage of its covered payroll [1]	45.65%	42.22%	162.85%	172.94%
Plan fiduciary net position as a percentage of the total pension liability	76.76%	76.24%	65.89%	61.35%

	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 555	$ 784	$ 784	$ 421	$ 421
Contributions in relation to the actuarially determined contribution	545	784	784	421	421
Contribution deficiency (excess)	$ 10	$ --	$ --	$ --	$ --
Covered payroll [1]	$ 4,298	$ 4,725	$ 1,747	$ 1,829	$ 1,876
Contributions as a percentage of covered payroll	12.68%	16.59%	44.88%	23.02%	22.44%

	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 545	$ 769	$ 769	$ 413	$ 421
Contributions in relation to the actuarially determined contribution	535	769	769	413	421
Contribution deficiency (excess)	$ 10	$ --	$ --	$ --	$ --
Covered payroll [1]	$ 4,298	$ 4,725	$ 1,747	$ 1,829	$ 1,876
Contributions as a percentage of covered payroll	12.45%	16.28%	44.02%	22.58%	22.44%

Orange County Extra-Help Defined Benefit Plan (Continued)

Schedule of Changes in the Collective Plan Net Pension Liability and Related Ratios

	2023	2022	2021	2020	2019
Total Pension Liability					
Service cost	$ --	$ --	$ --	$ --	$ --
Interest	243	241	274	362	411
Changes of benefit terms	--	--	--	--	--
Difference between expected and actual experience	--	154	--	(879)	--
Changes of assumptions	--	714	--	(90)	--
Benefit payments, including refunds of member contributions	(404)	(749)	(1,040)	(1,101)	(1,572)
Net change in total pension liability	(161)	360	(766)	(1,708)	(1,161)
Total Pension Liability-beginning	5,326	4,966	5,732	7,440	8,601
Total Pension Liability-ending (a)	$ 5,165	$ 5,326	$ 4,966	$ 5,732	$ 7,440
Plan Fiduciary Net Position					
Contributions-employer	$ 160	$ 160	$ 114	$ 114	$ 565
Contributions-member	--	--	--	--	--
Net investment income (loss)	249	(572)	760	239	436
Investment Expense	--	--	--	--	(7)
Benefit payments, including refunds of member contributions	(404)	(749)	(1,040)	(1,101)	(1,572)
Administrative expense (1)	--	--	--	--	--
Other	--	--	--	1	7
Net change in Plan Fiduciary Net Position	5	(1,161)	(166)	(747)	(571)
Plan Fiduciary Net Position-beginning	3,957	5,118	5,284	6,031	6,602
Plan Fiduciary Net Position-ending (b)	$ 3,962	$ 3,957	$ 5,118	$ 5,284	$ 6,031
Plan Net Pension Liability-ending (a)-(b)	$ 1,203	$ 1,369	$ (152)	$ 448	$ 1,409
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	76.73%	74.30%	103.06%	92.18%	81.06%
Covered payroll (2)	$ 2,806	$ 2,938	$ 3,169	$ 3,613	$ 3,906
Plan Net Pension Liability as a percentage of covered payroll (2)	42.87%	46.60%	(4.80%)	12.40%	36.07%

Schedule of Investment Returns

	2023	2022	2021	2020	2019
Actual money-weighted rate of return, net of investment expense	7.04%	12.89%	16.38%	4.56%	6.90%

(1) Administrative expense does not round up to $1 in thousands.
(2) The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

(Dollar Amounts in Thousands)

2018	2017	2016	2015	2014	
					Total Pension Liability
$ --	$ --	$ --	$ --	$ --	Service cost
448	436	435	271	282	Interest
--	--	--	--	--	Changes of benefit terms
(127)	--	73	--	--	Difference between expected and actual experience
480	--	73	--	--	Changes of assumptions
(762)	(372)	(424)	(522)	(695)	Benefit payments, including refunds of member contributions
39	64	157	(251)	(413)	Net change in total pension liability
8,562	8,498	8,341	8,592	9,005	Total Pension Liability-beginning
$ 8,601	$ 8,562	$ 8,498	$ 8,341	$ 8,592	**Total Pension Liability-ending (a)**
					Plan Fiduciary Net Position
$ 545	$ 784	$ 784	$ 421	$ 421	Contributions-employer
--	--	--	--	--	Contributions-member
295	527	123	17	15	Net investment income (loss)
(7)	(5)	(4)	--	--	Investment Expense
(762)	(372)	(428)	(522)	(695)	Benefit payments, including refunds of member contributions
--	--	--	--	--	Administrative expense [(1)]
3	(5)	7	--	--	Other
74	929	482	(84)	(259)	Net change in Plan Fiduciary Net Position
6,528	5,599	5,117	5,201	5,460	Plan Fiduciary Net Position-beginning
$ 6,602	$ 6,528	$ 5,599	$ 5,117	$ 5,201	Plan Fiduciary Net Position-ending (b)
$ 1,999	$ 2,034	$ 2,899	$ 3,224	$ 3,391	**Plan Net Pension Liability-ending (a)-(b)**
76.76%	76.24%	65.89%	61.35%	60.53%	**Plan Fiduciary Net Position as a percentage of the Total Pension Liability**
$ 4,298	$ 4,725	$ 1,747	$ 1,829	$ 1,876	**Covered payroll** [(2)]
46.51%	43.05%	165.94%	176.27%	180.76%	**Plan Net Pension Liability as a percentage of covered payroll** [(2)]

2018	2017	2016	2015	2014	
4.53%	8.51%	2.22%	0.35%	0.26%	Actual money-weighted rate of return, net of investment expense

Orange County Extra-Help Defined Benefit Plan (Continued)

Notes to Schedule

Methods and assumptions used to determine acturially determined contribution:

Valuation date	July 1, 2021
Actuarial cost method	Projected Unit Credit
	Same as Entry Age Cost Method since all benefits are frozen
Amortization method	Level dollar
Amortization period	5 years rolling (open)
Asset valuation method	Market Value of assets
Discount rate	4.75%
General Inflation	2.50%
Mortality	PubG-2010 Healthy Retiree (Amount-Weighted, Above Median) x 105%
Mortality Improvement	Mortality projected fully generationally with Scale MP-2019
All Other	Same as used in determining total pension liability

COUNTY OF ORANGE
CALIFORNIA

(Dollar Amounts in Thousands)

Orange County Retiree Medical Plan

Schedule of Changes in the Collective Plan Net OPEB Liability and Related Ratios

	2022	2021	2020
Total OPEB Liability			
Service cost	$ 14,426	$ 15,397	$ 14,912
Interest	51,443	52,018	50,385
Changes of benefit terms	(75,495)	--	--
Difference between expected and actual experience	-	(41,074)	--
Changes of assumptions	-	8,321	--
Benefit payments, including refunds of member contributions	(41,808)	(42,002)	(42,911)
Net change in Total OPEB Liability	(51,434)	(7,340)	22,386
Total OPEB Liability-beginning	741,369	748,709	726,322
Total OPEB Liability-ending (a)	$ 689,935	$ 741,369	$ 748,708
Plan Fiduciary Net Position			
Changes of benefit terms	$ (59,975)	$ -	$ -
Contributions-employer	46,389	45,402	45,989
Contributions-employee	237	235	208
Net investment income (loss)	(38,387)	66,778	40,847
Benefit payments, including refunds of member contributions	(41,808)	(42,002)	(42,911)
Administrative expense	(23)	(24)	(22)
Net change in Plan Fiduciary Net Position	(93,567)	70,389	44,111
Plan Fiduciary Net Position-beginning	485,045	414,656	370,545
Plan Fiduciary Net Position-ending (b)	$ 391,478	$ 485,045	$ 414,656
Plan Net OPEB Liability-ending (a)-(b)	$ 298,457	$ 256,324	$ 334,052
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	56.74%	65.43%	55.38%
Covered payroll (1)	$ 1,499,572	$ 1,453,302	$ 1,426,003
Plan Net OPEB Liability as a percentage of covered payroll	19.90%	17.64%	23.43%

Schedule of Investment Returns

	2022	2021	2020
Actual money-weighted rate of return, net of investment expense	(7.88%)	16.67%	11.22%

(1) For the 12 month period ending on December 31 (measurement date and plan year).

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.

(Dollar Amounts in Thousands)

2019	2018	2017	
			Total OPEB Liability
$ 16,501	$ 15,982	$ 15,479	Service cost
50,298	48,442	46,589	Interest
5,508	--	--	Changes of benefit terms
(10,635)	--	--	Difference between expected and actual experience
(17,535)	--	--	Changes of assumptions
(39,719)	(37,118)	(35,111)	Benefit payments, including refunds of member contributions
4,418	27,306	26,957	Net change in Total OPEB Liability
721,904	694,598	667,641	Total OPEB Liability-beginning
$ 726,322	$ 721,904	$ 694,598	**Total OPEB Liability-ending (a)**
			Plan Fiduciary Net Position
$ -	$ -	$ -	Changes of benefit terms
58,807	54,229	60,721	Contributions-employer
505	2,103	2,193	Contributions-employee
43,720	(5,746)	34,217	Net investment income
(39,719)	(37,118)	(35,111)	Benefit payments, including refunds of member contributions
(20)	(21)	(22)	Administrative expense
63,293	13,447	61,998	Net change in Plan Fiduciary Net Position
307,252	293,805	231,807	Plan Fiduciary Net Position-beginning
$ 370,545	$ 307,252	$ 293,805	**Plan Fiduciary Net Position-ending (b)**
$ 355,777	$ 414,652	$ 400,793	**Plan Net OPEB Liability-ending (a)-(b)**
51.02%	42.56%	42.30%	**Plan Fiduciary Net Position as a percentage of the Total OPEB Liability**
$ 1,368,521	$ 1,346,440	$ 1,313,217	**Covered payroll** [(1)]
26.00%	30.80%	30.52%	**Plan Net OPEB Liability as a percentage of covered payroll**

2019	2018	2017	
14.81%	(1.31%)	14.74%	Actual money-weighted rate of return, net of investment expense

(Dollar Amounts in Thousands)

Orange County Retiree Medical Plan (Continued)

Schedule of County's Proportionate Share of the Net OPEB Liability

	2022	2021	2020
County's proportion of the net OPEB liability	90.94%	90.92%	91.43%
County's proportionate share of the net OPEB liability	$ 271,417	$ 233,049	$ 305,411
Covered payroll (1)	$ 1,373,815	$ 1,331,656	$ 1,306,964
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	19.76%	17.50%	23.37%
Plan fiduciary net position as a percentage of the total OPEB liability	56.74%	65.43%	55.38%

Schedule of Collective Plan Contributions

	2022	2021	2020
Actuarially determined contribution	$ 46,906	$ 50,102	$ 48,525
Contributions in relation to the actuarially determined contribution	46,389	45,402	45,989
Contribution deficiency (excess)	$ 517	$ 4,700	$ 2,536
Covered payroll (1)	$ 1,499,572	$ 1,453,302	$ 1,426,003
Contributions as a percentage of covered payroll	3.09%	3.12%	3.23%

Schedule of County Contributions

	2023	2022	2021
Actuarially determined contribution	$ 42,425	$ 45,930	$ 44,577
Contributions in relation to the actuarially determined contribution	43,336	42,373	39,393
Contribution deficiency (excess)	$ (911)	$ 3,557	$ 5,184
Covered payroll (2)	$ 1,404,551	$ 1,353,522	$ 1,310,629
Contributions as a percentage of covered payroll	3.09%	3.13%	3.01%

(1) For the 12 month period ending on December 31 (measurement date and plan year).
(2) For the 12 month period ending on June 30, fiscal year end.

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.

(Dollar Amounts in Thousands)

2019	2018	2017	
92.31%	91.78%	90.84%	County's proportion of the net OPEB liability
328,412	$ 380,581	$ 364,071	County's proportionate share of the net OPEB liability
1,254,780	$ 1,234,558	$ 1,203,106	Covered payroll [(1)]
26.17%	30.83%	30.26%	County's proportionate share of the net OPEB liability as a percentage of its covered payroll
51.02%	42.56%	42.30%	Plan fiduciary net position as a percentage of the total OPEB liability

2019	2018	2017	
$ 50,037	$ 52,554	$ 47,006	Actuarially determined contribution
58,807	54,229	60,721	Contributions in relation to the actuarially determined contribution
$ (8,770)	$ (1,675)	$ (13,715)	Contribution deficiency (excess)
$ 1,368,521	$ 1,346,440	$ 1,313,217	Covered payroll [(1)]
4.30%	4.03%	4.62%	Contributions as a percentage of covered payroll

2020	2019	2018	
$ 45,698	$ 48,101	$ 42,716	Actuarially determined contribution
50,466	52,349	46,005	Contributions in relation to the actuarially determined contribution
$ (4,768)	$ (4,248)	$ (3,289)	Contribution deficiency (excess)
$ 1,293,186	$ 1,254,706	$ 1,220,638	Covered payroll [(2)]
3.90%	4.17%	3.77%	Contributions as a percentage of covered payroll

(Dollar Amounts in Thousands)

Orange County Retiree Medical Plan (Continued)

Notes to Schedule

Methods and assumptions used to determine actuarilly determined contributions:

Valuation date	June 30, 2021
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	Level percent of pay
Amortization period	13-year average fixed period for 2022/23
Asset valuation method	Investment gains/losses spread over 5-year.
Discount rate	7.00%
General inflation	2.50%
Grant increases	AFSCME: lesser of 5% and Medical Trend Non-AFSCME: lesser of 3% and Medical Trend
Medical Trend	Non-medicare-6.50% for 2023,decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser)-5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser)-4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Mortality	OCERS 2017-19 Experience Study
Mortality improvement	Mortality projected fully generational with Society of Actuaries Scale MP-2019

COUNTY OF ORANGE

CALIFORNIA

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 lot, 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 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 Innovation and Opportunity 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 restricted to providing public coastal access, environmental stewardship, and a diverse regional recreational facility so users and visitors may experience the Dana Point Harbor resource in a safe and enjoyable way. The Board approved a lease agreement with Dana Point Harbor Partners to renovate and operate the Dana Point Harbor. For additional information regarding Dana Point Harbor, refer to Note 7, Service Concession Arrangements.

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.

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, restricted for the Library, provide most of the Fund's revenue. Licenses, permits, Federal and State aid, and charges for services make up the remaining revenue.

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, and SB1 related transportation taxes and fees, 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.

Opioid Settlement

This fund is used to administer the allocation and use of the County's participation in the National Opioid Settlements. The money received in this fund consists of allocations received from current and future judgements and settlements for opioid remediation activity to combat the effects of the opioid epidemic.

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.

Capital Facilities Development Corporation
This non-budgeted fund was established to account for the Civic Center Facilities Master Plan project and will facilitate financings, acquisitions of property, and other property related transactions for the benefit of Orange County, California.

South Orange County Public Financing Authority
This non-budgeted fund was established to account for the debt service expenditures for the South Orange County Public Financing Authority (SOCPFA). On June 2, 2016, SOCPFA issued the Central Utility Facility Lease Revenue Bonds, Series 2016 to finance the acquisition, construction and installation of certain capital improvements. On July 26, 2022, SOCPFA issued the Lease Revenue Bonds, Series 2022 (County of Orange Sheriff-Coroner Facility) to finance the acquisition and construction of certain improvements to a new facility for the Sheriff-Coroner department.

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.

Capital Facilities Development Corporation Construction
This non-budgeted fund was established for the Civic Center Facilities Master Plan project and to account for the related construction.

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)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

	Total Nonmajor Governmental Funds	Special Revenue		
		Parking Facilities	Service Areas, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
ASSETS				
Pooled Cash/Investments	$ 1,304,039	$ 8,101	$ 6,774	$ 20,116
Imprest Cash Funds	45	--	--	--
Restricted Cash and Investments with Trustee	62,716	--	45,450	--
Deposits In-Lieu of Cash	2,369	--	--	1,992
Receivables				
Accounts	3,057	--	--	253
Taxes	29,144	--	20	--
Interest/Dividends	5,717	52	37	111
Deposits	278	--	--	--
Leases	42,077	--	--	9,929
Service Concession Arrangements	142,328	--	--	--
Allowance for Uncollectible Receivables	(218)	(3)	--	--
Due from Other Funds	76,506	927	--	--
Due from Other Governmental Agencies	65,625	251	--	48
Notes Receivable, Net	68,708	--	--	--
Total Assets	$ 1,802,391	$ 9,328	$ 52,281	$ 32,449
LIABILITIES				
Accounts Payable	$ 41,429	$ 369	$ 18,821	$ --
Retainage Payable	2,838	1	--	--
Salaries and Employee Benefits Payable	4,264	17	--	--
Interest Payable	253	--	--	--
Deposits from Others	52,283	--	546	15
Due to Other Funds	106,428	520	154	1,786
Due to Component Unit	1	--	--	--
Due to Other Governmental Agencies	39,343	202	1,233	--
Unearned Revenue	66,924	--	--	1,992
Advances from Other Funds	20,000	--	--	--
Total Liabilities	333,763	1,109	20,754	3,793
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Intergovernmental Revenues	30,413	--	--	--
Unavailable Revenue-Property Taxes	2,411	--	9	--
Related to Service Concession Arrangements	132,734	--	--	--
Related to Leases	40,878	--	--	9,294
Total Deferred Inflows of Resources	206,436	--	9	9,294
FUND BALANCES				
Nonspendable	200	--	--	--
Restricted	881,240	3,856	31,518	11,164
Assigned	380,752	4,363	--	8,198
Total Fund Balances	1,262,192	8,219	31,518	19,362
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,802,391	$ 9,328	$ 52,281	$ 32,449

(Dollar Amounts in Thousands)

Special Revenue				
Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
				ASSETS
$ 33,776	$ 231,114	$ 133,245	$ 56,233	Pooled Cash/Investments
--	45	--	--	Imprest Cash Funds
--	--	--	--	Restricted Cash and Investments with Trustee
--	--	359	18	Deposits In-Lieu of Cash
				Receivables
--	705	1,431	139	Accounts
--	--	1,639	--	Taxes
--	1,115	709	316	Interest/Dividends
--	--	--	--	Deposits
--	--	32,148	--	Leases
--	--	47,833	94,495	Service Concession Arrangements
--	--	--	--	Allowance for Uncollectible Receivables
--	8,232	980	--	Due from Other Funds
--	4,222	175	--	Due from Other Governmental Agencies
--	41,192	--	--	Notes Receivable, Net
$ 33,776	$ 286,625	$ 218,519	$ 151,201	Total Assets
				LIABILITIES
$ --	$ 189	$ 4,491	$ 23	Accounts Payable
--	--	1,113	1	Retainage Payable
--	81	1,506	--	Salaries and Employee Benefits Payable
--	--	--	--	Interest Payable
--	4	3,371	384	Deposits from Others
10,504	51,137	2,425	1,455	Due to Other Funds
--	--	--	--	Due to Component Unit
--	33,563	52	--	Due to Other Governmental Agencies
--	53,201	642	--	Unearned Revenue
--	--	--	--	Advances from Other Funds
10,504	138,175	13,600	1,863	Total Liabilities
				DEFERRED INFLOWS OF RESOURCES
--	727	(538)	--	Unavailable Revenue-Intergovernmental Revenues
--	--	1,704	--	Unavailable Revenue-Property Taxes
--	--	47,044	85,690	Related to Service Concession Arrangements
--	--	31,584	--	Related to Leases
--	727	79,794	85,690	Total Deferred Inflows of Resources
				FUND BALANCES
--	--	--	--	Nonspendable
23,272	124,666	125,125	63,648	Restricted
--	23,057	--	--	Assigned
23,272	147,723	125,125	63,648	Total Fund Balances
$ 33,776	$ 286,625	$ 218,519	$ 151,201	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

(Dollar Amounts in Thousands)

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue			
	Housing Asset	OC Public Libraries	Health Care Programs	Roads
ASSETS				
Pooled Cash/Investments	$ 2,682	$ 116,237	$ 48,655	$ 297,948
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--
Receivables				
Accounts	--	104	--	122
Taxes	--	1,023	--	--
Interest/Dividends	15	617	84	1,625
Deposits	--	--	--	278
Leases	--	--	--	--
Service Concession Arrangements	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	(78)
Due from Other Funds	127	137	10	1,188
Due from Other Governmental Agencies	--	--	482	18,577
Notes Receivable, Net	26,790	--	--	--
Total Assets	$ 29,614	$ 118,118	$ 49,231	$ 319,660
LIABILITIES				
Accounts Payable	$ --	$ 434	$ --	$ 3,041
Retainage Payable	--	8	--	310
Salaries and Employee Benefits Payable	--	1,328	--	938
Interest Payable	--	--	--	--
Deposits from Others	11	--	--	47,952
Due to Other Funds	27	640	11,061	2,807
Due to Component Unit	--	--	1	--
Due to Other Governmental Agencies	48	1	2,426	1,803
Unearned Revenue	--	35	1,041	463
Advances from Other Funds	--	--	--	--
Total Liabilities	86	2,446	14,529	57,314
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Intergovernmental Revenues	--	--	21	856
Unavailable Revenue-Property Taxes	--	698	--	--
Related to Service Concession Arrangements	--	--	--	--
Related to Leases	--	--	--	--
Total Deferred Inflows of Resources	--	698	21	856
FUND BALANCES				
Nonspendable	--	--	--	--
Restricted	29,528	114,974	21,093	261,490
Assigned	--	--	13,588	--
Total Fund Balances	29,528	114,974	34,681	261,490
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 29,614	$ 118,118	$ 49,231	$ 319,660

(Dollar Amounts in Thousands)

	Special Revenue			Debt Service
	Orange County Housing Authority	Other Governmental Resources	Opioid Settlement Funds	Teeter Plan Notes
ASSETS				
Pooled Cash/Investments	$ 15,044	$ 1,870	$ 11,629	$ 105,680
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	16,854	--	--	253
Deposits In-Lieu of Cash	--	--	--	--
Receivables				
Accounts	303	--	--	--
Taxes	--	--	--	26,462
Interest/Dividends	82	--	--	695
Deposits	--	--	--	--
Leases	--	--	--	--
Service Concession Arrangements	--	--	--	--
Allowance for Uncollectible Receivables	(137)	--	--	--
Due from Other Funds	7	--	--	--
Due from Other Governmental Agencies	1,601	--	15,123	10,827
Notes Receivable, Net	726	--	--	--
Total Assets	$ 34,480	$ 1,870	$ 26,752	$ 143,917
LIABILITIES				
Accounts Payable	$ 976	$ --	$ --	$ 42
Retainage Payable	--	--	--	--
Salaries and Employee Benefits Payable	394	--	--	--
Interest Payable	--	--	--	253
Deposits from Others	--	--	--	--
Due to Other Funds	6,123	--	1,405	--
Due to Component Unit	--	--	--	--
Due to Other Governmental Agencies	1	--	--	--
Unearned Revenue	--	--	9,550	--
Advances from Other Funds	--	--	--	--
Total Liabilities	7,494	--	10,955	295
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Intergovernmental Revenues	--	--	15,123	--
Unavailable Revenue-Property Taxes	--	--	--	--
Related to Service Concession Arrangements	--	--	--	--
Related to Leases	--	--	--	--
Total Deferred Inflows of Resources	--	--	15,123	--
FUND BALANCES				
Nonspendable	--	--	--	--
Restricted	26,986	1,870	674	26,462
Assigned	--	--	--	117,160
Total Fund Balances	26,986	1,870	674	143,622
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 34,480	$ 1,870	$ 26,752	$ 143,917

(Dollar Amounts in Thousands)

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service		Capital Projects
	Capital Facilities Development Corporation	South OC Public Financing Authority	Criminal Justice Facilities
ASSETS			
Pooled Cash/Investments	$ --	$ --	$ 33,654
Imprest Cash Funds	--	--	--
Restricted Cash and Investments with Trustee	23	136	--
Deposits In-Lieu of Cash	--	--	--
Receivables			
Accounts	--	--	--
Taxes	--	--	--
Interest/Dividends	--	--	257
Deposits	--	--	--
Leases	--	--	--
Service Concession Arrangements	--	--	--
Allowance for Uncollectible Receivables	--	--	--
Due from Other Funds	--	--	10,228
Due from Other Governmental Agencies	--	--	14,185
Notes Receivable, Net	--	--	--
Total Assets	$ 23	$ 136	$ 58,324
LIABILITIES			
Accounts Payable	$ --	$ --	$ 8,475
Retainage Payable	--	--	1,138
Salaries and Employee Benefits Payable	--	--	--
Interest Payable	--	--	--
Deposits from Others	--	--	--
Due to Other Funds	--	--	26
Due to Component Unit	--	--	--
Due to Other Governmental Agencies	--	--	14
Unearned Revenue	--	--	--
Advances from Other Funds	--	--	20,000
Total Liabilities	--	--	29,653
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue-Intergovernmental Revenues	--	--	14,090
Unavailable Revenue-Property Taxes	--	--	--
Related to Service Concession Arrangements	--	--	--
Related to Leases	--	--	--
Total Deferred Inflows of Resources	--	--	14,090
FUND BALANCES			
Nonspendable	--	--	--
Restricted	23	136	14,581
Assigned	--	--	--
Total Fund Balances	23	136	14,581
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 23	$ 136	$ 58,324

(Dollar Amounts in Thousands)

Capital Projects: Countywide Capital Projects Non-General Fund	Capital Projects: Capital Facilities Development Corporation Construction	Permanent: Regional Park Endowment	
			ASSETS
$ 180,909	$ --	$ 372	Pooled Cash/Investments
--	--	--	Imprest Cash Funds
--	--	--	Restricted Cash and Investments with Trustee
--	--	--	Deposits In-Lieu of Cash
			Receivables
--	--	--	Accounts
--	--	--	Taxes
--	--	2	Interest/Dividends
--	--	--	Deposits
--	--	--	Leases
--	--	--	Service Concession Arrangements
--	--	--	Allowance for Uncollectible Receivables
54,670	--	--	Due from Other Funds
134	--	--	Due from Other Governmental Agencies
--	--	--	Notes Receivable, Net
$ 235,713	$ --	$ 374	Total Assets
			LIABILITIES
$ 4,568	$ --	$ --	Accounts Payable
267	--	--	Retainage Payable
--	--	--	Salaries and Employee Benefits Payable
--	--	--	Interest Payable
--	--	--	Deposits from Others
16,358	--	--	Due to Other Funds
--	--	--	Due to Component Unit
--	--	--	Due to Other Governmental Agencies
--	--	--	Unearned Revenue
--	--	--	Advances from Other Funds
21,193	--	--	Total Liabilities
			DEFERRED INFLOWS OF RESOURCES
134	--	--	Unavailable Revenue-Intergovernmental Revenues
--	--	--	Unavailable Revenue-Property Taxes
--	--	--	Related to Service Concession Arrangements
--	--	--	Related to Leases
134	--	--	Total Deferred Inflows of Resources
			FUND BALANCES
--	--	200	Nonspendable
--	--	174	Restricted
214,386	--	--	Assigned
214,386	--	374	Total Fund Balances
$ 235,713	$ --	$ 374	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

(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
Revenues				
Taxes	$ 189,789	$ --	$ 849	$ --
Licenses, Permits, and Franchises	958	--	--	--
Fines, Forfeitures, and Penalties	12,215	--	--	--
Use of Money and Property	78,419	12,573	2,242	3,963
Intergovernmental	570,918	950	112,484	5,005
Charges for Services	41,913	62	11	537
Other	37,314	9	--	58
Total Revenues	931,526	13,594	115,586	9,563
Expenditures				
Current				
General Government	94,763	--	92,621	696
Public Protection	70	--	--	--
Public Ways and Facilities	92,556	10,146	677	979
Health and Sanitation	371	--	--	35
Public Assistance	263,232	--	--	--
Education	58,206	--	--	--
Recreation and Cultural Services	148,586	--	--	--
Capital Outlay	270,615	856	5	219
Debt Service				
Principal Retirement	90,188	--	--	145
Interest	25,281	--	--	122
Total Expenditures	1,043,868	11,002	93,303	2,196
Excess (Deficit) of Revenues Over Expenditures	(112,342)	2,592	22,283	7,367
Other Financing Sources (Uses)				
Transfers In	331,421	49	125	355
Transfers Out	(294,347)	(405)	(5)	(2,695)
Debt Issued	165,683	--	--	--
Premium on Debt Issued	12,350	--	--	--
Leases Issued	367	--	--	--
Subscriptions Issued	542	--	--	--
Total Other Financing Sources (Uses)	216,016	(356)	120	(2,340)
Net Change in Fund Balances	103,674	2,236	22,403	5,027
Fund Balances-Beginning of Year	1,158,518	5,983	9,115	14,335
Fund Balances-End of Year	$ 1,262,192	$ 8,219	$ 31,518	$ 19,362

(Dollar Amounts in Thousands)

	Special Revenue				
	Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
Revenues					
Taxes	$ --	$ --	$ 116,542	$ --	
Licenses, Permits, and Franchises	--	714	242	--	
Fines, Forfeitures, and Penalties	--	--	523	--	
Use of Money and Property	825	3,795	18,345	13,654	
Intergovernmental	--	39,284	1,400	--	
Charges for Services	--	3,152	12,994	89	
Other	31,091	246	579	5	
Total Revenues	31,916	47,191	150,625	13,748	
Expenditures					
Current					
General Government	11	--	--	--	
Public Protection	--	70	--	--	
Public Ways and Facilities	--	--	--	--	
Health and Sanitation	--	--	--	--	
Public Assistance	--	26,629	--	--	
Education	--	--	--	--	
Recreation and Cultural Services	--	--	137,761	10,825	
Capital Outlay	--	42	12,683	--	
Debt Service					
Principal Retirement	--	19	229	--	
Interest	--	--	248	--	
Total Expenditures	11	26,760	150,921	10,825	
Excess (Deficit) of Revenues Over Expenditures	31,905	20,431	(296)	2,923	
Other Financing Sources (Uses)					
Transfers In	11	63,277	1,033	--	
Transfers Out	(34,997)	(40,781)	(328)	--	
Debt Issued	--	--	--	--	
Premium on Debt Issued	--	--	--	--	
Leases Issued	--	--	127	--	
Subscriptions Issued	--	33	--	--	
Total Other Financing Sources (Uses)	(34,986)	22,529	832	--	
Net Change in Fund Balances	(3,081)	42,960	536	2,923	
Fund Balances-Beginning of Year	26,353	104,763	124,589	60,725	
Fund Balances-End of Year	$ 23,272	$ 147,723	$ 125,125	$ 63,648	

(Dollar Amounts in Thousands)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS**

	Special Revenue			
	Housing Asset	OC Public Libraries	Health Care Programs	Roads
Revenues				
Taxes	$ --	$ 72,398	$ --	$ --
Licenses, Permits, and Franchises	--	--	--	2
Fines, Forfeitures, and Penalties	--	8	6,144	2
Use of Money and Property	267	2,765	1,604	7,098
Intergovernmental	--	909	2,148	116,980
Charges for Services	--	607	1,179	23,155
Other	29	4,959	2	233
Total Revenues	296	81,646	11,077	147,470
Expenditures				
Current				
General Government	--	--	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	80,754
Health and Sanitation	--	--	335	--
Public Assistance	405	--	--	--
Education	--	58,206	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	2,068	--	10,633
Debt Service				
Principal Retirement	--	410	--	213
Interest	--	197	--	1
Total Expenditures	405	60,881	335	91,601
Excess (Deficit) of Revenues Over Expenditures	(109)	20,765	10,742	55,869
Other Financing Sources (Uses)				
Transfers In	--	66	118	5
Transfers Out	--	--	(18,080)	(932)
Debt Issued	--	--	--	--
Premium on Debt Issued	--	--	--	--
Leases Issued	--	218	--	22
Subscriptions Issued	--	509	--	--
Total Other Financing Sources (Uses)	--	793	(17,962)	(905)
Net Change in Fund Balances	(109)	21,558	(7,220)	54,964
Fund Balances-Beginning of Year	29,637	93,416	41,901	206,526
Fund Balances-End of Year	$ 29,528	$ 114,974	$ 34,681	$ 261,490

(Dollar Amounts in Thousands)

Special Revenue			Debt Service	
Orange County Housing Authority	Other Governmental Resources	Opioid Settlement Funds	Teeter Plan Notes	
				Revenues
$ --	$ --	$ --	$ --	Taxes
--	--	--	--	Licenses, Permits, and Franchises
--	--	--	4,728	Fines, Forfeitures, and Penalties
352	50	214	4,223	Use of Money and Property
236,769	--	2,047	--	Intergovernmental
--	127	--	--	Charges for Services
69	--	--	3	Other
237,190	177	2,261	8,954	Total Revenues
				Expenditures
				Current
--	1	--	296	General Government
--	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	1	--	Health and Sanitation
236,198	--	--	--	Public Assistance
--	--	--	--	Education
--	--	--	--	Recreation and Cultural Services
11	--	--	--	Capital Outlay
				Debt Service
204	--	--	79,978	Principal Retirement
1	--	--	2,785	Interest
236,414	1	1	83,059	Total Expenditures
776	176	2,260	(74,105)	Excess (Deficit) of Revenues Over Expenditures
				Other Financing Sources (Uses)
--	1	1	--	Transfers In
--	(33)	(1,587)	(25,000)	Transfers Out
--	--	--	82,308	Debt Issued
--	--	--	--	Premium on Debt Issued
--	--	--	--	Leases Issued
--	--	--	--	Subscriptions Issued
--	(32)	(1,586)	57,308	Total Other Financing Sources (Uses)
776	144	674	(16,797)	Net Change in Fund Balances
26,210	1,726	--	160,419	Fund Balances-Beginning of Year
$ 26,986	$ 1,870	$ 674	$ 143,622	Fund Balances-End of Year

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service		Capital Projects
	Capital Facilities Development Corporation	South OC Public Financing Authority	Criminal Justice Facilities
Revenues			
Taxes	$ --	$ --	$ --
Licenses, Permits, and Franchises	--	--	--
Fines, Forfeitures, and Penalties	--	--	810
Use of Money and Property	95	88	1,372
Intergovernmental	--	--	44,530
Charges for Services	--	--	--
Other	--	--	7
Total Revenues	95	88	46,719
Expenditures			
Current			
General Government	--	1,138	--
Public Protection	--	--	--
Public Ways and Facilities	--	--	--
Health and Sanitation	--	--	--
Public Assistance	--	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	--	--	198,077
Debt Service			
Principal Retirement	6,725	2,265	--
Interest	16,174	5,753	--
Total Expenditures	22,899	9,156	198,077
Excess (Deficit) of Revenues Over Expenditures	(22,804)	(9,068)	(151,358)
Other Financing Sources (Uses)			
Transfers In	17,479	4,485	168,386
Transfers Out	--	(91,006)	(66)
Debt Issued	--	83,375	--
Premium on Debt Issued	--	12,350	--
Leases Issued	--	--	--
Subscriptions Issued	--	--	--
Total Other Financing Sources (Uses)	17,479	9,204	168,320
Net Change in Fund Balances	(5,325)	136	16,962
Fund Balances-Beginning of Year	5,348	--	(2,381)
Fund Balances-End of Year	$ 23	$ 136	$ 14,581

(Dollar Amounts in Thousands)

Capital Projects: Countywide Capital Projects Non-General Fund	Capital Projects: Capital Facilities Development Corporation Construction	Permanent: Regional Park Endowment	
			Revenues
$ --	$ --	$ --	Taxes
--	--	--	Licenses, Permits, and Franchises
--	--	--	Fines, Forfeitures, and Penalties
4,638	245	11	Use of Money and Property
8,412	--	--	Intergovernmental
--	--	--	Charges for Services
24	--	--	Other
13,074	245	11	Total Revenues
			Expenditures
			Current
--	--	--	General Government
--	--	--	Public Protection
--	--	--	Public Ways and Facilities
--	--	--	Health and Sanitation
--	--	--	Public Assistance
--	--	--	Education
--	--	--	Recreation and Cultural Services
36,518	9,503	--	Capital Outlay
			Debt Service
--	--	--	Principal Retirement
--	--	--	Interest
36,518	9,503	--	Total Expenditures
(23,444)	(9,258)	11	Excess (Deficit) of Revenues Over Expenditures
			Other Financing Sources (Uses)
76,030	--	--	Transfers In
(78,432)	--	--	Transfers Out
--	--	--	Debt Issued
--	--	--	Premium on Debt Issued
--	--	--	Leases Issued
--	--	--	Subscriptions Issued
(2,402)	--	--	Total Other Financing Sources (Uses)
(25,846)	(9,258)	11	Net Change in Fund Balances
240,232	9,258	363	Fund Balances-Beginning of Year
$ 214,386	$ --	$ 374	Fund Balances-End of Year

(Dollar Amounts in Thousands)

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	$ 6,011	$ 6,011	$ 6,868	$ 857
Intergovernmental	--	--	305	305
Charges for Services	143	143	62	(81)
Other	--	--	5	5
Transfers In	618	618	49	(569)
Total Revenues and Other Financing Sources	6,772	6,772	7,289	517
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Parking Facilities	6,956	6,956	5,584	1,372
Total Expenditures and Other Financing Uses	6,956	6,956	5,584	1,372
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(184)	(184)	1,705	$ 1,889
Fund Balances-Beginning of Year	2,717	2,717	2,717	
Fund Balances-End of Year	$ 2,533	$ 2,533	$ 4,422	
Service Area, Lighting, Maintenance, and Assessment Districts				
Revenues and Other Financing Sources				
Taxes	$ 770	$ 769	$ 849	$ 80
Use of Money and Property	13	98	2,221	2,123
Intergovernmental	3	3	3	--
Charges for Services	11	11	11	--
Transfers In	125	121,725	112,606	(9,119)
Total Revenues and Other Financing Sources	922	122,606	115,690	(6,916)
Expenditures and Other Financing Uses				
General Government:				
CFD 2017-1 RMV (Village of Esencia) Construction	2,994	3,561	3,532	29
CFD 2021-1 RMV (Rienda) Construction Fund	--	121,600	89,084	32,516
Special Assessment-Top of the World Improvement	16	16	5	11
Public Ways and Facilities:				
County Service Area No. 13-La Mirada	27	27	13	14
County Service Area No. 22-East Yorba Linda	156	156	153	3
North Tustin Landscaping and Lighting Assessment District	3,808	3,809	522	3,287
Total Expenditures and Other Financing Uses	7,001	129,169	93,309	35,860
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,079)	(6,563)	22,381	$ 28,944
Fund Balances-Beginning of Year	9,210	9,210	9,210	
Fund Balances-End of Year	$ 3,131	$ 2,647	$ 31,591	
Other Environmental Management				
Revenues and Other Financing Sources				
Use of Money and Property	$ 551	$ 598	$ 3,330	$ 2,732
Intergovernmental	4,735	4,734	5,005	271
Charges for Services	185	649	537	(112)
Other	--	--	58	58
Transfers In	360	360	355	(5)
Total Revenues and Other Financing Sources	5,831	6,341	9,285	2,944
Expenditures and Other Financing Uses				
General Government:				
Survey Monument Preservation	119	119	58	61
Real Estate Development Program	2,780	5,340	3,600	1,740
Health and Sanitation				
Air Quality Improvement	297	297	134	163
Public Ways and Facilities:				
El Toro Improvement Fund	5,848	5,848	1,098	4,750
Total Expenditures and Other Financing Uses	9,044	11,604	4,890	6,714
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(3,213)	(5,263)	4,395	$ 9,658
Fund Balances-Beginning of Year	14,551	14,551	14,551	
Fund Balances-End of Year	$ 11,338	$ 9,288	$ 18,946	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

(Dollar Amounts in Thousands)

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	$ 28,098	$ 28,697	$ 31,091	$ 2,394
Total Revenues and Other Financing Sources	28,098	28,697	31,091	2,394
Expenditures and Other Financing Uses				
General Government:				
Orange County Tobacco Settlement Fund	46,769	55,033	34,275	20,758
Total Expenditures and Other Financing Uses	46,769	55,033	34,275	20,758
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(18,671)	(26,336)	(3,184)	$ 23,152
Fund Balances-Beginning of Year	26,337	26,337	26,337	
Fund Balances-End of Year	$ 7,666	$ 1	$ 23,153	
Community and Welfare Services				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ 895	$ 895	$ 714	$ (181)
Use of Money and Property	792	792	4,144	3,352
Intergovernmental	64,984	72,083	42,169	(29,914)
Charges for Services	3,258	3,258	3,152	(106)
Other	3,370	170	246	76
Transfers In	44,031	371,903	328,528	(43,375)
Total Revenues and Other Financing Sources	117,330	449,101	378,953	(70,148)
Expenditures and Other Financing Uses				
Public Protection:				
OC Animal Care Center Donations	300	420	167	253
OC Animal Shelter Construction Fund	2,749	2,749	2,535	214
Public Assistance:				
CalHome Program Reuse Fund	4,386	4,386	2	4,384
Care Coordination Fund	14,506	51,824	10,013	41,811
County Executive Office-Single Family Housing	3,515	3,515	3,002	513
Dispute Resolution Program	974	974	563	411
Domestic Violence Program	1,354	1,354	797	557
Facilities Development and Maintenance	12,827	12,827	7,059	5,768
In-Home Support Services Public Authority	3,228	3,228	2,223	1,005
MHSA Housing Fund	12,964	52,964	4,054	48,910
OC CARES Fund	--	214,449	--	214,449
OC Housing	52,566	92,328	14,496	77,832
SSA Donations and Fees	818	918	782	136
SSA Leased Facilities	289	3,064	3,064	--
SSA Wraparound	25,872	25,872	16,864	9,008
Strategic Priority Affordable Housing	262	262	98	164
Workforce Innovation and Opportunity Act	16,564	16,491	6,651	9,840
Total Expenditures and Other Financing Uses	153,174	487,625	72,370	415,255
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(35,844)	(38,524)	306,583	$ 345,107
Fund Balances-Beginning of Year	107,278	107,278	107,278	
Fund Balances-End of Year	$ 71,434	$ 68,754	$ 413,861	
OC Parks				
Revenues and Other Financing Sources				
Taxes	$ 109,931	$ 109,931	$ 116,745	$ 6,814
Licenses, Permits, and Franchises	234	234	242	8
Fines, Forfeitures, and Penalties	36	36	523	487
Use of Money and Property	11,142	11,142	17,373	6,231
Intergovernmental	3,677	3,677	1,383	(2,294)
Charges for Services	11,471	11,371	12,994	1,623
Other	453	453	579	126
Transfers In	19,055	20,155	8,715	(11,440)
Total Revenues and Other Financing Sources	155,999	156,999	158,554	1,555
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
County Tidelands-Newport Bay	8,029	8,529	5,761	2,768
OC Parks	159,482	182,482	138,625	43,857
OC Parks Capital	39,813	39,813	14,188	25,625
Total Expenditures and Other Financing Uses	207,324	230,824	158,574	72,250
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(51,325)	(73,825)	(20)	$ 73,805
Fund Balances-Beginning of Year	125,123	125,123	125,123	
Fund Balances-End of Year	$ 73,798	$ 51,298	$ 125,103	

(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				
Fines, Forfeitures and Penalties	$ 2	$ 2	$ --	$ (2)
Use of Money and Property	2,997	2,997	4,507	1,510
Charges for Services	70	70	89	19
Other	22	22	5	(17)
Total Revenues and Other Financing Sources	3,091	3,091	4,601	1,510
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
OC Dana Point Harbor	14,764	16,512	10,824	5,688
Total Expenditures and Other Financing Uses	14,764	16,512	10,824	5,688
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,673)	(13,421)	(6,223)	$ 7,198
Fund Balances-Beginning of Year	61,679	61,679	61,679	
Fund Balances-End of Year	$ 50,006	$ 48,258	$ 55,456	
Housing Asset				
Revenues and Other Financing Sources				
Use of Money and Property	$ 50	$ 50	$ 256	$ 206
Other	--	--	29	29
Total Revenues and Other Financing Sources	50	50	285	235
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Development Agency Housing Asset	10,471	10,471	404	10,067
Total Expenditures and Other Financing Uses	10,471	10,471	404	10,067
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(10,421)	(10,421)	(119)	$ 10,302
Fund Balances-Beginning of Year	29,677	29,677	29,677	
Fund Balances-End of Year	$ 19,256	$ 19,256	$ 29,558	
OC Public Libraries				
Revenues and Other Financing Sources				
Taxes	$ 68,297	$ 68,197	$ 72,524	$ 4,327
Fines, Forfeitures, and Penalties	12	12	8	(4)
Use of Money and Property	385	385	2,659	2,274
Intergovernmental	612	612	893	281
Charges for Services	415	415	607	192
Other	584	584	4,959	4,375
Transfers In	10,000	10,600	2,065	(8,535)
Total Revenues and Other Financing Sources	80,305	80,805	83,715	2,910
Expenditures and Other Financing Uses				
Education:				
OC Public Libraries	85,840	86,340	59,630	26,710
OC Public Libraries-Capital	12,983	12,983	2,693	10,290
Total Expenditures and Other Financing Uses	98,823	99,323	62,323	37,000
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(18,518)	(18,518)	21,392	$ 39,910
Fund Balances-Beginning of Year	94,678	94,678	94,678	
Fund Balances-End of Year	$ 76,160	$ 76,160	$ 116,070	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE (Continued)

	* Original Budget	* Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Health Care Programs				
Revenues and Other Financing Sources				
Fines, Forfeitures, and Penalties	$ 7,923	$ 7,923	$ 6,145	$ (1,778)
Use of Money and Property	200	200	368	168
Intergovernmental	5,124	21,344	1,778	(19,566)
Charges for Services	900	900	1,179	279
Other	250	250	2	(248)
Transfers In	770	770	104	(666)
Total Revenues and Other Financing Sources	15,167	31,387	9,576	(21,811)
Expenditures and Other Financing Uses				
Health and Sanitation:				
Bioterrorism Center for Disease Control	4,530	5,151	1,870	3,281
Emergency Medical Services	7,662	7,662	6,166	1,496
HCA Interest Bearing Purpose Restricted Revenues	2,576	20,576	1,752	18,824
HCA Purpose Restricted Revenues	7,310	7,421	7,421	--
HCA Realignment	2,100	2,100	--	2,100
Medi-Cal Administrative Activities Targeted Case Management	654	654	360	294
Total Expenditures and Other Financing Uses	24,832	43,564	17,569	25,995
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(9,665)	(12,177)	(7,993)	$ 4,184
Fund Balances-Beginning of Year	42,866	42,866	42,866	
Fund Balances-End of Year	$ 33,201	$ 30,689	$ 34,873	
Roads				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	$ --	$ --	$ 2	$ 2
Fines, Forfeitures, and Penalties	2	2	2	--
Use of Money and Property	1,231	1,231	6,580	5,349
Intergovernmental	130,666	130,666	116,788	(13,878)
Charges for Services	32,890	32,890	23,667	(9,223)
Other	36,310	36,360	211	(36,149)
Transfers In	12,204	12,204	12,110	(94)
Total Revenues and Other Financing Sources	213,303	213,353	159,360	(53,993)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Foothill Circulation Phasing Plan	555	555	123	432
Major Thoroughfare & Bridge Fee Program	6,344	6,344	1,240	5,104
OC Road	91,524	92,524	68,726	23,798
OC Road-Capital Improvement Projects	111,571	119,822	33,166	86,656
South County Roadway Improve Prog (SCRIP)	7,000	7,000	2,049	4,951
Total Expenditures and Other Financing Uses	216,994	226,245	105,304	120,941
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(3,691)	(12,892)	54,056	$ 66,948
Fund Balances-Beginning of Year	212,595	212,595	212,595	
Fund Balances-End of Year	$ 208,904	$ 199,703	$ 266,651	

(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE (Continued)

	* 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	$ 67	$ 67	$ 375	$ 308
Intergovernmental	274,990	274,990	236,784	(38,206)
Other	115	115	69	(46)
Transfers In	6,000	11,917	5,917	(6,000)
Total Revenues and Other Financing Sources	281,172	287,089	243,145	(43,944)
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Housing Authority	288,289	288,289	236,223	52,066
Orange County Housing Authority-Operating Reserve	9,818	15,735	191	15,544
Total Expenditures and Other Financing Uses	298,107	304,024	236,414	67,610
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(16,935)	(16,935)	6,731	$ 23,666
Fund Balances-Beginning of Year	26,335	26,335	26,335	
Fund Balances-End of Year	$ 9,400	$ 9,400	$ 33,066	
Other Governmental Resources				
Revenues and Other Financing Sources				
Use of Money and Property	$ --	$ 5	$ 14	$ 9
Charges for Services	130	130	127	(3)
Total Revenues and Other Financing Sources	130	135	141	6
Expenditures and Other Financing Uses				
General Government:				
Assessor Property Characteristic	180	180	--	180
Remittance Processing Equipment Replacement	33	38	--	38
Total Expenditures and Other Financing Uses	213	218	--	218
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(83)	(83)	141	$ 224
Fund Balances-Beginning of Year	1,734	1,734	1,734	
Fund Balances-End of Year	$ 1,651	$ 1,651	$ 1,875	
Opioid Settlement Funds				
Revenues and Other Financing Sources				
Other	$ --	$ 3,364	$ 11,596	$ 8,232
Total Revenues and Other Financing Sources	--	3,364	11,596	8,232
Expenditures and Other Financing Uses				
Health and Sanitation:				
Orange County Opioid Settlement Fund	--	3,364	1,405	1,959
Total Expenditures and Other Financing Uses	--	3,364	1,405	1,959
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	--	10,191	$ 10,191
Fund Balances-Beginning of Year	--	--	--	
Fund Balances-End of Year	$ --	$ --	$ 10,191	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

(Dollar Amounts in Thousands)

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	$ 7,400	$ 7,400	$ 10,348	$ 2,948
Use of Money and Property	500	500	3,518	3,018
Other	--	--	3	3
Bond Issuance Proceeds	130,978	130,978	82,308	(48,670)
Total Revenues and Other Financing Sources	138,878	138,878	96,177	(42,701)
Expenditures and Other Financing Uses				
General Government:				
Teeter Series A Debt Service	138,878	138,878	108,059	30,819
Total Expenditures and Other Financing Uses	138,878	138,878	108,059	30,819
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	--	(11,882)	$ (11,882)
Fund Balances-Beginning of Year	157,150	157,150	157,150	
Fund Balances-End of Year	$ 157,150	$ 157,150	$ 145,268	

(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	$ 697	$ 697	$ 836	$ 139
Use of Money and Property	175	175	1,243	1,068
Intergovernmental	66,548	66,937	47,611	(19,326)
Other	--	--	7	7
Transfers In	73,175	182,301	168,386	(13,915)
Total Revenues and Other Financing Sources	140,595	250,110	218,083	(32,027)
Expenditures and Other Financing Uses				
Public Protection:				
Criminal Justice Facilities Accumulated Capital Outlay	7,714	8,216	3,406	4,810
Sheriff-Coroner Construction and Facility Development	159,998	279,117	216,574	62,543
Total Expenditures and Other Financing Uses	167,712	287,333	219,980	67,353
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(27,117)	(37,223)	(1,897)	$ 35,326
Fund Balances-Beginning of Year	37,223	37,223	37,223	
Fund Balances-End of Year	$ 10,106	$ --	$ 35,326	
Countywide Capital Projects Non-General Fund				
Revenues and Other Financing Sources				
Intergovernmental	$ 28,050	$ 34,577	$ 8,432	$ (26,145)
Other	--	--	24	24
Transfers In	109,648	412,481	336,152	(76,329)
Total Revenues and Other Financing Sources	137,698	447,058	344,608	(102,450)
Expenditures and Other Financing Uses				
General Government:				
Countywide Capital Projects Non-General	283,183	592,573	108,213	484,360
Countywide IT Projects Non-General	14,343	37,298	2,695	34,603
Total Expenditures and Other Financing Uses	297,526	629,871	110,908	518,963
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(159,828)	(182,813)	233,700	$ 416,513
Fund Balances-Beginning of Year	240,699	240,699	240,699	
Fund Balances-End of Year	$ 80,871	$ 57,886	$ 474,399	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

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	$ 2	$ 2	$ 9	$ 7
Total Revenues and Other Financing Sources	2	2	9	7
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
Limestone Regional Park Mitigation Maintenance Endowment	--	2	--	2
Total Expenditures and Other Financing Uses	--	2	--	2
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2	--	9	$ 9
Fund Balances-Beginning of Year	212	212	212	
Fund Balances-End of Year	$ 214	$ 212	$ 221	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

COUNTY OF ORANGE

CALIFORNIA

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, 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, group dental insurance programs, wellness program, and flexible spending accounts.

Insured Health Plans
This fund is used to account for the fully insured health plans for the County employees and retirees.

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-insured workers' compensation program.

Unemployment Insurance
This fund is used to account for the County's self-insured unemployment insurance program.

Property and Casualty Risk
This fund is used to account for the County's self-insured property and casualty risk 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 applications development and support, voice and data services, and desktop support to departments and agencies on a cost-reimbursement basis.

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	Insured Health Plans	Life Insurance	Workers' Compensation
ASSETS					
Current Assets					
Pooled Cash/Investments	$ 348,239	$ 24,560	$ 6,267	$ 87	$ 173,110
Cash/Cash Equivalents	2,196	404	--	--	1,792
Imprest Cash Funds	8	--	--	--	--
Receivables					
Accounts	624	275	268	2	--
Interest/Dividends	1,775	146	--	--	899
Leases	17	--	--	--	--
Allowance for Uncollectible Receivables	(107)	--	--	--	--
Due from Other Funds	3,451	370	--	--	203
Due from Other Governmental Agencies	288	50	--	--	--
Inventory of Materials and Supplies	199	--	--	--	--
Total Current Assets	356,690	25,805	6,535	89	176,004
Noncurrent Assets					
Leases Receivable	6	--	--	--	--
Capital Assets					
Not Depreciable/Amortizable	3,058	--	--	--	--
Depreciable/Amortizable, Net	80,864	19	--	--	32
Total Capital Assets	83,922	19	--	--	32
Total Noncurrent Assets	83,928	19	--	--	32
Total Assets	440,618	25,824	6,535	89	176,036
DEFERRED OUTFLOWS OF RESOURCES	14,980	--	--	--	4,048
LIABILITIES					
Current Liabilities					
Accounts Payable	12,067	454	--	--	1,061
Retainage Payable	80	--	--	--	--
Salaries and Employee Benefits Payable	1,139	--	--	--	128
Due to Other Funds	730	7	--	--	11
Due to Other Governmental Agencies	607	--	--	--	--
Insurance Claims Payable	70,699	10,385	--	--	36,016
Compensated Employee Absences Payable	1,427	--	--	--	161
Financed Purchase Liability	3,833	--	--	--	--
Lease Liability	115	--	--	--	--
Subscription Liability	2,322	--	--	--	10
Total Current Liabilities	93,019	10,846	--	--	37,387
Noncurrent Liabilities					
Insurance Claims Payable	191,995	--	--	--	137,751
Compensated Employee Absences Payable	895	--	--	--	66
Financed Purchase Liability	5,046	--	--	--	--
Lease Liability	12	--	--	--	--
Subscription Liability	3,810	--	--	--	121
Net Pension Liability	40,452	--	--	--	7,952
Net OPEB Liability	3,314	--	--	--	1,191
Total Noncurrent Liabilities	245,524	--	--	--	147,081
Total Liabilities	338,543	10,846	--	--	184,468
DEFERRED INFLOWS OF RESOURCES	2,962	--	--	--	742
NET POSITION					
Net Investment in Capital Assets	68,055	19	--	--	(99)
Unrestricted	46,038	14,959	6,535	89	(5,027)
Total Net Position (Deficit)	$ 114,093	$ 14,978	$ 6,535	$ 89	$ (5,126)

(Dollar Amounts in Thousands)

	Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology
ASSETS					
Current Assets					
Pooled Cash/Investments	$ 4,558	$ 54,475	$ 50,984	$ 1,404	$ 32,794
Cash/Cash Equivalents	--	--	--	--	--
Imprest Cash Funds	--	5	--	--	3
Receivables					
Accounts	--	4	55	--	20
Interest/Dividends	27	301	246	7	149
Leases	--	--	--	--	17
Allowance for Uncollectible Receivables	--	--	(55)	--	(52)
Due from Other Funds	--	218	1,976	4	680
Due from Other Governmental Agencies	--	--	2	95	141
Inventory of Materials and Supplies	--	--	199	--	--
Total Current Assets	4,585	55,003	53,407	1,510	33,752
Noncurrent Assets					
Leases Receivable	--	--	--	--	6
Capital Assets					
Not Depreciable/Amortizable	--	--	--	1,967	1,091
Depreciable/Amortizable, Net	--	218	39,618	3,137	37,840
Total Capital Assets	--	218	39,618	5,104	38,931
Total Noncurrent Assets	--	218	39,618	5,104	38,937
Total Assets	4,585	55,221	93,025	6,614	72,689
DEFERRED OUTFLOWS OF RESOURCES	--	941	4,283	824	4,884
LIABILITIES					
Current Liabilities					
Accounts Payable	359	2,180	507	104	7,402
Retainage Payable	--	--	--	79	1
Salaries and Employee Benefits Payable	--	83	381	82	465
Due to Other Funds	--	12	345	16	339
Due to Other Governmental Agencies	--	606	1	--	--
Insurance Claims Payable	763	23,535	--	--	--
Compensated Employee Absences Payable	--	116	405	77	668
Financed Purchase Liability	--	--	--	--	3,833
Lease Liability	--	--	7	98	10
Subscription Liability	--	68	19	--	2,225
Total Current Liabilities	1,122	26,600	1,665	456	14,943
Noncurrent Liabilities					
Insurance Claims Payable	--	54,244	--	--	--
Compensated Employee Absences Payable	--	78	270	35	446
Financed Purchase Liability	--	--	--	--	5,046
Lease Liability	--	--	6	6	--
Subscription Liability	--	145	39	--	3,505
Net Pension Liability	--	3,147	13,913	2,692	12,748
Net OPEB Liability	--	181	846	134	962
Total Noncurrent Liabilities	--	57,795	15,074	2,867	22,707
Total Liabilities	1,122	84,395	16,739	3,323	37,650
DEFERRED INFLOWS OF RESOURCES	--	148	493	105	1,474
NET POSITION					
Net Investment in Capital Assets	--	5	39,475	4,825	23,830
Unrestricted	3,463	(28,386)	40,601	(815)	14,619
Total Net Position (Deficit)	$ 3,463	$ (28,381)	$ 80,076	$ 4,010	$ 38,449

(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	Insured Health Plans	Life Insurance	Workers' Compensation
Operating Revenues					
Use of Money and Property	$ 1,237	$ --	$ --	$ --	$ --
Charges for Services	121,044	359	--	--	--
Insurance Premiums	354,096	74,317	185,854	852	60,577
Total Operating Revenues	476,377	74,676	185,854	852	60,577
Operating Expenses					
Salaries and Employee Benefits	28,931	--	--	--	3,456
Services and Supplies	43,941	1,634	--	--	543
Professional Services	70,361	4,831	4	--	6,780
Insurance Claims and Premiums	344,256	74,648	186,282	850	47,145
Other Charges	687	687	--	--	--
Taxes and Other Fees	10	2	--	--	1
Depreciation/Amortization	19,559	12	--	--	119
Total Operating Expenses	507,745	81,814	186,286	850	58,044
Operating Income (Loss)	(31,368)	(7,138)	(432)	2	2,533
Nonoperating Revenues (Expenses)					
Intergovernmental Revenues	3,457	1,405	--	--	1,317
Interest and Investment Income	13,155	896	229	3	6,140
Net Decrease in the Fair Value of Investments	(3,428)	(249)	--	--	(1,716)
Interest Expense	(4)	--	--	--	--
Gain (Loss) on Disposition of Capital Assets	229	--	--	--	--
Other Taxes	9	--	--	--	--
Other Revenue	11,349	9,005	251	2	541
Total Nonoperating Revenue	24,767	11,057	480	5	6,282
Income (Loss) Before Contributions and Transfers	(6,601)	3,919	48	7	8,815
Capital Contributions	99	--	--	--	--
Transfers In	6,827	802	3	--	95
Transfers Out	(3,882)	(251)	(211)	(3)	(195)
Change in Net Position	(3,557)	4,470	(160)	4	8,715
Net Position (Deficit)-Beginning of Year, as Restated	117,650	10,508	6,695	85	(13,841)
Net Position (Deficit)-End of Year	$ 114,093	$ 14,978	$ 6,535	$ 89	$ (5,126)

(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
					Operating Revenues
$ --	$ --	$ --	$ --	$ 1,237	Use of Money and Property
--	--	32,173	4,704	83,808	Charges for Services
64	32,432	--	--	--	Insurance Premiums
64	32,432	32,173	4,704	85,045	Total Operating Revenues
					Operating Expenses
--	1,920	9,611	2,012	11,932	Salaries and Employee Benefits
--	23,610	11,441	2,197	4,516	Services and Supplies
70	1,132	2,510	237	54,797	Professional Services
1,322	34,009	--	--	--	Insurance Claims and Premiums
--	--	--	--	--	Other Charges
--	--	2	4	1	Taxes and Other Fees
--	73	8,966	413	9,976	Depreciation/Amortization
1,392	60,744	32,530	4,863	81,222	Total Operating Expenses
(1,328)	(28,312)	(357)	(159)	3,823	Operating Income (Loss)
					Nonoperating Revenues (Expenses)
--	6	--	6	723	Intergovernmental Revenues
205	2,648	1,777	87	1,170	Interest and Investment Income
(46)	(553)	(517)	(14)	(333)	Net Decrease in the Fair Value of Investments
--	--	(1)	(3)	--	Interest Expense
--	--	331	--	(102)	Gain (Loss) on Disposition of Capital Assets
--	--	9	--	--	Other Taxes
--	1,229	58	122	141	Other Revenue
159	3,330	1,657	198	1,599	Total Nonoperating Revenue
(1,169)	(24,982)	1,300	39	5,422	Income (Loss) Before Contributions and Transfers
--	--	99	--	--	Capital Contributions
--	--	4,497	--	1,430	Transfers In
--	(130)	(323)	--	(2,769)	Transfers Out
(1,169)	(25,112)	5,573	39	4,083	Change in Net Position
4,632	(3,269)	74,503	3,971	34,366	Net Position (Deficit)-Beginning of Year, as Restated
$ 3,463	$ (28,381)	$ 80,076	$ 4,010	$ 38,449	Net Position (Deficit)-End of Year

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	Insured Health Plans	Life Insurance	Workers' Compensation
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	$ 38,720	$ 644	$ --	$ --	$ --
Cash Received for Premiums Within the County's Entity	354,096	74,317	185,854	852	60,577
Payments to Suppliers for Goods and Services	(444,220)	(80,690)	(186,286)	(850)	(46,730)
Payments to Employees for Services	(25,730)	--	--	--	(2,858)
Receipts from Interfund Services	80,717	--	--	--	--
Payments for Interfund Services Provided	(1,035)	(370)	--	--	(116)
Payment for Taxes and Other Fees	(10)	(2)	--	--	(1)
Other Operating Receipts	11,353	9,005	251	2	541
Other Operating Payments	(702)	(687)	(13)	(2)	--
Net Cash Provided (Used) by Operating Activities	13,189	2,217	(194)	2	11,413
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	6,827	802	3	--	95
Transfers Out	(3,882)	(251)	(211)	(3)	(195)
Intergovernmental Revenues	3,457	1,405	--	--	1,317
Other Taxes	9	--	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	6,411	1,956	(208)	(3)	1,217
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(15,327)	--	--	--	(1)
Principal Paid on Financed Purchase Liability	(4,363)	--	--	--	--
Principal Paid on Leases	(152)	--	--	--	--
Interest Paid on Leases	(4)	--	--	--	--
Principal Paid on Subscription	(5,287)	--	--	--	(11)
Receipts for Leases Receivables	17	--	--	--	--
Interest Received on Leases Receivables	1	--	--	--	--
Proceeds from Sale of Capital Assets	448	--	--	--	--
Net Cash Used by Capital and Related Financing Activities	(24,667)	--	--	--	(12)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest on Investments	11,672	771	229	3	5,377
Net Change in the Fair Value of Investments	(3,428)	(249)	--	--	(1,716)
Net Cash Provided by Investing Activities	8,244	522	229	3	3,661
Net Increase (Decrease) in Cash and Cash Equivalents	3,177	4,695	(173)	2	16,279
Cash and Cash Equivalents-Beginning of Year	347,266	20,269	6,440	85	158,623
Cash and Cash Equivalents-End of Year	$ 350,443	$ 24,964	$ 6,267	$ 87	$ 174,902
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	$ (31,368)	$ (7,138)	$ (432)	$ 2	$ 2,533
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization	19,559	12	--	--	119
Recognition of Lease Income	(18)	--	--	--	--
Other Revenue	11,349	9,005	251	2	541
(Increases) Decreases In:					
Receivables, Net	179	213	(13)	(2)	--
Due from Other Funds	(500)	(370)	--	--	(107)
Due from Other Governmental Agencies	53	72	--	--	--
Prepaid Costs	3,154	--	--	--	344
Deferred Outflows of Resources Related to Pension	(4,202)	--	--	--	(1,458)
Deferred Outflows of Resources Related to OPEB	(281)	--	--	--	(103)
Increases (Decreases) In:					
Accounts Payable	(2,169)	133	--	--	414
Retainage Payable	78	--	--	--	--
Salaries and Employee Benefits Payable	89	--	--	--	(27)
Due to Other Funds	(3,626)	--	--	--	(9)
Due to Other Governmental Agencies	604	--	--	--	--
Insurance Claims Payable	12,671	290	--	--	6,980
Compensated Employee Absences Payable	(194)	--	--	--	(35)
Net Pension Liability	27,751	--	--	--	7,951
Net OPEB Liability	498	--	--	--	183
Deferred Inflows of Resources Related to Pension	(19,838)	--	--	--	(5,684)
Deferred Inflows of Resources Related to OPEB	(622)	--	--	--	(229)
Deferred Inflows of Resources Related to Leases	22	--	--	--	--
Total Adjustments	44,557	9,355	238	--	8,880
Net Cash Provided (Used) by Operating Activities	$ 13,189	$ 2,217	$ (194)	$ 2	$ 11,413
Reconciliation of Cash and Cash Equivalents to Statement of Net Position					
Pooled Cash/Investments	$ 348,239	$ 24,560	$ 6,267	$ 87	$ 173,110
Cash/Cash Equivalents	2,196	404	--	--	1,792
Imprest Cash Funds	8	--	--	--	--
Total Cash and Cash Equivalents	$ 350,443	$ 24,964	$ 6,267	$ 87	$ 174,902

(Dollar Amounts in Thousands)

	Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	$ --	$ 30	$ 32,177	$ 4,660	$ 1,209
Cash Received for Premiums Within the County's Entity	64	32,432	--	--	--
Payments to Suppliers for Goods and Services	(974)	(55,048)	(12,603)	(2,216)	(58,823)
Payments to Employees for Services	--	(1,719)	(8,683)	(1,801)	(10,669)
Receipts from Interfund Services	--	194	--	--	80,523
Payments for Interfund Services Provided	--	--	(108)	(441)	--
Payment for Taxes and Other Fees	--	--	(2)	(4)	(1)
Other Operating Receipts	--	1,229	58	122	145
Other Operating Payments	--	--	--	--	--
Net Cash Provided (Used) by Operating Activities	(910)	(22,882)	10,839	320	12,384
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	--	--	4,497	--	1,430
Transfers Out	--	(130)	(323)	--	(2,769)
Intergovernmental Revenues	--	6	--	6	723
Other Taxes	--	--	9	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	--	(124)	4,183	6	(616)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	--	(1)	(9,253)	(1,960)	(4,112)
Principal Paid on Financed Purchase Liability	--	--	--	--	(4,363)
Principal Paid on Leases	--	--	(12)	(130)	(10)
Interest Paid on Leases	--	--	(1)	(3)	--
Principal Paid on Subscription	--	(77)	--	--	(5,199)
Receipts for Leases Receivables	--	--	--	--	17
Interest Received on Leases Receivables	--	--	--	--	1
Proceeds from Sale of Capital Assets	--	--	448	--	--
Net Cash Used by Capital and Related Financing Activities	--	(78)	(8,818)	(2,093)	(13,666)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest on Investments	183	2,415	1,565	82	1,047
Net Change in the Fair Value of Investments	(46)	(553)	(517)	(14)	(333)
Net Cash Provided by Investing Activities	137	1,862	1,048	68	714
Net Increase (Decrease) in Cash and Cash Equivalents	(773)	(21,222)	7,252	(1,699)	(1,184)
Cash and Cash Equivalents-Beginning of Year	5,331	75,702	43,732	3,103	33,981
Cash and Cash Equivalents-End of Year	$ 4,558	$ 54,480	$ 50,984	$ 1,404	$ 32,797
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	$ (1,328)	$ (28,312)	$ (357)	$ (159)	$ 3,823
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization	--	73	8,966	413	9,976
Recognition of Lease Income	--	--	--	--	(18)
Other Revenue	--	1,229	58	122	141
(Increases) Decreases In:					
Receivables, Net	--	--	2	--	(21)
Due from Other Funds	--	195	58	(3)	(273)
Due from Other Governmental Agencies	--	30	2	(44)	(7)
Prepaid Costs	--	199	940	219	1,452
Deferred Outflows of Resources Related to Pension	--	(235)	(1,185)	(147)	(1,177)
Deferred Outflows of Resources Related to OPEB	--	(14)	(68)	(12)	(84)
Increases (Decreases) In:					
Accounts Payable	359	(2,444)	407	(76)	(962)
Retainage Payable	--	--	--	78	--
Salaries and Employee Benefits Payable	--	10	63	12	31
Due to Other Funds	--	(1)	(166)	(438)	(3,012)
Due to Other Governmental Agencies	--	606	1	(3)	--
Insurance Claims Payable	59	5,342	--	--	--
Compensated Employee Absences Payable	--	9	(11)	(1)	(156)
Net Pension Liability	--	1,529	7,571	1,278	9,422
Net OPEB Liability	--	25	120	21	149
Deferred Inflows of Resources Related to Pension	--	(1,093)	(5,412)	(914)	(6,735)
Deferred Inflows of Resources Related to OPEB	--	(30)	(150)	(26)	(187)
Deferred Inflows of Resources Related to Leases	--	--	--	--	22
Total Adjustments	418	5,430	11,196	479	8,561
Net Cash Provided (Used) by Operating Activities	$ (910)	$ (22,882)	$ 10,839	$ 320	$ 12,384
Reconciliation of Cash and Cash Equivalents to Statement of Net Position					
Pooled Cash/Investments	$ 4,558	$ 54,475	$ 50,984	$ 1,404	$ 32,794
Cash/Cash Equivalents	--	--	--	--	--
Imprest Cash Funds	--	5	--	--	3
Total Cash and Cash Equivalents	$ 4,558	$ 54,480	$ 50,984	$ 1,404	$ 32,797

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the County in a trustee or custodial capacity on behalf of outside parties, including individuals, private organizations, or other governments. Under GASB Statement No. 84, a fiduciary fund must meet the following criteria: (1) assets are controlled or directed by the government, (2) assets are not derived from the government's own source revenue or government-mandated nonexchange transactions, and (3) assets have one or more of the following criteria:

a. Assets are administered through a trust, and the government is not a beneficiary. The trust must be dedicated to providing benefits to the recipients and legally protected from creditors of the government.
b. Assets are for the benefit of organizations or other governments that are not part of the financial reporting entity.
c. Assets are for the benefit of individuals and are not administered in any way by the government.

PRIVATE-PURPOSE TRUST FUNDS

Public Administration Trust Funds

These funds are used to account for trust arrangements where the principal and income benefits individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, decedents' property held for escheatment, and various funding services to finance permanent supportive & affordable housing.

Orange County Redevelopment Successor Agency (Successor Agency)

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with ABx1 26. A successor agency was designated as the successor entity to the former redevelopment agency in accordance with Health and Safety Code 34173. The Orange County Redevelopment Successor Agency holds the assets of the dissolved OCDA pending liquidation and distribution.

PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) 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 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 grandfathered administrative managers and to all new administrative managers, effective December 28, 2012 and June 23, 2016, 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.

Health Reimbursement Arrangement (HRA) Plan

This fund is used to account for the employer contributions to the HRA, a defined contribution plan, which became effective on June 24, 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 now also includes employees represented by the OCAA, the AOCDS Public Safety Unit, OCEA, OCMA, Teamsters, IUOE, unrepresented employees, and the Voluntary Retirement Incentive Program.

Retiree Medical Plan 115 Trust

This fund is used to account for the annual required contributions, benefit payments, and investment losses and gains in the Retiree Medical Trust (Trust) which was established effective July 2, 2007. The Trust was established exclusively for the Retiree Medical Plan (Plan) which is a cost-sharing multiple-employer defined benefit other OPEB plan that was established on August 1, 1993 for eligible employees as defined in the plan document. The Trust and the 401(h) fiduciary component unit below represents the Plan. The Plan is reported as of December 31, 2022.

Orange County Employees Retirement System-401(h)

This fund is used to account for annual required contributions, benefit payments, and investment losses and gains in the Trust. The 115 trust described above and the 401(h) account with OCERS represents the total Plan. In accordance with GASB Statement No. 84, this fund is presented as a fiduciary component unit of the County and OCERS' separate stand-alone financial report as of December 31, 2022 can be obtained on their website at https://www.ocers.org/financial-reports.

Orange County Employees Retirement System-Pension Trust Fund

This fund is used to account for the cost-sharing multiple-employer defined-benefit pension plan operated by OCERS. In accordance with GASB Statement No. 84, this fund is presented as a fiduciary component unit of the County and OCERS' separate stand-alone financial report as of December 31, 2022 can be obtained on their website at https://www.ocers.org/financial-reports.

Orange County Employees Retirement System-Health Care Fund-OCFA

This fund is used to account for the Orange County Fire Authority (OCFA) Postemployment Health Care Plan established under IRC Section 401(h). OCERS serves as trustee of the Plan. In accordance with GASB Statement No. 84, this fund is presented as a fiduciary component unit of the County and OCERS' separate stand-alone financial report as of December 31, 2022 can be obtained on their website at https://www.ocers.org/financial-reports.

CUSTODIAL 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 custodial capacity. Disbursements are made from these funds.

Orange County Employees Retirement System-OCTA

This fund is used to account for the Orange County Transportation Authority (OCTA) Health Care Plan established in accordance with Internal Revenue Code section 115. OCERS serves as trustee of the plan. In accordance with GASB Statement No. 84, this fund is presented as a fiduciary component unit of the County and OCERS' separate stand-alone financial report as of December 31, 2022 can be obtained on their website at https://www.ocers.org/financial-reports.

COUNTY OF ORANGE
CALIFORNIA

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
ASSETS			
Pooled Cash/Investments	$ 73,609	$ 73,208	$ 401
Restricted Cash and Investments			
Restricted Investments with Trustee	2,355	--	2,355
Receivables			
Interest/Dividends	606	602	4
Notes Receivable	15,339	15,339	--
Total Assets	91,909	89,149	2,760
LIABILITIES			
Bonds Payable	1,406	--	1,406
Interest Payable	22	--	22
Due to Other Governmental Agencies	480	478	2
Total Liabilities	1,908	478	1,430
DEFERRED INFLOWS OF RESOURCES			
Deferred Charge on Refunding	9	--	9
Total Deferred Inflows of Resources	9	--	9
NET POSITION			
Restricted for:			
Individuals, Organizations, and Other Governments	89,992	88,671	1,321
Net Position	$ 89,992	$ 88,671	$ 1,321

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
Additions:			
Contributions to Private-Purpose Trust	$ 38,140	$ 38,140	$ --
Intergovernmental Revenues	10,027	9,828	199
Other Revenues	5,585	5,585	--
Interest and Investment Income	1,190	1,049	141
Net Decrease in the Fair Value of Investments	(428)	(428)	--
Less: Investment Expense	(15)	(14)	(1)
Total Additions	54,499	54,160	339
Deductions:			
Distributions from Private-Purpose Trust	40,812	40,812	--
Professional Services	621	544	77
Tax Pass-Throughs	212	--	212
Interest Expense, Net	(50)	--	(50)
Total Deductions	41,595	41,356	239
Change in Net Position	12,904	12,804	100
Net Position-Beginning of Year	77,088	75,867	1,221
Net Position-End of Year	$ 89,992	$ 88,671	$ 1,321

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OPEB 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
ASSETS					
Pooled Cash/Investments	$ 3,963	$ 554	$ 1	$ 1	$ 1
Cash/Cash Equivalents	411,606	--	--	1	--
Securities Lending Collateral	202,096	--	--	--	--
Restricted Cash and Investments					
Restricted Investments with Trustee					
Global Public Equity	8,817,154	--	--	--	--
Private Equity	3,301,871	--	--	--	--
Core Fixed Income	1,634,516	--	--	--	--
Credit	1,750,047	--	--	--	--
Real Assets	2,907,077	--	--	--	--
Risk Mitigation	1,757,155	--	--	--	--
Unique Strategies	74,365	--	--	--	--
Cash Equivalent	730	--	--	270	460
Exchange-Traded Funds	164,379	631	--	2,662	9,707
Mutual Funds	77,877	577	--	10,212	15,992
Mutual Bond Funds	6,831	2,196	--	54	1,619
Stable Value Fund	34,818	--	10,817	8,923	1,213
Receivables					
Investments	15,320	--	--	--	--
Securities Sales	141,477	--	--	--	--
Contributions	15,437	--	--	--	--
Interest/Dividends	19	4	--	--	--
Other Receivables	7,880	--	--	--	--
Due from Other Governmental Agencies	1,958	--	34	56	290
Capital Assets, Net	9,088	--	--	--	--
Total Assets	21,335,664	3,962	10,852	22,179	29,282
LIABILITIES					
Accounts Payable	264,378	--	--	--	--
Salaries and Employee Benefits Payable	127,098	--	--	--	--
Unearned Contributions	320,009	--	--	--	--
Investment Obligations	204,463	--	--	--	--
Total Liabilities	915,948	--	--	--	--
NET POSITION					
Restricted for OPEB Benefits	663,420	--	--	--	--
Restricted for Pension	19,756,296	3,962	10,852	22,179	29,282
Net Position	$ 20,419,716	$ 3,962	$ 10,852	$ 22,179	$ 29,282

(Dollar Amounts in Thousands)

	Health Reimbursement Arrangement Plan	Retiree Medical Plan 115 Trust *	Fiduciary Component Unit: Orange County Employees Retirement System-401(h)*	Fiduciary Component Unit: Orange County Employees Retirement System-Pension Trust Fund*	Fiduciary Component Unit: Orange County Employees Retirement System-Health Care Fund-OCFA*
ASSETS					
Pooled Cash/Investments	$ 57	$ 3,349	$ --	$ --	$ --
Cash/Cash Equivalents	--	--	9,152	401,414	1,039
Securities Lending Collateral	--	--	4,494	197,092	510
Restricted Cash and Investments					
Restricted Investments with Trustee					
Global Public Equity	--	--	196,058	8,598,842	22,254
Private Equity	--	--	73,420	3,220,117	8,334
Core Fixed Income	--	--	36,345	1,594,045	4,126
Credit	--	--	38,914	1,706,716	4,417
Real Assets	--	--	64,642	2,835,098	7,337
Risk Mitigation	--	--	39,072	1,713,648	4,435
Unique Strategies	--	--	1,654	72,523	188
Cash Equivalent	--	--	--	--	--
Exchange-Traded Funds	151,379	--	--	--	--
Mutual Funds	51,096	--	--	--	--
Mutual Bond Funds	2,962	--	--	--	--
Stable Value Fund	13,865	--	--	--	--
Receivables					
Investments	--	--	341	14,940	39
Securities Sales	--	--	3,146	137,974	357
Contributions	--	--	--	15,437	--
Interest/Dividends	--	15	--	--	--
Other Receivables	--	--	175	7,685	20
Due from Other Governmental Agencies	1,578	--	--	--	--
Capital Assets, Net	--	--	--	9,088	--
Total Assets	220,937	3,364	467,413	20,524,619	53,056
LIABILITIES					
Accounts Payable	--	59,975	4,545	199,342	516
Salaries and Employee Benefits Payable	--	4,631	5,601	115,847	1,019
Unearned Contributions	--	--	--	320,009	--
Investment Obligations	--	--	4,547	199,400	516
Total Liabilities	--	64,606	14,693	834,598	2,051
NET POSITION					
Restricted for OPEB Benefits	220,937	(61,242)	452,720	--	51,005
Restricted for Pension	--	--	--	19,690,021	--
Net Position	$ 220,937	$ (61,242)	$ 452,720	$ 19,690,021	$ 51,005

* This is presented as of 12/31/22.

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OPEB 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
Additions:					
Contributions to Pension and OPEB					
Employer	$ 793,626	$ 160	$ --	$ 1,420	$ 6,208
Employee	272,059	--	1,008	--	--
Investment Earnings					
Interest and Investment Income	507,793	18	--	--	--
Net Increase (Decrease) in the Fair Value of Investments	(2,431,176)	235	204	1,966	3,083
Securities Lending Income					
Gross Earnings	4,406	--	--	--	--
Less: Investment Expense	(153,976)	(4)	(10)	(25)	(54)
Total Additions	(1,007,268)	409	1,202	3,361	9,237
Deductions:					
Benefits Paid to Participants	1,259,005	404	963	1,655	294
Administrative Expense	23,591	--	--	--	--
Total Deductions	1,282,596	404	963	1,655	294
Change in Net Position	(2,289,864)	5	239	1,706	8,943
Net Position-Beginning of Year	22,709,580	3,957	10,613	20,473	20,339
Net Position-End of Year	$ 20,419,716	$ 3,962	$ 10,852	$ 22,179	$ 29,282

(Dollar Amounts in Thousands)

	Health Reimbursement Arrangement Plan	Retiree Medical Plan 115 Trust *	Fiduciary Component Unit: Orange County Employees Retirement System-401(h)*	Fiduciary Component Unit: Orange County Employees Retirement System-Pension Trust Fund*	Fiduciary Component Unit: Orange County Employees Retirement System-Health Care Fund-OCFA*
Additions:					
Contributions to Pension and OPEB					
Employer	$ 16,826	$ 4,737	$ 41,652	$ 719,691	$ 2,932
Employee	815	--	237	269,999	--
Investment Earnings					
Interest and Investment Income	6	82	11,289	495,116	1,282
Net Increase (Decrease) in the Fair Value of Investments	23,682	--	(46,439)	(2,408,298)	(5,609)
Securities Lending Income					
Gross Earnings	--	--	98	4,297	11
Less: Investment Expense	(374)	(4)	(3,413)	(149,705)	(387)
Total Additions	40,955	4,815	3,424	(1,068,900)	(1,771)
Deductions:					
Benefits Paid to Participants	7,533	64,770	37,013	1,139,715	6,658
Administrative Expense	--	--	23	23,546	22
Total Deductions	7,533	64,770	37,036	1,163,261	6,680
Change in Net Position	33,422	(59,955)	(33,612)	(2,232,161)	(8,451)
Net Position-Beginning of Year	187,515	(1,287)	486,332	21,922,182	59,456
Net Position-End of Year	$ 220,937	$ (61,242)	$ 452,720	$ 19,690,021	$ 51,005

* This is presented as of 12/31/22.

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL CUSTODIAL FUNDS

				Fiduciary Component Unit
	Total	Unapportioned Tax and Interest Funds	Departmental Funds	Orange County Employees Retirement System-OCTA*
ASSETS				
Pooled Cash/Investments	$ 327,301	$ 246,072	$ 81,229	$ --
Cash/Cash Equivalents	665	--	148	517
Restricted Cash and Investments				
Restricted Investments with Trustee	43,804	--	43,804	--
Global Public Equity	11,459	--	--	11,459
Core Fixed Income	5,245	--	--	5,245
Accounts	301	--	301	--
Taxes	263,211	263,211	--	--
Interest/Dividends	76,000	75,310	690	--
Allowance for Uncollectible Receivables	(48,447)	(48,446)	(1)	--
Due from Other Governmental Agencies	9,379	272	9,107	--
Total Assets	688,918	536,419	135,278	17,221
LIABILITIES				
Accounts Payable	9,477	162	9,315	--
Unapportioned Interest	42,997	42,997	--	--
Due to Other Governmental Agencies	21,085	16,873	4,212	--
Unapportioned Taxes	146,839	146,839	--	--
Total Liabilities	220,398	206,871	13,527	--
NET POSITION				
Restricted for:				
Restricted for OPEB Benefits	17,221	--	--	17,221
Individuals, Organizations, and Other Governments	451,299	329,548	121,751	--
Net Position	$ 468,520	$ 329,548	$ 121,751	$ 17,221

* This is presented as of 12/31/22.

(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

				Fiduciary Component Unit
	Total	Unapportioned Tax and Interest Funds	Departmental Funds	Orange County Employees Retirement System-OCTA*
Additions:				
Contributions to OPEB Benefit Trust Funds:				
Employer	$ 655	$ --	$ --	$ 655
Contributions to Pooled Investments	1,037,711	8	1,037,703	--
Taxes	11,380,854	11,316,729	64,125	--
Interest and Investment Income	485,628	483,337	2,291	--
Net Decrease in the Fair Value of Investments	(6,673)	(2,900)	(374)	(3,399)
Less: Investment Expense	(84)	(66)	(15)	(3)
Total Additions	12,898,091	11,797,108	1,103,730	(2,747)
Deductions:				
Benefits Paid to Participants	1,466	--	--	1,466
Distributions from Pooled Investments	1,030,385	--	1,030,385	--
Professional Services	6,991	5,115	1,853	23
Other Expenses	48,445	48,445	--	--
Apportioned Taxes	11,799,183	11,739,749	59,434	--
Total Deductions	12,886,470	11,793,309	1,091,672	1,489
Change in Net Position	11,621	3,799	12,058	(4,236)
Net Position-Beginning of Year	456,899	325,749	109,693	21,457
Net Position-End of Year	$ 468,520	$ 329,548	$ 121,751	$ 17,221

* This is presented as of 12/31/22.

COUNTY OF ORANGE CALIFORNIA

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 Annual Comprehensive 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 Annual Comprehensive Financial Reports for the relevant year.

(Dollar Amounts in Thousands)

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2022-23	2021-22	2020-21	2019-20	2018-19
Governmental Activities					
Net Investment in Capital Assets	$ 3,558,179	$ 3,423,823	$ 3,533,978	$ 3,319,173	$ 3,127,371
Restricted for:					
Expendable					
Pension Benefits	144,682	135,745	148,764	135,342	143,647
Capital Projects	30,210	43,354	98,252	162,614	212,897
Debt Service	26,462	25,617	38,248	33,179	28,370
Legally Segregated for Grants and Other Purposes	1,739,190	1,538,419	1,377,939	1,212,985	1,202,317
Regional Park Endowment	174	163	168	167	159
Nonexpendable	.				
Regional Park Endowment	200	200	200	200	200
Unrestricted	(1,385,230)	(1,718,846)	(3,046,351)	(3,480,608)	(3,582,580)
Total Governmental Activities Net Position	$ 4,113,867	$ 3,448,475	$ 2,151,198	$ 1,383,052	$ 1,132,381
Business-Type Activities					
Net Investment in Capital Assets	$ 927,705	$ 863,392	$ 865,175	$ 856,250	$ 858,924
Restricted for:					
Expendable					
Debt Service	--	8,362	12,698	11,591	2,029
Passenger Facility Charges Approved Capital Projects	30,663	24,473	8,093	8,158	3,282
Replacements and Renewals	--	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	18,401	18,566	25,053	27,730	28,531
Landfill Corrective Action	13,671	11,827	10,472	8,820	8,619
Wetland	879	879	879	879	879
Prima Deshecha/La Pata Closure	--	--	--	104	104
Unrestricted	746,833	669,953	588,699	546,804	491,359
Total Business-Type Activities Net Position	$ 1,738,152	$ 1,598,452	$ 1,512,069	$ 1,461,336	$ 1,394,727
Primary Government					
Net Investment in Capital Assets	$ 4,485,884	$ 4,287,215	$ 4,399,153	$ 4,175,423	$ 3,986,295
Restricted for:					
Expendable					
Pension Benefits	144,682	135,745	148,764	135,342	143,647
Capital Projects	30,210	43,354	98,252	162,614	212,897
Debt Service	26,462	33,979	50,946	44,770	30,399
Legally Segregated for Grants and Other Purposes	1,739,190	1,538,419	1,377,939	1,212,985	1,202,317
Regional Park Endowment	174	163	168	167	159
Passenger Facility Charges Approved Capital Projects	30,663	24,473	8,093	8,158	3,282
Replacements and Renewals	--	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	18,401	18,566	25,053	27,730	28,531
Landfill Corrective Action	13,671	11,827	10,472	8,820	8,619
Wetland	879	879	879	879	879
Prima Deshecha/La Pata Closure	--	--	--	104	104
Nonexpendable					
Regional Park Endowment	200	200	200	200	200
Unrestricted	(638,397)	(1,048,893)	(2,457,652)	(2,933,804)	(3,091,221)
Total Primary Government Net Position	$ 5,852,019	$ 5,046,927	$ 3,663,267	$ 2,844,388	$ 2,527,108

Note: (1) The balances shown have not been restated to include the prior period adjustments.

(Dollar Amounts in Thousands)

Fiscal Year					
2017-18	2016-17[1]	2015-16	2014-15	2013-14[1]	
					Governmental Activities
$ 3,031,574	$ 2,813,296	$ 2,707,493	$ 2,670,577	$ 2,646,812	Net Investment in Capital Assets
					Restricted for:
					Expendable
135,485	125,876	111,639	112,544	109,986	Pension Benefits
123,245	164,400	10,836	6,154	8,661	Capital Projects
25,792	33,409	36,380	37,734	37,639	Debt Service
1,148,735	1,192,827	1,103,257	1,045,897	1,190,106	Legally Segregated for Grants and Other Purposes
148	145	144	141	140	Regional Park Endowment
					Nonexpendable
200	196	193	188	185	Regional Park Endowment
(3,312,306)	(3,074,958)	(2,979,945)	(2,991,814)	331,408	Unrestricted
$ 1,152,873	$ 1,255,191	$ 989,997	$ 881,421	$ 4,324,937	Total Governmental Activities Net Position
					Business-Type Activities
$ 799,668	$ 708,286	$ 663,280	$ 642,427	$ 624,621	Net Investment in Capital Assets
					Restricted for:
					Expendable
8,672	36,181	8,499	7,324	7,090	Debt Service
12,044	2,775	14,705	70,538	62,522	Passenger Facility Charges Approved Capital Projects
1,000	1,000	1,000	1,000	1,000	Replacements and Renewals
26,655	28,962	33,997	33,337	37,412	Landfill Closure/Postclosure
8,358	8,278	8,245	8,174	7,141	Landfill Corrective Action
879	879	879	879	879	Wetland
104	104	104	104	104	Prima Deshecha/La Pata Closure
454,482	463,495	465,003	362,546	384,871	Unrestricted
$ 1,311,862	$ 1,249,960	$ 1,195,712	$ 1,126,329	$ 1,125,640	Total Business-Type Activities Net Position
					Primary Government
$ 3,831,242	$ 3,521,582	$ 3,370,773	$ 3,313,004	$ 3,271,433	Net Investment in Capital Assets
					Restricted for:
					Expendable
135,485	125,876	111,639	112,544	109,986	Pension Benefits
123,245	164,400	10,836	6,154	8,661	Capital Projects
34,464	69,590	44,879	45,058	44,729	Debt Service
1,148,735	1,192,827	1,103,257	1,045,897	1,190,106	Legally Segregated for Grants and Other Purposes
148	145	144	141	140	Regional Park Endowment
12,044	2,775	14,705	70,538	62,522	Passenger Facility Charges Approved Capital Projects
1,000	1,000	1,000	1,000	1,000	Replacements and Renewals
26,655	28,962	33,997	33,337	37,412	Landfill Closure/Postclosure
8,358	8,278	8,245	8,174	7,141	Landfill Corrective Action
879	879	879	879	879	Wetland
104	104	104	104	104	Prima Deshecha/La Pata Closure
					Nonexpendable
200	196	193	188	185	Regional Park Endowment
(2,857,824)	(2,611,463)	(2,514,942)	(2,629,268)	716,279	Unrestricted
$ 2,464,735	$ 2,505,151	$ 2,185,709	$ 2,007,750	$ 5,450,577	Total Primary Government Net Position

(Dollar Amounts in Thousands)

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year 2022-23	2021-22	2020-21	2019-20	2018-19
Expenses					
Governmental Activities:					
General Government	$ 363,314	$ 189,650	$ 188,668	$ 313,583	$ 221,830
Public Protection	1,824,133	1,377,502	1,513,781	1,571,137	1,650,165
Public Ways and Facilities	167,921	149,290	138,670	158,356	172,970
Health and Sanitation	906,593	830,673	1,106,989	752,996	715,343
Public Assistance	1,395,469	1,224,045	1,358,723	1,219,816	1,193,705
Education	61,221	57,060	52,579	48,845	52,323
Recreation and Cultural Services	155,460	129,380	128,747	122,694	139,183
Interest on Long-Term Debt	40,843	35,148	27,232	33,617	30,910
Subtotal Governmental Activities	4,914,954	3,992,748	4,515,389	4,221,044	4,176,429
Business-Type Activities:					
Airport	159,451	133,555	128,160	132,804	136,075
OC Waste & Recycling	162,221	134,620	134,202	130,853	128,354
Compressed Natural Gas	3	13	11	11	160
Subtotal Business-Type Activities	321,675	268,188	262,373	263,668	264,589
Total Primary Government Expenses	$ 5,236,629	$ 4,260,936	$ 4,777,762	$ 4,484,712	$ 4,441,018
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	$ 63,337	$ 56,627	$ 57,828	$ 45,713	$ 47,508
Public Protection	325,800	312,588	326,011	299,121	319,248
Public Ways and Facilities	64,912	74,360	49,063	54,762	52,334
Health and Sanitation	153,271	153,074	143,981	140,631	132,172
Public Assistance	26,627	26,097	18,347	38,431	40,158
Education	671	505	441	575	1,100
Recreation and Cultural Services	41,381	30,444	29,409	26,143	34,506
Operating Grants and Contributions	3,208,589	3,166,816	3,199,181	2,500,368	2,289,265
Capital Grants and Contributions	200,108	130,593	141,883	141,118	63,429
Subtotal Governmental Activities Program Revenues	4,084,696	3,951,104	3,966,144	3,246,862	2,979,720
Business-Type Activities:					
Charges for Services					
Airport	185,369	162,025	109,168	135,273	157,785
OC Waste & Recycling	201,179	186,790	179,974	179,542	171,741
Compressed Natural Gas	307	165	183	95	108
Operating Grants and Contributions	52,105	20,571	22,371	5,285	193
Capital Grants and Contributions	225	660	5,387	-	1,424
Subtotal Business-Type Activities Program Revenues	439,185	370,211	317,083	320,195	331,251
Total Primary Government Program Revenues	$ 4,523,881	$ 4,321,315	$ 4,283,227	$ 3,567,057	$ 3,310,971

Note: (1) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

Fiscal Year 2017-18	2016-17 (1)	2015-16	2014-15	2013-14 (1)	
					Expenses
					Governmental Activities:
$ 196,233	$ 186,340	$ 203,394	$ 191,793	$ 131,026	General Government
1,475,626	1,485,137	1,433,421	1,326,028	1,261,984	Public Protection
151,779	97,928	142,071	114,398	127,561	Public Ways and Facilities
656,234	593,617	554,872	537,580	626,063	Health and Sanitation
1,102,747	1,097,327	1,097,129	1,049,665	988,735	Public Assistance
48,412	44,510	46,170	43,314	41,240	Education
123,798	112,749	115,136	102,069	96,820	Recreation and Cultural Services
25,741	17,544	20,112	23,560	28,028	Interest on Long-Term Debt
3,780,570	3,635,152	3,612,305	3,388,407	3,301,457	Subtotal Governmental Activities
					Business-Type Activities:
124,466	125,522	120,921	124,778	120,731	Airport
125,472	105,149	96,301	69,307	94,161	OC Waste & Recycling
299	367	283	331	379	Compressed Natural Gas
250,237	231,038	217,505	194,416	215,271	Subtotal Business-Type Activities
$ 4,030,807	$ 3,866,190	$ 3,829,810	$ 3,582,823	$ 3,516,728	Total Primary Government Expenses
					Program Revenues
					Governmental Activities:
					Charges for Services
$ 43,104	$ 41,988	$ 34,048	$ 36,924	$ 32,016	General Government
355,850	307,630	288,185	286,644	273,215	Public Protection
55,544	67,796	63,487	53,834	53,071	Public Ways and Facilities
112,715	117,170	85,392	102,599	93,470	Health and Sanitation
38,741	40,589	37,975	37,650	42,300	Public Assistance
1,237	1,274	1,426	1,480	2,059	Education
49,892	47,763	46,937	43,882	39,251	Recreation and Cultural Services
2,175,087	2,067,777	2,037,311	1,996,861	2,033,550	Operating Grants and Contributions
123,575	113,481	105,776	33,241	54,478	Capital Grants and Contributions
2,955,745	2,805,468	2,700,537	2,593,115	2,623,410	Subtotal Governmental Activities Program Revenues
					Business-Type Activities:
					Charges for Services
152,551	150,260	149,894	141,563	136,359	Airport
162,273	153,842	147,130	139,493	125,106	OC Waste & Recycling
266	248	269	312	392	Compressed Natural Gas
272	69	171	255	900	Operating Grants and Contributions
4,829	1,828	2,174	9,215	5,277	Capital Grants and Contributions
320,191	306,247	299,638	290,838	268,034	Subtotal Business-Type Activities Program Revenues
$ 3,275,936	$ 3,111,715	$ 3,000,175	$ 2,883,953	$ 2,891,444	Total Primary Government Program Revenues

(Dollar Amounts in Thousands)

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting) (Continued)

	Fiscal Year				
	2022-23	2021-22	2020-21	2019-20	2018-19
Net (Expense)/Revenue					
Governmental Activities	$ (830,258)	$ (41,644)	$ (549,245)	$ (974,182)	$ (1,196,709)
Business-Type Activities	117,510	102,023	54,710	56,527	66,662
Total Primary Government Net (Expense)/Revenue	$ (712,748)	$ 60,379	$ (494,535)	$ (917,655)	$ (1,130,047)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	$ 398,794	$ 367,918	$ 351,951	$ 332,635	$ 320,395
Property Taxes, Levied for Flood Control District	135,749	126,365	119,476	115,908	110,529
Property Taxes, Levied for OC Parks	105,157	97,889	93,792	89,804	85,640
Property Taxes, Levied for OC Public Libraries	66,286	61,721	59,333	56,767	54,074
Property Taxes in-Lieu of Motor Vehicle License Fees	484,543	455,578	438,321	418,370	395,809
Other Taxes	134,123	149,568	127,777	104,863	99,965
Grants and Contributions Not Restricted to Specific Programs	4,675	4,631	15,547	11,673	2,720
State Allocation of Motor Vehicle License Fees	2,931	3,863	3,528	838	1,180
Unrestricted Investment Earnings	64,350	(4,364)	35,393	30,538	44,170
Miscellaneous	90,488	67,756	64,764	53,631	52,813
Transfers	8,554	7,996	7,509	9,826	8,922
Subtotal Governmental Activities	1,495,650	1,338,921	1,317,391	1,224,853	1,176,217
Business-Type Activities:					
Other Taxes	--	--	14	50	10
Unrestricted Investment Earnings	29,291	(11,274)	1,269	19,771	24,941
Miscellaneous Revenues	1,453	3,630	2,249	87	174
Transfers	(8,554)	(7,996)	(7,509)	(9,826)	(8,922)
Subtotal Business-Type Activities	22,190	(15,640)	(3,977)	10,082	16,203
Total Primary Government General Revenue and Other Charges	$ 1,517,840	$ 1,323,281	$ 1,313,414	$ 1,234,935	$ 1,192,420
Change in Net Position					
Governmental Activities	$ 665,392	$ 1,297,277	$ 768,146	$ 250,671	$ (20,492)
Business-Type Activities	139,700	86,383	50,733	66,609	82,865
Total Primary Government	$ 805,092	$ 1,383,660	$ 818,879	$ 317,280	$ 62,373

Note: (1) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

Fiscal Year 2017-18	2016-17[1]	2015-16	2014-15	2013-14[1]	
					Net (Expense)/Revenue
$ (824,825)	$ (829,684)	$ (911,768)	$ (795,292)	$ (678,047)	Governmental Activities
69,954	75,209	82,133	96,422	52,763	Business-Type Activities
$ (754,871)	$ (754,475)	$ (829,635)	$ (698,870)	$ (625,284)	Total Primary Government Net (Expense)/Revenue
					General Revenue and Other Changes in Net Position
					Governmental Activities:
					Taxes
$ 305,296	$ 287,212	$ 311,902	$ 328,500	$ 277,591	Property Taxes, Levied for General Fund
104,798	98,563	82,193	77,090	72,737	Property Taxes, Levied for Flood Control District
81,206	76,493	61,048	57,266	54,042	Property Taxes, Levied for OC Parks
51,166	47,804	45,364	42,333	39,734	Property Taxes, Levied for OC Public Libraries
372,728	351,011	333,595	314,957	295,798	Property Taxes in-Lieu of Motor Vehicle License Fees
99,889	98,216	78,184	71,613	73,178	Other Taxes
10,757	8,434	4,583	49,476	14,192	Grants and Contributions Not Restricted to Specific Programs
1,615	1,234	1,100	764	895	State Allocation of Motor Vehicle License Fees
19,389	19,760	17,032	6,796	18,459	Unrestricted Investment Earnings
71,164	80,229	63,825	69,789	54,412	Miscellaneous
10,767	25,922	21,518	19,959	17,557	Transfers
1,128,775	1,094,878	1,020,344	1,038,543	918,595	Subtotal Governmental Activities
					Business-Type Activities:
82	78	72	109	101	Other Taxes
7,695	3,497	6,526	3,042	3,064	Unrestricted Investment Earnings
1,830	1,386	2,170	1,597	3,177	Miscellaneous Revenues
(10,767)	(25,922)	(21,518)	(19,959)	(17,557)	Transfers
(1,160)	(20,961)	(12,750)	(15,211)	(11,215)	Subtotal Business-Type Activities
$ 1,127,615	$ 1,073,917	$ 1,007,594	$ 1,023,332	$ 907,380	Total Primary Government General Revenue and Other Charges
					Change in Net Position
$ 303,950	$ 265,194	$ 108,576	$ 243,251	$ 240,548	Governmental Activities
68,794	54,248	69,383	81,211	41,548	Business-Type Activities
$ 372,744	$ 319,442	$ 177,959	$ 324,462	$ 282,096	Total Primary Government

(Dollar Amounts in Thousands)

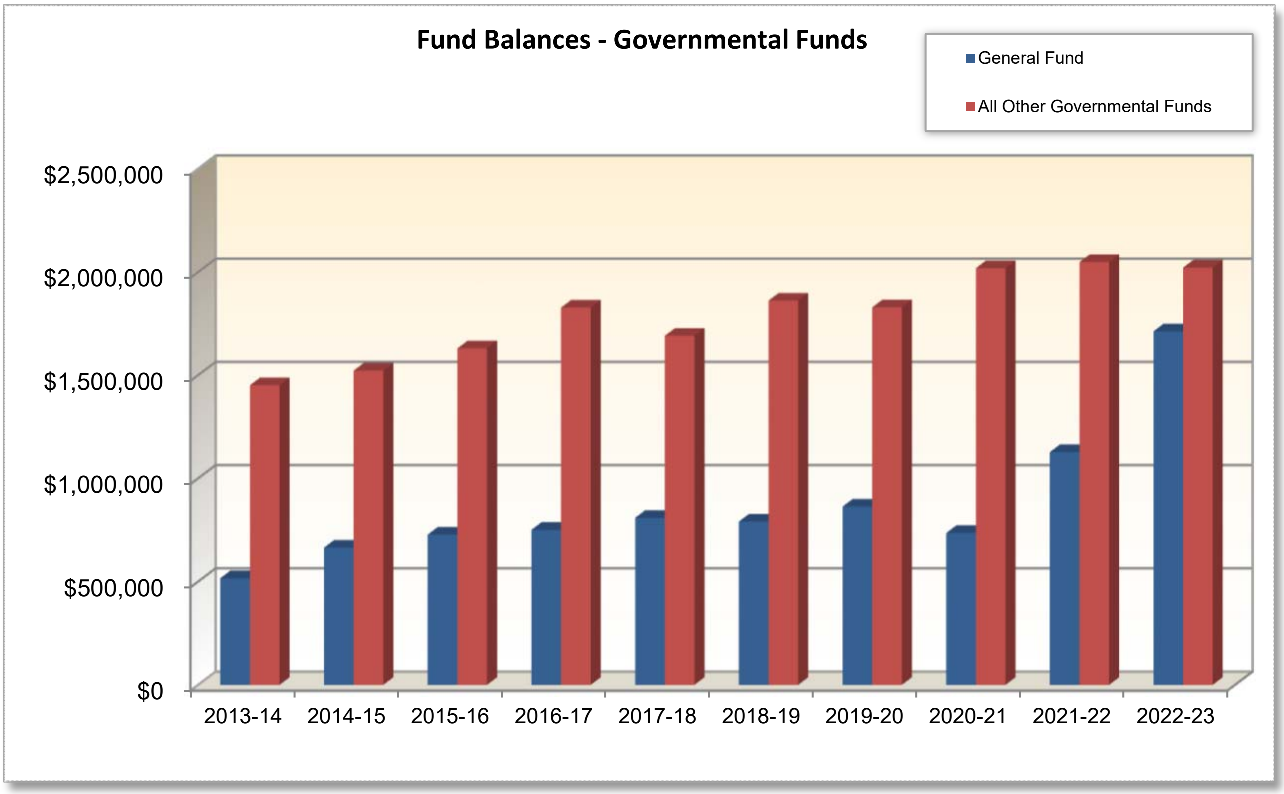
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2022-23	2021-22	2020-21	2019-20	2018-19
General Fund					
Nonspendable	$ 2,175	$ 517,721	$ 515,879	$ 460,074	$ 396,541
Restricted	284,714	164,954	97,998	78,982	49,989
Assigned	653,241	316,809	108,268	106,929	147,686
Unassigned	772,383	127,721	13,582	217,317	196,517
Total General Fund	$ 1,712,513	$ 1,127,205	$ 735,727	$ 863,302	$ 790,733
All Other Governmental Funds					
Nonspendable	$ 1,027	$ 32,171	$ 29,779	$ 25,866	$ 23,368
Restricted	1,639,674	1,572,185	1,611,739	1,588,765	1,657,781
Assigned	380,752	443,370	377,228	214,144	180,139
Total All Other Governmental Funds	$ 2,021,453	$ 2,047,726	$ 2,018,746	$ 1,828,775	$ 1,861,288

Note: (1) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

Fiscal Year 2017-18	2016-17[1]	2015-16	2014-15	2013-14[1]	
					General Fund
$ 378,418	$ 372,572	$ 331,889	$ 336,606	$ 321,022	Nonspendable
31,815	39,581	49,230	31,486	42,028	Restricted
179,119	265,293	321,064	269,529	153,336	Assigned
219,426	73,446	25,655	26,887	--	Unassigned
$ 808,778	$ 750,892	$ 727,838	$ 664,508	$ 516,386	**Total General Fund**
					All Other Governmental Funds
$ 21,505	$ 21,697	$ 20,501	$ 21,296	$ 21,207	Nonspendable
1,492,269	1,635,408	1,479,405	1,417,122	1,362,102	Restricted
176,953	170,472	129,782	83,765	67,929	Assigned
$ 1,690,727	$ 1,827,577	$ 1,629,688	$ 1,522,183	$ 1,451,238	**Total All Other Governmental Funds**



(Dollar Amounts in Thousands)

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Basis of Accounting)

	Fiscal Year				
	2022-23	2021-22	2020-21	2019-20	2018-19
Revenues					
Taxes	$ 1,279,769	$ 1,209,689	$ 1,152,471	$ 1,087,160	$ 1,033,209
Licenses, Permits, and Franchises	30,813	26,795	27,819	26,193	25,956
Fines, Forfeitures, and Penalties	59,388	62,384	57,845	54,731	64,582
Use of Money and Property	152,652	46,377	43,339	99,619	124,827
Intergovernmental	3,405,271	3,140,286	3,142,386	2,506,018	2,243,421
Charges for Services	618,893	615,036	571,132	553,644	538,659
Other	85,582	103,284	70,549	60,389	74,508
Total Revenues	5,632,368	5,203,851	5,065,541	4,387,754	4,105,162
Expenditures					
General Government	416,545	237,547	227,528	346,701	271,722
Public Protection	1,682,705	1,606,763	1,559,227	1,492,539	1,485,357
Public Ways and Facilities	139,046	138,921	130,831	138,760	152,657
Health and Sanitation	878,567	877,075	1,131,047	747,178	680,305
Public Assistance	1,362,702	1,286,464	1,383,768	1,210,986	1,145,340
Education	58,206	57,457	53,372	47,702	47,826
Recreation and Cultural Services	148,586	130,180	125,363	119,379	114,127
Capital Outlay	483,501	421,661	341,409	194,454	213,950
Debt Service					
Principal Retirement	142,355	73,855	60,982	90,093	75,410
Interest	42,142	39,014	40,115	43,887	43,062
Debt Issuance Costs	--	--	--	--	--
Total Expenditures	5,354,355	4,868,937	5,053,642	4,431,679	4,229,756
Excess (Deficit) of Revenues Over Expenditures	278,013	334,914	11,899	(43,925)	(124,594)
Other Financing Sources (Uses)					
Transfers In	808,237	513,743	601,093	590,322	633,185
Transfers Out	(802,628)	(513,819)	(601,321)	(590,049)	(629,486)
Debt Issued	165,683	79,978	50,725	83,708	61,107
Premium on Debt Issued	12,350	--	--	--	--
Capital Leases	--	--	--	--	--
Leases Issued	73,216	5,642	--	--	--
Subscriptions Issued	24,164	--	--	--	--
Loan Issuance	--	--	--	--	212,304
Total Other Financing Sources	281,022	85,544	50,497	83,981	277,110
Net Change in Fund Balances	$ 559,035	$ 420,458	$ 62,396	$ 40,056	$ 152,516
Debt Service as a Percentage of Noncapital Expenditures:	3.79%	2.54%	2.15%	3.16%	2.95%

Note: (1) The balances shown have not been restated to include prior period adjustments.

(Dollar Amounts in Thousands)

	Fiscal Year 2017-18	2016-17(1)	2015-16	2014-15	2013-14(1)
Revenues					
Taxes	$ 982,742	$ 923,561	$ 876,808	$ 822,511	$ 778,936
Licenses, Permits, and Franchises	28,142	28,209	27,659	24,583	24,920
Fines, Forfeitures, and Penalties	69,858	96,950	61,669	108,115	62,081
Use of Money and Property	85,694	68,498	88,211	73,700	63,611
Intergovernmental	2,232,699	2,172,013	2,125,136	2,064,354	2,070,245
Charges for Services	567,464	530,883	466,659	480,023	470,899
Other	78,707	63,949	69,436	71,207	54,406
Total Revenues	4,045,306	3,884,063	3,715,578	3,644,493	3,525,098
Expenditures					
General Government	295,157	267,663	261,387	212,805	172,195
Public Protection	1,441,435	1,401,694	1,289,902	1,230,878	1,194,069
Public Ways and Facilities	135,056	97,169	123,140	102,732	127,506
Health and Sanitation	649,064	578,772	527,482	515,560	621,891
Public Assistance	1,094,675	1,073,964	1,061,647	1,030,404	972,156
Education	46,842	42,564	43,928	41,949	40,008
Recreation and Cultural Services	117,965	106,356	100,381	98,001	98,388
Capital Outlay	259,797	176,308	116,569	102,863	125,781
Debt Service					
Principal Retirement	108,997	100,119	126,319	104,756	111,486
Interest	36,273	47,089	43,039	31,513	35,107
Debt Issuance Costs	--	--	--	--	200
Total Expenditures	4,185,261	3,891,698	3,693,794	3,471,461	3,498,787
Excess (Deficit) of Revenues Over Expenditures	(139,955)	(7,635)	21,784	173,032	26,311
Other Financing Sources (Uses)					
Transfers In	505,092	653,593	396,952	338,055	294,374
Transfers Out	(502,637)	(631,891)	(387,373)	(323,604)	(279,287)
Debt Issued	58,489	31,536	127,494	31,541	39,639
Premium on Debt Issued	--	--	11,724	--	--
Capital Leases	47	--	254	43	--
Leases Issued	--	--	--	--	--
Subscriptions Issued	--	--	--	--	--
Loan Issuance	--	175,340	--	--	--
Total Other Financing Sources	60,991	228,578	149,051	46,035	54,726
Net Change in Fund Balances	$ (78,964)	$ 220,943	$ 170,835	$ 219,067	$ 81,037
Debt Service as a Percentage of Noncapital Expenditures:	3.70%	3.97%	4.73%	4.04%	4.34%

(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)
2022-23	$ 561,048,590	$ 151,755,945	$ 2,210,300	$ 24,515,260
2021-22	525,246,642	144,813,561	2,421,503	24,015,723
2020-21	504,644,318	140,164,352	2,403,862	22,897,695
2019-20	480,900,743	134,341,781	2,582,299	22,599,621
2018-19	454,536,503	127,625,128	2,489,493	21,677,257
2017-18	427,214,695	119,884,555	2,827,145	20,772,113
2016-17	400,931,553	114,636,194	2,787,769	20,582,609
2015-16	377,592,570	110,440,476	3,294,159	20,394,462
2014-15	352,800,864	105,523,254	3,694,094	20,902,660
2013-14	328,138,473	102,580,010	3,792,261	19,281,087

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 fair value at time of ownership change and the fair 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)

Total Taxable Assessed Value	Less: Exempt & Non-Reimbursed Exemptions	Net Taxable Assessed Value	Total Direct Tax Rate Percent [1]
$ 739,530,095	$ (18,278,883)	$ 721,251,212	1.00
696,497,429	(18,432,565)	678,064,864	1.00
670,110,227	(14,813,332)	655,296,895	1.00
640,424,444	(14,679,567)	625,744,877	1.00
606,328,381	(13,748,645)	592,579,736	1.00
570,698,508	(12,895,747)	557,802,761	1.00
538,938,125	(12,807,570)	526,130,555	1.00
511,721,667	(12,722,344)	498,999,323	1.00
482,920,872	(11,661,965)	471,258,907	1.00
453,791,831	(10,943,554)	442,848,277	1.00

(Dollar Amounts in Thousands)

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per $1,000 of Assessed Value) [4]

	Direct Rate [1]	Overlapping Rates [2]				
Fiscal Year	County General	School Districts	Local Special Districts	Cities	Public Utility	Total Direct & Overlapping Rates
2022-23	1.00000	0.05149	0.00825	0.00667	0.00388	1.07029
2021-22	1.00000	0.05285	0.00828	0.00674	0.00359	1.07146
2020-21	1.00000	0.05622	0.00847	0.00676	0.00363	1.07508
2019-20	1.00000	0.05358	0.01202	0.00678	0.00326	1.07564
2018-19	1.00000	0.05515	0.01216	0.00687	0.00317	1.07735
2017-18	1.00000	0.05366	0.01289	0.00713	0.00259	1.07627
2016-17	1.00000	0.04840	0.01316	0.00659	0.00270	1.07085
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 fair value at time of ownership change and the fair 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.

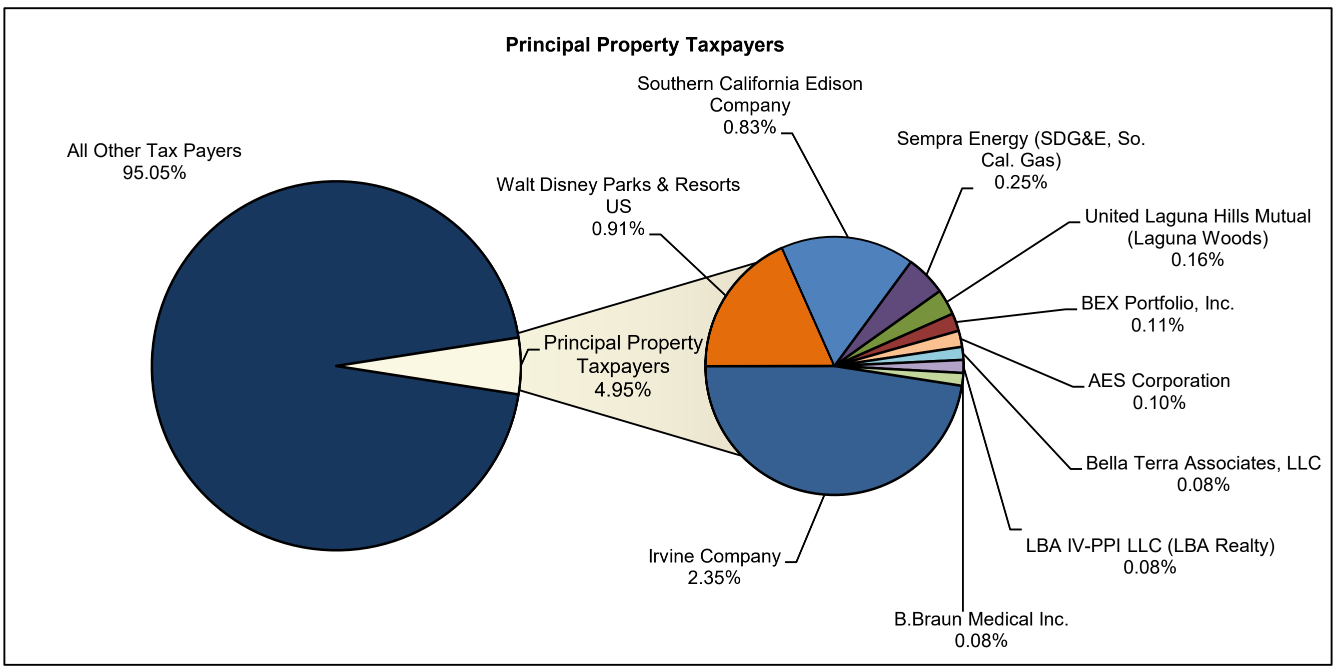
Source: Auditor-Controller, County of Orange

COUNTY OF ORANGE
CALIFORNIA

(Dollar Amounts in Thousands)

Principal Property Taxpayers
Current Year and Nine Years Ago

	2023			2014		
Taxpayer	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
Irvine Company	$ 194,997	1	2.35%	$ 114,098	1	2.22%
Walt Disney Parks & Resorts US	75,440	2	0.91%	51,566	2	1.00%
Southern California Edison Company	68,683	3	0.83%	33,028	3	0.64%
Sempra Energy (SDG&E, So. Cal. Gas)	20,322	4	0.25%			
United Laguna Hills Mutual (Laguna Woods)	13,003	5	0.16%	7,072	6	0.14%
BEX Portfolio, Inc.	9,030	6	0.11%			
AES Corporation	8,497	7	0.10%			
Bella Terra Associates, LLC	6,573	8	0.08%			
LBA IV-PPI LLC (LBA Realty)	6,459	9	0.08%			
B.Braun Medical Inc.	6,435	10	0.08%			
Pacific Bell Telephone Company				8,223	5	0.16%
OC/SD Holdings LLC				4,653	9	0.09%
Heritage Fields El Toro LLC				10,107	4	0.20%
Oxy USA Inc.				6,175	7	0.12%
Southern California Gas Company				4,356	10	0.08%
Linn Western Operating Inc.				4,690	8	0.09%
Total	$ 409,439		4.95%	$ 243,968		4.74%



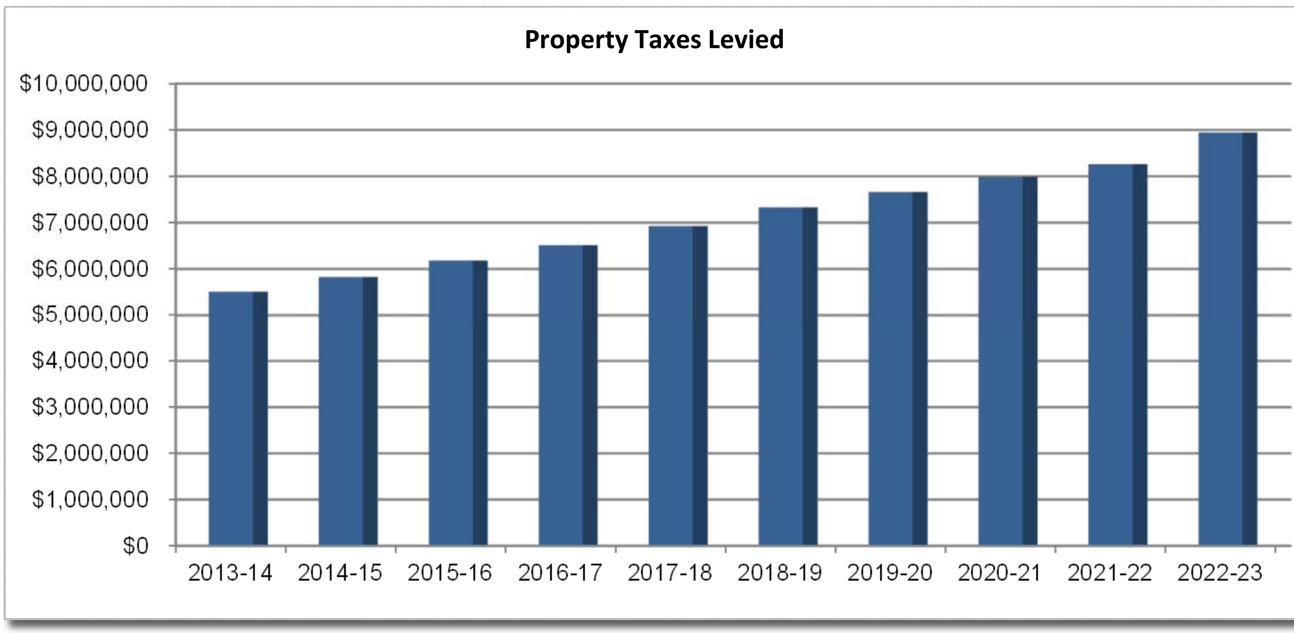
Note: The base used for the Percentage of Total Taxes Levied for 2023 includes total secured taxes of $8,289,903

Source: Treasurer-Tax Collector, County of Orange

(Dollar Amounts in Thousands)

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)		Collections of Delinquent Taxes from Prior Years	Total Collections for the Fiscal Year (3)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2022-23	$ 8,946,855	$ 8,834,593	98.75%	$ --(4)	8,834,593	98.75%
2021-22	8,265,313	8,179,665	98.96%	48,133	8,227,798	99.55%
2020-21	7,989,930	7,896,700	98.83%	63,686	7,960,386	99.63%
2019-20	7,664,009	7,567,252	98.74%	78,762	7,646,014	99.77%
2018-19	7,333,137	7,252,952	98.91%	64,997	7,317,949	99.79%
2017-18	6,925,546	6,855,493	98.99%	57,551	6,913,044	99.82%
2016-17	6,511,944	6,446,780	99.00%	54,911	6,501,691	99.84%
2015-16	6,183,862	6,119,771	98.96%	55,549	6,175,320	99.86%
2014-15	5,828,106	5,759,699	98.83%	61,661	5,821,360	99.88%
2013-14	5,509,379	5,444,912	98.83%	54,979	5,499,891	99.83%



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						
Fiscal Year	Refunding Recovery Bonds [5]	Certificates of Participation	Pension Obligation Bonds	Teeter Plan Notes	SARI Line Loans	Lease Revenue Bonds [5],[6],[7]	Financed Purchase Liability [2], [3]
2022-23	$ --	$ --	$ --	$ 82,308	$ --	$ 520,906	$ 20,954
2021-22	--	--	--	79,978	--	435,974	30,633
2020-21	--	--	516	37,406	--	441,853	32,993
2019-20	--	--	2,967	34,661	--	447,481	31,702
2018-19	--	--	5,445	29,507	--	449,669	39,396
2017-18	--	392	8,217	27,247	--	245,288	43,169
2016-17	--	811	11,220	27,868	23,900	263,692	55,831
2015-16	--	1,262	19,140	30,191	28,022	141,145	67,928
2014-15	--	1,744	27,227	33,823	36,277	105,880	79,168
2013-14	19,172	2,262	32,193	39,830	47,410	137,115	62,446

Notes:
(1) Details regarding the County's outstanding debt can be found in Note 11, Long-Term Obligations.
(2) Changed in FY 2021-22 from Capital Lease Obligations to Financed Purchase Liability due to the implementation of GASB Statement No. 87.
(3) Financed Purchase Liability arises from lease agreements without a termination option which transfer ownership of the underlying asset to the lessee at the end of the contract.
(4) See demographic and economic statistics schedule for personal income and population data.
(5) 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.
(6) Lease Revenue bonds and Airport Revenue bonds include unamortized premiums and discounts.
(7) Prior year balances for the Civic Center Facilities Master Plan Financing have been combined with Lease Revenue Bonds per GASB Statement No. 88.

Source: Auditor-Controller, County of Orange

(Dollar Amounts in Thousands)

Governmental Activities		Business-Type Activities					
Lease Liability	Interest Accretion on CAB	Airport Revenue Bonds (6)	Financed Purchase Liability (2), (3)	Lease Liability	Total Primary Government	Percentage of Personal Income (4)	Per Capita (4)
$ 448,982	$ --	$ --	$ 331	$ 27	$ 1,073,508	0.40%	$ 342
426,957	--	66,190	663	-	1,040,395	0.39%	329
--	2,890	79,910	994	-	595,568	0.23%	189
--	15,090	93,462	--	--	625,363	0.28%	196
--	25,201	98,079	--	--	647,297	0.28%	201
--	36,586	152,199	--	--	513,098	0.24%	159
--	46,641	187,318	--	--	617,281	0.31%	193
--	73,926	195,127	--	--	556,741	0.29%	175
--	96,303	202,536	--	--	582,958	0.31%	185
--	103,377	209,804	--	--	653,609	0.34%	210

Ratios of Net General Bonded Debt Outstanding [1]
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]
2022-23	$ --	$ --	$ --	$ --	0.00%	$ --
2021-22	--	--	--	--	0.00%	--
2020-21	--	3,406	3,406	--	0.00%	--
2019-20	--	18,057	18,057	--	0.00%	--
2018-19	--	30,646	30,646	--	0.00%	--
2017-18	--	42,770	42,770	--	0.00%	--
2016-17	--	53,985	53,985	--	0.00%	--
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

Notes:
(1) Details regarding the County's outstanding debt can be found in Note 11, Long-Term Obligations.
(2) See demographic and economic statistics schedule for population data on page 240.
(3) Beginning in FY 2012-13, outstanding debt includes accreted interest on capital appreciation bonds.

Source: Auditor Controller, County of Orange

(Dollar Amounts in Thousands)

Legal Debt Margin as a Percentage of Debt Limit
Last Ten Fiscal Years

Fiscal Year	Assessed Value [1]	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 [2]
2022-23	$ 733,634,516	$ 9,170,431	$ --	$ 9,170,431	0%
2021-22	689,088,931	8,613,612	--	8,613,612	0%
2020-21	663,241,179	8,290,515	--	8,290,515	0%
2019-20	632,758,256	7,909,478	--	7,909,478	0%
2018-19	598,901,016	7,486,263	--	7,486,263	0%
2017-18	563,662,044	7,045,776	--	7,045,776	0%
2016-17	531,052,158	6,638,152	--	6,638,152	0%
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%

Note:
(1) Assessed Value includes 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

(Dollar Amounts in Thousands)

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
2022-23	$ 4,573	1,138	$ 3,435	$ 2,265	$ 5,753	0.43
2021-22	4,489	-	4,489	2,160	2,329	1.00
2020-21	4,338	--	4,338	2,054	2,433	0.97
2019-20	4,491	64	4,427	1,975	2,511	0.99
2018-19	6,076	--	6,076	6,930	2,839	0.62
2017-18	10,489	--	10,489	7,165	3,152	1.02
2016-17	10,465	--	10,465	7,335	2,974	1.02
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

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
2022-23	$ --	$ --	$ --	$ --	$ --	--
2021-22	--	--	--	--	--	--
2020-21	--	--	--	--	--	--
2019-20	--	--	--	--	--	--
2018-19	53	--	53	392	2,209	0.02
2017-18	2,423	--	2,423	419	2,179	0.93
2016-17	2,405	8	2,397	451	2,157	0.92
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

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
2022-23	$ --	$ --	$ --	$ --	$ --	--
2021-22	--	--	--	--	--	--
2020-21	--	--	--	--	--	--
2019-20	--	--	--	--	--	--
2018-19	--	--	--	--	--	--
2017-18	2,466	--	2,466	9,590	335	0.25
2016-17	10,189	--	10,189	41,235	1,587	0.24
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

Teeter Plan Notes

Funding Source: Delinquent Property Taxes Collected

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2022-23	$ 8,954	$ 296	$ 8,658	$ 79,978	$ 2,785	0.10
2021-22	13,768	2,167	11,601	37,406	360	0.31
2020-21	10,614	137	10,477	47,980	1,189	0.21
2019-20	8,793	275	8,518	78,554	1,263	0.11
2018-19	9,701	239	9,462	58,847	1,379	0.16
2017-18	11,210	220	10,990	59,110	1,105	0.18
2016-17	26,232	154	26,078	33,859	600	0.77
2015-16	316	210	106	74,561	347	0.00
2014-15	174	2,954	(2,780)[2]	37,548	352	(0.07)
2013-14	11,147	251	10,896	43,295	413	0.25

Airport Revenue Bonds

Funding Source: Rents and Concessions, Other Charges for Services, Misc Revenue, Interest Earnings, and Available Passenger Facility Charge Revenue

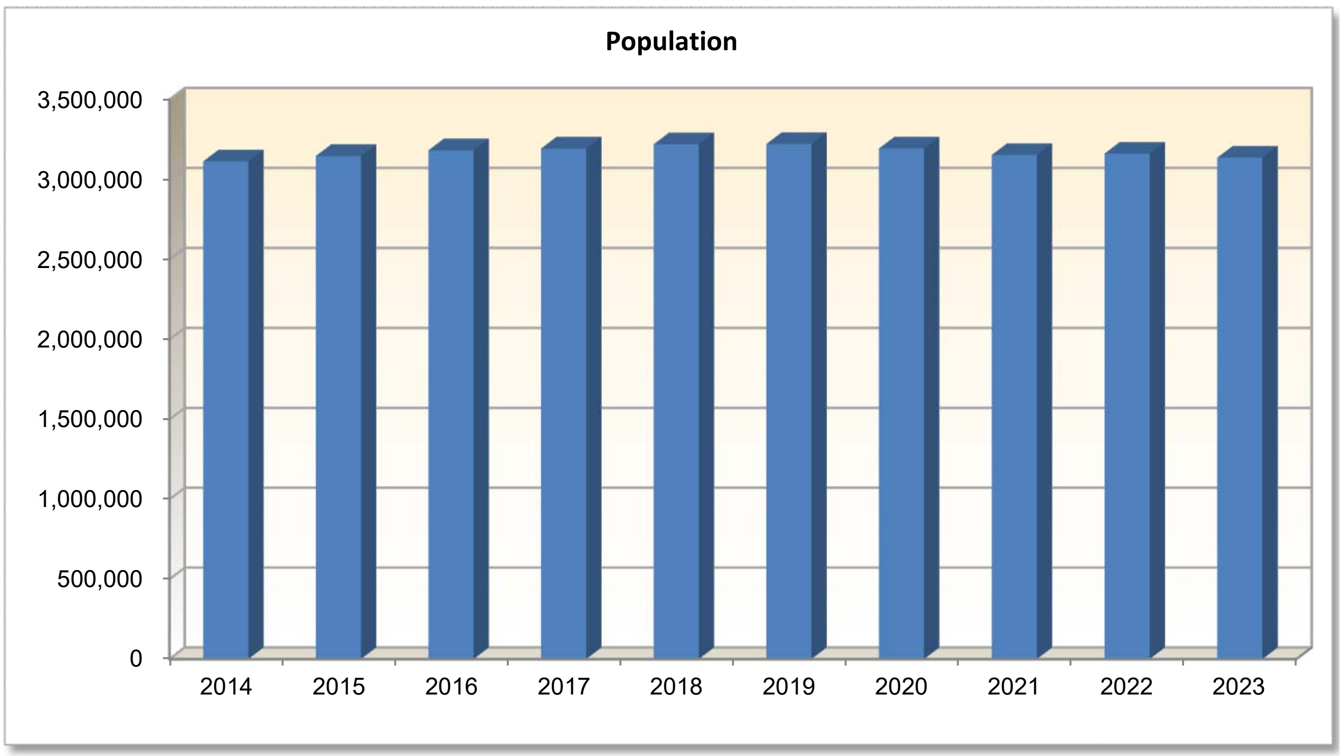
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2022-23	$ 171,984	$ 68,266	$ 103,718	$ 6,750	$ 2,832	10.82
2021-22	146,643	82,429	64,214	11,815	3,296	4.25
2020-21	109,803	69,255	40,548	11,255	3,872	2.68
2019-20	136,374	92,346	44,028	1,950	2,632	9.61
2018-19	154,833	95,862	58,971	22,170	7,924	1.96
2017-18	145,649	90,889	54,760	35,090	8,845	1.25
2016-17	143,707	89,055	54,652	7,530	9,999	3.12
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

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 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) (In Thousands)	Per Capita Personal Income (Absolute Dollars) (2)	Median Age (3)	Public School Enrollment (4)	Unemployment Rate (5)
2023	3,137,164	$ 266,043,000	$ 84,804	39.5	441,246	3.6%
2022	3,162,245	267,143,000	84,479	39.2	448,728	2.8%
2021	3,153,764	258,933,000	82,103	38.6	456,571	6.3%
2020	3,194,332	226,531,000	70,917	38.6	473,612	12.3%
2019	3,222,498	230,180,000	71,429	37.8	478,823	3.0%
2018	3,221,103	215,479,000	66,896	37.5	485,835	3.1%
2017	3,194,024	199,492,000	62,458	37.3	490,430	4.2%
2016	3,183,011	190,978,000	59,999	37.1	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%



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

(4) California Department of Education, http://www.cde.ca.gov

(5) State of California, Employment Development Department, http://www.edd.ca.gov/

Principal Employers
Current Year and Nine Years Ago

2023

Employer	Number of Employees	Rank	Percentage of Total County Employment
The Walt Disney Co.	34,000	1	2.11%
University of California, Irvine	24,867	2	1.54%
County of Orange	18,576	3	1.15%
Providence Southern California	13,037	4	0.81%
Kaiser Permanente	9,592	5	0.59%
Hoag Memorial Hospital Presbyterian	7,888	6	0.49%
Albertsons	7,633	7	0.47%
Target Corp.	6,000	8	0.37%
Allied Universal	5,929	9	0.37%
Walmart Inc.	5,900	10	0.37%

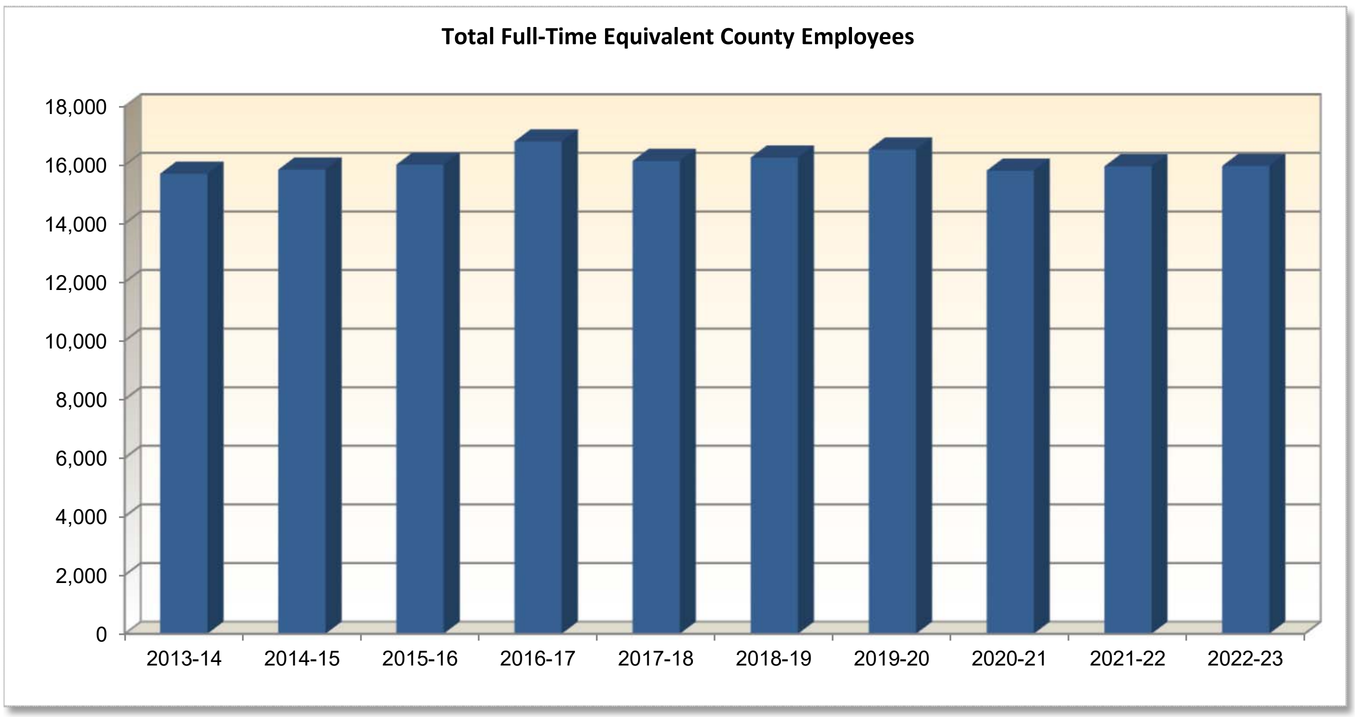
2014

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	25,000	1	1.56%
University of California, Irvine	22,253	2	1.39%
County of Orange	18,035	3	1.12%
St. Joseph Health System	12,062	4	0.75%
Boeing Co.	6,890	5	0.43%
Kaiser Permanente	6,040	6	0.38%
Bank of America Corporation	6,000	7	0.37%
Walmart	6,000	8	0.37%
Memorial Care Health System	5,635	9	0.35%
Target Corporation	5,400	10	0.34%

Source: Orange County Business Journal Book of Lists - County of Orange
http://www.labormarketinfo.edd.ca.gov

Full-time Equivalent County Employees by Function
Last Ten Fiscal Years

Function/Program	2022-23	2021-22	2020-21 [2]	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
General Government	1,564	1,490	1,445	1,657	1,473	1,461	1,511	1,419	1,341	1,322
Public Protection	6,416	6,434	6,450	6,696	6,738	6,722	6,915	6,642	6,674	6,760
Public Ways and Facilities	420	379	386	400	407	386	431	435	440	478
Health and Sanitation	2,238	2,299	2,374	2,334	2,339	2,307	2,409	2,253	2,198	2,128
Public Assistance	4,367	4,340	4,165	4,403	4,290	4,276	4,529	4,306	4,239	4,043
Education	307	303	303	320	312	306	309	302	286	290
Recreation and Cultural Services	292	307	310	318	293	288	298	272	265	274
Airport	109	153	145	160	163	157	153	154	159	162
OC Waste & Recycling	256	250	232	238	241	236	249	233	241	249
Total Full-time Equivalent Employees (1)	15,969	15,955	15,810	16,526	16,256	16,139	16,804	16,016	15,843	15,706



Notes: (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) In FY 2020-21 removed First 5 Orange County due to these are not County employees.

Source: County Executive Office, County of Orange

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 2022-23	2021-22	2020-21	2019-20	2018-19
General Government					
Auditor-Controller					
Debt Service Tax Rates Calculated [2]	154	149	142	137	123
Assessor					
Number of Real Property Valued	965,509	961,387	958,477	954,305	950,469
Number of Unsecured Property Assessed	76,159	81,250	106,980	116,270	116,188
New Parcels Created and Mapped	4,966	3,846	4,985	8,044	8,035
New Construction Events	12,413	16,822	16,204	26,223	21,087
County Executive Office					
Volunteer Program Service Hours	329,365	216,972	181,831	414,774	685,725
Treasurer-Tax Collector					
Orange County Investment Pool Income [1]	$ 163,698	$ 31,775	$ 43,538	$ 89,264	$ 94,197
Assets Under Management [1]	$ 15,253,942	$ 13,003,983	$ 11,045,773	$ 10,271,573	$ 9,934,121
Number of Property Tax Bills	1,049,730	1,080,726	1,047,669	1,256,890	1,375,794
Percentage of Secured Tax Bill Collection	99.23%	99.27%	99.30%	99.15%	99.26%
Number of Incoming Phone Calls	86,642	87,997	94,021	93,312	89,079
Percentage of Electronic Payments	71.0%	69.0%	67.4%	64.2%	63.2%
Secured Tax Bill Subscribers	81,438	76,701	70,797	61,287	51,559
Property Tax Payments by eCheck	581,056	541,111	507,493	449,107	412,819
Property Tax Amounts by eCheck [1]	$ 3,334,821	$ 3,089,589	$ 2,798,196	$ 2,343,831	$ 2,061,401
Mailed Property Tax Amounts [1]	$ 2,428,369	$ 2,491,964	$ 2,635,649	$ 2,670,380	$ 2,670,081
Mailed Number of Property Tax Payments	588,910	676,520	818,724	727,455	744,653
Registrar of Voters					
Registered Voters	1,817,149	1,809,773	1,771,537	1,633,966	1,558,988
Highest Number of Ballots Cast	994,227	636,497	1,546,570	818,021	1,106,729
Elections Conducted	2	3	3	4	5
Public Protection					
Clerk-Recorder					
Marriage Licenses Issued	24,306	30,136	32,465	22,308	22,565
Marriage Ceremonies Performed	12,266	13,269	15,302	11,679	11,242
Copies of Birth Certificates Issued	78,749	81,359	72,300	71,679	87,961
Property-Related Document Recordings	346,700	583,711	901,565	629,179	477,083
Passport Applications Filed	14,720	9,157	2,082	7,217	10,071
Sheriff-Coroner					
Patrolled Cities Population	632,905	633,342	635,163	638,420	648,371
Patrolled Unincorporated Areas Population	132,114	132,437	127,787	128,421	129,128
Number of Bookings to Orange County Jail System	41,210	39,174	34,984	46,046	58,773
Average Daily Jail Head Count	3,382	3,483	3,393	4,667	6,140
District Attorney					
Defendants Prosecuted-Adult	52,088	52,248	53,038	55,747	60,117
Defendants Prosecuted-Juvenile	2,223	1,748	1,430	2,229	2,783
Probation					
Probationers under Supervision as of June 30th-Adult	9,963	9,719	9,727	11,761	11,164
Probationers under Supervision as of June 30th-Juvenile	1,213	1,017	1,078	1,364	1,892
Avg. Daily Juvenile Hall Population	113	96	99	91	109
Avg. Daily Camp Population	60	70	60	64	100
Public Defender					
Cases Appointed Annually	62,530	62,347	55,634	52,253	59,513

Notes: (1) Dollar amounts in thousands
(2) For State Assessed Unitary and voter-approved general obligation indebtness for school districts.

Source: County Departments

2017-18	2016-17	2015-16	2014-15	2013-14	Function/Program
					General Government
					Auditor-Controller
114	101	97	96	93	Debt Service Tax Rates Calculated [(2)]
					Assessor
943,771	937,630	930,470	924,791	918,672	Number of Real Property Valued
117,126	121,665	141,224	145,151	135,551	Number of Unsecured Property Assessed
7,868	9,053	6,665	6,918	4,519	New Parcels Created and Mapped
20,758	21,254	19,397	18,530	16,904	New Construction Events
					County Executive Office
562,121	645,482	613,277	638,230	700,759	Volunteer Program Service Hours
					Treasurer-Tax Collector
$ 57,610	$ 36,677	$ 24,877	$ 14,581	$ 11,298	Orange County Investment Pool Income [(1)]
$ 9,387,613	$ 9,092,268	$ 8,271,502	$ 7,604,246	$ 6,566,145	Assets Under Management [(1)]
1,471,356	1,448,886	1,367,275	1,381,808	1,421,654	Number of Property Tax Bills
99.36%	99.39%	99.26%	99.21%	99.16%	Percentage of Secured Tax Bill Collection
98,660	108,061	111,948	121,461	115,123	Number of Incoming Phone Calls
60.9%	57.2%	54.9%	54.2%	53.8%	Percentage of Electronic Payments
42,866	40,898	38,213	35,917	31,988	Secured Tax Bill Subscribers
398,711	348,961	309,977	285,932	248,908	Property Tax Payments by eCheck
$ 1,871,947	$ 1,498,686	$ 1,275,535	$ 1,118,387	$ 986,879	Property Tax Amounts by eCheck [(1)]
$ 2,624,531	$ 2,700,778	$ 2,689,498	$ 2,581,105	$ 2,519,596	Mailed Property Tax Amounts [(1)]
802,393	870,537	885,182	910,190	961,255	Mailed Number of Property Tax Payments
					Registrar of Voters
1,481,881	1,535,967	1,395,380	1,424,216	1,411,232	Registered Voters
635,224	1,239,405	691,802	640,358	340,187	Highest Number of Ballots Cast
1	1	4	7	3	Elections Conducted
					Public Protection
					Clerk-Recorder
23,702	25,309	23,725	23,553	25,244	Marriage Licenses Issued
11,946	12,876	11,122	11,213	12,056	Marriage Ceremonies Performed
82,463	85,051	74,508	79,826	82,268	Copies of Birth Certificates Issued
534,185	640,243	617,914	651,866	580,899	Property-Related Document Recordings
10,144	9,437	7,093	5,016	2,686	Passport Applications Filed
					Sheriff-Coroner
646,818	644,496	641,753	637,261	631,934	Patrolled Cities Population
129,278	125,792	125,420	124,014	121,473	Patrolled Unincorporated Areas Population
61,157	56,330	56,163	56,135	61,262	Number of Bookings to Orange County Jail System
6,249	6,220	6,028	6,055	7,039	Average Daily Jail Head Count
					District Attorney
62,682	61,219	61,521	56,233	55,906	Defendants Prosecuted-Adult
3,426	3,631	3,564	4,482	5,103	Defendants Prosecuted-Juvenile
					Probation
11,560	11,189	11,714	10,725	14,425	Probationers under Supervision as of June 30th-Adult
2,270	2,290	2,550	3,124	4,156	Probationers under Supervision as of June 30th-Juvenile
129	150	130	150	229	Avg. Daily Juvenile Hall Population
119	136	143	203	182	Avg. Daily Camp Population
					Public Defender
59,095	61,878	65,574	79,119	74,101	Cases Appointed Annually

Operating Indicators by Function/Program
Last Ten Fiscal Years (Continued)

Function/Program	Fiscal Year 2022-23	2021-22	2020-21	2019-20	2018-19
Public Ways and Facilities					
OC Public Works					
Building and Home Inspections	45,091	34,986	36,540	42,365	60,753
Health and Sanitation					
OC Community Resources					
Animal Licenses	132,199	127,913	135,760	136,985	147,874
Health Care Agency					
911 Emergency Medical Services Responses	301,153	279,301	241,980	242,201	234,589
Retail Food Facility Inspections Conducted	26,513	24,856	24,776	28,146	35,406
Hazardous Waste Inspections Conducted	7,490	7,142	6,465	7,433	7,735
Number of Off-site Visits/Contacts by Case Managers (2)	16,007	6,342	6,241	10,777	20,794
Number of Low Income Children Dental Health Services	52	34	17	199	200
Number of Ocean Water Days of Closure (In Beach-Miles)	6	10	2	64	10
Public Assistance					
OC Community Resources					
Adult Day Care Hours of Service	40,243	14,212	4,103	45,252	52,819
Elderly Nutrition Program Meals Delivered	1,609,365	2,525,895	2,924,858	1,174,703	1,353,713
One-Way Transportation Trips Provided to Seniors	130,563	133,765	98,901	139,891	183,429
Veterans Served-Veterans/Dependents	23,990	28,928	23,784	27,419	23,555
Veterans Served-OC4Vets	460	712	768	723	910
Social Services Agency					
Average Monthly Medi-Cal Recipients	989,124	932,517	860,458	774,729	782,990
Average Monthly Child Abuse Hotline Calls	3,033	2,943	2,528	3,005	4,572
Average Monthly CalFresh (formerly Food Stamp) Recipients	285,632	253,859	232,260	214,668	206,789
Average Monthly In-Home Supportive Services	35,960	33,348	30,548	28,988	27,892
Average Persons Receiving Cash Assistance	34,213	32,841	33,430	35,098	35,803
Average Children in Foster Care/Relative Care	2,141	2,201	2,187	2,333	1,977
Average Elder and Adult Abuse Unduplicated Reports Received	1,380	1,290	1,164	1,153	1,175
Education					
OC Community Resources					
Total Volumes Borrowed at Library Branches	9,111,615	8,040,178	5,941,649	7,016,302	7,746,484
Recreation and Cultural Services					
OC Community Resources					
Exotic Invasive Plant Removal (acres)	2,884	2,075	1,000	1,791	3,225
Native Vegetation Restoration (acres)	664	838	319	358	411
Slip and Dry Storage Tenants	1,953	2,635	410	603	3,150
Boat Launches	11,056	17,127	18,540	21,890	15,521
Sailing and Event Center Participants	28,871	50,107	54,838	78,340	100,952
Ocean Institute Students/Visitors	55,068	29,911	27,793	39,561	44,404
Hotel Guests	32,046	46,003	43,408	49,165	58,998
Catalina Express Passengers	113,989	120,715	67,986	109,030	124,471
Special Events at the Harbor	2	2	2	4	5
Airport					
Passengers	11,943,454	10,309,156	4,216,396	7,562,040	10,718,001
Air Cargo Tonnage	17,067	18,154	18,567	17,193	19,098
Takeoffs & Landings	282,027	312,900	278,258	260,644	314,000
OC Waste & Recycling					
Solid Waste Tonnage	5,071,811	5,054,651	4,978,920	5,174,096	5,148,761
Gallons of Leachate and Impacted Ground Water Collected	6,911,935	6,032,504	5,776,484	7,573,496	8,062,718

Note: (1) * means Not Available
(2) Name changed in FY 2022-23, formerly Number of Home Visits by Public Health Nurses.

Source: County Departments

Fiscal Year 2017-18	2016-17	2015-16	2014-15	2013-14	Function/Program
					Public Ways and Facilities
					OC Public Works
42,590	39,056	40,662	30,324	31,772	Building and Home Inspections
					Health and Sanitation
					OC Community Resources
149,342	171,237	192,470	198,358	192,320	Animal Licenses
					Health Care Agency
234,459	204,683	193,538	183,794	170,804	911 Emergency Medical Services Responses
30,893	32,305	26,195	31,397	32,689	Retail Food Facility Inspections Conducted
6,003	7,271	8,328	5,950	4,616	Hazardous Waste Inspections Conducted
20,156	32,108	29,219	31,258	35,101	Number of Off-site Visits/Contacts by Case Managers (2)
360	311	496	755	1,225	Number of Low Income Children Dental Health Services
10	17	22	24	20	Number of Ocean Water Days of Closure (In Beach-Miles)
					Public Assistance
					OC Community Resources
65,900	47,567	49,971	43,010	50,944	Adult Day Care Hours of Service
1,323,802	1,417,361	1,374,275	1,406,526	1,347,251	Elderly Nutrition Program Meals Delivered
185,258	190,534	198,851	180,899	187,864	One-Way Transportation Trips Provided to Seniors
24,063	9,091	*	*	*	Veterans Served-Veterans/Dependents
673	555	*	*	*	Veterans Served-OC4Vets
					Social Services Agency
806,716	817,408	810,388	718,061	521,078	Average Monthly Medi-Cal Recipients
4,189	4,076	4,259	4,049	3,674	Average Monthly Child Abuse Hotline Calls
233,038	250,772	263,556	258,676	247,517	Average Monthly CalFresh (formerly Food Stamp) Recipients
26,369	24,427	22,635	20,787	19,652	Average Monthly In-Home Supportive Services
41,622	46,369	52,081	55,921	55,225	Average Persons Receiving Cash Assistance
1,917	1,886	1,791	1,924	2,119	Average Children in Foster Care/Relative Care
1,091	995	942	815	710	Average Elder and Adult Abuse Unduplicated Reports Received
					Education
					OC Community Resources
7,041,985	6,864,635	6,634,747	6,411,127	6,642,739	Total Volumes Borrowed at Library Branches
					Recreation and Cultural Services
					OC Community Resources
2,285	2,940	2,782	1,466	1,154	Exotic Invasive Plant Removal (acres)
414	262	293	312	368	Native Vegetation Restoration (acres)
438	438	2,903	3,204	2,679	Slip and Dry Storage Tenants
16,487	16,303	17,695	15,511	15,606	Boat Launches
101,945	80,752	50,000	75,000	111,838	Sailing and Event Center Participants
90,948	127,361	192,384	41,000	100,000	Ocean Institute Students/Visitors
59,319	39,140	43,515	43,073	42,887	Hotel Guests
129,239	128,000	25,711	123,688	123,257	Catalina Express Passengers
6	6	8	12	15	Special Events at the Harbor
					Airport
10,670,156	10,373,714	10,361,436	9,608,873	9,304,295	Passengers
19,577	17,813	18,568	16,997	17,564	Air Cargo Tonnage
302,483	285,704	276,817	264,726	252,166	Takeoffs & Landings
					OC Waste & Recycling
4,980,101	4,810,116	4,772,722	4,581,359	4,070,238	Solid Waste Tonnage
5,576,351	5,599,757	3,542,736	5,510,821	3,854,530	Gallons of Leachate and Impacted Ground Water Collected

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Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year 2022-23	2021-22	2020-21	2019-20	2018-19
General Government					
Auditor-Controller					
A-C Administration Building	1	1	1	1	*
Hall of Finance and Records	--	--	--	--	1
County Executive Office					
Hall of Administration (3)	--	1	1	1	-
OC Archives Building (4)	1	--	--	--	--
Registrar of Voters					
Trailers	2	2	2	2	2
Vehicles/Trucks	3	3	3	3	3
Public Protection					
Clerk-Recorder					
OC Archives Building(4)	--	1	1	1	1
Sheriff-Coroner					
Crime/Forensic Lab	1	1	1	1	1
Jail Facilities	5	5	3	3	3
Vehicles	954	947	943	944	939
Buses	12	13	14	13	13
Helicopters	5	5	5	5	5
Boats	13	12	10	10	10
Robot Andros	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4
K-9 units	34	30	31	31	35
District Attorney					
Justice Center Offices	5	5	5	5	5
Probation Department					
Juvenile Institutions	3	3	3	3	4
Vehicles/Trucks	148	147	146	139	171
Equipment	22	20	20	15	16
Public Ways and Facilities					
OC Public Works					
County Administration North Bldg 14	1	*	*	*	*
County Administration South Bldg 16	1	1	1	1	*
County Conference Center Bldg 18	1	1	1	1	*
Hall of Administration(3)	--	--	--	--	1
Data Center	1	1	1	1	1
Alternate Fuel Vehicles	64	66	46	49	41
Vehicles/Trucks	346	274	273	135	318
Watersheds	22	22	22	23	22
Dams	5	5	5	5	4
Dump Trucks	2	1	1	2	20
Tractors	20	19	29	27	36
Trailers	36	41	44	44	37
Street Miles	337	339	338	346	320

Notes: (1) Presentation changed in FY 2019-20 to summarize by function.
(2) * means Not Available
(3) Building was moved from OC Public Works to the County Executive Office in FY 2019-20.
(4) Building was moved from the Clerk Recorder to the County Executive Office in FY 2022-23.

Source: County Departments

Fiscal Year 2017-18	2016-17	2015-16	2014-15	2013-14	Function/Program
					General Government
					Auditor-Controller
*	*	*	*	*	A-C Administration Building
1	1	1	1	1	Hall of Finance and Records
					County Executive Office
--	--	--	--	--	Hall of Administration (3)
--	--	--	--	--	OC Archives Building (4)
					Registrar of Voters
2	1	1	1	1	Trailers
3	4	4	4	3	Vehicles/Trucks
					Public Protection
					Clerk-Recorder
1	1	1	1	1	OC Archives Building (4)
					Sheriff-Coroner
1	1	1	1	1	Crime/Forensic Lab
3	3	3	3	3	Jail Facilities
938	948	917	916	911	Vehicles
13	12	11	11	11	Buses
5	5	4	3	3	Helicopters
10	10	10	10	10	Boats
3	3	3	3	3	Robot Andros
4	4	4	4	4	Haz-mat Vehicles
34	26	28	22	18	K-9 units
					District Attorney
5	5	5	5	5	Justice Center Offices
					Probation Department
4	4	4	4	4	Juvenile Institutions
158	159	155	159	156	Vehicles/Trucks
15	13	12	16	12	Equipment
					Public Ways and Facilities
					OC Public Works
*	*	*	*	*	County Administration North Bldg 14
*	*	*	*	*	County Administration South Bldg 16
*	*	*	*	*	County Conference Center Bldg 18
1	1	1	1	1	Hall of Administration (3)
1	1	1	1	1	Data Center
42	46	50	51	60	Alternate Fuel Vehicles
314	316	268	355	375	Vehicles/Trucks
22	21	19	13	13	Watersheds
4	4	3	3	3	Dams
17	16	19	18	21	Dump Trucks
50	50	50	32	28	Tractors
42	40	46	54	35	Trailers
345	330	330	320	320	Street Miles

Capital Asset Statistics by Function
Last Ten Fiscal Years (Continued)

Function/Program	Fiscal Year 2022-23	2021-22	2020-21	2019-20	2018-19
Health and Sanitation					
Health Care Agency					
Clinics [1]	31	31	10	9	4
Laboratories [1]	2	2	2	2	2
Trailers [1]	38	41	38	25	9
Vehicles/Trucks [1]	44	45	45	39	35
OC Community Resources					
Animal Care Center	1	1	1	1	1
Trailers	6	6	6	6	3
Public Assistance					
Social Service Agency					
Vehicles	--	1	3	1	1
Office Locations	19	19	19	19	19
Education					
OC Community Resources					
Library Branches	34	32	32	32	32
Vehicles/Trucks	11	8	8	8	8
Laptop and Chargers	25	14	9	3	3
Automated Materials Handler	1	1	1	*	*
Recreation and Cultural Services					
OC Community Resources					
Park Land (acres)	62,617	62,617	62,617	62,617	62,617
Recreational Trails (in miles)	408	408	295	295	295
Zoo	1	1	1	1	1
Urban Regional Parks	15	15	15	15	15
Wilderness Parks	6	5	5	5	5
Nature Preserves	7	3	3	4	4
Harbors	3	3	3	3	3
Beaches	6	11	11	11	11
Historical Sites	7	7	7	7	7
Boats	6	9	9	9	7
Tractors	26	29	25	25	22
Trailers	61	56	55	45	42
Vehicles/Trucks	179	208	213	261	239
Harbor	1	1	1	1	1
Marinas	1	1	1	1	1
Public Parking Areas	9	9	9	9	9
Beaches	1	1	1	1	1
Access Points to Ocean	6	6	6	6	6
Hotel	1	1	1	1	1
Ocean Education Center	1	1	1	1	1
Sailing and Events Center	1	1	1	1	1
Shops	16	18	17	17	20
Restaurants	11	14	15	16	14
Fuel Dock	1	1	1	1	1
Shipyard	1	1	1	1	1
Boater Service Buildings	15	15	15	15	15
Parcel 11 (Yacht Building Company)	1	1	1	1	1
Parcel 23 (Yacht Club)	1	1	1	1	1

Notes: (1) Presentation changed in FY 2014-15 to summarize by asset
(2) * means Not Available

Source: County Departments

Fiscal Year 2017-18	2016-17	2015-16	2014-15	2013-14	Function/Program
					Health and Sanitation
					Health Care Agency
4	4	4	4	3	Clinics (1)
2	2	2	2	2	Laboratories (1)
10	9	12	12	8	Trailers (1)
33	30	24	24	25	Vehicles/Trucks (1)
					OC Community Resources
1	1	1	1	1	Animal Care Center
2	3	3	3	3	Trailers
					Public Assistance
					Social Service Agency
2	4	5	5	5	Vehicles
20	20	20	20	19	Office Locations
					Education
					OC Community Resources
33	33	33	33	33	Library Branches
*	*	*	*	*	Vehicles/Trucks
*	*	*	*	*	Laptop and Chargers
*	*	*	*	*	Automated Materials Handler
					Recreation and Cultural Services
					OC Community Resources
62,900	62,900	62,900	62,900	60,500	Park Land (acres)
295	295	295	295	295	Recreational Trails (in miles)
1	1	1	1	1	Zoo
15	15	15	15	15	Urban Regional Parks
5	5	5	5	5	Wilderness Parks
4	4	4	4	4	Nature Preserves
3	3	3	3	3	Harbors
11	11	11	11	11	Beaches
7	7	7	7	7	Historical Sites
9	10	8	7	7	Boats
26	26	25	26	28	Tractors
35	33	31	27	29	Trailers
207	199	204	174	170	Vehicles/Trucks
1	1	1	1	1	Harbor
2	2	2	2	2	Marinas
9	9	9	9	9	Public Parking Areas
1	1	1	1	1	Beaches
6	6	6	6	6	Access Points to Ocean
1	1	1	1	1	Hotel
1	1	1	1	1	Ocean Education Center
1	1	1	1	1	Sailing and Events Center
24	24	24	23	23	Shops
16	16	16	16	16	Restaurants
1	1	1	1	1	Fuel Dock
1	1	1	1	1	Shipyard
15	15	15	15	15	Boater Service Buildings
1	1	1	*	*	Parcel 11 (Yacht Building Company)
1	1	1	*	*	Parcel 23 (Yacht Club)

Capital Asset Statistics by Function
Last Ten Fiscal Years (Continued)

	Fiscal Year				
Function/Program	2022-23	2021-22	2020-21	2019-20	2018-19
Airport					
Acres	501	501	501	501	501
Runways	2	2	2	2	2
Public Parking Structures/Lots	5	5	5	5	5
Terminals	3	3	3	3	3
Fire Trucks	4	4	4	4	4
Shuttle Buses	5	3	2	*	*
OC Waste & Recycling					
Active Landfills	3	3	3	3	3
Inactive Landfills	2	2	2	2	2
Household Hazardous Waste Collection Centers	4	4	4	4	4
Dozers	14	16	15	15	6
Dump Trucks	11	10	10	10	5
Loaders	19	20	15	15	12
Scrapers	8	9	10	8	6
Excavators	3	3	3	3	2
Tractors	22	22	21	19	28
Graders	3	3	3	3	3
Compactors	10	10	9	9	9
Water/Fuel Trucks	14	14	12	12	9
Sweeper	2	2	2	2	1

Note: * means Not Available

Source: County Departments

Fiscal Year 2017-18	2016-17	2015-16	2014-15	2013-14	Function/Program
					Airport
501	501	501	501	501	Acres
2	2	2	2	2	Runways
5	5	5	5	5	Public Parking Structures/Lots
3	3	3	3	3	Terminals
4	4	4	4	4	Fire Trucks
*	*	*	*	*	Shuttle Buses
					OC Waste & Recycling
3	3	3	3	3	Active Landfills
2	2	2	2	2	Inactive Landfills
4	4	4	4	4	Household Hazardous Waste Collection Centers
6	6	8	7	7	Dozers
10	10	10	10	10	Dump Trucks
12	12	21	20	20	Loaders
6	6	8	8	8	Scrapers
2	2	2	2	2	Excavator
35	27	30	28	29	Tractors
4	4	4	4	4	Graders
7	7	8	8	8	Compactors
14	14	13	13	13	Water/Fuel Trucks
1	*	*	*	*	Sweeper

COUNTY OF ORANGE
CALIFORNIA

ORANGE COUNTY
AUDITOR-CONTROLLER
1770 N. BROADWAY,
SANTA ANA, CA 92706

OC AUDITOR-CONTROLLER: OCAUDITOR.GOV
COUNTY OF ORANGE: WWW.OCGOV.COM

EXHIBIT B

OFFICIAL STATEMENT

NEW ISSUE—BOOK-ENTRY-ONLY **NO RATING**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds described herein is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

$66,175,000
COMMUNITY FACILITIES DISTRICT NO. 2023-1 OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)
2023 SERIES A SPECIAL TAX BONDS

Dated: Delivery Date **Due: August 15, as shown on the inside cover page**

This Official Statement describes bonds that are being issued by Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) (the "District"). The Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) 2023 Series A Special Tax Bonds (the "Bonds") are being issued by the District to (a) pay the costs of forming the District; (b) fund capitalized interest on a portion of the Bonds through August 15, 2024; (c) pay the cost of and expense of acquisition and construction of certain facilities authorized to be financed under the Act (as defined below) in connection with the development of the District; (d) fund a reserve account securing the Bonds; (e) pay costs of issuance of the Bonds; (f) make an initial deposit to the Administrative Expense Account; and (g) fund an escrow fund with respect to the Escrow Term Bonds (as defined herein), which includes amounts for capitalized interest on the Escrow Term Bonds up through and including August 15, 2026, subject to prior release as described herein.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California) (the "Act"), and pursuant to a resolution adopted on October 31, 2023 by the Board of Supervisors of the County of Orange (the "County"), acting as the legislative body of the District, and a Bond Indenture, dated as of December 1, 2023 (the "Indenture"), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The Bonds are limited obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of parcels within the District subject to the Special Taxes and from certain other funds pledged under the Indenture, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the Board of Supervisors of the County and the qualified electors within the District. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes." The Board of Supervisors of the County is the legislative body of the District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semiannually on each February 15 and August 15, commencing February 15, 2024. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and APPENDIX H — "BOOK-ENTRY ONLY SYSTEM" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to optional redemption, extraordinary redemption from prepaid Special Taxes, and mandatory sinking fund redemption prior to maturity as set forth herein. **The Bond proceeds deposited into the Escrow Fund and Escrow Interest Account (as such terms are defined herein) established under the Indenture will be applied to redeem the Escrow Term Bonds on August 15, 2026, unless certain conditions set forth in the Indenture are satisfied. See "THE BONDS — Redemption" herein.**

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

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 are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the District with respect to the Bonds. Certain legal matters will be passed on for the County and the District by the Office of the County Counsel, and for the Underwriters by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriters. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about December 7, 2023.

STIFEL PIPER | SANDLER

Dated: November 15, 2023

$66,175,000
COMMUNITY FACILITIES DISTRICT NO. 2023-1
OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)
2023 SERIES A SPECIAL TAX BONDS

MATURITY SCHEDULE

Base *CUSIP No.*† : 68423P

Serial Bonds

Maturity Date (August 15)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP No.*†
2025	$110,000	5.00%	3.59%	102.285	ZV5
2026	190,000	5.00	3.69	103.318	ZW3
2027	270,000	5.00	3.79	104.123	ZX1
2028	355,000	5.00	3.90	104.666	ZY9
2029	450,000	5.00	4.12	104.416	ZZ6
2030	550,000	5.00	4.25	104.320	A26
2031	655,000	5.00	4.36	104.136	A34
2032	765,000	5.00	4.48	103.702	A42
2033	885,000	5.00	4.55	103.487	A59

Term Bonds

$6,505,000 5.00% Term Bonds due August 15, 2038, Yield: 5.06% Price: 99.376 CUSIP No. † A67

$10,885,000 5.25% Term Bonds due August 15, 2043, Yield: 5.30% Price: 99.385 CUSIP No. † A75

$16,940,000 5.50% Term Bonds due August 15, 2048, Yield: 5.53% Price: 99.589 CUSIP No. † A83

$25,245,000 5.50% Term Bonds due August 15, 2053, Yield: 5.55% Price: 99.267 CUSIP No. † A91

Escrow Term Bonds

$2,370,000 5.75% Escrow Term Bonds due August 15, 2053, Yield: 5.75% Price: 100.000 CUSIP No. † B25

COUNTY OF ORANGE
STATE OF CALIFORNIA

BOARD OF SUPERVISORS
Serving as the Legislative Body of
Community Facilities District No. 2023-1
of the County of Orange (Rienda Phase 2B)

Donald P. Wagner (Third District), Chair
Andrew Do (First District), Vice Chair
Vicente Sarmiento (Second District)
Doug Chaffee (Fourth District)
Katrina Foley (Fifth District)

COUNTY OFFICIALS

Frank Kim, County Executive Officer
Shari L. Freidenrich, Treasurer-Tax Collector
Andrew N. Hamilton, Auditor-Controller
Leon J. Page, County Counsel

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation,
Newport Beach, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

SPECIAL TAX CONSULTANT

DTA, Inc.
Irvine, California

REAL ESTATE APPRAISER

Integra Realty Resources
Rocklin, California

MARKET ABSORPTION ANALYST

Empire Economics, Inc.
Capistrano Beach, California

TRUSTEE

U.S. Bank Trust Company, National Association
Los Angeles, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the County and the District. No dealer, broker, salesperson or other person has been authorized by the County, the District, the Trustee or the Underwriters to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the County, the District, the Trustee or the Underwriters. 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 is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the County or the District. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the 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 County or the District or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents 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. Reference is made by this Official Statement to such documents on file with the County for further information. While the County maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the County. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

> The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

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. THE COUNTY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 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 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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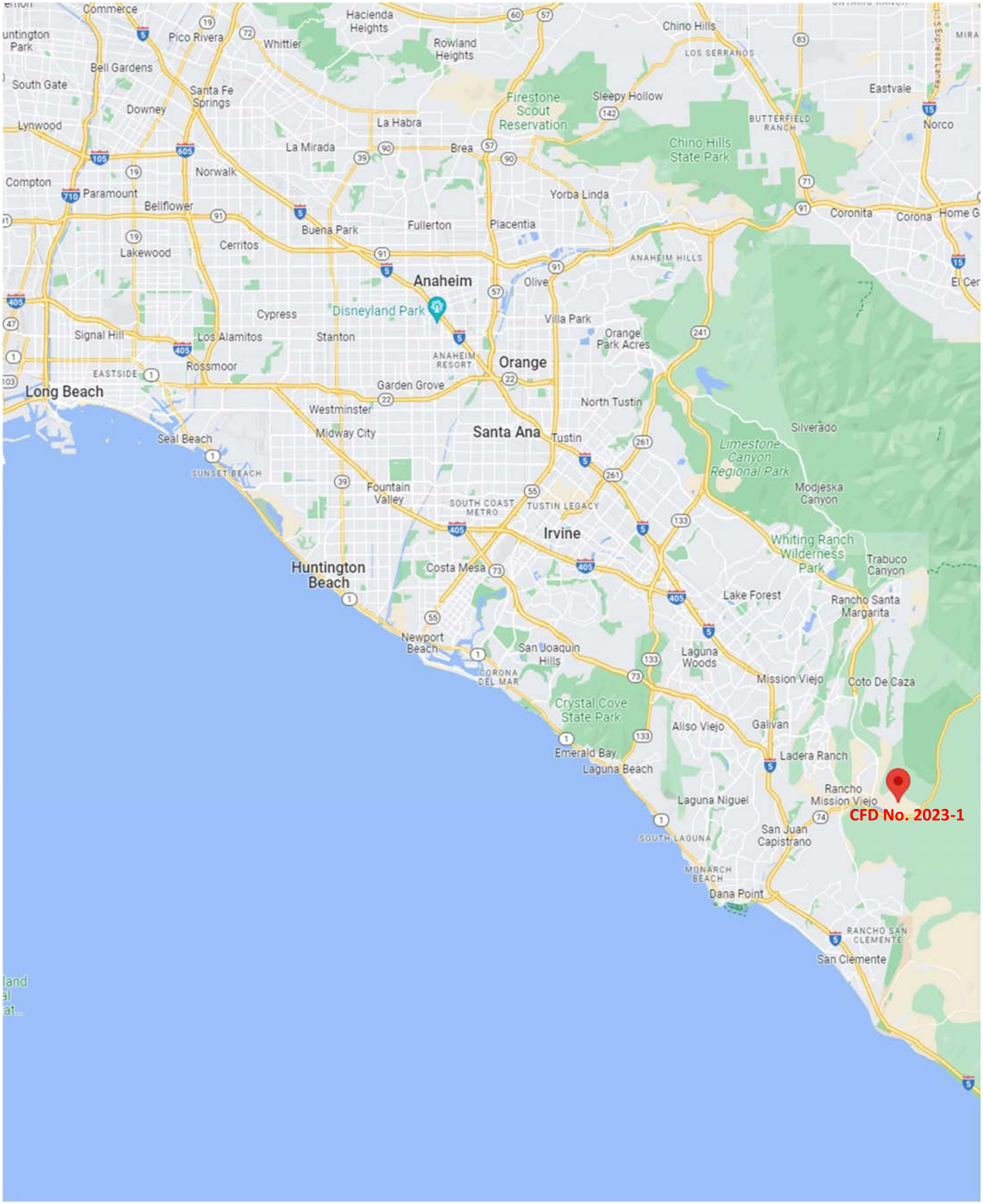
(continued)

Regional Map



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$66,175,000
COMMUNITY FACILITIES DISTRICT NO. 2023-1
OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)
2023 SERIES A SPECIAL TAX BONDS

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance by Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) (the "District") of its 2023 Series A Special Tax Bonds (the "Bonds") in the aggregate principal amount of $66,175,000. The proceeds of the Bonds will be used to (a) pay the costs of forming the District; (b) fund capitalized interest on a portion of the Bonds through August 15, 2024; (c) pay the cost of and expense of acquisition and construction of certain facilities authorized to be financed under the Act (as defined below) in connection with the development of the District; (d) fund a reserve account securing the Bonds; (e) pay costs of issuance of the Bonds; (f) make an initial deposit to the Administrative Expense Account; and (g) fund an escrow fund with respect to the Escrow Term Bonds (as defined herein), which includes amounts for capitalized interest on the Escrow Term Bonds up through and including August 15, 2026, subject to prior release as described herein. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq*. of the Government Code of the State of California) (the "Act"), and pursuant to a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors"), acting as the legislative body of the District, on October 31, 2023, and a Bond Indenture dated as of December 1, 2023 (the "Indenture"), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as defined herein) levied on parcels within the District and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) and the Escrow Fund (and the Escrow Interest Account therein) (to the limited extent described herein). See "SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. The Bonds are being sold pursuant to a Bond Purchase Agreement between the Underwriters and the District. For more complete information, see "THE BONDS — General Provisions" and "UNDERWRITING" herein.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — DEFINITIONS" herein.

The District

General. The District is located in the southern portion of the County of Orange (the "County") generally to the north of Cow Camp Road, approximately one mile east of its intersection with Los Patrones Parkway. More specifically, the District is located to the northeast of the intersection of Legado Road and Saddle Way. The District consists of approximately 49 gross acres. Approximately 26 acres of property in the District are expected to be subject to the Special Tax (as defined herein) at build-out. The property within the District which is not subject to the levy of the Special Tax consists of property anticipated to be primarily used for recreational facilities to be owned by the property owners association, parks and public right of ways. RMV PA3 Development, LLC, a Delaware limited liability company (the "Developer") is the master developer of the property in the District. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Formation Proceedings. The District was formed by the County pursuant to the Act and constitutes a governmental entity separate and apart from the County.

The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on February 28, 2023, the Board of Supervisors adopted Resolution No. 23-013 (the "Resolution of Intention"), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District. On February 28, 2023, the Board of Supervisors also adopted Resolution No. 23-014, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed $95,000,000 for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities to serve the area within the District and its neighboring areas. See "THE COMMUNITY FACILITIES DISTRICT — Description of Authorized Facilities."

Subsequent to a noticed public hearing, the Board of Supervisors adopted Resolution Nos. 23-043 and 23-044 on April 11, 2023 (the "Resolution of Formation" and the "Resolution to Incur Debt," respectively) which established the District, authorized the levy of a special tax within the District, determined the necessity to incur bonded indebtedness within the District, and called an election within the District on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit within the District.

On April 11, 2023, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed $95,000,000. A Notice of Special Tax Lien was recorded in the office of the County Clerk-Recorder on May 18, 2023 as Document No. 2023000115964. On May 23, 2023, the Board, acting as the legislative body of the District, adopted Ordinance No. 23-002 (the "Ordinance") which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment of Special Tax within the District approved at the April 11, 2023 election (the "Rate and Method"), a copy of which is attached hereto as APPENDIX A.

In accordance with Section H of the Rate and Method, the County caused a price point study dated August 8, 2023 and revised on September 8, 2023 (the "Price Point Study") to be prepared by Empire Economics, Inc. Capistrano Beach, California. Based on the Price Point Study, the Assigned Special Tax and Backup Special Tax rates for all six tax Zones (as defined in the Rate and Method) will be reduced on the date of issuance of the Bonds in accordance with the Rate and Method. Also in accordance with the Rate and Method, upon the issuance of the Bonds, an amended notice of special tax lien reflecting the revised Assigned Special Tax and Backup Special Tax rates will be recorded in the office of the County Recorder. The Assigned Special Tax and Backup Special Tax rates for each Zone, as revised, are set forth in the Rate and Method attached hereto as APPENDIX A.

Validation Proceedings. On May 25, 2023, the County, acting pursuant to the provisions of Sections 860 *et seq*. of the California Code of Civil Procedure and Section 53359 of the Act, filed a complaint in the Superior Court of the State of California for the County of Orange seeking judicial validation of the formation of the District, the authorization of the issuance of bonds for the District, and the levy of the Special Tax within the District. On September 26, 2023, the court entered a default judgment (the "Validation Judgment") to the effect, among other things, that the proceedings conducted by the Board of Supervisors in connection with the establishment of the District, the authorization to incur bonded indebtedness for the District through the issuance of bonds, and the levy of the Special Tax within the District were valid and in conformity with the Constitution of the State and applicable laws of the State. The last day of the appeal period for the validation action was October 26, 2023. As of the date of this Official Statement, no appeal has been filed with respect to the Validation Judgment. See the section entitled "VALIDATION" herein for additional information regarding the legal effects of the Validation Judgment.

Property Ownership and Development Status

The District encompasses a portion of the Rienda development ("Rienda"), which is a portion of the third planning area of development of the Rancho Mission Viejo Ranch Plan Planned Community (the "Ranch Plan MPC"). The Ranch Plan MPC is a 22,815-acre master planned community. Other completed Rancho Mission Viejo projects within the County have included the City of Rancho Santa Margarita, Ladera Ranch, Las Flores, and the Village of Sendero. The Village of Esencia is another Rancho Mission Viejo project within the County and all residential portions of development therein have been completed. All of the foregoing projects are located in the southern portion of the County and within the general vicinity of Rienda.

Development within the District is the second of multiple phases of development in Rienda. Rienda is expected to include approximately 2,150 for-sale residential units and approximately 500 apartment units at buildout. The first phase of Rienda is located within Community Facilities District No. 2021-1 of the County of Orange (Rienda) ("CFD No. 2021-1"), adjacent to the District. Sales within CFD No. 2021-1 commenced in April 2022 and as of October 1, 2023, 724 of the 950 planned for-sale homes within CFD No. 2021-1 had been sold to individual homeowners and 524 of such sales have closed.

The development within the District is planned for six for-sale residential projects consisting of 514 market-rate homes, all of which will be subject to the Special Tax. The property within the District which is not subject to the levy of the Special Tax consists of property anticipated to be primarily used for recreational facilities to be owned by the property owners association, parks and public right of ways.

All property planned for residential development in the six for-sale projects is either under contract, or has been conveyed, by the Developer to merchant builders or certain of such merchant builders' respective landbanks, as described herein. Such merchant builders are Lennar Homes of California, LLC, a California limited liability company ("Lennar"), TRI Pointe Homes Holdings, Inc., a Delaware corporation ("TRI Pointe Homes"), Shea Homes Limited Partnership, a California limited partnership ("Shea"), Pulte Home Company, LLC, a Michigan limited liability company ("Pulte") and TH Rancho Mission Viejo MR 8 LLC ("Trumark"). The property relating to Lennar and TRI Pointe Homes' projects were conveyed by the Developer to the respective landbanks for such merchant builders. Lennar and TRI Pointe Homes' have entered into agreements with such landbanks to acquire such property in phases, as described herein. Shea and Trumark have acquired property comprising the entirety of their respective planned development within the District. Pulte has acquired property for 40 of its 82 planned residential units in the District. The remaining property planned for residential development that is owned by the Developer is under contract to be sold to Pulte. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in the Development."

The area in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer has been substantially completed. The public grand openings for the projects in the District is scheduled to occur at various times between November 2023 and the first quarter of 2024. As of August 31, 2023, all five merchant builders within the District had commenced construction of model homes. As of such date, no homes had been conveyed to individual homeowners. As of August 31, 2023, 45 building permits have been issued for the 514 planned residential units within the District. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT" herein.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "THE COMMUNITY FACILITIES DISTRICT," "PROPERTY OWNERSHIP AND THE DEVELOPMENT" and APPENDIX B — "APPRAISAL REPORT."

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. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Sources of Payment for the Bonds

General. The Bonds and any Parity Bonds (as defined herein) are limited obligations of the District, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from the Special Taxes to be levied annually against the property in the District, or, to the extent necessary, from the moneys on deposit in the Reserve Account. As described herein, the Special Taxes are collected along with *ad valorem* property taxes on the tax bills mailed by the Treasurer-Tax Collector of the County. Although the Special Taxes will constitute a lien on the property subject to taxation in the District, they will not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so.

Limited Obligations. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds and any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the County nor general obligations of the District, but are special obligations of the District payable solely from Special Taxes and amounts held under the Indenture as more fully described herein.

Special Tax. As used in this Official Statement, the term "Special Tax" is that tax which has been authorized pursuant to the Act to be levied against certain land within the District pursuant to the Act and in accordance with the Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" and APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Under the Indenture, the District will pledge to repay the Bonds and any Parity Bonds from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the "Net Taxes") and from amounts on deposit in the Special Tax Fund (other than the Administrative Expense Account therein) established under the Indenture.

The Special Taxes are the primary security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein. See "SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund."

Foreclosure Proceeds. The District will covenant in the Indenture for the benefit of the owners of the Bonds and Parity Bonds that, except as set forth in the following paragraph, it will commence judicial foreclosure proceedings against parcels which are delinquent in payment of four or more installments of Special Taxes by the October 1 following the close of the Fiscal Year in which the fourth delinquent installment of Special Taxes was due and will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied on such parcels, and diligently pursue to completion such foreclosure proceedings.

Notwithstanding the foregoing, the Indenture provides that the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account at the Reserve Requirement or to avoid a default in payment on the Bonds and any Parity Bonds. Fiscal Year 2023-24 is the first year of the Special Tax levy and the first installment of Special Tax payments will not be delinquent until December 10, 2023. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*" herein and APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings." There is no assurance that the property within the District can be sold at foreclosure for the appraised value described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current landowner or future landowners within the District. See "SPECIAL RISK FACTORS — Property Values" and APPENDIX B — "APPRAISAL REPORT" herein.

The District participates in the County's Teeter Plan (as defined herein). See "SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan" and "SPECIAL RISK FACTORS — Teeter Plan Termination."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. 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 OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND CERTAIN AMOUNTS HELD UNDER THE BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Escrow Fund. The Indenture establishes an escrow fund (the "Escrow Fund") and an account therein (the "Escrow Interest Account"). On the date of issuance of the Bonds, $2,370,000.00 of the proceeds of the Escrow Term Bonds (as defined below) will be deposited into the Escrow Fund and $366,428.33 of the proceeds of the non-escrowed Bonds will be deposited into the Escrow Interest Account. The amount deposited in the Escrow Interest Account has been sized to be sufficient to pay interest on the Bonds maturing on August 15, 2053, bearing interest at a rate of 5.75% per annum and to which CUSIP No. 68423PB25 has been assigned (the "Escrow Term Bonds"), up through and including August 15, 2026 (the "Escrow Redemption Date").

Upon satisfaction of the release test set forth in the Indenture, amounts in the Escrow Fund and Escrow Interest Account will be transferred to the Acquisition and Construction Fund to finance additional facilities, to increase the balance in the Reserve Account, and to pay interest on the Escrow Term Bonds. In the event that the release test is not satisfied by July 1, 2026 (the "Escrow Closing Date"), the amounts in the Escrow Fund and the Escrow Interest Account will be applied to redeem the Escrow Term Bonds in full on the Escrow Redemption Date (August 15, 2026). See "THE BONDS—Redemption" and "SOURCES OF PAYMENT FOR THE BONDS—Escrow Fund" herein for additional details with respect to the Escrow Term Bonds and the release test under the Indenture for amounts in the Escrow Fund.

Parity Bonds for Refunding Purposes and Liens. Under the terms of the Indenture, the District may issue additional bonds secured by the Net Taxes on a parity with the Bonds ("Parity Bonds") but only for the purpose of refunding Outstanding Bonds and Parity Bonds, if certain conditions are met. See "SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds for Refunding Only." Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Bond owners. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — DEFEASANCE AND PARITY BONDS." Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the property within the District which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments" herein.

Appraisal Report

An MAI appraisal of the land and existing improvements within the District was prepared by Integra Realty Resources, Sacramento, California (the "Appraiser"). The appraisal is dated September 14, 2023, and entitled "Appraisal of Real Property Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)," (the "Appraisal Report"). See APPENDIX B — "APPRAISAL REPORT." The Appraisal Report provides an estimate of the approximate market value of the property in the District subject to the levy of Special Taxes, assuming development of the property as currently planned. As currently planned, development in the District will consist of 514 residential units. As of August 31, 2023, the Appraiser estimates that the market value of all of the parcels within the District subject to the Special Tax was $191,420,000.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in APPENDIX B. The District makes no representation as to the accuracy of the Appraisal Report. See "THE COMMUNITY FACILITIES DISTRICT — Appraisal Report" and "— Appraised Value-to-Lien Ratios." There is no assurance that property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the land owner. See "THE COMMUNITY FACILITIES DISTRICT," "SPECIAL RISK FACTORS — Property Values" and APPENDIX B — "APPRAISAL REPORT" herein.

Description of the Bonds

General. The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX H — "BOOK-ENTRY ONLY SYSTEM."

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as described in the Indenture. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — GENERAL AUTHORIZATION AND BOND TERMS — Transfers Outside Book-Entry System" herein.

Redemption. The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. In addition, the Escrow Term Bonds are subject to mandatory redemption in full on the Escrow Redemption Date unless certain conditions are met. See "THE BONDS — Redemption." For more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE BONDS" and APPENDIX E —" SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE" herein.

Tax Exemption

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds described herein is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

Set forth in APPENDIX C is the form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain tax consequences incident to the ownership of the Bonds, see the caption "TAX MATTERS."

Professionals Involved in the Offering

U.S. Bank Trust Company, National Association, Los Angeles, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated and Piper Sandler & Co. are the underwriters (together, the "Underwriters") of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the District and the County by the Office of the County Counsel, for the Underwriters by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriters, and for the Trustee by its counsel. Other professional services have been performed by Integra Realty Resources, Inc., Rocklin, California, as the Appraiser, Empire Economics, Inc., Capistrano Beach, California as Market Absorption Consultant, Fieldman, Rolapp & Associates, Inc., Irvine, California as municipal advisor to the County, and DTA, Inc., Irvine, California, as Special Tax Consultant, and initial dissemination agent under the Developer Continuing Disclosure Agreement, dated as of December 7, 2023, by and between the Special Tax Consultant and the Developer (the "Developer Continuing Disclosure Agreement").

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see "FINANCIAL INTERESTS" herein.

Continuing Disclosure

The District has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the "Rule") certain financial information and operating data on an annual basis (the "District Reports"). The District has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the "Listed Events"). These covenants have been made in order to assist the Underwriters in complying with the Rule. The District Reports will be filed with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB") available on the Internet at http://emma.msrb.org. Notices of Listed Events will also be filed with the MSRB. The District has not entered into any prior continuing disclosure obligations. The County will assist the

District in preparing the District Reports. See "CONTINUING DISCLOSURE — District Continuing Disclosure."

The Underwriters do not consider the Developer, any of the merchant builders or landbanks within the District to be an "obligated person" with respect to the Bonds for purposes of the Rule. However, to assist in the marketing of the Bonds, the Developer has agreed to provide, or cause to be provided on EMMA, updated information with respect to the development within the District (the "Developer Reports"), on a semiannual basis and notices of certain events until such undertaking is terminated in accordance with the Developer Continuing Disclosure Agreement (as defined herein).

See "CONTINUING DISCLOSURE" herein and APPENDIX F and APPENDIX G hereto for a description of the specific nature of the annual reports to be filed by the District and the Developer and notices of Listed Events and a copy of the continuing disclosure undertakings pursuant to which such reports are to be made.

Bond Owners' Risks

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves significant risks, and the Bonds may not be appropriate investments for certain investors. See "SPECIAL RISK FACTORS" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds, and the constitution and laws of the State as well as the proceedings of the Board, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture, the Appraisal Report, and other documents and information are available for inspection and (upon request and payment to the District of a charge for copying, mailing and handling) for delivery from the Clerk of the Board of Supervisors' office at 400 West Civic Center Drive, Santa Ana, California 92701.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds.

Sources of Funds:	
Principal Amount of Bonds	$ 66,175,000.00
Less Net Original Issue Discount	(195,786.05)
Total Sources	$ 65,979,213.95
Uses of Funds:	
Acquisition and Construction Fund[(1)]	$ 56,379,195.85
Interest Account[(2)]	276,453.06
Administrative Expense Account	35,000.00
Costs of Issuance[(3)]	661,600.22
Reserve Account[(4)]	5,890,536.49
Escrow Fund[(5)]	2,370,000.00
Escrow Interest Account[(6)]	366,428.33
Total Uses	$ 65,979,213.95

(1) Acquisition and Construction Fund includes the Project Facilities Account, the Fire Facilities Account, the Other Facilities Account, the School Facilities Account and the Water Facilities Account.

(2) Amounts to fund capitalized interest on a portion of the Bonds through August 15, 2024.

(3) Includes Underwriters' Discount, Bond Counsel fees, Disclosure Counsel Fees, Special Tax Consultant fees, Municipal Advisor fees, Trustee fees, printing costs and other issuance costs.

(4) Amount does not include the Escrow Term Bonds in the calculation of the Reserve Requirement as of the date of issuance of the Bonds. If amounts are released from the Escrow Fund to the Acquisition and Construction Fund upon satisfaction of certain conditions, a certain amount will also be transferred from the Escrow Fund to the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement as of the Escrow Disbursement Date (as defined herein). See "SOURCES OF PAYMENT FOR THE BONDS — Escrow Fund."

(5) Amounts in the Escrow Fund may be released to the Acquisition and Construction Fund and to the Reserve Account of the Special Tax Fund upon satisfaction of certain conditions or will be used redeem Escrow Term Bonds in full on the Escrow Redemption Date (August 15, 2026). See "THE BONDS — Redemption — *Special Mandatory Redemption from Escrow Fund Transfer*" and "SOURCES OF PAYMENT FOR THE BONDS — Escrow Fund."

(6) Amounts in the Escrow Interest Account have been sized to be sufficient to pay interest on the Escrow Term Bonds up through and including August 15, 2026. See "SOURCES OF PAYMENT FOR THE BONDS — Escrow Fund."

Source: The Underwriters.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each February 15 and August 15, commencing on February 15, 2024 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

As used herein, Record Date means the first day of the month in which any Interest Payment Date occurs, regardless of whether such day is a Business Day.

Interest on any Bond will be paid to the person whose name appears in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. In the event the Bonds are not held in book-entry form, such interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the Bond Register. In addition, with respect to any Bonds owned by the District and upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of $1,000,000 or more in principal amount of the Bonds, payment will be made by wire transfer in immediately available funds to an account designated by such Owner.

Principal of the Bonds and any premium due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Trustee in Los Angeles, California.

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of $5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX H — "BOOK-ENTRY-ONLY SYSTEM."

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemption), assuming there are no optional or extraordinary redemptions and assuming the conditions to the release of amounts in the Escrow Fund to the Acquisition and Construction Fund are satisfied prior to the Escrow Closing Date (i.e. the Escrow Term Bonds are not redeemed pursuant to the provision described under "THE BONDS — Redemption — *Special Mandatory Redemption from Escrow Fund Transfer*"). It should be noted, however, that the Indenture requires redemption of the Escrow Term Bonds in full from amounts transferred from the Escrow Fund should the conditions to the release of amounts in the Escrow Fund to the Acquisition and Construction Fund not be satisfied by the Escrow Closing Date. Amounts deposited into the Escrow Interest Account on the date of issuance of the Bonds have been sized to be sufficient to pay interest on the Escrow Term Bonds up through and including August 15, 2026. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE BONDS — Redemption."

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Date (August 15)	*Principal*	*Interest*	*Total*
2024	--	$2,455,656.39	$2,455,656.39
2025	$110,000	3,564,662.50	3,674,662.50
2026	190,000	3,559,162.50	3,749,162.50
2027	270,000	3,549,662.50	3,819,662.50
2028	355,000	3,536,162.50	3,891,162.50
2029	460,000	3,518,412.50	3,978,412.50
2030	565,000	3,495,337.50	4,060,337.50
2031	675,000	3,466,975.00	4,141,975.00
2032	790,000	3,433,075.00	4,223,075.00
2033	915,000	3,393,387.50	4,308,387.50
2034	1,045,000	3,347,412.50	4,392,412.50
2035	1,190,000	3,294,937.50	4,484,937.50
2036	1,340,000	3,235,137.50	4,575,137.50
2037	1,495,000	3,167,762.50	4,662,762.50
2038	1,665,000	3,092,637.50	4,757,637.50
2039	1,845,000	3,008,937.50	4,853,937.50
2040	2,040,000	2,911,750.00	4,951,750.00
2041	2,245,000	2,804,275.00	5,049,275.00
2042	2,465,000	2,686,012.50	5,151,012.50
2043	2,695,000	2,556,150.00	5,251,150.00
2044	2,945,000	2,414,187.50	5,359,187.50
2045	3,215,000	2,251,937.50	5,466,937.50
2046	3,500,000	2,074,812.50	5,574,812.50
2047	3,805,000	1,881,987.50	5,686,987.50
2048	4,125,000	1,672,362.50	5,797,362.50
2049	4,470,000	1,445,112.50	5,915,112.50
2050	4,835,000	1,198,850.00	6,033,850.00
2051	5,220,000	932,475.00	6,152,475.00
2052	5,635,000	644,887.50	6,279,887.50
2053	6,070,000	334,425.00	6,404,425.00
Total	$66,175,000	$78,928,543.89	$145,103,543.89

Source: The Underwriters.

Redemption

Optional Redemption. The Bonds maturing on or after August 15, 2032 may be redeemed, at the option of the District from any source of funds on any date on or after August 15, 2031, in whole, or in part from such maturities as are selected by the District and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

Redemption Dates	*Redemption Price*
August 15, 2031 through and including August 14, 2032	102%
August 15, 2032 through and including August 14, 2033	101
August 15, 2033 and any date thereafter	100

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption as a whole or in part, on any Interest Payment Date on and after February 15, 2024, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account plus amounts transferred from the Reserve Account to the Redemption Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

Redemption Dates	***Redemption Price***
February 15, 2024 through and including February 15, 2031	103%
August 15, 2031 and February 15, 2032	102
August 15, 2032 and February 15, 2033	101
August 15, 2033 and each Interest Payment Date thereafter	100

Prepayments and amounts released from the Reserve Account in connection with Prepayments will be allocated to the payment at maturity and redemption of Bonds and any Parity Bonds as nearly as practicable on a proportionate basis based on the outstanding principal amount of the Bonds and any Parity Bonds. Amounts allocated to the redemption of the Bonds shall be applied to redeem Bonds maturing on and after August 15, 2025 and Parity Bonds as nearly as practicable on a pro rata basis among maturities in increments of $5,000; provided, however, that, for Prepayments of less than $50,000, the District may specify in a Certificate of an Authorized Representative that Prepayments be applied to one or more maturities of the Bonds or Parity Bonds so long as there is delivered to the Trustee a Certificate of the Special Tax Consultant that, following such application of the Prepayments, the maximum Special Taxes that may be levied in each Fiscal Year on Taxable Property is not less than 110% of Annual Debt Service in the Bond Year that begins in such Fiscal Year.

See the caption "SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds" for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of Special Taxes or from bond proceeds of other community facilities districts.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on August 15, 2038 (the "2038 Term Bonds") shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on August 15, 2034, and on each August 15 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2038 Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Sinking Fund Redemption Date (August 15)	***Sinking Fund Payments***
2034	$1,015,000
2035	1,150,000
2036	1,290,000
2037	1,445,000
2038*	1,605,000

* Final Maturity.

The Term Bonds maturing on August 15, 2043 (the "2043 Term Bonds") shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on August 15, 2039, and on each August 15 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2043 Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Sinking Fund Redemption Date (August 15)	***Sinking Fund Payments***
2039	$1,780,000
2040	1,965,000
2041	2,165,000
2042	2,375,000
2043*	2,600,000

* Final Maturity.

The Term Bonds maturing on August 15, 2048 (the "2048 Term Bonds") shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on August 15, 2044, and on each August 15 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2048 Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Sinking Fund Redemption Date (August 15)	***Sinking Fund Payments***
2044	$2,835,000
2045	3,095,000
2046	3,370,000
2047	3,665,000
2048*	3,975,000

* Final Maturity.

The Term Bonds maturing on August 15, 2053 (the "2053 Term Bonds") shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on August 15, 2049, and on each August 15 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2053 Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Sinking Fund Redemption Date (August 15)	***Sinking Fund Payments***
2049	$4,305,000
2050	4,655,000
2051	5,025,000
2052	5,420,000
2053*	5,840,000

* Final Maturity.

The Escrow Term Bonds shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on August 15, 2029, and on each August 15 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Escrow Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Escrow Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Sinking Fund Redemption Date (August 15)	*Sinking Fund Payments*
2029	$10,000
2030	15,000
2031	20,000
2032	25,000
2033	30,000
2034	30,000
2035	40,000
2036	50,000
2037	50,000
2038	60,000
2039	65,000
2040	75,000
2041	80,000
2042	90,000
2043	95,000
2044	110,000
2045	120,000
2046	130,000
2047	140,000
2048	150,000
2049	165,000
2050	180,000
2051	195,000
2052	215,000
2053	230,000

In the event of a partial optional redemption or extraordinary redemption of Term Bonds or Escrow Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds or Escrow Term Bonds will be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of $5,000.

Special Mandatory Redemption from Escrow Fund Transfer. If the Release Test (as defined herein) for disbursement from the Escrow Fund pursuant to the Indenture has not been satisfied by the Escrow Closing Date (July 1, 2026), the Escrow Term Bonds shall be subject to special mandatory redemption on the Escrow Redemption Date (August 15, 2026), in whole, from amounts transferred from the Escrow Fund and the Escrow Interest Account to the Redemption Account pursuant to the Indenture, in integral multiples of $5,000, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

Notice of Redemption. So long as the Bonds are held in book-entry form, the Beneficial Owners will not be mailed any notice of redemption by the Trustee. It is the responsibility of DTC Participants to provide such notice. See APPENDIX H — "BOOK-ENTRY ONLY SYSTEM." The Trustee is obligated to provide at least 30 days but not more than 45 days prior to the date of redemption, notice of intended redemption, by first-class mail, postage prepaid, to the respective registered owners of the Bonds at the addresses appearing on the Bond registration books; provided, however, so long as the Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. The notice of redemption must: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds of one maturity are to be redeemed, the bond numbers of such issue need not be specified; (ii) state the date fixed for redemption and surrender of the Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds are to be redeemed; (v) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (vi) state the date of issue of the Bonds as originally issued; (vii) state the rate of interest borne by each Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Trustee. Such notice must further state that on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable.

So long as notice of redemption has been provided as set forth in the Indenture, the actual receipt by the owner of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive such notice nor any defect therein will affect the validity of the proceedings for redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Any redemption notice for an optional redemption of the Bonds delivered in accordance with the Indenture may be conditional, and, if any condition stated in the redemption notice has not been satisfied on or prior to the redemption date: (i) the redemption notice will be of no force and effect, (ii) the District will not be required to redeem such Bonds, (iii) the redemption will not be made, and (iv) the Trustee will within a reasonable time thereafter give notice to the persons to whom such conditional redemption notice was given in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

Effect of Redemption. When notice of redemption has been given, and when the amount necessary for redemption has been made available for that purpose and is available therefor on the date fixed for such redemption, the Bonds designated for redemption will become due and payable on the date fixed for redemption upon presentation and surrender of the Bonds at the place specified in the notice of redemption. Bonds or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds, or portions thereof, will cease to bear further interest from and after the redemption date. As of the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

Purchase in lieu of Redemption. The Bonds may be purchased by the District in lieu or partially in lieu of redemption of Bonds. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Redemption Account of the Special Tax Fund."

Registration, Transfer and Exchange

Registration. The Trustee will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Trustee.

Transfer or Exchange. Whenever any Bond is surrendered for registration of transfer or exchange, the Trustee will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Trustee will not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Indenture and from no other sources.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein, and the Escrow Fund (and the Escrow Interest Account therein) (to the limited extent described herein), for the exclusive benefit of the owners of the Bonds, and foreclosure proceeds resulting from the sale of delinquent parcels if and when available.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the County established the District on April 11, 2023 for the purpose of financing the various public improvements required in connection with the proposed development within the District. On April 11, 2023, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed $95,000,000, secured by special taxes levied on property within the District to finance the Facilities. The landowners within the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

Section H of the Rate and Method provides for the process by which the District shall, upon the issuance of the Bonds, reduce the Assigned Special Tax rate for any Plan Type in a Land Use Class in a Zone such that the Total Effective Tax Rate (as such terms are defined in the Rate and Method) for such Plan Type will not exceed 2.00%. In accordance with Section H of the Rate and Method and the Price Point Study, the Assigned Special Tax and Backup Special Tax rates for all six Zones have been reduced from the amounts originally set forth in the Rate and Method approved for the District. The Assigned Special Tax and Backup Special Tax rates, as revised, are included in the Rate and Method attached hereto as APPENDIX A.

The District will covenant in the Indenture that it will levy Special Taxes up to the maximum rates permitted under the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds and any Parity Bonds, to maintain the Reserve Account at the Reserve Requirement and to pay the estimated Administrative Expenses.

The "Special Taxes" are the special taxes authorized to be levied and collected by the District in accordance with the Ordinance, the Resolution of Formation and the Act. The Special Taxes are collected in the manner and at the same time as *ad valorem* property taxes are collected and are subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The "Net Taxes" pledged by the District to secure the repayment of the Bonds (and any Parity Bonds) is defined in the Indenture as the "Gross Taxes" minus amounts permitted to be set aside prior to the payment of the principal of and interest on the Bonds and Parity Bonds in order to pay Administrative Expenses.

"Gross Taxes" is defined in the Indenture as the amount of all Special Taxes received by the District from the Treasurer-Tax Collector, together with all payments made with respect to tax-defaulted parcels (including all delinquent and redemption penalties, fees and costs) and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, but excluding any payment of Special Taxes on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the District the Special Taxes levied for a tax defaulted parcel pursuant to the Teeter Plan (as defined herein).

Except for Prepayments which shall be deposited to the Interest Account, the Principal Account and/or the Redemption Account as specified in the Indenture, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to:

(1) The Administrative Expense Account of the Special Tax Fund in an amount needed to pay Administrative Expenses when due (not to exceed the Administrative Expenses Cap);

(2) The Interest Account of the Special Tax Fund;

(3) The Principal Account of the Special Tax Fund;

(4) The Redemption Account of the Special Tax Fund;

(5) The Reserve Account of the Special Tax Fund;

(6) The Rebate Fund; and

(7) The Surplus Fund.

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE."

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption "*Limitation on Special Tax Levy and Potential Impact on Coverage*" below and "SPECIAL RISK FACTORS — Insufficiency of Special Taxes" herein.

Rate and Method of Apportionment of Special Tax. The District is legally authorized and will covenant to cause the levy of the Special Taxes in an amount determined according to a methodology, i.e., the Rate and Method which the Board of Supervisors and the electors within the District have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described below.

The District is comprised of six tax zone areas (each a "Zone"). The Zones generally coincide with the different product types that are being developed within the District and the different merchant builders that have purchased, or are under contract to purchase, properties in the District.

The following is a synopsis of the provisions of the Rate and Method for the District, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The meaning of the defined terms used in this section are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX A.

Assignment to Land Use Categories. Each Fiscal Year, all Taxable Property within Zones 1 through 6 of the District shall be classified as Developed Property, Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Religious Property, Undeveloped Property, or Exempt Welfare Exemption Property, and shall be subject to Special Taxes in accordance with the Rate and Method determined pursuant to Sections C and D of APPENDIX A. The Assigned Special Tax for Residential Property shall be based on the Zone in which the Assessor's Parcel is located, the number of dwelling units, and the Residential Floor Area of the dwelling units located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Zone in which the Assessor's Parcel is located and the Acreage of the Assessor's Parcel.

The term "Developed Property" is defined in the Rate and Method as, for each Fiscal Year, all Taxable Property, exclusive of Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, and Taxable Religious Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year.

Exemptions. No Special Tax shall be levied on Conservation Property, Property Owner Association Property, Public Property, or Religious Property, so long as the Acreage of Taxable Property in each Zone is at least equal to the "Minimum Taxable Acreage," as defined in the Rate and Method. The Minimum Taxable Acreage for all Zones are shown in Table 9 of the Rate and Method.

Maximum Special Tax, Assigned Annual Special Tax and Backup Special Tax.

Maximum Special Tax. The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax for such Zone or (ii) the amount derived by application of the Backup Special Tax for such Zone. The Maximum Special Tax for an Assessor's Parcel of Undeveloped Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property or Taxable Religious Property within each Zone is shown in Table 8 of the Rate and Method attached as APPENDIX A and ranges from $119,752 to $269,049 per Acre for Fiscal Year 2023-24.

Assigned Special Tax. The Fiscal Year 2023-24 Assigned Special Tax for each Land Use Class within each Zone is shown in Tables 1 through 6 of the Rate and Method attached as APPENDIX A. Assigned Special Tax rates have been established for Residential Property and Non-Residential Property in the six taxable Zones. The number of units projected in each Zone are as follows:

Zone	***Projected Residential Development***	***Merchant Builder***
1	106	Lennar
2	93	Trumark
3	82	Pulte
4	69	Lennar
5	82	Shea
6	82	TRI Pointe Homes
Total Residential Units	**514**	

The Assigned Special Tax levied against Developed Property that is Residential Property will generally correlate with the residential square footage of the unit in question. Section H of the Rate and Method provides for the process by which the District shall, upon the issuance of the Bonds, reduce the Assigned Special Tax rate for any Plan Type in a Land Use Class in a Zone such that the Total Effective Tax Rate (as such terms are defined in the Rate and Method) for such Plan Type will not exceed 2.00%. In accordance with Section H of the Rate and Method and the Price Point Study, the Assigned Special Tax and Backup Special Tax rates for all six Zones have been reduced from the amounts originally set forth in the Rate and Method approved for the District. The Assigned Special Tax and Backup Special Tax rates for each Zone, as revised, are included in the Rate and Method attached hereto as APPENDIX A.

The Assigned Special Tax levied against Non-Residential parcels of Developed Property within each Zone will generally be determined on a per acre basis. For a detailed description of Assigned Special Taxes for Non-Residential Property that is Developed Property, see the Rate and Method attached as APPENDIX A.

Multiple Land Use Classes. In some instances an Assessor's Parcel may contain both Undeveloped Property and Developed Property. Furthermore, Developed Property may contain more than one Land Use Class. In such cases, the Acreage of the Assessor's Parcel will be allocated between Developed Property and Undeveloped Property based on the portion of the Assessor's Parcel for which building permits had been issued prior to January 1 of the prior Fiscal Year and the portion of the Assessor's Parcel for which building permits had not been issued prior to January 1 of the prior Fiscal Year. The Acreage that is considered Developed Property will be allocated between Residential Property and Non-Residential Property based on the site plan or other applicable document as determined by the CFD Administrator. The Maximum Special Tax that can be levied on such Assessor's Parcel shall be the sum of the Maximum Special Tax that can be levied on each type of property located on that Assessor's Parcel.

Backup Special Tax. The Fiscal Year 2023-24 Backup Special Taxes are detailed in Table 7 of the Rate and Method attached as APPENDIX A and range from $116,378 to $232,932 per Acre.

Annual Increases. On each July 1, commencing on July 1, 2024, the Assigned Special Tax and the Backup Special Tax for Developed Property will be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year. On each July 1, commencing July 1, 2024, the Maximum Special Tax for Undeveloped Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property and Taxable Religious Property will be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Method of Apportionment of Special Tax. Commencing with Fiscal Year 2023-24 and for each following Fiscal Year, the Board of Supervisors shall levy the Special Tax until the amount of Special Taxes levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Conservation Property, Taxable Property Owner Association Property and Taxable Religious Property at up to the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property and Taxable Religious Property, as applicable; and

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

Prepayment of Annual Special Taxes. The Special Tax obligation for an Assessor's Parcel may be prepaid in full, or in part, provided that the terms set forth under the Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, Administrative Fees and Expenses and less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any) and less capitalized interest (if any), all as specified in Section G of the Rate and Method attached as APPENDIX A. Prepayments of Special Taxes will be applied to effect an extraordinary redemption of Bonds and Parity Bonds. See "THE BONDS — Redemption — *Extraordinary Redemption from Special Tax Prepayments*."

Estimated Debt Service Coverage. In order to size the Bonds, the District evaluated the maximum Assigned Special Taxes that could be levied based on projected build out (based on the reduced Assigned Special Tax rates following completion of the Price Point Study). Assuming an Administrative Expense Requirement of $75,000 (which escalates at 2.00% per Fiscal Year, commencing July 1, 2024) and build out within the District as planned, Net Taxes (based on the maximum Assigned Special Taxes) would not be less than 110% of debt service on the Bonds in each Bond Year which begins in a Fiscal Year, assuming that the Release Test is met prior to the Escrow Closing Date to allow the amounts in the Escrow Fund to be released to the Acquisition and Construction Fund. Pursuant to the Rate and Method, and subject to the Maximum Special Taxes prescribed therein and permitted by the Act, the District will only levy Special Taxes in an amount sufficient to achieve the Special Tax Requirement.

While the maximum Special Tax rates, if levied in accordance with the Rate and Method, would produce coverage levels of Net Taxes which are higher than 110% of debt service in certain circumstances, because of the limitations imposed by Section 53321(d) of the Government Code, investors should assume that the maximum amount that could be levied in any Fiscal Year is the amount that would produce Net Taxes equal to 110% of debt service due on the Bonds in the corresponding Bond Year.

Limitation on Special Tax Levy and Potential Impact on Coverage. Pursuant to Section 53321(d) of the Government Code, the Special Tax levied against any Assessor's parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the Special Tax levy to the Assigned Special Tax in all years. Subject to the limitations on the District's ability to levy the necessary amount of Special Taxes as imposed by Section 53321(d) of the Government Code, the District can levy Special Taxes on Undeveloped Property up to the applicable Maximum Special Tax rates to make-up all or a portion of any shortfall in the Special Tax levy.

Collection of Special Taxes. The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The District may, however, collect the Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The County assesses and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County, including the Special Taxes for the District. The delinquency dates for property tax payment are December 10 for the first installment and April 10 for the second installment. Once the property taxes are collected, the County conducts its internal reconciliation for accounting purposes and distributes the County's share of such taxes (including the Special Taxes), periodically and typically pursuant to a published schedule. Prior to distribution, the moneys are deposited in an account established on behalf of the County in the Orange County Treasurer's Pool (the "Pool") which is invested by the County Treasurer. If the County or the Pool were at any time to become subject to bankruptcy proceedings, it is possible that District property taxes held in the Pool (including the Special Taxes), if any, could be temporarily unavailable to the County. The District participates in the County's Teeter Plan, which is an alternate method for allocating property taxes by counties. A Teeter Plan allows counties to allocate one hundred percent (100%) of property taxes billed to participating taxing entities in exchange for retaining future delinquent tax payments, penalties and interest.

The District will make certain covenants in the Indenture for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District will covenant that, to the extent it is legally permitted to do so, it will not reduce the maximum Special Tax rates and will oppose the reduction of maximum Special Tax rates by initiative where such reduction would reduce the maximum Special Taxes below current levels unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, among other things, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method then in effect in the District) in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the estimated Administrative Expenses Cap and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. Notwithstanding the foregoing, the District may modify, alter or amend the Rate and Method in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property below the amounts which will equal at least the sum of the Administrative Expenses Cap and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds Outstanding.

Second, the District will covenant not to permit the tender of Bonds or Parity Bonds in payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE."

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. In addition to the obligation to pay Special Taxes, properties in the District are subject to other assessments and special taxes as set forth in Table 2 herein. These other special taxes and assessments are co-equal to the lien for the Special Taxes. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the County or the landowners in the District. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments" herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

Proceeds of Foreclosure Sales. The proceeds of delinquent Special Taxes received following a judicial foreclosure sale of parcels within the District resulting from a landowner's failure to pay the Special

Taxes when due, up to the amount of the delinquent Special Tax lien, are included within the Net Taxes pledged to the payment of principal of and interest on the Bonds under the Indenture, except any payment of Special Taxes on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs, and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the District the Special Taxes levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the Board of Supervisors of the County, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant for the benefit of the Owners of the Bonds that it will commence judicial foreclosure proceedings against parcels which are delinquent in payment of four or more installments of Special Taxes by the October 1 following the close of the Fiscal Year in which the fourth delinquent installment of Special Taxes was due and will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied on such parcels, and diligently pursue to completion such foreclosure proceedings.

Notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement.

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — COVENANTS AND WARRANTY" herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the County and the District. See "SPECIAL RISK FACTORS — Bankruptcy and Foreclosure" herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS — Property Values" herein. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the County any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* property taxes.

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account an amount equal to the Reserve Requirement and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. The Indenture provides that the amount to be maintained in the Reserve Account as the Reserve Requirement shall, as of any date of calculation, equal the lesser of (i) 10% of the initial principal amount of the Bonds and any Parity Bonds; (ii) the Maximum Annual Debt Service on the then Outstanding Bonds and any Parity Bonds; or (iii) one hundred twenty-five percent (125%) of average annual debt service on the then Outstanding Bonds and any Parity Bonds; provided, however, that the Reserve Requirement shall not increase beyond $5,890,536.49, the Reserve Requirement as of the Delivery Date of the Bonds, except upon the issuance of Parity Bonds or in connection with a release from the Escrow Fund as set forth in the Indenture; and provided further that, in calculating the amounts referred to in the preceding clauses (i), (ii) and (iii), there will be excluded the debt service on, or the principal amount of, as applicable, the Escrow Term Bonds as of such date of calculation unless the Release Test is satisfied. As of the date of issuance of the Bonds, the Reserve Requirement will be fully funded in the amount of $5,890,536.49 from proceeds of the portion of the Bonds which are not Escrow Term Bonds.

Upon satisfaction of the Release Test, a portion of the amount in the Escrow Fund will be transferred to the Reserve Account to increase the amount therein to the Reserve Requirement, taking into account the debt service on, or the principal amount of, as applicable, the Escrow Term Bonds.

Subject to the limits on the maximum annual Special Tax which may be levied within the District in accordance with the Rate and Method set forth in APPENDIX A, the District will covenant to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other moneys in the Interest Account and the Principal Account are insufficient therefor; (ii) make any required transfer to the Rebate Fund pursuant to the Indenture; (iii) redeem the Bonds and any Parity Bonds in whole or in part; and (iv) pay the principal and interest due in the final year of maturity of a series of the Bonds and any Parity Bonds. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Reserve Account of the Special Tax Fund" herein.

Surplus Fund

After the deposit to the Administrative Expense Account, the payment of principal of and interest on the Bonds and any Parity Bonds when due, transfers to the Redemption Account to pay principal of and premium, if any, on Bonds and any Parity Bonds called for redemption, transfers to replenish the Reserve Account to the Reserve Requirement and any required transfers to the Rebate Fund, as soon as practicable after each August 15, and in any event prior to each September 1, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, other than amounts in the Special Tax Fund which (i) the District has included as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture or (ii) amounts are to be transferred to the Acquisition and Construction Fund because such amounts were included in the levy of Special Taxes for the previous Fiscal Year to pay for the acquisition or construction of the Project. Moneys deposited in the Surplus Fund may be applied to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor, to replenish the Reserve Account to the Reserve Requirement, to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses, to pay Project Costs, or for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or any Parity Bonds and may be used by the District for any lawful purpose.

Issuance of Parity Bonds for Refunding Only

The District may issue Parity Bonds, in addition to the Bonds, which shall be secured by a lien on the Net Taxes and amounts on deposit in the Special Tax Fund (other than the Administrative Expense Account) on a parity with the Outstanding Bonds as provided herein. The Parity Bonds may be issued only for the purpose of defeasing and refunding a portion of the Outstanding Bonds or other Parity Bonds, but only if such defeasance and refunding will not result in an increase in Annual Debt Service in any Bond Year. The Parity Bonds shall be issued by means of a Supplemental Indenture and without the consent of any Bondowners, upon compliance with the provisions of the Indenture. The District may issue such Parity Bonds subject to, among others, the following specific conditions:

(A) The District shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(B) The Supplemental Indenture providing for the issuance of such Parity Bonds shall provide the date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on an August 15, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates.

(C) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) A written request of the District as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or County Counsel to the effect that (a) the District has the right and power under the Act to adopt, execute and deliver the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully executed and delivered by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(4) A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture; and

(5) A certificate from one or more Independent Financial Consultants which, when taken together, certify that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds.

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — DEFEASANCE AND PARITY BONDS — Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness."

Escrow Fund

On the date of issuance of the Bonds, $2,370,000.00 of the proceeds of the Escrow Term Bonds will be deposited into the Escrow Fund and $366,428.33 of the proceeds of the non-escrowed Bonds will be deposited into the Escrow Interest Account. The foregoing amount deposited in the Escrow Interest Account has been calculated to be sufficient to pay interest on the principal amount of the Escrow Term Bonds to the Escrow Redemption Date (August 15, 2026). Prior to the Escrow Closing Date (July 1, 2026) and the Escrow Disbursement Date (as defined below), on the Business Day prior to each Interest Payment Date, amounts will be transferred from the Escrow Interest Account to the Interest Account of the Special Tax Fund to pay interest due since the prior Interest Payment Date on the principal amount of Bonds on deposit in the Escrow Fund.

As long as the Release Test is satisfied prior to the Escrow Closing Date (July 1, 2026), amounts in the Escrow Fund may be released for deposit in the Interest Account, the Reserve Account and the Acquisition and Construction Fund (or an account therein) at one time and in whole, only if certain conditions to the release (the "Release Test") as set forth in the Indenture are satisfied; provided, however, that the release shall occur on any date other than an Interest Payment Date (the "Escrow Disbursement Date"), but not in the five days preceding an Interest Payment Date. The Release Test is as follows:

At least ten (10) Business Days prior to the Escrow Disbursement Date, the District and the Trustee shall have received a Certificate of the Special Tax Consultant certifying that (a) the Appraised Value of Property is at least three (3) times the sum of the principal amount of the Outstanding Bonds and the Overlapping Debt, including within such calculation the principal amount of the Escrow Term Bonds, (b) the Special Taxes levied each Fiscal Year at the Assigned Special Tax rates, assuming full buildout in the District and including any Special Taxes to be levied on any then delinquent parcels, is at least 110% of gross debt service for the Bond Year commencing in such Fiscal Year on all outstanding Bonds (including debt service on the Escrow Term Bonds), plus the Administrative Expenses Cap; and (c) the Special Taxes levied each Fiscal Year at the Assigned Special Tax rates, assuming full buildout in the District and excluding Special Tax revenues from any then delinquent parcels, is at least 109% of gross debt service for the Bond Year commencing in such Fiscal Year on all outstanding Bonds (including debt service on the Escrow Term Bonds), plus the Administrative Expenses Cap.

If the Release Test as described above is satisfied prior to the Escrow Closing Date, the Trustee shall transfer the amounts then on deposit in the Escrow Fund and the Escrow Interest Account as follows:

(i) First, the Trustee shall transfer from the Escrow Interest Account to the Interest Account of the Special Tax Fund an amount sufficient to pay interest on the Escrow Term Bonds on each Interest Payment Date that will occur before Special Taxes can be levied and collected in an amount sufficient to pay such interest;

(ii) Second, the Trustee shall transfer from the Escrow Fund to the Reserve Account, an amount sufficient to cause the amount on deposit in the Reserve Account to be at least equal to the Reserve Requirement (calculated as if the disbursement from the Escrow Fund to the Acquisition and Construction Fund had already occurred); and

(iii) Third, the Trustee shall transfer from the remaining amounts in the Escrow Fund and the Escrow Interest Account, to one or more Accounts within the Acquisition and Construction Fund, as directed in writing by the Authorized Representative of the District on the Escrow Disbursement Date.

The Trustee shall not disburse any funds from the Escrow Fund or the Escrow Interest Account as described above if the Release Test is not satisfied prior to the Escrow Closing Date except that on the Escrow Redemption Date the Trustee shall transfer the amounts on deposit in the Escrow Fund and the Escrow Interest Account to the Redemption Account of the Special Tax Fund, to be applied to the redemption of Escrow Term Bonds on the Escrow Redemption Date as described under "THE BONDS—Redemption— *Special Mandatory Redemption from Escrow Fund Transfer*," with any excess not required to pay the redemption price transferred to the Interest Account. After the foregoing transfers, the Escrow Fund and the Escrow Interest Account shall be closed.

Teeter Plan

The District is included in the County's Teeter Plan and, as described below, so long as the Teeter Plan remains in effect with respect to the District, the District will be paid 100% of the amount of Special Taxes levied regardless of whether the County has actually collected said taxes. To the extent that the County's Teeter Plan continues in existence and is carried out as adopted, the County's Teeter Plan may help to protect the Owners of the Bonds from the risk of delinquencies in Special Taxes.

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Section 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. A county benefits from the Teeter Plan by retaining penalties associated with these delinquent taxes when they are paid and the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of the county generally must elect to do so by July 15 of the fiscal year in which it is to apply. The Board of Supervisors adopted the Teeter Plan on June 29, 1993 and has elected to include in its Teeter Plan special taxes levied in certain community facilities districts, including the District, on the secured roll.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. See "SPECIAL RISK FACTORS — Teeter Plan Termination." The County has never discontinued the Teeter Plan with respect to any levying agency.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution, each participating local agency receives annually 100% of the levied amount of the secured property tax to which it is otherwise entitled, regardless of whether the county has actually collected the property taxes.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

THE COMMUNITY FACILITIES DISTRICT

General Description of the District

The District is located in the southern portion of the County, generally to the north of Cow Camp Road, approximately one mile east of its intersection with Los Patrones Parkway. More specifically, the District is located to the northeast of the intersection of Legado Road and Saddle Way. The land within which the District sits is part of a larger area acquired through a series of Mexican land grants from 1843-1845. The areas conveyed by these land grants included the areas of the County known as the Rancho La Paz, Mission San Juan Capistrano, Rancho Trabuco, Rancho Santa Margarita, and Las Flores (collectively, this property is referred to as the "Ranch"). In 1939, the Ranch was split in two, with representatives of the O'Neill family retaining the portion located in Orange County, and representatives of the Flood family retaining the southern portion located in San Diego County. In 1942, the United States Marine Corps acquired the entire southern portion to expand Camp Pendleton. After World War II, what remained of the historic Ranch encompassed two Orange County parcels, united under the name of Rancho Mission Viejo. These two parcels totaled 52,000 acres.

In 1966, the O'Neill family and its partners established The Mission Viejo Company and embarked on residential development of a 10,000 acre master planned community now known as the City of Mission Viejo. In 1972, The Mission Viejo Company was sold to Philip Morris Inc., which completed the master planned community. Rancho Mission Viejo, the entity established by the O'Neill family and its partners to develop the remaining Ranch land, is responsible for the creation and development of the master planned communities of Rancho Santa Margarita, Las Flores, and Ladera Ranch. Between the years 2001 and 2009, Rancho Mission Viejo secured all necessary approvals for a comprehensive land use management/operation and open space preservation plan for the remaining 22,815 acres of the family ranch. With these approvals secured, several new communities have been developed over the last few decades within the Ranch and development is currently ongoing. At buildout, approximately 25% of the land in the Ranch is expected to be developed into residential and non-residential uses. The remaining 75% is expected to be set-aside in perpetuity as a permanent habitat reserve covered by a conservation easement to a 501c(3) non-profit corporation known as "The Reserve at Rancho Mission Viejo."

The Ranch plan entitlement approved in 2004 (as described under PROPERTY OWNERSHIP AND THE DEVELOPMENT—The Development —*Entitlements for the Overall Rancho Mission Viejo Ranch Plan Planned Community*" below) encompasses a phased development of 14,000 homes and five million square feet of non-residential land use for the 22,815 acre Ranch Plan MPC. The first planning area of the Ranch Plan MPC is a project called Sendero, which comprises approximately 500 gross acres and includes 655 market-rate residential units, 286 age-qualified residential units, 286 apartment units, 107 affordable senior units and approximately 15 acres of retail and other non-residential uses. Development within Sendero commenced construction in 2013 and the final homes sold in 2018. The second planning area of the Ranch Plan MPC is a project called the Village of Esencia, which comprises approximately 860 gross acres. The residential portion of Village of Esencia was developed in three phases and included 1,784 for-sale market rate residential units, 730 age-qualified residential units, 242 apartment units, and 112 affordable apartment units. Additionally, 53 acres of adjacent non-residential acres have been developed to include a 99,200 square foot business park and a 129,942 square foot self-storage center. A 75,000 square foot Mission Hospital Medical building and a 30-acre retail/entertainment complex are also planned to be developed within the Village of Esencia. The first home sales commenced in 2015 and as of September 2021, all 2,514 for-sale homes in the Village of Esencia had sold.

The property within the District is a portion of the Rienda project, which is a portion of the third planning area of the development within the Ranch. Rienda is expected to include a total of 272 acres, developed with approximately 2,150 for-sale units and 500 apartment units, in five phases. The Developer estimates that it has spent more than $175 million on off-site infrastructure and more than $120 million on site preparation and amenities related for the Rienda project.

The District was formed in 2023 by the Board under the Act to provide for the financing of public improvements to meet the needs of new development. The Developer and the other owners of the property within the District, as the qualified electors of the District, authorized the District to incur bonded indebtedness to finance certain public facilities to meet the needs of new development within the District and approved the Rate and Method for the District and authorized the levy of the Special Tax.

The District consists of approximately 49 gross acres. The development within the District is planned for six for-sale residential projects consisting of 514 market-rate homes, all of which will be subject to the Special Tax. Approximately 26 acres of property in the District are expected to be subject to the Special Tax at build-out. The property within the District which is not subject to the levy of the Special Tax consists of property anticipated to be primarily used for recreational facilities to be owned by the property owners association, parks and public right of ways.

All property planned for residential development in the six for-sale projects is either under contract to, or has been conveyed, by the Developer to merchant builders or certain of such merchant builders' respective landbanks, as described herein. Such merchant builders are Lennar, TRI Pointe Homes, Shea, Pulte and Trumark. The property relating to Lennar and TRI Pointe Homes' projects were conveyed by the Developer to the respective landbanks for such merchant builders. Lennar and TRI Pointe Homes' have entered into agreements with such landbanks to acquire such property in phases, as described herein. Shea and Trumark have acquired property comprising the entirety of their respective planned development within the District. Pulte has acquired property for 40 of its 82 planned residential units in the District. The remaining property planned for residential development that is owned by the Developer is under contract to be sold to Pulte. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in the Development."

The backbone infrastructure necessary to complete development within the District has been substantially completed. As of August 31, 2023, the remaining onsite infrastructure to complete the development within the District consists of erosion control, storm drain mitigation, street capping, amenity construction and landscape beautification. The Developer expects to complete the majority of such remaining infrastructure in 2024 and the amenities in early-2025. The Developer does not expect the timing of completion of such remaining infrastructure to impact the ability of merchant builders to construct and sell homes within the District. The merchant builders will be responsible for all in-tract infrastructure within their respective projects.

Certain offsite backbone infrastructure consisting of certain roadways and bridges, a pump station, a flood control basin and a water quality basin remain to be completed by the Developer, however, completion of such infrastructure is not required to achieve buildout in the District. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT." A detailed description of the status of the construction and ownership as of the date of the Appraisal Report is included in APPENDIX B — "APPRAISAL REPORT."

Water and sewer service to the property is provided by the Santa Margarita Water District. Electricity is supplied by San Diego Gas and Electric, natural gas is supplied by The Gas Company, police services are provided by the Orange County Sheriff's Department, fire services are provided by the Orange County Fire Authority, and internet services are provided by various providers.

Description of Authorized Facilities

The expected total cost of the Facilities eligible to be financed with the proceeds of the Bonds, based on the current estimated cost of the Facilities, is approximately $112.2 million. The facilities authorized to be constructed and acquired by the District with the proceeds of the Bonds consist of certain roadways and roadway improvements, tunnels, regional hiking and biking trails, storm drains and basins, water and wastewater facilities (including, without limitation, domestic and non-domestic water facilities, wells, reservoirs, pipelines, storm and sewer drains and related infrastructure and improvements), wet and dry utilities, bridges and pedestrian bridges, parks, traffic signals, school sites, school facilities and equipment, facilities and equipment relating to fire protection and suppression, sheriffs substations and equipment and library facilities and equipment, and related infrastructure improvements, both onsite and offsite, and appurtenances and appurtenant work in connection with the foregoing (including utility line relocations and electric, gas and cable utilities) (collectively, the "Facilities").

The estimated cost of the Facilities eligible to be financed with proceeds of the Bonds, based on the current estimated cost of the Facilities, is set forth in Table 1 below. However, the actual cost of the Facilities will depend on various factors, including product mix and the timing of construction within the undeveloped portion of the District, and such costs could be significantly higher. Given that the cost of the Facilities exceeds available proceeds of the Bonds, the costs in excess of available Bond proceeds are expected to be paid for by the Developer.

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2023-1
OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)
FACILITIES ELIGIBLE TO BE FINANCED
WITH BOND PROCEEDS

Facility Description	*Estimated Amount*[(1)]	*Amount Expended as of August 31, 2023*
Onsite and Offsite Facilities and Dry Utilities	$ 102,117,037	$ 68,731,373
Santa Margarita Water District Facilities	4,250,000	97,800
Orange County Fire Authority Facilities	$ 5,800,000	$ 5,800,000
Total Facilities	**$ 112,167,037**	**$ 74,629,173**

(1) Based on the current estimated cost of the Facilities.
Source: The Developer.

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay the Special Taxes could be affected by the existence of other taxes imposed upon the property. These other taxes consist of the direct and overlapping debt in the District and are set forth in Table 2 below, (the "Debt Report"), which as of the date of the Debt Report (September 2, 2023) consisted solely of overlapping general obligation debt. The Debt Report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, *ad valorem* taxes or special taxes. See "SAMPLE PROPERTY TAX BILLS" in APPENDIX I for information regarding other entities levying taxes, assessments or other charges on property in the District. The Debt Report includes the principal amount of the Bonds but excludes the Escrow Term Bonds in the principal amount of $2,370,000. The Debt Report has been derived from data assembled and reported to the District by DTA, Inc. as of September 2, 2023. None of the District, the County, or the Underwriters have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2023-1
OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)
DIRECT AND OVERLAPPING DEBT SUMMARY

Overlapping District	*Fiscal Year 2023-24 Total Levy*	*Estimated Levy on Parcels in District*[(1)]	*Percent of Levy on Parcels in District*[(1)]	*Total Debt Outstanding*[(2)]	*District Share of Total Debt Outstanding*[(3)]
Metropolitan Water District	$196,001,141	$1,781	0.0009%	$19,215,000	$ 175
Capistrano Unified SFID No. 1 Series 2001B	2,609,990	1,705	0.0653	1,671,338	1,092
Capistrano Unified SFID No. 1 Series 2022 Refunding	2,321,722	1,517	0.0653	5,041,522	3,293
Estimated Share of Overlapping Debt Allocable to the District					$ 4,560
Plus the Bonds[(4)]					$ 63,805,000
Estimated Share of Direct and Overlapping Debt Allocable to the District					$ 63,809,560

(1) Estimated levy amount is based on the Fiscal Year 2023-24 *ad valorem* rates multiplied by the assessed value as of January 1, 2023, provided by the County Assessor. Actual *ad valorem* amounts in future years will be based on the County assessed values. As property values increase, it is possible that property in the District's share of outstanding overlapping general obligation bonds will increase.
(2) As of September 2, 2023.
(3) Calculated by multiplying the Percent of Levy on Parcels in District column by the Total Debt Outstanding column.
(4) Excludes the Escrow Term Bonds in the principal amount of $2,370,000.
Source: DTA, Inc.

Expected Tax Burden

For Fiscal Year 2023-24, the projected total effective tax rates for all categories of residential units within the District are approximately 2.00% of total projected base sales prices (based on the Price Point Study). See APPENDIX I — "SAMPLE PROPERTY TAX BILLS" attached hereto for sample property tax bills for the average residential unit sizes of each type in the various tax Zones of the District. The actual amounts charged and the effective tax rates may vary and may increase or decrease in future years.

Section H of the Rate and Method provides for the process by which the District shall, upon the issuance of the Bonds, reduce the Assigned Special Tax rate for any Plan Type in a Land Use Class in a Zone such that the Total Effective Tax Rate (as such terms are defined in the Rate and Method) for such Plan Type will not exceed 2.00%. In accordance with Section H of the Rate and Method and the Price Point Study, the Assigned Special Tax and Backup Special Tax rates for all six Zones have been reduced from the amounts originally set forth in the Rate and Method approved for the District. The Assigned Special Tax and Backup Special Tax rates, as revised, are included in the Rate and Method attached hereto as APPENDIX A.

Market Absorption Study

In order to determine the projected absorption of the residential and nonresidential property within the District, the County engaged Empire Economics, Inc. (the "Market Absorption Consultant") to perform a comprehensive analysis of the product mix characteristics as well as the macroeconomic and microeconomic factors that are expected to influence the absorption of the forthcoming products within the District. In connection therewith, the Market Absorption Consultant delivered its Market Absorption Study dated August 9, 2023 (the "Market Absorption Study"). To arrive at the projected absorption rate set forth in the Market Absorption Study, the Market Absorption Consultant took into account recent trends in employment in the County, mortgage interest rates and home prices, home demand and supply as well as observations of the absorption rate of the for-sale homes in adjacent CFD No. 2021-1 (the first phase of Rienda). In the near-term, the Market Absorption Consultant expects that the housing market will be challenged by higher mortgage rates and higher unemployment, which may result in slower sales and price declines. The Market

Absorption Consultant expects that the housing market will return to a more normalized rate of sales and price appreciation if the rate of inflation approaches the Federal Reserve Board's target rate of 2%.

Based on the assumptions and limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant has estimated the calendar year absorption schedule for the residential projects in the District as follows:

Year	***Projected Absorption Schedule***
2024	110
2025	219
2026	160
2027	25
Total	**514**

Source: The Market Absorption Consultant.

The absorption schedules assume grand openings for model complexes in November 2023 and home closings commencing in the second quarter of 2024. A complete copy of the Market Absorption Study is attached hereto as APPENDIX J.

Appraisal Report

The estimated assessed value of the property within the District, as shown on the County's assessment roll for Fiscal Year 2023-24, is approximately $50,896,812, which as a result of timing of the County's determination of the assessed values for Fiscal Year 2023-24, may not reflect the sale of land to the merchant builders and the value of infrastructure improvements that have been constructed and the homes under construction in the District since that time.

As a result of the requirements of Article XIIIA of the California Constitution, a property's assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within the District, the County engaged Integra Realty Resources, the Appraiser, to prepare the Appraisal Report. The Appraiser has an "MAI" designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the County and has no material relationships with the County, the District, or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The County instructed the Appraiser to prepare its analysis and report in conformity with County-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as APPENDIX B — "APPRAISAL REPORT" to this Official Statement.

The purpose of the Appraisal Report was to estimate the aggregate market value by ownership of the fee simple interest of the property subject to the Special Tax in the District. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and that the development costs provided to the Appraiser by the Developer include all of the costs necessary to bring the subject properties to a finished lot condition. As a result, the value conclusions are based upon a hypothetical condition that the Bonds have been sold with proceeds available for construction of improvements. Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of August 31, 2023 (the "Date of Value"), the market value of the Taxable Property within the District was $191,420,000. Table 3 below shows the market value of the various parcels owned by the Developer and each of the merchant builders (or their respective landbanks, as applicable) as set forth in the Appraisal Report as of the Date of Value.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2023-1
OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)
SUMMARY OF APPRAISED VALUES (AS OF THE DATE OF VALUE)

Owner[(1)]	***Development Area***	***No. of Units***	***Appraised Value***
Developer	MR-11[(2)]	42	$ 13,640,000
Merchant Builders:			
Lennar	MR-6 and MR-24[(3)]	175	$ 66,600,000
TRI Pointe Homes	MR-28[(4)]	82	35,540,000
Shea	MR-25	82	35,950,000
Pulte	MR-11	40	12,990,000
Trumark	MR-8	93	26,700,000
Merchant Builders Subtotal		**472**	**$177,780,000**
TOTAL		**514**	**$191,420,000**

(1) As of the Date of Value.
(2) Property is under contract to be acquired by Pulte.
(3) Property is currently owned by the landbank for Lennar's projects in the District. Lennar has not yet acquired any lots in the District from its landbank. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."
(4) As of the Date of Value, the property for TRI Pointe Homes' project in the District was owned by the landbank entity for such property. As of November 1, 2023, TRI Pointe Homes has acquired 14 lots from such landbank. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."
Source: The Appraiser.

In estimating the market value, the Appraiser utilized a sales comparison approach. With respect to the property owned by the merchant builders, their respective landbanks and the Developer, the Appraiser applied a land residual analysis which discounts the revenue from future sales over an estimated absorption period and deducts all related direct and indirect expenses associated with sales of the parcels.

Reference is made to APPENDIX B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser's opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within the District may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within the District would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report merely indicates the Appraiser's opinion as to the market value of the property referred to therein as of the date and under the conditions specified therein. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future. See "SPECIAL RISK FACTORS — Property Values."

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the District a certification to the effect that nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Report that would cause the Appraiser to believe that the value of the property in the District is less than the value of the District reported in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal Report which could result in both positive and negative effects on market value within the District.

The Appraiser has reviewed the merchant builder base prices as described herein and concluded that those base prices do not cause it to believe that the value of property listed for any owner in Table 3 above would be reduced.

Appraised Value-To-Lien Ratios

Table 4 below incorporates the values assigned to parcels in the Appraisal Report, the estimated principal amount of the Bonds (excluding the principal amount of the Escrow Term Bonds) allocable to each category of parcels and the estimated appraised value-to-lien ratios for various categories of parcels in the District. Based on the principal amount of the Bonds (excluding the Escrow Term Bonds) and overlapping debt, the estimated appraised District-wide value-to-lien ratio including all Taxable Property as of the Date of Value is 3.00-to-1. Other overlapping debt within the District as of September 2, 2023 totaled $4,560. See "— Direct and Overlapping Indebtedness" above. Based on individual ownerships as of August 31, 2023, the appraised value-to-lien ratios vary from a low of 2.20-to-1 to a high of 4.15-to-1.

Upon satisfaction of the Release Test, amounts in the Escrow Fund may be released to the Acquisition and Construction Fund and the Reserve Account. See "SOURCES OF PAYMENT FOR THE BONDS—Escrow Fund." The Release Test includes, among others, that an appraisal of the property demonstrates that the value-to-lien ratio, including the Bonds (including the principal amount of the Escrow Term Bonds to be released) and all overlapping land-secured special tax and assessment debt, is at least 3.00-to-1.

The share of Bonds set forth in Table 4 below is allocated based on each property's share of the actual Fiscal Year 2023-24 Special Tax levy. In the Annual Reports provided pursuant to the District Continuing Disclosure Certificate, Table 4 will not be updated based on appraised value, but similar information will be provided based on current assessed value. Based on the Fiscal Year 2023-24 assessed value of $50,896,812, the assessed value-to-lien ratio, taking the total direct and overlapping debt in Table 2 into account (excluding the principal amount of the Escrow Term Bonds), is approximately 0.80-to-1. As a result of timing of the County's determination of the assessed values for Fiscal Year 2023-24, the assessed value for the District for Fiscal Year 2023-24 may not reflect the value of infrastructure improvements that have been constructed and the homes under construction in the District since that time.

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TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2023-1
OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)
APPRAISED VALUE-TO-LIEN RATIOS (BY PROPERTY CLASSIFICATION)

Property Classification / Owner [(1)]	*Expected Number of Units/Lots at Buildout*	*Actual Fiscal Year 2023-24 Taxable Acreage*	*Actual County of Orange CFD No. 2023-1 Fiscal Year 2023-24 Special Tax Levy*[(2)]	*County of Orange CFD No. 2023-1 Bonds Outstanding*[(3)]	*MWD Bonds Outstanding*[(4)]	*CUSD SFID Bonds Outstanding*[(4)]	*Total Direct and Overlapping Debt*	*Appraised Value*[(1)]	*Appraised Value-to-Lien Ratios*
Undeveloped Property[(5)]									
Developer	42[(8)]	2.59	$ 148,308	$ 4,452,394	$ 1	$ 30	$ 4,452,426	$ 13,640,000	3.06
AG EHC II (LEN) CA 3, LP[(6)]	175	9.69	627,910	18,850,663	163	4,088	18,854,914	66,600,000	3.53
RMV MR28 – Mission Viejo LP[(7)]	82	6.99	537,588	16,139,088	3	79	16,139,171	35,540,000	2.20
Trumark	93	5.93	214,297	6,433,462	3	68	6,433,533	26,700,000	4.15
Pulte	40	2.68	153,428	4,606,110	1	31	4,606,142	12,990,000	2.82
Shea	82	7.86	443,795	13,323,281	4	90	13,323,375	35,950,000	2.70
TOTAL	**514**	**35.73**	**$2,125,326**	**$63,805,000**	**$ 175**	**$4,385**	**$63,809,560**	**$191,420,000**	**3.00**

(1) Ownership and appraised value as of August 31, 2023.
(2) The Fiscal Year 2023-24 Special Tax levy has been set at $2,125,326 and the remaining amount necessary to pay debt service on the Bonds for the Bond Year ending August 15, 2024 will be paid from capitalized interest.
(3) Allocated based on the actual Fiscal Year 2023-24 Special Tax levy. Excludes the principal amount of the Escrow Term Bonds. See "SOURCES OF PAYMENT FOR THE BONDS—Escrow Fund."
(4) As of September 2, 2023. Allocated based on the Fiscal Year 2023-24 levy.
(5) Under the Rate and Method, Developed Property is property for which a building permit was issued as of January 1 of the prior Fiscal Year and Undeveloped Property is property for which a building permit was not issued as of January 1 of the prior Fiscal Year. As of August 31, 2023, 45 building permits had been issued and such property will be classified as Developed Property beginning in Fiscal Year 2024-25.
(6) The owner of such property is the landbank entity for Lennar. Lennar has not yet acquired any lots in the District from its landbank. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT—Merchant Builders in the Development—*Proposed Developments by Lennar*."
(7) As of the Date of Value, the property for TRI Pointe Homes' project in the District was owned by the landbank entity for such property. As of November 1, 2023, TRI Pointe Homes has acquired 14 lots from such landbank. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT—Merchant Builders in the Development— *Proposed Development by TRI Pointe – Heatherly (MR-28)*.
(8) Such property owned by the Developer is under contract to be acquired by Pulte.
Source: DTA, Inc.

Largest Taxpayers

Table 5 below lists the largest taxpayers within the District measured by the percentage of the actual Fiscal Year 2023-24 Special Tax levy. Based on the ownership status as of August 31, 2023, assuming no additional transfer of property in the District, for Fiscal Year 2023-24, the property owned by the land banking entity for Lennar will have the largest allocation of the Special Tax levy (approximately 29.54% of the actual Fiscal Year 2023-24 Special Tax levy). As of November 1, 2023, TRI Pointe Homes has acquired 14 lots from its land banking entity. Lennar has not yet acquired any lots in the District from its landbank. Lennar and TRI Pointe Homes have agreed with their respective landbank entities, that during the time such merchant builders have the option to acquire the subject property from their landbanks, the merchant builders (and not the landbanks) will be responsible for paying property taxes on such property, including the Special Taxes. However, such contractual agreement is between such parties and does not affect the manner in which the District will levy the Special Tax in accordance with the Rate and Method. See "SPECIAL RISK FACTORS — Concentration of Ownership."

TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2023-1
OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)
FISCAL YEAR 2023-24 LARGEST TAXPAYERS

Owner[1]	*Zone*	*Planning Area*	*Actual Fiscal Year 2023-24 Taxable Acreage*	*Actual Fiscal Year 2023-24 Property Classification*[2]	*Actual Fiscal Year 2023-24 Special Tax Levy*[3]	*Percent of Total Levy*
AG EHC II (LEN) CA 3, LP[4]	1	MR-6	5.07	Undeveloped	$ 253,120	11.91%
AG EHC II (LEN) CA 3, LP[4]	4	MR-24	4.62	Undeveloped	374,790	17.63
Subtotal			9.69		$ 627,910	29.54%
RMV MR28 – Mission Viejo LP[5]	6	MR-28	6.99	Undeveloped	$ 537,588	25.29%
Shea	5	MR-25	7.86	Undeveloped	443,795	20.88
Trumark	2	MR-8	5.93	Undeveloped	214,297	10.08
Pulte	3	MR-11	2.68	Undeveloped	153,428	7.22
Developer[6]	3	MR-11	2.59	Undeveloped	148,308	6.98
Total			**35.73**	**NA**	**$2,125,326**	**100.00%**

(1) Ownership as of August 31, 2023.
(2) Under the Rate and Method, Developed Property is property for which a building permit was issued as of January 1 of the prior Fiscal Year and Undeveloped Property is property for which a building permit was not issued as of January 1 of the prior Fiscal Year. As of August 31, 2023, 45 building permits had been issued and such property will be classified as Developed Property beginning in Fiscal Year 2024-25.
(3) The Fiscal Year 2023-24 Special Tax levy has been set at $2,125,326 and the remaining amount necessary to pay debt service on the Bonds for the Bond Year ending August 15, 2024 will be paid from capitalized interest.
(4) The owner of such property is the landbank entity for Lennar. Lennar has not yet acquired any lots in the District from its landbank. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT—Merchant Builders in the Development—*Proposed Developments by Lennar*."
(5) As of the Date of Value, the property for TRI Pointe Homes' project in the District was owned by the landbank entity for such property. As of November 1, 2023, TRI Pointe Homes has acquired 14 lots from such landbank. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT—Merchant Builders in the Development— *Proposed Development by TRI Pointe – Heatherly (MR-28)*."
(6) Such property owned by the Developer is under contract to be acquired by Pulte.
Source: DTA, Inc.

Delinquency History

Fiscal Year 2023-24 is the first fiscal year in which Special Taxes are being levied within the District. The first installment of the Fiscal Year 2023-24 Special Taxes will become delinquent if not paid on or before December 10, 2023.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The following information about the Developer, the merchant builders and their respective developments within the District has been provided by the Developer (except information regarding estimated base sales prices of homes within the District, which has been provided by the Market Absorption Consultant and except for information in Table 6 which has been provided by the Appraiser or the Market Absorption Consultant). The information regarding the landbanks has been provided by the landbanks. No information has been provided directly by the merchant builders to the District or the County. No assurance can be given that the proposed developments will occur as described in this Official Statement or that they will be completed in a timely manner, if at all, or that the current major property owners will continue to own the property. Neither the Bonds nor the Special Taxes securing the Bonds are personal obligations of the property owners or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of such property owner or any affiliate thereof. None of the information with respect to the merchant builders or the landbanks (other than the building permits issued and property acquired by the merchant builders from the landbanks and the Developer, as applicable, in Table 6) will be subject to future update in the Developer Continuing Disclosure Agreement. See "SPECIAL RISK FACTORS" herein and APPENDIX G — "FORM OF CONTINUING DISCLOSURE AGREEMENT OF RMV PA3 DEVELOPMENT, LLC."

General Description of the Development

The District is located in the southern portion of the County, generally to the north of Cow Camp Road, approximately one mile east of its intersection with Los Patrones Parkway. More specifically, the District is located to the northeast of the intersection of Legado Road and Saddle Way. The property in the District is a portion of Planning Area 3, which is one of six planning areas of the Ranch Plan MPC, a proposed 22,815-acre master planned community. The Ranch Plan MPC is anticipated to be the final master planned community within the Ranch.

The first planning area of the Ranch Plan MPC is a project called Sendero, which comprises approximately 500 gross acres and includes 655 market-rate residential units, 286 age-qualified residential units, 286 apartment units, 107 affordable senior units and approximately 15 acres of retail and other non-residential uses. Development within Sendero commenced construction in 2013 and the final homes sold and closed in 2018. The second planning area of the Ranch Plan MPC is a project called the Village of Esencia, which comprises approximately 860 gross acres. The residential portion of Village of Esencia was developed in three phases and included 1,784 for-sale market rate residential units, 730 age-qualified residential units, 242 apartment units, and 112 affordable apartment units. Additionally, 53 acres of adjacent non-residential acres have been developed to include a 99,200 square foot business park and a 129,942 square foot self-storage center. A 75,000 square foot Mission Hospital Medical building and a 30-acre retail/entertainment complex are also planned to be developed within the Village of Esencia. The first home sales commenced in 2015 and as of September 2021, all 2,514 for-sale homes in the Village of Esencia have sold and closed.

Rienda is a portion of the third planning area of the Ranch Plan MPC and the development in the District is the second phase of Rienda. Rienda is currently planned to include approximately 2,150 for-sale homes and approximately 500 apartment units. Of the 2,150 for-sale units, 514 are planned within the District, as further described below. The first phase of Rienda is located adjacent to the west of the District and is planned for 950 for-sale homes and an assisted living facility, all of which is included within CFD No. 2021-1. Sales within CFD No. 2021-1 commenced in April 2022 and as of October 1, 2023, 724 of the 950 planned for-sale homes within CFD No. 2021-1 had been sold to individual homeowners and 524 of such sales have closed. The merchant builders within CFD No. 2021-1 include Lennar, TRI Pointe Homes, Pulte and Meritage Homes of California, Inc.

Other completed Rancho Mission Viejo projects within the County have included the City of Rancho Santa Margarita, Ladera Ranch and Las Flores. All of the foregoing projects are located in the southern portion of the County and within the general vicinity of Rienda.

The District consists of approximately 49 gross acres, of which approximately 26 acres are expected to be subject to the Special Tax at build-out. The property within the District which is not subject to the levy of the Special Tax consists of property anticipated to be primarily used for recreational facilities to be owned by the property owners association, parks and public right of ways. Development within the District is expected to include 514 for-sale market-rate residential units.

All property planned for residential development in the six for-sale projects is either under contract, or has been conveyed, by the Developer to merchant builders or certain of such merchant builders' respective landbanks, as described herein. The property relating to Lennar and TRI Pointe Homes' projects were conveyed by the Developer to the respective landbanks for such merchant builders. Lennar and TRI Pointe Homes' have entered into agreements with such landbanks to acquire such property in phases, as described herein. As of November 1, 2023, TRI Pointe Homes has acquired 14 lots for its project in the District from its landbank and Lennar has not yet acquired any lots in the District from its landbank. Shea and Trumark have acquired property comprising the entirety of their respective planned development within the District. Pulte has acquired property for 40 of its 82 planned residential units in the District. The remaining property planned for residential development that is owned by the Developer is under contract to be sold to Pulte. See "— Merchant Builders in the Development" herein.

The backbone infrastructure necessary to complete development within the District has been substantially completed. As of August 31, 2023, the remaining onsite infrastructure to complete the development within the District consists of erosion control, storm drain mitigation, street capping, amenity construction and landscape beautification. The amenities planned within the District include a clubhouse, swimming pool and spa, play areas, and associated landscaping and parking. The Developer expects to complete the majority of such remaining infrastructure in 2024 and the amenities in 2025. The Developer does not expect the timing of completion of such remaining infrastructure to impact the ability of merchant builders to construct and sell homes within the District. The merchant builders will be responsible for all in-tract infrastructure within their respective projects.

Certain offsite backbone infrastructure consisting of certain roadways and bridges, a pump station, a flood control basin and a water quality basin remain to be completed by the Developer, however, completion of such infrastructure is not required to achieve buildout in the District. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT." A detailed description of the status of the construction and ownership as of the date of the Appraisal Report is included in APPENDIX B — "APPRAISAL REPORT."

As of August 31, 2023, all five merchant builders in the District have commenced construction of model homes. As of such date, no homes had been conveyed to individual homeowners. As of August 31, 2023, 45 building permits have been issued for the 514 planned residential units within the District.

Site plans for the projects in the District appear on pages 43 and 44 below. Such plans are subject to change in the event the Developer or any of the merchant builders change their development plans in the District.

The Developer

RMV PA3 Development, LLC is the master developer of Rienda. The Developer is a limited liability company created under the laws of the State of Delaware, was formed on November 14, 2017 and is governed by that certain Amended and Restated Limited Liability Company Operating Agreement, dated as of January 1, 2018. The managing member of the Developer is RMV Community Development, LLC, a California limited liability company ("RMV CD"). Excerpts from the Developer's unaudited financial statements for the period ended June 30, 2023 and the fiscal year ended December 31, 2022, are attached hereto as Appendix K. The excerpts from the financial statements of the Developer are included for informational purposes only and the inclusion of such information does not mean that the Bonds are secured by any resources of the Developer.

RMV CD was formed on April 5, 2006 and is governed by that certain Limited Liability Company Operating Agreement, dated as of April 25, 2006, as amended on April 14, 2009 (the "RMV Community Development Operating Agreement"). The members of RMV CD are DMB Ladera, L.L.C., a Delaware corporation ("DMB Ladera"), and RMV Community Development Company, Inc., a California corporation ("RMV CDCI"), as the managing member of RMV CD. RMV CD is the developer of Sendero and Esencia, communities that are the first two planning areas of the Ranch Plan MPC. DMB Ladera is the developer of Ladera Ranch.

The members of DMB Ladera are DMB Consolidated Holdings, L.L.C., an Arizona limited liability company ("DMB"), and Ladera Development Company, L.L.C., a Delaware limited liability company ("Ladera").

DMB is a privately-held, diversified real estate investment and development firm with real estate holdings through affiliated companies that include residential communities and commercial developments located in Arizona and California. DMB was formed in 1984 by Drew Brown, Mark Sklar and Bennett Dorrance. Since its inception, DMB has pursued large-scale real estate development. Early activities focused on commercial development, including the 1.2 million square-foot Centerpoint project in Tempe, Arizona. In the late 1980s and early 1990s, DMB focused on acquisition of both commercial properties and forming joint ventures to develop master planned communities.

Starting in 1994, DMB focused primarily on master planned community development. In most cases, a DMB managed entity partners with a landowner. Master planned communities developed or in development by DMB affiliated entities include Verrado in Buckeye, Arizona (8,800 acres); DC Ranch in Scottsdale, Arizona (8,000 acres); Marley Park in Surprise, Arizona (956 acres); One Scottsdale in Scottsdale, Arizona (120 acres); Power Ranch in Gilbert, Arizona (2,000 acres); Forest Highlands in Flagstaff, Arizona (500 acres); Ladera Ranch in Orange County, California (4,000 acres); Lahontan in North Lake Tahoe, California (720 acres); Martis Camp in North Lake Tahoe, California (2,200 acres); Santaluz in San Diego, California (4,000 acres); Kukui'ula, on Kauai, Hawaii (1,010 acres); Glenwild in Park City, Utah (950 acres); and Eastmark in Mesa, Arizona (3,200 acres).

The members of Ladera are members of the O'Neill family and former and current key employees of Rancho Mission Viejo, L.L.C. ("RMV"), a Delaware limited liability company which is controlled and majority owned by members of the O'Neill family (with the remaining ownership held by former and/or key employees of RMV). Ladera was formed in February 1995 to acquire an option to purchase the property comprising Ladera Ranch from Santa Margarita Company ("Santa Margarita"), an affiliate of RMV, and to develop the property in Ladera Ranch.

The members of RMV CDCI are the principals of DMB and their family trusts, members of the O'Neill family and key employees of RMV. RMV CDCI was formed in September 2004 to acquire an option to purchase the property comprising the residential portions of Rienda from DMB San Juan Investment North, LLC ("DMB SJIN"), an affiliate of RMV, and to develop the properties in Sendero, Esencia and Rienda.

History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy. The Developer has represented to the District as follows: (a) neither the Developer, nor any individual or entity which has an ownership interest in the Developer, has ever defaulted in the payment of a special tax or an assessment on property owned by it; (b) neither the Developer, nor any individual or entity which has an ownership interest in the Developer, is now in default on any loans, lines of credit or other obligation, or has been in default on any loans, lines of credit or other obligation in the past two years; (c) neither the Developer, nor any individual or entity which has an ownership interest in the Developer, has ever filed for bankruptcy or been declared a bankrupt; and (d) the Developer has not been served with notice of any claim or suit, nor to the best of the Developer's knowledge is any claim or suit now threatened against the Developer, which would materially adversely affect the development within the District.

The Development

General. The area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer in the District has been substantially completed. All property planned for residential development in the six for-sale projects is either under contract, or has been conveyed, by the Developer to merchant builders or certain of such merchant builders' respective landbanks, as described herein. The property relating to Lennar and TRI Pointe Homes' projects were conveyed by the Developer to the respective landbanks for such merchant builders. Lennar and TRI Pointe Homes' have entered into agreements with such landbanks to acquire such property in phases, as described herein. Shea and Trumark have acquired property comprising the entirety of their respective planned development within the District. Pulte has acquired property for 40 of its 82 planned residential units in the District. The remaining property planned for residential development that is owned by the Developer is under contract to be sold to Pulte. The Developer owns all of the remaining land intended for nonresidential use which is planned for recreational facilities to be owned by the property owners association, parks and public right of ways. As of August 31, 2023, all five of the merchant builders in the District have commenced construction of model homes in the District.

Infrastructure Requirements and Financing Plan. The Developer estimates that its total project cost for the infrastructure improvements onsite (including fees) within the District will total approximately $50.1 million. As of August 31, 2023, the Developer has spent approximately $31.3 million of such costs. The remaining infrastructure within the District to be completed consists of (a) $4.8 million for grading, roadways, streets, sewer and drainage improvements and utilities; (b) $3.3 million for landscaping, hardscape, parks and trails; (c) $4.1 million for amenities; (d) $1.3 million for engineering, miscellaneous processing and legal fees, and marketing and (e) $0.4 million for indirect construction support and equipment. In addition, the Developer expects to pay approximately $4.8 million in mitigation fees (sheriff, library, Transportation Corridor Agency, and school fees, each of which are paid by the Developer on behalf of the merchant builders upon submission of building permits). With the exception of the clubhouse and associated amenities, the remaining infrastructure improvements to be installed by the Developer are anticipated to be completed by the end of 2024. The clubhouse and associated amenities are expected to be complete in 2025. All remaining infrastructure costs are planned to be funded by the Developer with cash on hand and available Bond proceeds.

The Developer is also constructing certain offsite infrastructure which is not required to complete the development in the District, but will benefit the development in the District. Such infrastructure includes portions of Cow Camp Road, Gibby Road and Bridge, a pump station, a flood control basin and a water quality basin. The total estimated costs of such infrastructure are approximately $72.7 million, of which appropriately $45.0 million had been spent as of August 31, 2023. Such offsite costs are eligible to be funded from proceeds of the Bonds.

Notwithstanding the Developer's belief that the funding sources described above are expected to be sufficient to complete the remaining backbone infrastructure to be completed by the Developer in the District, there is no assurance that amounts necessary to finance the construction of such remaining backbone infrastructure to be completed within the District will be available from the Developer or any other funding source when needed. If and to the extent the sources of financing described above are inadequate to complete the remaining backbone infrastructure to be completed by the Developer, the planned development of the property may not proceed as planned. None of the Developer, any of the merchant builders or the landbank entities have any legal obligation to the Bondowners to expend funds for the development of the property within the District or the payment of *ad valorem* property taxes or the Special Taxes, though such entities have legal obligations to each other to expend certain funds relating to the development. The Developer has posted improvement bonds to guarantee completion of the backbone infrastructure. The merchant builders are responsible for the in-tract improvements within each of their projects. Each of the merchant builders has posted improvement bonds to guarantee completion of its in-tract improvements.

Entitlements for the Overall Rancho Mission Viejo Ranch Plan Planned Community. The Ranch Plan MPC application was approved by the Board of Supervisors with a General Plan Amendment, zone change, and development agreement on November 8, 2004. There were subsequently a number of entitlements and lawsuits that were settled, as noted below. A requirement by the County for the Ranch Plan MPC, Condition of Approval No. 1, is that a Master Area Plan is required for each of the planning areas. As a result, a Master Area Plan for Planning Area 3, which includes the property in the District, was prepared and approved by the County on September 11, 2019.

On November 8, 2004, the County approved a Development Agreement with the owners of the property (the "Original Property Owners") within the Ranch Plan MPC (the "Development Agreement"). The Development Agreement includes requirements of the County that would need to be accomplished by the Original Property Owners in return for vesting of project approvals to allow build-out of the Ranch Plan MPC under the development standards and requirements in place at the time of the approval. The Development Agreement has a term of 30 years.

On January 19, 2021 and February 3, 2022, the Original Property Owners entered into Assignment and Assumption Agreements with the Developer (the "Assignment Agreements"). Pursuant to the Assignment Agreements, the Original Property Owners assigned to the Developer certain of their rights and obligations under the Development Agreement which were appurtenant and pertained to the lands transferred to the Developer, including the land within the District. These obligations included dedication of certain rights of way, funds for local improvements, funding of certain studies relating to traffic projects, and funding of certain street improvements. Each of these obligations for which the Developer is responsible has been fulfilled with respect to the land within the District. The assigned rights included allocation of certain development rights and associated milestones permitted under the Development Agreement, which include a number of permitted dwellings and other property uses sufficient to complete build-out of properties in the District.

Environmental Impact Report and Litigation. On November 8, 2004, the Board of Supervisors certified the environmental impact report for the project and granted a number of approvals that would allow the implementation of the Ranch Plan MPC. On December 8, 2004, the Endangered Habitats League, Natural Resources Defense Council, Sea and Sage Audubon Society, Laguna Greenbelt, Inc., and Sierra Club filed suit challenging the County's approval of the Ranch Plan MPC and related environmental impact report.

On August 16, 2005, RMV, the County, the Endangered Habitats League, Natural Resources Defense Council, Sea and Sage Audubon Society, Laguna Greenbelt, Inc., and Sierra Club reached an agreement to settle the lawsuit challenging the County's approval of the Ranch Plan MPC and the comprehensive open space and land use management plan for the remaining 22,815 acres of Rancho Mission Viejo, including the area comprising the District. The settlement resolved all outstanding litigation of the parties regarding the Ranch Plan MPC and expanded the protection of open space and species found in the area covered by the Ranch Plan.

As a result of the litigation settlements, the Ranch Plan, and the Development Agreement, the remaining undeveloped portions of the Ranch consisting of the Ranch Plan MPC are entitled for the development of up to 14,000 dwelling units and 5.2 million square feet of commercial, business and urban centers located on 5,873 acres within six planning areas. The remaining 16,942 acres will remain open space.

Other Settlement Agreements. On December 8, 2004, RMV entered into an agreement with the City of San Clemente. RMV agreed not to enter into any agreements with any third party to transfer residential density in the Ranch Plan MPC from the San Juan Watershed to the San Mateo Creek Watershed over that residential density currently allocated pursuant to the Ranch Plan MPC entitlements. The City of San

Clemente agreed not to challenge any transfer of residential density from the San Juan Creek to any one or more of the planning areas in the San Mateo Watershed that is ten percent or less of the San Mateo Watershed density. The agreement also requires RMV to complete a recreational facilities study and restricts the ability of the City of San Clemente to challenge the Ranch Plan MPC approvals.

On June 9, 2005, RMV entered into an agreement with the City of Mission Viejo in order to resolve such city's challenge to the County's approval of the Ranch Plan MPC and related environmental impact report. The settlement agreement resolved the City of Mission Viejo's litigation and, in relevant part, provided for the reallocation of certain funds to be provided by RMV pursuant to the South County Roadway Improvement Program so as to better address local and regional roadway improvements benefiting the City of Mission Viejo.

At this time, the Developer believes that all fees and obligations required by the Development Agreement, related litigation settlements, and the Assignment Agreement for the development of property in the District which have become due have been paid or fulfilled, with the exception of fees owed at the time of issuance of building permits. Such fees include fire, sheriff and school mitigation fees, and Transportation Corridor Agency fees, which, effective from July 1, 2023 through June 30, 2024, are approximately $6,467 per single family unit, and $8.99 per commercial or community-benefit use square foot. The amount of such fees are subject to revision by the applicable agencies. The Developer is responsible for such fees and intends to pay them as building permits are issued.

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Merchant Builders in the Development

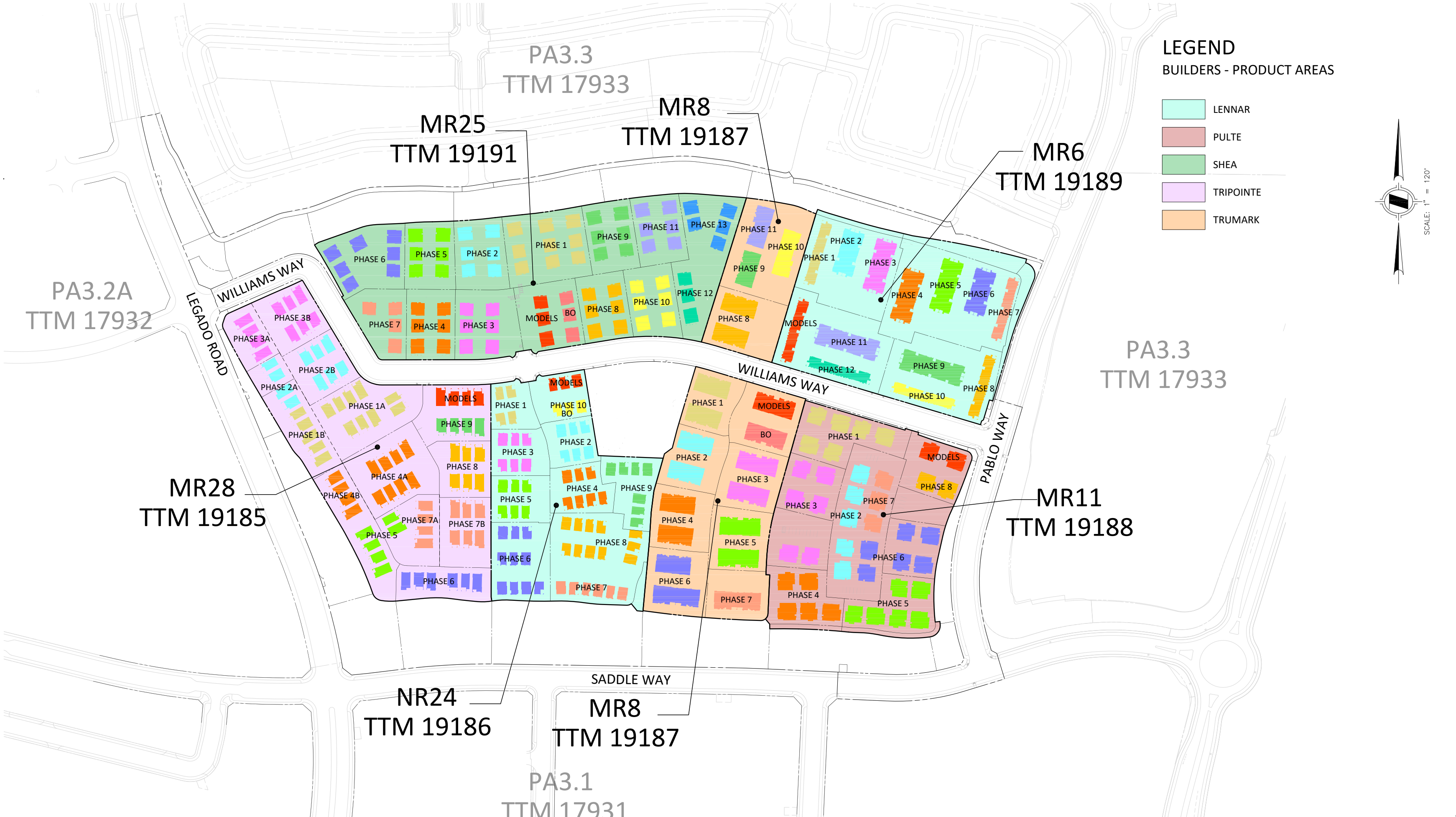
The property in the District consists of six for-sale residential developments and other lands retained by the Developer for nonresidential use, recreation and park space. The following table summarizes the residential developments within the District.

TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 2023-1
OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)
SUMMARY OF MERCHANT BUILDER DEVELOPMENTS
(AS OF AUGUST 31, 2023)

Merchant Builder	*Project*	*Product Type*[(1)]	*Average Living Area Sq.Ft.*[(2)]	*Number of Units*	*Number of Lots Acquired from Developer/ Land Banks*[(3)]	*Number of Models Completed*[(3)]	*Number of Building Permits Issued*[(3)]	*Number of Homes Under Construction*[(3)]	*Number of Partially Improved Lots*[(3)]	*Estimated Average Base Sales Price*[(2)]
Lennar										
	Mariposa (MR-6)	Condominiums	1,409	106	0[(4)]	0	6	6	106	$ 684,000
	Flora (MR-24)	Single Family Detached	1,604	69	0[(4)]	0	3	3	69	889,000
TRI Pointe	Heatherly (MR-28)	Single Family Detached	1,959	82	0[(5)]	0	4	4	82	970,333
Shea	Bloom (MR-25)	Single Family Detached	1,931	82	82	0	3	3	82	1,040,000
Pulte[(6)]	Juniper (MR-11)	Single Family Detached (Duplex)	1,376	82	40	0	16	12	82	767,500
Trumark	Willow (MR-8)	Attached Row Townhomes	1,245	93	93	0	13	12	93	687,990
TOTAL				**514**	**215**	**0**	**45**	**40**	**514**	

(1) See descriptions of the merchant builders projects below for more information regarding the proposed product types.
(2) Averages as set forth in the Market Absorption Study, which reflects a weighted average taking into account the number of units per floor plan within each project.
(3) As of August 31, 2023. As of such date, all five builders had commenced in-tract improvements and construction of model homes.
(4) The owner of such property is the landbank entity for Lennar. Lennar has not yet acquired any lots in the District from its landbank. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT—Merchant Builders in the Development—*Proposed Developments by Lennar*."
(5) As of the August 31, 2023, Date of Value, the property for TRI Pointe Homes' project in the District was owned by the landbank entity for such property. As of November 1, 2023, TRI Pointe Homes has acquired 14 lots in the District from its landbank. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT—Merchant Builders in the Development— *Proposed Development by TRI Pointe – Heatherly (MR-28)*."
(6) As of August 31, 2023, Pulte had acquired property for 40 of the 82 units planned for its project in the District from the Developer. The Developer expects Pulte to acquire the property for the remaining 42 planned units in January 2024.
Source: The Developer, the Appraiser and the Market Absorption Consultant.

TRACT MAP NO. 19163
PA 3.2B MODELS AND PHASING



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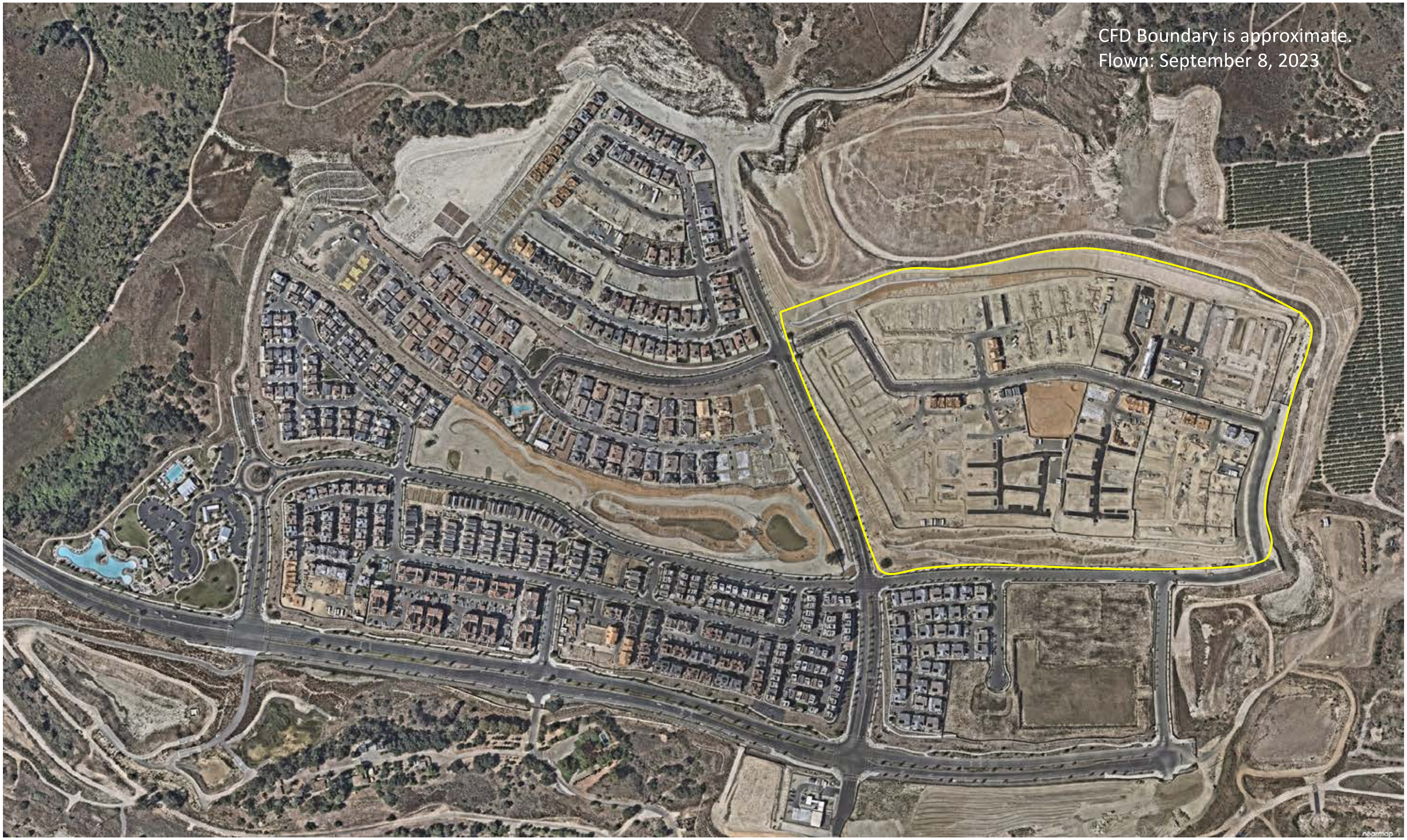
PRELIMINARY

5/16/23

PLOTTED BY: Jovencito DATE: May. 16, 2023 TIME: 03:38 PM F:\0839\Engineering\SA_PA3.2\Exh_Exhibits\Phasing\TTM 19163 Overall Models & Phasing Exhibit.dwg

COMMUNITY FACILITIES DISTRICT NO. 2023-1
OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)



The projects listed in Table 6 are in various stages of development. A general overview of each merchant builder and its development is set forth below.

The following information about the merchant builders and their respective developments within the District has been provided by the Developer (except information regarding estimated base sales prices of homes within the District, which has been provided by the Market Absorption Consultant). The information regarding the landbanks has been provided by the landbanks. No information has been provided directly by the merchant builders to the District or the County. The development and financing plans discussed for each of the merchant builders below are solely projections as of the date of this Official Statement. Such plans are subject to change. No assurance can be given that such plans will remain in their current state or that the plans will ultimately be carried out according to the discussion set forth below. The projected dates of occupancy and sellout of the merchant builders' projects described below may differ from those set forth in the Market Absorption Study. The websites referenced in this section are included for reference only and the information on such websites is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites.

The base sales prices, home sizes and projected absorption schedules described below may differ in certain respects from those included in the Market Absorption Study.

Proposed Developments by Lennar. As previously defined in this Official Statement, "Lennar" refers to Lennar Homes of California, LLC, a California limited liability company. Lennar Homes is based in Irvine, California, and has been in the business of developing residential real estate communities in California since 1996. Lennar Homes is wholly-owned by U.S. Home, LLC, a Delaware limited liability company ("U.S. Home"). U.S. Home is wholly-owned by Lennar Corporation, which is based in Miami, Florida ("Lennar Corporation"). Founded in 1954, Lennar Corporation completed its initial public offering in 1971 and listed its common stock on the New York Stock Exchange in 1972. Lennar Corporation's Class A and Class B common stock are listed on the New York Stock Exchange under the symbols "LEN" and "LEN.B." respectively. Lennar Corporation is one of the largest homebuilders in the United States based on home sales revenues and net earnings, and operates under a number of brand names, including Lennar Homes and U.S. Home. Lennar Corporation primarily develops residential communities both within the Lennar Corporation family of builders and through consolidated and unconsolidated partnerships in which Lennar Corporation maintains an interest.

Lennar Corporation is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports, proxy statements, and other information, including financial statements, with the Securities and Exchange Commission (the "SEC"). Such filings, particularly Lennar Corporation's annual report on Form 10-K and its most recent quarterly report on Form 10-Q, may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such filings can also be accessed over the internet at the SEC's website at www.sec.gov.

Copies of Lennar Corporation's Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Lennar Corporation's website at www.lennar.com.

Lennar Landbank Arrangements. Lennar is developing two projects in the District (marketed as Mariposa and Flora, as described below) totaling 175 planned homes. Lennar and the Developer entered into an option agreement (the "Lennar Developer Option") with respect to the property in each of Lennar's projects, which provided Lennar with the option to purchase such property in a single bulk purchase. Lennar and AG EHC II (LEN) CA 3, L.P. (the "Lennar Landbank") entered into an agreement with respect to the property in each of Lennar's projects pursuant to which, among other matters, Lennar's option to purchase such property was assigned to the Lennar Landbank. Such property was acquired by the Lennar Landbank on

December 16, 2022, and the Lennar Landbank currently owns the property for Lennar's Mariposa and Flora projects.

Lennar and the Lennar Landbank entered into an option agreement (the "Lennar Landbank Option"), pursuant which Lennar paid an option fee to the Lennar Landbank, and the Lennar Landbank granted Lennar the option (but not the obligation), to purchase the property within the Mariposa and Flora projects. In order to maintain the option, among other conditions, Lennar must acquire a specified number of lots by the dates within each of the Mariposa and Flora projects as shown in the table below. Lennar may defer acquisition of lots under certain conditions, including by paying a hiatus fee or due to certain unforeseen market conditions. Lennar may also purchase lots ahead of the schedule shown below, or purchase all of the property for the Mariposa and Flora projects in bulk. Subject to Lennar's compliance with the conditions to maintain the option under the Lennar Landbank Option, Lennar's option to acquire the lots within the Mariposa and Flora projects currently expires on March 20, 2026.

The Lennar Landbank Option provides that, during its term, Lennar is contractually responsible under the Lennar Landbank Option for paying all property taxes, fees and assessments levied on the property related to the Mariposa and Flora projects, including the Special Taxes.

The following table shows the schedule of property acquisition (by unit count) required under the Lennar Landbank Option. As of November 1, 2023, Lennar had not acquired any property for its Mariposa and Flora projects, however, as described below, Lennar has commenced construction of model homes within such projects as permitted under the Lennar Landbank Option. Lennar is currently in good standing under the Lennar Developer Option and the Lennar Landbank Option.

Date	***Minimum Number of Lots for Units to be Acquired***[(1)]	
	Mariposa (MR-6)	***Flora (MR-24)***
01/20/2024	6	4
02/20/2024	14	10
03/20/2024	14	16
04/20/2024	24	23
07/20/2024	34	39
09/20/2024	44	45
11/20/2024	44	56
12/20/2024	52	56
02/20/2025	58	56
03/20/2025	64	63
04/20/2025	64	66
05/20/2025	76	69
08/20/2025	82	--
09/20/2025	94	--
12/20/2025	100	--
03/20/2026	106	--

(1) Unit counts are cumulative as of the dates shown.

Under the Lennar Landbank Option and related ancillary agreements, Lennar may enter upon and construct homes within the property for the Mariposa and Flora projects prior to acquiring title to such property. If Lennar commences construction of any vertical improvements on a lot, Lennar will (1) be deemed to have exercised the option to acquire such lot and (2) be obligated to complete construction of the home or group of homes (in the case of buildings with multiple units therein) on such lot.

In the event Lennar fails to exercise its option under the Lennar Landbank Option with respect to all or any portion of the property within the Mariposa and Flora projects, the Lennar Landbank may sell the property that it then owns within the Mariposa and/or Flora projects to one or more homebuilders that have been preapproved by the Developer (which includes all the other builders with projects in the District), or another homebuilder to be approved by the Developer. Such future homebuilder(s) will be subject to the arrangements described above unless amended by the parties thereto. In addition, the Developer has the option to repurchase any property within the Mariposa and Flora projects in the event (i) Lennar's option rights under the Lennar Landbank Option are terminated before all of the lots to be acquired by Lennar thereunder have been transferred to Lennar, and (ii) the Lennar Landbank has failed to transfer all of the remaining lots held by Lennar Landbank to another permitted builder within six months following the termination of Lennar's option rights under the Lennar Landbank Option.

Notwithstanding any termination of the Lennar Landbank Option prior to the time Lennar has acquired all property thereunder, certain of Lennar's obligations under the Lennar Developer Option and related agreements remain in effect, including the obligation to complete construction of the in-tract improvements within the property that Lennar then owns within the Mariposa and Flora projects. The Lennar Landbank will be responsible for such obligations under the Lennar Developer Option with respect to the property that it then owns within the Mariposa and Flora projects. In accordance with the purchase and land banking arrangements described above, a performance deed of trust was recorded on the property planned for the Mariposa and Flora projects to guarantee the construction of the necessary in-tract infrastructure within such projects.

The Lennar Landbank. AG EHC II (LEN) CA 3, L.P. (previously defined as the "Lennar Landbank") is an affiliate of, and managed by, Angelo Gordon & Co., L.P. ("Angelo Gordon"). Angelo Gordon is a privately-held alternative investment firm founded in 1988 and headquartered in New York, with associated offices across the United States, Europe and Asia. Angelo Gordon manages approximately $73 billion across a broad range of credit and real estate strategies. Affiliates of the Lennar Land Bank have entered into land banking arrangements with Lennar Corporation and its affiliated entities on more than 200 residential development projects. Neither the Lennar Landbank nor Angelo Gordon are affiliated entities of Lennar or the Developer.

Lennar Proposed Development - Mariposa (MR-6). Lennar is under option to acquire approximately 6.4 acres of property in the District under the Lennar Landbank Option, as described above, where it plans to build Mariposa, a project consisting of 106 condominiums. A final tract map for the Mariposa project has been recorded.

The Mariposa project consists of three-story attached condominiums. Construction of the Mariposa project commenced in July 2023. Lennar currently expects to commence sales in November 2023, first occupancy is expected in mid-2024 and sellout by the end of 2025. As of August 31, 2023, Lennar had completed the substantial majority of the wet utilities and has commenced paving the in-tract streets within the Mariposa project. As of such date, six building permits had been issued for the Mariposa project and Lennar had commenced construction of one building planned for six model homes. The property for the remaining 100 units was in near-finished status as of such date. The estimated base sales prices in the Mariposa project range from $520,000 to $765,000 with floor plans ranging from approximately 922 square feet to 1,663 square feet. Base sales prices are subject to change and do not include any incentives, options, upgrades or lot premiums.

Lennar has provided estimates to the Developer that its development costs for the Mariposa project will be approximately $31.8 million (including land acquisition, infrastructure, home construction, soft costs and carrying costs). As of August 31, 2023, Lennar had spent approximately $4.0 million on site development costs for the Mariposa project. Lennar currently expects to finance the costs of the Mariposa project from home sales revenues and internal funding.

Lennar Proposed Development - Flora (MR-24). Lennar is under option to acquire approximately 6.5 acres of property in the District under the Lennar Landbank Option, as described above, where it plans to build Flora, a project consisting of 69 single family detached homes. A final tract map for the Flora project has been recorded.

Construction of the Flora project commenced in July 2023. Lennar currently expects to commence sales in November 2023, first occupancy is expected in mid-2024 and sellout by the end of 2025. As of August 31, 2023, Lennar had completed the substantial majority of the wet utilities and has commenced paving the in-tract streets. As of such date, three building permits had been issued for the Flora project and Lennar had commenced construction of three model homes. The property for the remaining 66 homes was in near-finished status as of such date. The estimated base sales prices in the Flora project range from $822,000 to $945,000 with floor plans ranging from approximately 1,397 square feet to 1,818 square feet. Base sales prices are subject to change and do not include any incentives, options, upgrades or lot premiums.

Lennar has provided estimates to the Developer that its development costs for the Flora project will be approximately $29.3 million (including land acquisition, infrastructure, home construction, soft costs and carrying costs). As of August 31, 2023, Lennar had spent approximately $4.5 million on site development costs for the Flora project. Lennar currently expects to finance the costs of the Flora project from home sales revenues and internal funding.

Proposed Development by TRI Pointe – Heatherly (MR-28). TRI Pointe Homes Holdings, Inc (previously defined herein as "TRI Pointe Homes"), a Delaware corporation, is an affiliate of Tri Pointe Homes, Inc., a Delaware corporation ("Tri Pointe"), a publicly traded company whose common stock is listed on the New York Stock Exchange under the ticker symbol "TPH". Tri Pointe is engaged in the design, construction and sale of innovative single-family attached and detached homes in 15 markets across ten states and the District of Columbia. Tri Pointe is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, particularly Tri Pointe's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and Tri Pointe's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, as filed with the SEC, set forth, among other things, certain data relative to the consolidated results of operations and financial position of Tri Pointe and its consolidated subsidiaries, including Tri Pointe Homes, as of such dates.

TRI Pointe Homes Landbank Arrangements. TRI Pointe Homes is developing one project in the District (marketed as Heatherly, as described below) totaling 82 planned homes. TRI Pointe Homes and the Developer entered into an option agreement (the "TRI Pointe Homes Developer Option") with respect to the property in the Heatherly project, which provided TRI Pointe Homes with the option to purchase such property in a single bulk purchase. TRI Pointe Homes, the Developer and RMV MR 28 – Mission Viejo, L.P., a Delaware limited partnership (the "TRI Pointe Homes Landbank") entered into an agreement with respect to the property in TRI Pointe Homes' project pursuant to which, among other matters, TRI Pointe Homes' option to purchase such property was assigned to the TRI Pointe Homes Landbank. Such property was acquired by the TRI Pointe Homes Landbank on January 18, 2023.

TRI Pointe Homes and the TRI Pointe Homes Landbank entered into an option agreement (the "TRI Pointe Homes Landbank Option") pursuant to which TRI Pointe Homes has the exclusive right and option (but not the obligation) to purchase the property within the Heatherly project in consideration for (a) payment of an initial deposit; (b) the covenants of TRI Pointe Homes to timely pay option payments under the TRI Pointe Homes Landbank Option on a monthly basis in arrears; and (c) upon exercise of the option to acquire lots, the payment of the purchase price for each phase of lots acquired. In order to maintain the option, among other conditions, TRI Pointe Homes must acquire a minimum number of lots by certain dates within Heatherly project, as shown in the table below, subject to amendment by TRI Pointe Homes and the TRI Pointe Homes Landbank. TRI Pointe Homes may defer acquisition of a particular phase of lots as shown in the table below for up to three 30 day periods, which will automatically extend the deadline date for all subsequent acquisitions. However, TRI Pointe Homes will be obligated to continue making option payments to the TRI Pointe Homes landbank during any extension period. TRI Pointe Homes may also purchase lots ahead of the schedule shown below or purchase all of the property in bulk. TRI Pointe Homes is currently in good standing under the TRI Pointe Homes Developer Option and the TRI Pointe Homes Landbank Option.

During the term of the TRI Pointe Homes Landbank Option, TRI Pointe Homes is contractually responsible under the TRI Pointe Homes Landbank Option for paying all property taxes, fees and assessments levied on the property related to the Heatherly project, including the Special Taxes.

The following table shows the current schedule of property acquisition required under the TRI Pointe Homes Landbank Option. As of November 1, 2023, TRI Pointe Homes had acquired 14 lots in the District from the TRI Pointe Homes Landbank.

Date	***Number of Lots Acquired and to be Acquired***
08/20/2023	14[(1)]
12/20/2023	10
02/20/2024	10
04/20/2024	12
07/20/2024	6
11/20/2024	6
02/20/2025	10
04/20/2025	6
06/20/2025	8
Total	**82**

(1) TRI Pointe Homes paid the purchase price of these 14 lots on August 20, 2023, however, the grant deed conveying title to such lots to TRI Pointe Homes was not recorded until October 27, 2023 pending recordation of the final tract map for the Heatherly project.

In addition to meeting the acquisition schedule above, the TRI Pointe Homes Landbank Option requires that TRI Pointe Homes meet certain development milestones by certain dates as shown below. Failure to meet a milestone by the specified date gives the TRI Pointe Homes Landbank the right to terminate TRI Pointe Homes' option to purchase the property in the Heatherly project. However, in such event, TRI Pointe Homes has the right to purchase all remaining lots in bulk. Subject to TRI Pointe Homes' compliance with the conditions to maintain the option under the TRI Pointe Homes Landbank Option, TRI Pointe Homes' option to acquire the lots within the Heatherly project currently expires on June 20, 2025.

Improvement Development Milestone	***Schedule***
Start of land development (wet utilities trenching)	July 31, 2023
Model homes start date (trenching)	October 31, 2023
Final map approval	October 31, 2023[(1)]
Model homes open date (model homes can be toured by public)	February 28, 2024

(1) The final map for the Heatherly project was recorded on September 20, 2023.

Under the TRI Pointe Homes Landbank Option and related ancillary agreements, TRI Pointe Homes may enter upon and construct homes within the property for the Heatherly project prior to acquiring title to such property. If TRI Pointe Homes commences construction of any vertical improvements on a lot, TRI Pointe Homes will (1) be deemed to have exercised the option to acquire such lot and (2) be obligated to complete construction of the home on such lot.

In the event TRI Pointe Homes fails to exercise its option under the TRI Pointe Homes Landbank Option with respect to all or any portion of the property within the Heatherly project, the TRI Pointe Homes Landbank may sell the property that it then owns within the Heatherly project to one or more homebuilders that have been preapproved by the Developer (which includes all the other builders with projects within the District), or another homebuilder to be approved by the Developer. Such future homebuilder(s) will be subject to the arrangements described above unless amended by the parties thereto. In addition, the Developer has the option to repurchase any property within the Heatherly project in the event (i) TRI Pointe Homes' option rights under the TRI Pointe Homes Landbank Option are terminated before all of the lots to be acquired by TRI Pointe Homes thereunder have been transferred to TRI Pointe Homes, and (ii) the TRI Pointe Homes Landbank has failed to transfer all of the remaining lots held by TRI Pointe Homes Landbank to another permitted builder within six months following the termination of TRI Pointe Homes' option rights under the TRI Pointe Homes Landbank Option.

Notwithstanding the termination of the TRI Pointe Homes Landbank Option, TRI Pointe Homes' obligations under the TRI Pointe Homes Developer Option remain in effect, including the obligation to complete construction of the in-tract improvements within the property that TRI Pointe Homes then owns within the Heatherly project. The TRI Pointe Homes Landbank will be responsible for such obligations under the TRI Pointe Homes Developer Option with respect to the property that it then owns within the Heatherly project. In accordance with the purchase and land banking arrangements described above, a performance deed of trust was recorded on the property planned for the Heatherly project to guarantee the construction of the necessary in-tract infrastructure within such project.

The TRI Pointe Homes Landbank. RMV MR 28 – Mission Viejo, L.P., a Delaware limited partnership, is ultimately controlled by Hearthstone, Inc., a California corporation ("Hearthstone"). Hearthstone is devoted exclusively to investing in residential housing developments on behalf of institutional capital. Hearthstone's investments include single-family subdivisions, condominium and townhouse developments, master planned communities, land development projects and mixed-use communities. Hearthstone was the first, and is today among the largest, institutional investment managers in the country that is dedicated to the residential building industry. At the time Hearthstone was organized in 1992, homebuilders across the United States were suffering from a shortage of capital resulting from changes in federal laws affecting the banking industry and from a loss of investor confidence in real estate. Hearthstone was organized in 1992 in response to changes in federal laws affecting the banking industry that greatly diminished the availability of investment capital for the homebuilding industry and in recognition of the long-term investment opportunity that residential homebuilding presents for institutional investors. Hearthstone manages funds for numerous public and private pension plans, university endowments, Fortune 100 companies, Wall Street investment banks and family offices. Hearthstone invests these funds on behalf of its investors in homebuilding and residential lot development projects with public and private homebuilders in select target markets throughout the United States. Hearthstone has funded and managed over $16.5 billion in investments to construct over 140,000 homes and lots in 22 states since its inception. Hearthstone's principal office is located in Calabasas, California. Neither the TRI Pointe Homes Landbank nor Hearthstone are affiliated entities of TRI Pointe Homes or the Developer.

TRI Pointe Homes Proposed Development - Heatherly (MR-28). TRI Pointe Homes is under option to acquire approximately 9.8 acres of property in the District under the TRI Pointe Homes Landbank Option, as described above, where it plans to build Heatherly, a project consisting of 82 single family detached homes. A final tract map for the Heatherly project has been recorded.

The Heatherly project consists of two-story detached homes with common driveway access to the garage for each home. Construction of the project commenced in July 2023. TRI Pointe Homes currently expects to commence sales in December 2023, first occupancy is expected in the first quarter of 2024 and sellout by the end of 2025. As of August 31, 2023, TRI Pointe Homes had completed the substantial majority of the in-tract street and utility improvements within the Heatherly project. As of such date, four building permits had been issued for the Heatherly project and TRI Pointe Homes had commenced construction of four model homes and the lots planned for the remaining 78 homes within the Heatherly project were in a finished or near-finished condition. The estimated base sales prices in the Harvest project range from $893,000 to $1,043,000 with floor plans ranging from approximately 1,691 square feet to 2,182 square feet. Base sales prices are subject to change and do not include any incentives, options, upgrades or lot premiums.

TRI Pointe Homes has provided estimates to the Developer that its development costs for the Heatherly project will be approximately $34.2 million (including land acquisition, infrastructure, home construction, soft costs and carrying costs). As of August 31, 2023, TRI Pointe Homes had spent approximately $1.8 million on site development costs for the Heatherly project. TRI Pointe Homes currently expects to finance the costs of the Heatherly project from home sales revenues and internal funding.

Proposed Development by Shea Homes – Bloom (MR-25). As used in this Official Statement, "Shea" is Shea Homes Limited Partnership, a California limited partnership, which is based in Walnut, California, and has been in the business of developing residential real estate communities in California since 1968. Shea is owned by limited partners and a general partner, whose ultimate beneficial ownership resides with various members of the Shea family. The Shea family began building homes in 1968 ultimately resulting in the formation of Shea on January 4, 1989, pursuant to an agreement of partnership. The partnership agreement was most recently amended December 31, 2022, by and between JF Shea, G.P., a Delaware general partnership, as general partner, and the company's limited partners who are comprised of various entities and trusts. Since 1881 in Portland, Oregon, beginning with only a plumbing contractor business, the Shea family has expanded to start and currently owns and operates various businesses, including homebuilding, heavy construction, venture capital, home mortgage, insurance and commercial property.

While Shea is a privately held company, Shea produces quarterly disclosure similar to a publicly held company for its bondholders and other interested parties which are available at Shea's website at www.sheahomes.com. The Internet address and references to Shea's disclosures are included for reference only, and the information on such Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.

On January 18, 2023, Shea acquired approximately 11.1 acres of property in the District from the Developer, where it plans to build Bloom, a project consisting of 82 single family detached homes. A final tract map for the Bloom project is currently expected to be recorded by the end of November 2023.

The Bloom project consists of two-story detached homes with common driveway access to the garage for each home. Construction of the project commenced in August 2023. Shea currently expects to commence sales in December 2023, first occupancy is expected in the second quarter of 2024 and sellout by the end of 2026. As of August 31, 2023, the property within the Bloom project had been graded and Shea had commenced construction of the in-tract street and utility improvements. As of such date, Shea had obtained building permits for three model homes within the Bloom project and had commenced construction of such model homes. The estimated base sales prices in the Bloom project range from $990,000 to $1,100,000 with floor plans ranging from approximately 1,753 square feet to 2,150 square feet. Base sales prices are subject to change and do not include any incentives, options, upgrades or lot premiums.

Shea has provided estimates to the Developer that its development costs for the Bloom project will be approximately $37.2 million (including land acquisition, infrastructure, home construction, soft costs and carrying costs). As of August 31, 2023, Shea had spent approximately $2.1 million on site development costs for the Bloom project. Shea currently expects to finance the costs of the Bloom project from home sales revenues and internal funding.

Proposed Development by Pulte – Juniper (MR-11). Pulte Home Company, LLC (previously defined herein as "Pulte"), a Michigan limited liability company, is an indirect wholly-owned subsidiary of PulteGroup, Inc., a Michigan corporation (the "Parent Entity"). The Parent Entity is a publicly-held holding company based in Atlanta, Georgia, whose subsidiaries engage primarily in the homebuilding business. The

Parent Entity also has mortgage banking operations, conducted principally through Pulte Mortgage LLC and title operations. The Parent Entity is a Michigan corporation organized in 1956 whose common stock trades on the NYSE under the symbol "PHM." Pulte's Southern California division based in Mission Viejo, California, is responsible for the development of Pulte's project in the District.

Through its brands, which include Centex, Pulte Homes, Del Webb, DiVosta Homes, John Weiland Homes and Neighborhoods and American West, the Parent Entity and its subsidiaries offer a wide variety of home designs, including single-family detached, townhouses, condominiums, and duplexes at different prices and with varying levels of options and amenities to the company's major customer groups: first-time, move-up, and active adult. Over its history, the Parent Entity and its subsidiaries have delivered over 800,000 homes.

Pulte has entered into an option agreement with the Developer (the "Pulte Option Agreement") to acquire 6.7 acres of property in the District from the Developer, where it plans to build Juniper, a project consisting of 82 single family duplex homes. The Pulte Option Agreement provides that Pulte may acquire the property planned for the Juniper project in three takedowns. Pulte acquired property for 40 homes in a takedown on January 19, 2023. The final takedown is currently expected to occur in January 2024, however, no assurances can be made that such takedown will occur. Pursuant to the Pulte Option Agreement, Pulte has paid to the Developer an option payment equal to 20% of the purchase price. In the event Pulte does not exercise its option to purchase the property, the Developer is entitled to retain the option payment. The Pulte Option Agreement allows Pulte to commence construction activities on any portion of the property planned for the Juniper project prior to the related takedown having occurred.

A final tract map for the Juniper project has been recorded. Construction of the project commenced in July 2023. Pulte commenced sales in October 2023 and currently expects first occupancy in the first quarter of 2024 and sellout in mid-2025. As of August 31, 2023, Pulte had completed the substantial majority of the in-tract street and utility improvements within the Juniper project. As of such date, Pulte had obtained building permits for 16 homes within the Juniper project and had commenced construction of eight model homes and four production homes. The estimated base sales prices in the Juniper project range from $690,000 to $800,000 with floor plans ranging from approximately 1,142 square feet to 1,608 square feet. Base sales prices are subject to change and do not include any incentives, options, upgrades or lot premiums.

Pulte has provided estimates to the Developer that its development costs for the Juniper project will be approximately $30 million (including land acquisition, infrastructure, home construction, soft costs and carrying costs). As of August 31, 2023, Pulte had spent approximately $3.1 million on site development costs for the Juniper project. Pulte currently expects to finance such costs from home sales revenues and internal funding.

Proposed Development by Trumark – Willow (MR-8). TH Rancho Mission Viejo MR 8 LLC (previously defined herein as "Trumark"), a California limited liability company, is a single member limited liability company, managed by the managers of Trumark Homes LLC. Founded in 1988, Trumark Homes is engaged in the building of master planned communities, single family and attached housing, and urban and mixed-use development in California and Colorado. Since its founding, Trumark Homes has developed over 8,000 residential lots. Other than its project in the District, Trumark currently has active residential projects in California that are located in Oceanside, Covina, San Rafael, Concord, Morgan Hill, Mission Viejo, Lathrop, and Manteca. In January 2020, Daiwa House USA, Inc., a subsidiary of Daiwa House Industry Co., Ltd., acquired the majority equity interests in Trumark Companies LLC and Trumark Homes became a subsidiary of Daiwa House USA, Inc. Daiwa House Industry Co., Ltd. is Japan's largest homebuilder and is a public company listed on the Tokyo Stock Exchange and the Osaka Securities Exchange under the ticker symbol "DWAHY."

On March 21, 2023, Trumark acquired approximately 8.4 acres of property in the District from the Developer, where it plans to build Willow, a project consisting of 93 attached townhomes. A final tract map for the Willow project has been recorded. As of August 31, 2023, 13 building permits had been issued for the Willow project and Trumark had commenced construction of four model homes and eight production homes. As of such date, the balance of the property in the Willow project consisted of near-finished lots. Trumark currently expects to commence sales in November 2023, and expects first occupancy in the second quarter of 2024 and sellout in 2025. The estimated base sales prices in the Willow project range from $579,990 to $788,990 with floor plans ranging from approximately 923 square feet to 1,540 square feet. Base sales prices are subject to change and do not include any incentives, options, upgrades or lot premiums.

Trumark has provided estimates to the Developer that its development costs for the Willow project will be approximately $36.9 million (including land acquisition, infrastructure, home construction, soft costs and carrying costs). As of August 31, 2023, Trumark had spent approximately $8.6 million on site development costs for the Willow project. Trumark currently expects to finance such costs from home sales revenues and internal funding.

Remaining Developer Properties. Other than the property under contract to be conveyed to Pulte, the remaining land that the Developer owns within the District consists of the land planned for of parks and amenities. The Developer expects to complete the community amenities within the District in early 2025. Such amenities are expected to include a clubhouse, swimming pool and spa, play areas, and associated landscaping and parking. The property that the Developer owns in the District that is planned for such amenities is not expected to be subject to the Special Tax.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See "— Property Values" and "— Limited Secondary Market."

Risks of Real Estate Secured Investments Generally

The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; and (iv) high rate of inflation, rising interest rates and other economic trends that adversely affects consumers, whether cyclical or resulting from geopolitical events.

No assurance can be given that the Developer, the merchant builders or any future homeowners within the District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption "— Bankruptcy and Foreclosure" for a discussion of certain limitations on the District's ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

As of August 31, 2023, no homes within the District had closed to individual homeowners. Based on the ownership status of the property within the District as of August 31, 2023, approximately 29.54% of the Special Taxes levied in Fiscal Year 2023-24 is allocated to the property owned by the Lennar Landbank, approximately 25.29% is allocated to property owned by the TRI Pointe Homes Landbank and approximately 20.88% is allocated to the property owned by Shea. Lennar and TRI Pointe Homes are contractually responsible to pay the Special Tax levied on the property for their respective projects during the time their option agreements with their landbanks are in effect. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in the Development." The remaining merchant builders and the Developer are expected to be responsible for between approximately 6.98% and 10.08% of the Fiscal Year 2023-24 Special Tax levy. The property owned by the Developer as of August 31, 2023 that is planned for residential development is under contract to be acquired by Pulte. Assuming Pulte acquires such property and assuming no closings of homes to individual homeowners, the portion of the Fiscal Year 2023-24 Special Tax levy allocated to property owned by Pulte will increase.

Failure of the Developer, the merchant builders or any successors, to pay the annual Special Taxes when due could result in a draw on the Reserve Account of the Special Tax Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the Developer, the merchant builders or their successors, will complete the remaining intended construction and development in the District. See "— Failure to Develop Properties."

In Fiscal Year 2023-24, all of the Special Tax levy is on property within the District classified as Undeveloped Property which is owned by the Developer and the merchant builders and the landbanks. Undeveloped Property is defined in the Rate and Method as property not classified as Developed Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property or Taxable Religious Property. In the event that the Developer or any of the merchant builders fail to complete the remaining intended construction and development in the District, Special Taxes will continue to be levied on Undeveloped Property owned by such entities. No assurance can be given that the merchant builders, or any successors, will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See "— Bankruptcy and Foreclosure" for a discussion of certain limitations on the District's ability to pursue judicial proceedings with respect to delinquent parcels.

Increasing Mortgage Interest Rates

Since approximately November 2021, interest rates for mortgage loans have increased significantly. Increases in mortgage interest rates could have a negative impact on the estimated absorption rates of the planned for-sale residential units in the District described herein. With respect to entry-level households, increased mortgage interest rates may adversely impact the affordability of homes and may increase mortgage payment levels for owning a lower-priced home relative to renting a residence, thereby making purchasing less attractive. With respect to move-up households, higher mortgage interest rates may impact the desire of current homeowners to move from their present home due to the fact that their present home likely has a relatively low mortgage interest rate. In addition, in such instances, a new home would likely have a higher interest rate on a new mortgage loan as well as a higher purchase price and property taxes. Such considerations may decrease the desire for move-up households to purchase a new home. The foregoing factors could reduce demand for and/or the ability to achieve the sales prices of the planned for-sale homes within the District as described herein.

Inability to Access Escrow Fund

As described above under the caption "SOURCES OF PAYMENT FOR THE BONDS—Escrow Fund," certain conditions must be satisfied prior to the transfer of any money from the Escrow Fund to the Acquisition and Construction Fund (where it would be available to pay for Facilities). The failure to satisfy all of these conditions would mean that no additional money could be transferred from the Escrow Fund to the Acquisition and Construction Fund, and such funds will be applied to effect an early redemption of the Escrow Term Bonds, without premium. See "THE BONDS—Redemption." There can be no assurance that the conditions precedent contained in the Indenture will be satisfied prior to the Escrow Closing Date of July 1, 2026 in order for the funds to be released from the Escrow Fund to the Acquisition and Construction Fund.

If and to the extent that the conditions precedent in the Indenture have not been satisfied prior to the Escrow Closing Date, the amount then on deposit in the Escrow Fund will never be available for transfer to the Acquisition and Construction Fund, and such amount will never be available for the acquisition or construction of Facilities, effectively increasing the cost of development in the District to the Developer.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the County. Except with respect to the Net Taxes, neither the faith and credit nor the taxing power of the District or the County is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Indenture, no Owner of the Bonds may compel the exercise of any taxing power by the District or the County or force the forfeiture of any County or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the County or a legal or equitable pledge, charge, lien or encumbrance upon any of the County's or the District's property or upon any of the County's or the District's income, receipts or revenues, except the Net Taxes and other amounts pledged under the Indenture.

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on the land use class to which a parcel of Developed Property is assigned. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Rate and Method of Apportionment of Special Tax.*"

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. The District will establish and fund upon the issuance of the Bonds a Reserve Account of the Special Tax Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See "SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund." The District will covenant to maintain in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the District may not levy the Special Tax in the District in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method. As a result, if a significant number of delinquencies occurs, the District could be unable to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Reserve Account of the Special Tax Fund could be depleted and a default on the Bonds could occur.

The District will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*" for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Account of the Special Tax Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Account of the Special Tax Fund to an amount equal to the Reserve Requirement and to pay all current expenses; provided, however, that the Act and the Rate and Method provide that under no circumstances will the Special Tax levied in a Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See "—Bankruptcy and Foreclosure" for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on Assessor's Parcels of Conservation Property, Property Owner Association Property, Public Property and/or Religious Property; provided that an Assessor's Parcel shall not be exempt and shall be classified as Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property and/or Taxable Religious Property if exempting such property would reduce the sum of all property subject to the Special Tax within the applicable Zone below the corresponding minimum taxable Acreage amount listed Table 9 in APPENDIX A. See Section E of APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Teeter Plan Termination

In 1993, the County implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the District, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may protect the Owners of the Bonds from the risk of delinquencies in the payment of Special Taxes. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the District would eliminate such protection from delinquent Special Taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan."

Failure to Develop Properties

Development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the merchant builders, the landbanks or any property owner to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in the District is also subject to the availability of water. Finally, development of land is subject to economic considerations.

The Developer reports that the area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer has been substantially completed. Remaining onsite infrastructure necessary to complete development within the District consists of erosion control, storm drain mitigation, certain streets and associated wet and dry utilities, landscaping, parks/trails and a clubhouse and associated amenities.

Merchant builders have acquired or are under contract to acquire all of the land planned for residential development of homes. A majority of the residential lots owned by the merchant builders are in a near-finished lot condition and all of the merchant builders have commenced construction of model homes. No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development of the required infrastructure for development in the District as planned, or substantial delays in the completion of the development of the required infrastructure for the development due to litigation or other causes may reduce the value of the property within the District and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes when due.

There can be no assurance that land development operations within the District will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the District to pay the Special Taxes when due.

The District levied Special Taxes on Undeveloped Property for Fiscal Year 2023-24 and expects to levy Special Taxes on Undeveloped Property in future fiscal years until the Special Taxes levied on Developed Property are sufficient to fund the Special Tax Requirement. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the

Bondowners should it be necessary for the District to foreclose on Undeveloped Property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within the District as currently proposed will make the Bondowners dependent upon timely payment of the Special Taxes levied on Undeveloped Property. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of the merchant builders, or any successors, to make Special Tax payments on Undeveloped Property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See "— Property Values."

No Representation as to Merchant Builders

No representation is made as to the experience, abilities or financial resources of the merchant builders who currently own property in the District or of any other purchaser or potential purchaser of property in the District or the likelihood that such merchant builders, purchasers or potential purchasers will be successful in developing such purchased properties within the District beyond the stage of development reached by the Developer. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development." The description of expected development by merchant builders in this Official Statement is based on information provided to the District by the Developer and the Appraiser, and none of the merchant builders have provided any information to the District or the County in connection with the preparation of this Official Statement. In making an investment decision, purchasers of the Bonds should not assume that such merchant builders or such other persons or entities that purchase property within the District will develop such properties beyond the current stage of development reached by the Developer and the merchant builders.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within the District is not located in a Fault-Rupture Hazard Zone (formerly known as an Alquist-Priolo Special Study Zone). A number of faults are located in Southern California and throughout California; thus, the District may be subject to severe ground shaking during earthquakes. Additionally, the District is not located in a flood plain area.

In recent years, wildfires have caused extensive damage throughout the State, including to a limited degree within the County. In some cases outside of the County, these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. Several fires which occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future. The Rienda development, including the property within the District is located adjacent to open space terrain which the Department of Forestry and Fire Protection of the State of California has designated as a very high fire hazard severity zone. The area also experiences high winds known as Santa Ana winds which frequently accompany and magnify the intensity of wildfires.

The Developer acknowledges the severity and risks of local wildfires, and although large master-planned communities built to State standards are increasingly recognized as less prone to wildfire damage, the Developer has made significant efforts to mitigate this risk. The Villages of Sendero, Esencia and Rienda are master-planned communities developed by affiliates of the Developer located in the Ranch. The Villages of Sendero, Esencia and Rienda have received designation by the National Fire Protection Association (NFPA) as Firewise USA communities in recognition of the Developer's fire protection planning and proactive approach to reducing wildfire risk in such communities. Firewise USA is a nationwide program which aims to educate communities about fire preparedness and how citizens can work together to limit the impacts of wildfires. The recognition of the Villages of Sendero, Esencia and Rienda as Firewise USA communities is the result of years of collaboration by affiliates of the Developer with Orange County Fire Authority (OCFA) to ensure such developments exceeds State requirements for wildfire protection. Since the NFPA only grants this designation to communities with residents, the Developer currently anticipates that this Firewise USA designation will be forthcoming in calendar year 2024 as residents begin to move into the District.

The County, the OCFA and the Developer prepared a three-party agreement called the "Ranch Plan Fire Protection Program" which was adopted by the County Board of Supervisors in 2007 and has been updated from time-to-time (as updated, the "Fire Protection Plan"). The most update amendment was delivered in March 2022. The purpose of the Fire Protection Plan was to set forth certain fire protection measures to be implemented within the Ranch development (including the District). The Fire Protection Program has been designed based on research and fire behavior modeling, restrictive home construction, community design requirements, landscape material prohibitions and maintenance monitoring. Among other measures, the Fire Protection Plan provides for (1) construction material requirements which meet certain design criteria for fire resistance; (2) landscaping and plant species restrictions; (3) standards for emergency vehicle access; and (4) a 110-foot wide "Fuel Modification Zone" that will run along the boundary of the District and limits the type of vegetation that may be planted within such Fuel Modification Zone. The Fuel Modification Zone is subject to inspection by the OCFA and is expected to be maintained by the property owner's association within the District. Notwithstanding the foregoing mitigation measures, there is a risk of residential property within the District being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of the District.

In the event of a severe earthquake, wildfire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Endangered/Threatened Species

During the 1990s, there was an increase in activity at the State and federal level related to the possible listing of certain plant and animal species found in the Southern California area as endangered or threatened species. In response to this activity, several large landowners began an effort to move away from "species by species" entitlement to multiple species entitlement, in order to minimize the risk of future species listings and maximize the certainty of development. The Original Property Owners are some of such landowners. The Original Property Owners are permittees under the Southern Subregion Habitat Conservation Plan ("SSHCP") which addresses seven (7) federally listed species and twenty-five (25) sensitive species. The Ranch Plan MPC is permitted by the SSHCP. Accordingly, such development within the District is in compliance with this habitat conservation plan and is not anticipated to be impeded as a result of endangered or threatened species.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

The value of the taxable property within the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The Developer has represented to the District that it is not aware of any hazardous substance condition of the property within the District. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

Payment of the Special Tax is not a Personal Obligation of the Property Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the property owner.

Property Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "THE COMMUNITY FACILITIES DISTRICT — Appraised Value-to-Lien Ratios."

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal Report that as of August 31, 2023, the market value of the land and improvements within the District was approximately $191,420,000. The Appraisal Report is based on a number of assumptions and limiting conditions as stated in APPENDIX B — "APPRAISAL REPORT." The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within the District, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within the District could be sold for the amount stated in the Appraisal Report at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any property will be sold in a competitive market after a reasonable exposure time, and assuming that neither the buyer or seller is under duress, which is not always present in a foreclosure sale. See APPENDIX B — "APPRAISAL REPORT" for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within the District from that estimated by the Appraiser.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings."

Parity Taxes and Special Assessments

Property within the District is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within the District. See "THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness."

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation or other federal agencies. See "— FDIC/Federal Government Interest in Properties" and "— Bankruptcy and Foreclosure."

Neither the District nor the County has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* property taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* property taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for the property within the District described herein. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness" and "— Appraised Value to Lien Ratios."

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The County has caused a notice of the Special Tax to be recorded in the Office of the Clerk-Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a special tax under the Act of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings" for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See "— Bankruptcy and Foreclosure" for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District's ability to foreclosure on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Account and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the Bankruptcy Code might prevent moneys on deposit in the Acquisition and Construction Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner or other party and if the court found that the landowner or other party had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting

Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") included a provision which excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* property taxes.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* property taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, an owner is given the right for the equal benefit and protection of all owners of the Bonds similarly situated to pursue certain remedies described in APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — EVENTS OF DEFAULT; REMEDIES" and "— Limitations on Rights and Remedies of Owners."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Indenture with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE." Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIIC states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

> "Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution."

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the Board of Supervisors acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within the District. In connection with the foregoing covenant, the District will make an express determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District will also covenant that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "SPECIAL RISK FACTORS — Limitations on Remedies."

Litigation with Respect to Community Facilities Districts

Shapiro. The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro* (2014) 228 Cal.App.4th 756 (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego ("San Diego"). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIIIA, Section 4 thereof and Article XIIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

Horizon. The Sacramento County Superior Court had issued a ruling in *Horizon Capital Investments, LLC v. City of Sacramento et al*. (Case No. 34-2017-80002661). As described below, this case involved an election to approve the levy of a special tax within a community facilities district ("CFD") formed under the Act.

In 2017, the City of Sacramento initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC et al. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its final ruling, that under section 4(a) of article XIII A of the California Constitution (which provides that "Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district…") the phrase "qualified electors" means the registered voters of the entire City of Sacramento and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the tentative ruling states that the phrase "qualified electors of the district" refers to the registered voters of the entity imposing the special tax, which in this case was the City of Sacramento. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City of Sacramento, the final ruling states that the special tax is invalid.

The superior court's final ruling is not binding upon other courts within the State and does not directly apply to the District, the Special Taxes, or the Bonds. The City of Sacramento did not appeal the superior court's ruling.

The Special Tax Election in the District. With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The election held in the District had less than 12 registered voters at the time of the election to authorize the Special Taxes. In the San Diego Decision, the court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the court's holding in the San Diego Decision does not apply to the Special Tax election in the District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax…shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Voters in the District at the time the District was established approved the Special Tax on April 11, 2023. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, the District believes that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought.

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the County, or local districts to increase revenues or to increase appropriations or on the ability of the Developer or the merchant builders within the District to complete the remaining proposed development within the District.

Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners.

Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds

Property owners within the District are permitted to prepay their Special Taxes at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping community facilities district. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS — Redemption — *Extraordinary Redemption from Special Tax Prepayments*."

Cybersecurity

The County, like other public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Such incidents can result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the County's information technology systems to misappropriate assets or information or to cause operational disruption and damage. The County and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, phishing, distributed denial-of-service, and other attacks on computers, networks, and systems. The County has not experienced a major cyberattack that resulted in a material compromise of the system, data loss, or financial loss.

In 2014, the County created the Cybersecurity Joint Task Force ("CSJTF") comprised of County department operations, policy and Information Technology staff. The CSJTF meets monthly and has produced the County Cybersecurity Best Practices Manual and has been actively involved in the review and approval of the County Cybersecurity Policy, which was revised most recently in May 2021. The CSJTF has also developed, reviewed and approved Countywide Security policies, plans and guidelines.

In 2017, the Board of Supervisors authorized the Chief Information Officer to execute a contract with Tevora Business Solutions, Inc. to conduct a Countywide cybersecurity assessment and audit of all departments. Such assessment and audit was based on 10 security domains established by the Department of Homeland Security Cyber Resilience Review, Vulnerability Assessment, and On-site Validation of Physical Security Controls.

As a result of such assessment and audit, the County bolstered its cybersecurity efforts with additional personnel dedicated to cybersecurity, robust software and hardware protections, and ongoing training for County employees. The County established a Security Operations Center with cybersecurity professionals for cyber-attack monitoring, investigation, and response. The County has deployed the Security Information & Event Management system which enable security administrators to collect log data of all events from a wide variety of network devices in the County to identify and report on security threats and suspicious behavior. Further, the County cybersecurity efforts have increased with respect to both software and hardware, including incorporating web applications to the monthly security vulnerability scanning efforts, implementing web application firewalls for prevention/detection/response, integrating ransomware-proof (immutable storage) backup appliances to enterprise data backups, incorporating web access protections to protect remote system/user functionality, establishing privileged account management to govern the use of administrator accounts, increasing endpoint (laptop, desktop, cellphone) security and management capabilities, and expanding email security to include inter-county emails and prevent internal infection among others. Through the Enterprise Privacy & Cybersecurity Program, the County requires a mandatory cybersecurity awareness training for all County employees and utilizes recurring cybersecurity incident response exercises to keep County employees vigilant.

No assurances can be given that the County's security and operational control measures will ensure against any and all cybersecurity threats and attacks. A cybersecurity incident or breach could damage the

County’s Information Technology systems and cause disruption to County services and operations. Although the County carries cyber liability insurance in the amount of $50 million, the cost of any such disruption or remedying damage caused by future attacks could be substantial. The County will continue to assess cyber threats and protect its data and systems.

The County is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation, the Trustee. No assurance can be given that the County and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Owners of the Bonds.

CONTINUING DISCLOSURE

District Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate (the “District Continuing Disclosure Certificate”), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) website, or other repository authorized under the Rule, certain annual financial information and operating data concerning the District. The District Reports are to be filed not later than March 1 of each year, beginning March 1, 2024. The initial District Report to be filed by March 1, 2024, shall consist of this Official Statement. The District Reports will include the audited financial statements of the District, if any are prepared. The District does not currently prepare audited financial statements and does not anticipate doing so in the future. The full text of the District Continuing Disclosure Certificate is set forth in APPENDIX F — “FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE DISTRICT.”

Notwithstanding any provision of the Indenture, failure of the District to comply with the District Continuing Disclosure Certificate shall not be an event of default under the Indenture. However, any Owner or Beneficial Owner of the Bonds may take such action as is necessary and appropriate, including seeking mandate or a judgment for specific performance, to cause the District to comply with its obligations with respect to the District Continuing Disclosure Certificate.

The County will assist the District in preparing the District Reports. In order to ensure ongoing compliance by the District with its continuing disclosure undertaking, (i) County staff will take steps to ensure that the filing due date is correctly documented in policies and procedures and a single County staff member has been assigned primary responsibility to monitor compliance; and (ii) the County has contracted with a consultant to assist in filing accurate, complete and timely disclosure reports on behalf of the District.

Developer Continuing Disclosure

To provide updated information with respect to the development within the District, the Developer will enter into the Developer Continuing Disclosure Agreement by and between the Developer and DTA, Inc., as dissemination agent, and will covenant to provide an Annual Report not later than June 15 of each year beginning June 15, 2024, and a Semiannual Report on each December 15, beginning December 15, 2024, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Agreement. The Annual Report provided by the Developer and the Semiannual Report will contain updates regarding the development within the District as outlined in Section 4 of the Developer Continuing Disclosure Agreement attached as APPENDIX G. In addition to its Annual Reports and Semiannual Reports, the Developer will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Agreement.

The Developer’s obligations under the Developer Continuing Disclosure Agreement will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all the Bonds; or (b) (1) with respect to updates of the number building permits issued, at such time that 75% of the building permits for the planned residential development within the District have been issued, and (2) with respect to the updates of information described in Section 4 of the Developer Continuing Disclosure Agreement other than the number of building permits issued, at such time that ninety percent (90%) of the public improvements to be constructed by the Developer as described under the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT—The Development" have been completed, based on costs expended.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Beneficial Owner will increase the Beneficial Owner's basis in the applicable Bond.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District, the County and others and is subject to the condition that the District, the County and others making such representations comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the County will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Beneficial Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Beneficial Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of other similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District and the County continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

LEGAL MATTERS

The legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, approving the validity of the Bonds in substantially the form set forth as APPENDIX C hereto, will be made available to purchasers at the time of original delivery. Certain legal matters will be passed upon for the District and the County by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel and for the Underwriters by Best Best & Krieger LLP, Riverside California, as counsel to the Underwriters. Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

VALIDATION

On May 25, 2023, the County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Section 53359, filed a complaint in the Superior Court of the State of California for the County of Orange seeking judicial validation of the formation of the District, the authorization of the issuance of bonds for the District and the levy of the special tax within the District. On September 26, 2023, the court entered the Validation Judgment to the effect, among other things, that the proceedings conducted by the Board of Supervisors in connection with the establishment of the District, the authorization to incur bonded indebtedness for the District through the issuance of bonds and the levy of the special tax within the District were valid and in conformity with the Constitution of the State and applicable laws of the State. The last day of the appeal period for the validation action was October 26, 2023. As of the date of this Official Statement, no appeal has been filed with respect to the Validation Judgment. In issuing the opinion as to the validity of the Bonds and as a condition thereof, Bond Counsel will rely upon the entry of the Validation Judgment and the absence of a timely appeal therefrom. See APPENDIX C — "PROPOSED FORM OF BOND COUNSEL OPINION."

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds and a certificate of the District to that effect will be furnished to the Underwriters at the time of the original delivery of the Bonds. Neither the County nor the District is aware of any litigation pending or threatened which questions the existence of the District or the County or contests the authority of the District to levy and collect the Special Taxes or to issue and retire the Bonds.

NO RATING

The District has not made and does not contemplate making application to any rating agency for the assignment of a rating to the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, as representative of itself and Piper Sandler & Co. The Underwriters have agreed to purchase the Bonds at a price of $65,747,613.73 (being $66,175,000.00 aggregate principal amount thereof, less net original issue discount of $195,786.05 and less Underwriters' discount of $231,600.22). The purchase contract relating to the Bonds provides that the Underwriters will purchase all of the Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

FINANCIAL INTERESTS

The fees being paid to the Underwriters, Bond Counsel, Disclosure Counsel, Municipal Advisor to the County, the Trustee and Underwriters' Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Appraiser, to the Market Absorption Consultant and to the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriters on matters unrelated to the Bonds.

PENDING LEGISLATION

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The execution and delivery of this Official Statement by the County Executive Officer has been duly authorized by the Board of Supervisors of the County of Orange acting in its capacity as the legislative body of the District.

COMMUNITY FACILITIES DISTRICT NO. 2023-1 OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)

By: /s/ Frank Kim
County Executive Officer

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APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes of Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) (the "District"). An Annual Special Tax shall be levied on and collected in the District each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

The Special Tax rates for all Land Use Classes in all six Zones shown below reflect the reduced rates that will be in effect upon the issuance of the Bonds pursuant to Section H below.

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) ("CFD No. 2023-1") and collected each Fiscal Year commencing in Fiscal Year 2023-2024, in an amount determined by the Board through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2023-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or **"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2023-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the County or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the County, CFD No. 2023-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 2023-1 or any designee thereof of complying with disclosure requirements of the County, CFD No. 2023-1 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, CFD No. 2023-1 or any designee thereof related to an appeal of any Special Tax levy; the costs associated with the release of funds from an escrow account; and the County's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the County or CFD No. 2023-1 for any other administrative purposes of CFD No. 2023-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's parcel number.

“Assessor's Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor's Parcel number.

“Assigned Special Tax” means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.(b) and Section C.1.(e) below.

“Backup Special Tax” means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.(d) and Section C.1.(e) below.

“Board” means the Board of Supervisors of the County of Orange, acting as the legislative body of CFD No. 2023-1.

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2023-1 and secured by Special Taxes of CFD No. 2023-1 under the Act.

“CFD Administrator” means the County Executive Officer, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 2023-1” means Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B).

“Conservation Property” means, for each Fiscal Year, any Assessor’s Parcel within the boundaries of CFD No. 2023-1, excluding Property Owner Association Property, Public Property and Religious Property, that is subject to a declaration of irrevocable covenant, conservation easement deed, or similar document that was recorded restricting the use of such property to open space, habitat preservation, or other conservation purposes as of January 1 of the prior Fiscal Year. In order to ensure that such property is correctly classified as Conservation Property, the owner of such property shall provide the CFD Administrator with a copy of a declaration of irrevocable covenant, conservation easement deed, or similar document.

“County” means the County of Orange.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, and Taxable Religious Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year. Notwithstanding the foregoing, (a) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property prior to the issuance of Bonds, then the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, (b) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property after the issuance of Bonds, and the amount of Assigned Special Taxes which may be levied pursuant to the new building permit is greater than the Assigned Special Taxes which may be levied pursuant to the original building permit, then the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, otherwise the Land Use Class pursuant to the original building permit shall continue to be used, and (c) if a building permit is revoked, expired or otherwise cancelled and no new building permit is issued for the same property, then the property will continue to be considered Developed Property and taxed based on the original building permit.

“Exempt Welfare Exemption Property” means, for each Fiscal Year, an Assessor’s Parcel that is (a) receiving a welfare exemption under subdivision (g) of Section 214 of the California Revenue and

Taxation Code (or any successor statute), as indicated in the County's assessor's roll finalized as of January 1 of the previous Fiscal Year, and (b) exempt from the Special Tax pursuant to Section 53340(c) of the Act.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes within each Zone listed in Tables 1 through 6 below.

"Maximum Special Tax" means for each Fiscal Year for each Assessor's Parcel, the maximum Special Tax, determined in accordance with Section C below, that can be levied on such Assessor's Parcel in such Fiscal Year.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Indenture.

"Property Owner Association Property" means, for each Fiscal Year, any Assessor's Parcel within the boundaries of CFD No. 2023-1 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association as of January 1 of the prior Fiscal Year. Notwithstanding the foregoing, any property previously classified as Developed Property and subsequently owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association, shall remain classified as Developed Property.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property within CFD No. 2023-1. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property in CFD No. 2023-1. For Taxable Conservation Property, Taxable Property Owner Association Property, and Taxable Religious Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Taxable Conservation Property, Taxable Property Owner Association Property, or Taxable Religious Property, as applicable, in CFD No. 2023-1. For Taxable Public Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Taxable Public Property, as applicable, in CFD No. 2023-1.

"Public Property" means, for each Fiscal Year, any Assessor's Parcel within the boundaries of CFD No. 2023-1 that is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County or any other public agency as of January 1 of the prior Fiscal Year; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. In order to ensure that such property is correctly classified as Public Property, the owner of such property shall provide the CFD Administrator with a copy of any applicable documents.

"Religious Property" means, for each Fiscal Year, any Assessor's Parcel within the boundaries of CFD No. 2023-1 which (i) is either (a) used primarily as a place of worship or (b) vacant land or land under construction that is intended to be used primarily as a place of worship as determined by the

CFD Administrator; and (ii) is exempt from *ad valorem* property taxes because it is owned by a religious organization as of January 1 of the prior Fiscal Year. Religious Property, without limitation, does not include any Assessor's Parcels used primarily for religious schools, day care centers, or congregate care facilities.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means for each Fiscal Year, that amount required for CFD No. 2023-1 to pay the sum of: (i) debt service on all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year by CFD No. 2023-1; and (v) any amounts required for construction of facilities eligible to be constructed or acquired by CFD No. 2023-1 under the Act provided that inclusion of such amount does not increase the amount of Special Taxes to be levied on Assessor's Parcels of Undeveloped Property. In arriving at the Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Special Tax levy.

"State" means the State of California.

"Taxable Conservation Property" means all Assessor's Parcels of Conservation Property that are not exempt pursuant to Section E below.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2023-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Taxable Religious Property" means all Assessor's Parcels of Religious Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

"Zone" means any one of the separate geographic areas within CFD No. 2023-1 as designated on the recorded boundary map for CFD No. 2023-1.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Zones 1 through 6 of CFD No. 2023-1 shall be classified as Developed Property, Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Religious Property, Undeveloped Property, or Exempt Welfare Exemption Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

The Assigned Special Tax for Residential Property shall be based on the Zone in which the Assessor's Parcel is located, the number of dwelling units, and the Residential Floor Area of the dwelling units located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Zone in which the Assessor's Parcel is located and the Acreage of the Assessor's Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax for such Zone or (ii) the amount derived by application of the Backup Special Tax for such Zone.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class within each Zone for Fiscal Year 2023-2024 is shown below in Tables 1 through 6.

TABLE 1
Zone 1
Fiscal Year 2023-2024
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,600 SF	Residential Property	$7,207 per unit
2	1,501 – 1,600 SF	Residential Property	$7,040 per unit
3	1,401 – 1,500 SF	Residential Property	$7,009 per unit
4	1,301 – 1,400 SF	Residential Property	$6,861 per unit
5	1,201 – 1,300 SF	Residential Property	$6,205 per unit
6	< 1,201 SF	Residential Property	$5,129 per unit
7	N/A	Non-Residential Property	$165,372 per Acre

TABLE 2
Zone 2
Fiscal Year 2023-2024
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,400 SF	Residential Property	$7,791 per unit
2	1,101 – 1,400 SF	Residential Property	$6,823 per unit
3	< 1,101 SF	Residential Property	$5,502 per unit
4	N/A	Non-Residential Property	$119,752 per Acre

TABLE 3
Zone 3
Fiscal Year 2023-2024
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,600 SF	Residential Property	$7,900 per unit
2	1,401 – 1,600 SF	Residential Property	$7,405 per unit
3	1,201 – 1,400 SF	Residential Property	$6,664 per unit
4	< 1,201 SF	Residential Property	$6,331 per unit
5	N/A	Non-Residential Property	$190,058 per Acre

TABLE 4
Zone 4
Fiscal Year 2023-2024
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,700 SF	Residential Property	$9,135 per unit
2	1,501 – 1,700 SF	Residential Property	$8,281 per unit
3	< 1,501 SF	Residential Property	$7,508 per unit
4	N/A	Non-Residential Property	$269,049 per Acre

<u>TABLE 5</u>
Zone 5
Fiscal Year 2023-2024
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	$9,903 per unit
2	1,701 – 1,900 SF	Residential Property	$8,883 per unit
3	< 1,701 SF	Residential Property	$8,112 per unit
4	N/A	Non-Residential Property	$187,003 per Acre

<u>TABLE 6</u>
Zone 6
Fiscal Year 2023-2024
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,000 SF	Residential Property	$9,631 per unit
2	1,801 – 2,000 SF	Residential Property	$8,992 per unit
5	< 1,801 SF	Residential Property	$8,644 per unit
6	N/A	Non-Residential Property	$255,036 per Acre

c. <u>Multiple Land Use Classes</u>

In some instances an Assessor's Parcel may contain both Undeveloped Property and Developed Property. Furthermore, Developed Property may contain more than one Land Use Class.

In such cases, the Acreage of the Assessor's Parcel shall be allocated between Developed Property and Undeveloped Property based on the portion of the Assessor's Parcel for which building permits had been issued prior to January 1 of the prior Fiscal Year and the portion of the Assessor's Parcel for which building permits had not been issued prior to January 1 of the prior Fiscal Year. The Acreage that is considered Developed Property shall be allocated between Residential Property, and Non-Residential Property based on the site plan or other applicable document as determined by the CFD Administrator. The Maximum Special Tax that can be levied on such Assessor's Parcel shall be the sum of the Maximum Special Tax that can be levied on each type of property located on that Assessor's Parcel.

d. Backup Special Tax

The Backup Special Tax in CFD No. 2023-1 shall be equal to an amount per Acre for each Zone as shown below in Table 7.

TABLE 7
All Zones
Fiscal Year 2023-2024
Backup Special Tax

Zone	FY 2023-2024 Backup Special Tax
1	$147,574 per Acre
2	$116,378 per Acre
3	$181,250 per Acre
4	$232,932 per Acre
5	$154,158 per Acre
6	$201,937 per Acre

e. Increase in the Assigned Special Tax and Backup Special Tax

On each July 1, commencing on July 1, 2024, the Assigned Special Tax and the Backup Special Tax for Developed Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property within each Zone is shown below in Table 8.

TABLE 8
All Zones
Fiscal Year 2023-2024
Maximum Special Taxes for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property

Zone	FY 2023-2024 Maximum Special Tax
1	$165,372 per Acre
2	$119,752 per Acre
3	$190,058 per Acre
4	$269,049 per Acre
5	$187,003 per Acre
6	$255,036 per Acre

b. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2024, the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2023-2024 and for each following Fiscal Year, the Board shall levy the Special Tax until the amount of Special Taxes levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Conservation Property, Taxable Property Owner Association Property and Taxable Religious Property at up to 100% of the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property and Taxable Religious Property, as applicable.

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to 100% of the Maximum Special Tax for Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2023-1. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

E. EXEMPTIONS

No Special Taxes shall be levied on Conservation Property, Property Owner Association Property, Public Property, or Religious Property, so long as the Acreage of Taxable Property in each Zone is at least equal to the "Minimum Taxable Acreage" as defined below.

The Minimum Taxable Acreage for Zones 1 through 6 is equal to the applicable amount shown in Table 9 below.

Table 9
Minimum Taxable Acreage

Zone	Minimum Taxable Acreage
1	4.832 Acres
2	5.634 Acres
3	3.205 Acres
4	2.447 Acres
5	4.747 Acres
6	3.672 Acres

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Conservation Property, Property Owner Association Property, Public Property, or Religious Property. However, should an Assessor's Parcel no longer be classified as Conservation Property, Property Owner Association Property, Public Property, or Religious Property, its tax-exempt status will be revoked and it will thereafter be classified as Developed Property or Undeveloped Property in accordance with Section C above.

To the extent that the exemption of an Assessor's Parcel of Conservation Property, Property Owner Association Property, Public Property, or Religious Property would reduce the Acreage of Taxable Property below the Minimum Taxable Acreage in the applicable Zone, such Assessor's Parcel shall be classified as Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, as applicable, and shall be subject to the levy of the Special Tax and shall be taxed as part of the fourth or fifth steps, as applicable, in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

No Special Tax shall be levied on any Assessor's Parcel in any Fiscal Year in which such Assessor's Parcel is classified as Exempt Welfare Exemption Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2023-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by the Act and permitted by CFD No. 2023-1. The use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

"CFD Public Facilities Cost" means either $80.0 million in 2023 dollars, which shall increase by the Construction Inflation Index on July 1, 2024, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2023-1 under the authorized bonding program for CFD No. 2023-1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means, for a Fiscal Year, the greater of 0% and the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities Cost minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 2023-1 prior to the date of prepayment.

Prepayment in Full

The obligation to pay the Special Tax for an Assessor's Parcel of Taxable Property may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this figure.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be calculated as follows:

<u>Paragraph No.:</u>

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel. For Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, compute the Maximum Special Tax for the Assessor's Parcel to be prepaid.

2. (a) For an Assessor's Parcel of Developed Property or Undeveloped Property for which a building permit has been issued (i) Divide the Assigned Special Tax computed pursuant to paragraph 1 by the total estimated Assigned Special Taxes for the entire CFD No. 2023-1 based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2023-1, excluding any Assessor's Parcels for which the Special Taxes have been prepaid, and (ii) Divide the Backup Special Tax computed pursuant to paragraph 1 by the total estimated Backup Special Taxes for the entire CFD No. 2023-1 based on the Backup Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2023-1, excluding any Assessor's Parcels for which the Special Taxes have been prepaid.

   (b) For Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, divide the Maximum Special Tax computed pursuant to paragraph 1 by the total estimated Maximum Special Tax for the entire CFD No. 2023-1 based on the Maximum Special Tax which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2023-1, excluding any Assessor's Parcels for which the Special Taxes have been prepaid.

3. Multiply the larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor's Parcels of

Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").

5. Compute the current Future Facilities Costs.

6. Multiply the larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

7. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.

8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.

10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").

12. Verify the administrative fees and expenses of CFD No. 2023-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to

paragraph 2(b) for Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").

15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 6, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").

16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2023-1.

The Prepayment Amount may be sufficient to redeem other than a $5,000 increment of Bonds. In such cases, the increment above $5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel for which the Special Tax is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation to pay the Special Tax for such Assessor's Parcel shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), after the proposed prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed prepayment, less expected Administrative Expenses, shall be at least equal to the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year.

2. Prepayment in Part

The Special Tax for an Assessor's Parcel of Developed Property and/or Undeveloped Property may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = [(P_E\text{-}AE) \times F] + AE$$

These terms have the following meaning:

AE	=	the Administrative Fees and Expenses
PP	=	the partial prepayment amount

P_E	=	the Prepayment Amount calculated according to Section G.1
F	=	the percentage by which the owner of the Assessor's Parcel is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel for which the Special Tax is partially prepaid, CFD No. 2023-1 shall (i) distribute the funds remitted to it according to Section G.1, and (ii) indicate in the records of CFD No. 2023-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the applicable Assigned Special Tax, Backup Special Tax, and Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D. Furthermore, for Undeveloped Property for which the Special Tax has been partially prepaid, the outstanding percentage (1.00 - F) of the applicable Assigned Special Tax, Backup Special Tax, and Maximum Special Tax shall continue to apply to such Assessor's Parcel after such Assessor's Parcel is considered Developed Property.

Notwithstanding the foregoing, no partial prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), after the proposed partial prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed partial prepayment, less expected Administrative Expenses, shall be at least equal to the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year.

H. SPECIAL TAX REDUCTION

The following definitions apply to this Section H:

"Issuance Date" means the date a bond purchase contract related to the sale of the Bonds is entered into between the underwriter of the Bonds and CFD No. 2023-1.

"Plan Type" means a discrete residential plan type (generally consisting of residential dwelling units that share a common product type (e.g., detached, attached, cluster, etc.) and that have nearly identical amounts of living area) that is constructed or expected to be constructed within CFD No. 2023-1 as identified in the Price Point Study.

"Price Point" means, with respect to the residential dwelling units in each Plan Type, as of the date of the applicable Price Point Study, the base price of such residential dwelling units, estimated by the Price Point Consultant as of such date, including any incentives and concessions, but excluding potential appreciation or premiums, options or upgrades, based upon their actual or expected characteristics, such as living area, view, or lot size.

"Price Point Consultant" means any consultant or firm of such consultants selected by CFD No. 2023-1 that (a) has substantial experience in performing price point studies for residential units within community facilities districts or otherwise estimating or confirming pricing for residential units in community facilities districts, (b) is well versed in analyzing economic and real estate data that relates to the pricing of residential units in community facilities districts, (c) is in fact independent and not under the control of CFD No. 2023-1 or the County, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2023-1, (ii) the County, (iii) any owner of real property in CFD No. 2023-1, or (iv) any real property in CFD No. 2023-1, and (e) is not connected with CFD No. 2023-1 or the County as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2023-1 or the County.

"Price Point Study" means a price point study or a letter updating a previous price point study, which (a) has been prepared by the Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within Zones 1 through 6 of CFD No. 2023-1, (c) sets forth the estimated number of constructed and expected residential dwelling units for each Plan Type, (d) sets forth such Price Point Consultant's estimate of the Price Point for each Plan Type and (e) uses a date for establishing such Price Points that is no earlier than 30 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to Step No. 1 of this Section H. The Price Point Study will only include the for-sale Residential Property in Zones 1 through 6.

"Total Effective Tax Rate" means, for a Plan Type, the quotient of (a) the Total Tax and Assessment Obligation for such Plan Type divided by (b) the Price Point for such Plan Type, converted to a percentage.

"Total Tax and Assessment Obligation" means, with respect to a Plan Type in a Zone, for the Fiscal Year for which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax and estimated *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities districts, and any other governmental taxes, fees and charges levied or imposed on all residential dwelling units of such Plan Type in such Zone in such Fiscal Year or that would have been levied or imposed on all such residential dwelling units had such residential dwelling units been completed, sold and subject to such levies and impositions in such Fiscal Year divided by (b) the number of residential dwelling units in such Plan Type in such Zone. The Total Tax and Assessment Obligation for each Plan Type shall be calculated based on the applicable Residential Floor Area, Price Point, and number of constructed and expected residential dwelling units for such Plan Type in such Zone as identified in the Price Point Study.

Prior to the issuance of the first series of Bonds, the following steps shall be taken for each Land Use Class of for-sale Residential Property in Zones 1 through 6:

<u>Step No.:</u>

1. At least 30 days prior to the expected Issuance Date of the first series of Bonds, CFD No. 2023-1 shall cause a Price Point Study to be delivered to the CFD Administrator.

2. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Tax and Assessment Obligation and Total Effective Tax Rate for each Plan Type in each Zone.

3. Separately, for each Land Use Class of for-sale Residential Property in each Zone, the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Class is less than or equal to 2.00%.

    a. If the Total Effective Tax Rate for all Plan Types in a Land Use Class in a Zone is less than or equal to 2.00%, then there shall be no change in the Assigned Special Tax for such Land Use Class in such Zone.

    b. If the Total Effective Tax Rate for any Plan Type in a Land Use Class in a Zone is greater than 2.00%, the CFD Administrator shall calculate a revised Assigned Special Tax for such Land Use Class in such Zone, which revised Assigned Special Tax shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Class in such Zone to exceed 2.00%.

c. If the revised Assigned Special Tax amounts result in a situation in which the Assigned Special Tax for a particular Land Use Class of Residential Property in a Zone would be less than the Assigned Special Tax for the numerical Land Use Class of Residential Property directly above it within the same Zone (e.g., the Assigned Special Tax for Land Use Class 1 in Zone 1 is less than the Assigned Special Tax for Land Use Class 2 in Zone 1), then the Assigned Special Tax for the higher numbered Land Use Class shall be revised to be equal to the Assigned Special Tax for the lower numbered Land Use Class (i.e., the Assigned Special Tax for Land Use Class 2 in Zone 1 shall be revised to be equal to the updated Assigned Special Tax for Land Use Class 1 in Zone 1).

4. If the Assigned Special Tax for any Land Use Class in a Zone is revised pursuant to step 3.b. or 3.c. above, the CFD Administrator shall calculate a revised Backup Special Tax for all property within such Zone. The revised Backup Special Tax per Acre for such Zone shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax per Acre for such Zone as set forth in Table 9 above, reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Taxes for all Land Use Classes of Residential Property in such Zone resulting from the calculations in steps 3.a. through 3.c. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Class in such Zone multiplied by the percentage change in the Assigned Special Tax (pursuant to step 3.b. or 3.c. above) for each Land Use Class in such Zone (or 0 for Land Use Classes that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within the Zone and converted to a percentage.

5. If the Assigned Special Tax for any Land Use Class in any Zone is revised pursuant to step 3.b. or 3.c. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Taxes substantially in the form of Exhibit A hereto and shall deliver such Certificate of Reduction in Special Taxes to CFD No. 2023-1. The Certificate of Reduction in Special Taxes shall be completed for all Land Use Classes in all Zones and shall set forth, as applicable, either (i) the reduced Assigned Special Tax for a Land Use Class in a Zone as calculated pursuant to step 3.b. or 3.c., or (ii) the Assigned Special Tax as identified in Tables 1 through 6 in Section C for a Land Use Class in a Zone that was not revised as determined pursuant to step 3.a.; as well as either (i) the revised Backup Special Tax for a Zone as calculated pursuant to step 4, or (ii) the Backup Special Tax as identified in Table 7 in Section C.1.(d) for a Zone that was not revised as determined pursuant to step 4.

6. If the Issuance Date of the first series of Bonds is within 180 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 2023-1 shall execute the acknowledgement on such Certificate of Reduction in Special Taxes, dated as of the closing date of such Bonds, and upon the closing of such first series of Bonds, the Assigned Special Tax for each Land Use Class and the Backup Special Tax shall be, for all purposes, as set forth in such Certificate of Reduction in Special Taxes. If the Issuance Date of the first series of Bonds is not within 180 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Taxes shall not be acknowledged by CFD No. 2023-1 and shall, as of such date, be void and of no further force and effect. In such case, if subsequently a first series of Bonds is expected to be issued, at least 30 days prior to the expected Issuance Date of such first series of Bonds, the CFD Administrator shall cause a

new Price Point Study to be delivered to the CFD Administrator and, following such delivery, steps 2 through 5 of this section shall be performed based on such new Price Point Study.

7. As soon as practicable after the execution by CFD No. 2023-1 of the acknowledgement on the Certificate of Reduction in Special Taxes, CFD No. 2023-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for CFD No. 2023-1 reflecting the Assigned Special Taxes and the Backup Special Tax for each Zone set forth in such Certificate of Reduction in Special Taxes.

8. If the Assigned Special Tax is not required to be changed for any Land Use Class in any Zone based on the calculations performed under step 3 above, there shall be no reduction in the Maximum Special Tax, and no Certificate of Reduction in Special Taxes shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2023-1 a Certificate of No Reduction in Special Taxes substantially in the form of Exhibit B hereto dated as of the closing date of the first series of Bonds that states that the calculations required pursuant to this Section H have been made and that no changes to the Maximum Special Tax are necessary.

9. CFD No. 2023-1 and the CFD Administrator shall take no further actions under this Section H upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2023-1 on a Certificate of Reduction in Special Taxes pursuant to step 6; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Taxes pursuant to step 8.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied on an Assessor’s Parcel for a period not to exceed forty years from the Fiscal Year in which such Assessor’s Parcel first becomes Developed Property.

J. DETERMINATIONS OF CFD ADMINISTRATOR CONSIDERED FINAL

Any determinations made by the CFD Administrator under terms of this Rate and Method of Apportionment shall be final.

EXHIBIT A

CERTIFICATE OF REDUCTION IN SPECIAL TAXES

Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)

1. Pursuant to Section H of the Rate and Method of Apportionment, the Maximum Special Tax for Developed Property for [certain or all] Land Use Classes within CFD No. 2023-1 has been reduced.

2. The calculations made pursuant to Section H were based upon a Price Point Study that was received by the CFD Administrator on __________________.

3. Tables 1A through 6A below show the Assigned Special Tax for each Land Use Class in Zones 1 through 6 after such reduction.

Table 1A
Assigned Special Tax for Developed Property in Zone 1
Fiscal Year 2023-2024

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,600 SF	Residential Property	$____ per unit
2	1,501 – 1,600 SF	Residential Property	$____ per unit
3	1,401 – 1,500 SF	Residential Property	$____ per unit
4	1,301 – 1,400 SF	Residential Property	$____ per unit
5	1,201 – 1,300 SF	Residential Property	$____ per unit
6	< 1,201 SF	Residential Property	$____ per unit
7	N/A	Non-Residential Property	$_____ per Acre

Table 2A
Assigned Special Tax for Developed Property in Zone 2
Fiscal Year 2023-2024

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,400 SF	Residential Property	$____ per unit
2	1,101 – 1,400 SF	Residential Property	$____ per unit
3	< 1,101 SF	Residential Property	$____ per unit
4	N/A	Non-Residential Property	$_____ per Acre

Table 3A
Assigned Special Tax for Developed Property in Zone 3
Fiscal Year 2023-2024

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,600 SF	Residential Property	$____ per unit
2	1,401 – 1,600 SF	Residential Property	$____ per unit
3	1,201 – 1,400 SF	Residential Property	$____ per unit
4	< 1,201 SF	Residential Property	$____ per unit
5	N/A	Non-Residential Property	$_____ per Acre

Table 4A
Assigned Special Tax for Developed Property in Zone 4
Fiscal Year 2023-2024

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,700 SF	Residential Property	$____ per unit
2	1,501 – 1,700 SF	Residential Property	$____ per unit
3	< 1,501 SF	Residential Property	$____ per unit
4	N/A	Non-Residential Property	$_____ per Acre

Table 5A
Assigned Special Tax for Developed Property in Zone 5
Fiscal Year 2023-2024

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	$____ per unit
2	1,701 – 1,900 SF	Residential Property	$____ per unit
3	< 1,701 SF	Residential Property	$____ per unit
4	N/A	Non-Residential Property	$_____ per Acre

Table 6A
Assigned Special Tax for Developed Property in Zone 6
Fiscal Year 2023-2024

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,000 SF	Residential Property	$____ per unit
2	1,801 – 2,000 SF	Residential Property	$____ per unit
5	< 1,801 SF	Residential Property	$____ per unit
6	N/A	Non-Residential Property	$_____ per Acre

4. The Backup Special Tax for each Assessor's Parcel of Developed Property shall equal an amount per Acre after such reduction as shown in Table 7A below.

Table 7A
Backup Special Tax
Fiscal Year 2023-2024

Zone	Backup Special Tax
1	$______ per Acre
2	$______ per Acre
3	$______ per Acre
4	$______ per Acre
5	$______ per Acre
6	$______ per Acre

5. Upon execution of this certificate by CFD No. 2023-1, CFD No. 2023-1 shall cause an amended notice of Special Tax lien for CFD No. 2023-1 to be recorded reflecting the Assigned Special Tax and Backup Special Tax set forth herein.

Submitted

CFD ADMINISTRATOR

By: ______________________________ Date: ____________________

By execution hereof, the undersigned acknowledges, on behalf of CFD No. 2023-1, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

Community Facilities District No. 2023-1 of the County of Orange
(Rienda Phase 2B)

By: ______________________________ Date as of: [closing date of Bonds]

EXHIBIT B

CERTIFICATE OF NO REDUCTION IN SPECIAL TAXES

Community Facilities District No. 2023-1 of the County of Orange
(Rienda Phase 2B)

1. All calculations required pursuant to Section H of the Rate and Method of Apportionment have been made based upon a Price Point Study that was received by the CFD Administrator on _________________.

2. The Total Effective Tax Rate for all Plan Types in all Land Use Classes in all Zones is less than or equal to 2.00%.

3. The Maximum Special Tax for Developed Property within CFD No. 2023-1, including the Assigned Special Taxes set forth in Sections C.1.(b) and the Backup Special Tax set forth in Section C.1.(d) of the Rate and Method of Apportionment, shall remain in effect and not be reduced.

Submitted

CFD ADMINISTRATOR

By: ____ Date as of: ___________________________
[closing date of Bonds]

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APPENDIX B

APPRAISAL REPORT

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Integra Realty Resources
Sacramento

Appraisal of Real Property

Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)

Residential Land
North line of Cow Camp Rd., East of Los Patrones Pkwy.
Rancho Mission Viejo, Orange County, California 92694

Prepared For:
County of Orange

Date of the Report:
September 14, 2023

Report Format:
Appraisal Report

IRR - Sacramento
File Number: 193-2023-0345

Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)
North line of Cow Camp Rd., East of Los Patrones Pkwy.
Rancho Mission Viejo, California

Integra Realty Resources
Sacramento

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Rocklin, CA 95765

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September 14, 2023

Louis McClure
Finance Team Leader
Administrative Manager
County of Orange
333 W. Santa Ana Blvd., 3rd Floor
Santa Ana, CA 92701

SUBJECT: Market Value Appraisal
Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)
North line of Cow Camp Rd., East of Los Patrones Pkwy.
Rancho Mission Viejo, Orange County, California 92694
IRR - Sacramento File No. 193-2023-0345

Dear Mr. McClure:

Integra Realty Resources – Sacramento is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the fee simple interest in certain properties within the boundaries of County of Orange Community Facilities District (CFD) No. 2023-1 (Rienda Phase 2B) ("CFD No. 2023-1"), under the assumptions and conditions contained in this Appraisal Report. The client for the assignment is County of Orange and the intended use of the report is for bond underwriting purposes.

The appraised properties are located within CFD No. 2023-1 and are within the Ranch Plan Specific Plan. The appraised properties consist of 514 single-family residential lots comprised of both attached and detached product. As of the date of value the appraised properties comprise partially-improved lots. Rienda is located north of Cow Camp Road, east of Los Patrones Parkway, Rancho Mission Viejo, Orange County, California.

The appraisal conforms to the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, and applicable state appraisal regulations. The Appraisal Report is also prepared in accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

Standards Rule 2-2 (Content of a Real Property Appraisal Report) contained in the Uniform Standards of Professional Appraisal Practice (USPAP) requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report as defined by USPAP under Standards Rule 2-2(a), and incorporates practical explanation of the data, reasoning, and analysis that were used to develop the opinion of value.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, the concluded opinions of value are as follows:

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value by Ownership, Subject to a Hypothetical Condition	Fee Simple	August 31, 2023	
RMV PA3 Development, LLC (Master Developer)			$13,640,000
AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank)			$66,600,000
RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank)			$35,540,000
TH Rancho Mission Viejo MR 8, LLC (Truemark)			$26,700,000
Pulte Home Company, LLC (Pulte)			$12,990,000
Shea Homes LP (Shea)			$35,950,000
Aggregate Total			$191,420,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact.

None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition, directly related to a specific assignment, contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Certain proceeds from the CFD Bonds will be used to reimburse and finance infrastructure improvements and certain impact fees paid. The market values estimated herein are subject to the hypothetical condition certain authorized public improvements to be funded by proceeds from the County of Orange CFD No. 2023-1 Bonds are completed. The estimates of market value account for the impact of lien of the Special Taxes securing the CFD Bonds.

Further, the estimates of market value by ownership group herein specifically assumes the appraised properties are not marketed concurrently, which could suggest a market under duress.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

Integra Realty Resources - Sacramento

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Table of Contents

Executive Summary

Property Name	Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)
Address	North line of Cow Camp Rd., East of Los Patrones Pkwy. Rancho Mission Viejo, Orange County, California 92694
Property Type	Land - Residential
Owner of Record	RMV PA3 Development, LLC (Master Developer); AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank); RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank); and Merchant Builders: TH Rancho Mission Viejo MR 8, LLC (Truemark); Pulte Home Company, LLC (Pulte); Shea Homes LP (Shea)
Tax ID	See Addenda
Zoning Designation	Ranch Plan Specific Plan
Highest and Best Use	Residential uses
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	August 31, 2023
Date of the Report	September 14, 2023
Property Interest Appraised	Fee Simple

Value Conclusions

Market Value by Ownership, Subject to a Hypothetical Condition	
RMV PA3 Development, LLC (Master Developer)	$13,640,000
AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank)	$66,600,000
RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank)	$35,540,000
TH Rancho Mission Viejo MR 8, LLC (Truemark)	$26,700,000
Pulte Home Company, LLC (Pulte)	$12,990,000
Shea Homes LP (Shea)	$35,950,000
Aggregate Total	$191,420,000

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than County of Orange and its associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact.

None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition, directly related to a specific assignment, contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Certain proceeds from the CFD Bonds will be used to reimburse and finance infrastructure improvements and certain impact fees paid. The market values estimated herein are subject to the hypothetical condition certain authorized public improvements to be funded by proceeds from the County of Orange CFD No. 2023-1 Bonds are completed. The estimates of market value account for the impact of lien of the Special Taxes securing the CFD Bonds.

Identification of the Appraisal Problem

Subject Description

The appraised properties are located within the County of Orange Community Facilities District No. 2023-1 (Rienda Phase 2B) ("CFD No. 2023-1") and are within the Ranch Plan Specific Plan. The appraised properties consist of 514 single-family residential lots comprised of both attached and detached product. As of the date of value the appraised properties comprise partially-improved lots. Rienda is located north of Cow Camp Road, east of Los Patrones Parkway, Rancho Mission Viejo, Orange County, California.

Legal descriptions of the property are provided in the addenda.

Property Identification	
Property Name	Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)
Address	North line of Cow Camp Rd., East of Los Patrones Pkwy. Rancho Mission Viejo, California 92694
Tax ID	See Addenda
Owner of Record	RMV PA3 Development, LLC (Master Developer); AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank); RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank); and Merchant Builders: TH Rancho Mission Viejo MR 8, LLC (Truemark); Pulte Home Company, LLC (Pulte); Shea Homes LP (Shea)

Sale History

All of subject properties have sold or are in contract to be sold in blue top condition, whereby the properties are rough graded with backbone streets installed and utilities stubbed to the site(s). While details of each transaction have been provided for our review, they have been made confidential. Our value conclusions are greater than the contract prices; however, this is to be expected, as site development and in-tract work is underway or complete as of the effective appraisal date.

No known sales or transfers of ownership have taken place within a three-year period prior to the effective appraisal date.

Appraisal Purpose

The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the fee simple interest as of the effective date of the appraisal, August 31, 2023. The date of the report is September 14, 2023. The appraisal is valid only as of the stated effective date.

Value Type Definitions

The definitions of the value types applicable to this assignment are summarized below.

Market Value
The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. [1]

Property Rights Definitions

The property rights appraised which are applicable to this assignment are defined as follows.

Fee Simple Estate
Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.[2]

Client and Intended User(s)

The client is County of Orange. The intended users are County of Orange and its associated finance team. No party or parties beyond the clients associated finance team may use or rely on the information, opinions, and conclusions contained in this report; however, this appraisal report may be included in the offering document provided in connection with the issuance and sale of the Bonds.

Intended Use

The intended use of the appraisal is for bond underwriting purposes. The appraisal is not intended for any other use.

Applicable Requirements

This appraisal report conforms to the following requirements and regulations:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute;
- Applicable state appraisal regulations;

[1] Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472
[2] Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022)

- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

Report Format

Standards Rule 2-2 (Content of a Real Property Appraisal Report) contained in the Uniform Standards of Professional Appraisal Practice (USPAP) requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report as defined by USPAP under Standards Rule 2-2(a), and incorporates practical explanation of the data, reasoning, and analysis used to develop the opinion of value.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Appraiser Competency

No steps were necessary to meet the competency provisions established under USPAP. The assignment participants have appraised several properties similar to the subject in physical, locational, and economic characteristics, and are familiar with market conditions and trends; therefore, appraiser competency provisions are satisfied for this assignment. Appraiser qualifications and state credentials are included in the addenda of this report.

Scope of Work

Introduction

The appraisal development and reporting processes require gathering and analyzing information about the assignment elements necessary to properly identify the appraisal problem. The scope of work decision includes the research and analyses necessary to develop credible assignment results, given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Research and Analysis

The type and extent of the research and analysis conducted are detailed in individual sections of the report. Although effort has been made to confirm the arm's-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Subject Property Data Sources

The legal and physical features of the subject property, including size of the site, flood plain data, seismic zone designation, property zoning, existing easements and encumbrances, access and exposure, and condition of the improvements (as applicable) were confirmed and analyzed.

Inspection

Kevin Ziegenmeyer, MAI, conducted an on-site inspection of the property on August 8, 2023.

Valuation Methodology

Three approaches to value are typically considered when developing a market value opinion for real property. These are the cost approach, the sales comparison approach, and the income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

This Appraisal Report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an "appraisal assignment," as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the appraised properties were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records. Zoning and entitlement information was collected from the County of Orange Planning Department (on-line resources). The earthquake zones, flood zones and utilities were obtained from the respective agencies, and property tax information was obtained from the County of Orange Assessor's Office on-line resources.

Data relating to the neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market area; newspaper articles; real estate conferences; and interviews with various market participants, including property owners, property managers, land brokers, developers and local government agencies.

In this appraisal, we determined the highest and best use of the subject property as though vacant based on the four standard tests (legal permissibility, physical possibility, financial feasibility, and maximum productivity). As will be shown in the *Highest and Best Use Analysis* section, the highest and best use of the subject property is for single-family residential development (detached and attached, production homes).

Please note, this appraisal will utilize the term **"improved lot"** to denote a residential lot which has all off-sites and on-sites in place, and which includes any permits and impact fees due up until building permit. Building permits and fees due at building permit are excluded. Terminology for this type of improved lot can vary by market area, and is sometimes referred to as a "finished lot" or "loaded lot."

The valuation of the underlying land of the various lot categories is estimated by employing residual land analysis, a type of discounted cash flow, to arrive at a lot value for the subject's various product types. With a rapidly changing market, the land residual analysis is considered to be the most applicable approach to value. The sales comparison approach is typically a lagging indicator of value in a rapidly expansionary or contracting market. There has been a lack of recent lot sales within the region due to homebuilders taking a pause on buying more lots due to the recent rise in interest rates. Therefore, the land residual analysis is given the greatest emphasis in the valuation of the subject lots.

The market value estimates for the various taxable land use components described above were then assigned to the various lots comprising Appraised Properties in order to derive the values, by ownership. For lots owned by the homebuilders, remaining on-site (in-tract) development costs and remaining off-site cost obligations are deducted by ownership.

The market values estimated herein are based on a ***hypothetical condition***. USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis.” It is a hypothetical condition of this Appraisal Report that proceeds from the Bonds are available to finance for authorized public improvements. The estimate of market value accounts for the impact of the Assessment Lien securing the County of Orange Community Facilities District No. 2023-1 (Rienda Phase 2B) (“CFD No. 2023-1”).

Economic Analysis

Area Analysis – Orange County

Introduction

Orange County is located in the southern part of California, bordered by Los Angeles County on the north, San Bernardino and Riverside Counties on the northeast and San Diego County on the southeast and the Pacific Ocean on the southwest. It is the smallest county in Southern California, with an area of 948 square miles, 157 square miles of which is water. The Santa Ana River roughly bisects the county into a northwestern and southeastern portion. The southeastern, inland part of the county has higher elevations in the foothills of the Santa Ana Mountains and the topography transitions to lower coastal land in the northwestern part of the county.

Most of the population in the county is concentrated in the northern and central portions of the county, within cities surrounding the county seat of Santa Ana, including Anaheim, Buena Park, Costa Mesa, Fullerton, Garden Grove, Irvine, Orange, Placentia, Santa Ana and Yorba Linda; as well as the region known as the Saddleback Valley in the southeastern part of the county, including Mission Viejo, Ladera Ranch, Coto de Caza, Trabuco Canyon, Rancho Santa Margarita, Lake Forest, Aliso Viejo, Laguna Woods, Laguna Hills and Laguna Niguel. The northern/central part of the county is more urbanized with dense development and business districts, while the southern part is suburban in nature, with lower density development. Several cities within the county are located on the Pacific Coast: Huntington Beach, Newport Beach, Laguna Beach, Dana Point and San Clemente. In total, there are 34 incorporated towns and cities in the county.

Population

The county has a population of over 3.16 million, which has declined at an average rate of 0.1% over the past five years. The following table illustrates recent population trends for areas within Orange County.

Population Trends							
City	2017	2018	2019	2020	2021	2022	%/Yr
Aliso Viejo	49,556	50,688	50,206	51,848	51,233	50,782	0.5%
Anaheim	355,719	356,147	356,618	345,866	344,604	341,245	-0.8%
Brea	44,092	44,072	44,655	47,221	47,097	46,872	1.3%
Buena Park	83,539	83,215	82,837	84,265	83,968	83,430	0.0%
Costa Mesa	113,640	113,535	114,075	112,492	112,183	111,394	-0.4%
Cypress	48,968	49,037	48,887	50,390	50,029	49,810	0.3%
Dana Point	33,910	33,750	33,564	33,162	33,053	32,943	-0.6%
Fountain Valley	56,500	56,158	55,718	57,166	57,068	56,564	0.0%
Fullerton	142,846	142,996	142,251	144,383	141,974	142,732	0.0%
Garden Grove	174,892	174,300	174,038	172,046	171,284	170,526	-0.5%
Huntington Beach	199,927	199,495	199,742	198,465	197,616	196,100	-0.4%
Irvine	263,295	270,260	274,641	307,775	301,254	310,250	3.6%
Laguna Beach	23,162	23,031	22,868	23,004	22,862	22,706	-0.4%
Laguna Hills	31,960	31,807	31,583	31,391	31,017	30,750	-0.8%
Laguna Niguel	65,097	64,692	65,038	64,538	64,885	64,316	-0.2%
Laguna Woods	16,555	16,451	16,314	17,757	17,670	17,514	1.2%
La Habra	62,425	62,581	63,464	62,781	62,317	61,792	-0.2%
Lake Forest	82,766	83,549	84,543	86,013	86,406	86,775	1.0%
La Palma	15,908	15,837	15,704	15,584	15,463	15,332	-0.7%
Los Alamitos	11,776	11,715	11,622	11,896	11,895	11,873	0.2%
Mission Viejo	96,876	96,353	95,728	93,665	93,171	92,515	-0.9%
Newport Beach	86,824	87,039	86,419	85,156	84,459	83,727	-0.7%
Orange	140,020	140,458	140,368	139,595	137,534	137,676	-0.3%
Placentia	52,536	52,244	51,871	51,812	51,522	51,204	-0.5%
Rancho Santa Margarita	49,422	49,314	48,987	47,949	47,703	47,279	-0.9%
San Clemente	65,107	65,021	64,558	64,148	63,877	63,380	-0.5%
San Juan Capistrano	36,174	36,118	36,124	34,988	34,907	34,798	-0.8%
Santa Ana	337,181	336,077	334,231	310,410	311,340	308,459	-1.7%
Seal Beach	24,927	24,915	24,798	25,242	25,002	24,846	-0.1%
Stanton	39,610	39,423	39,194	37,675	38,284	39,275	-0.2%
Tustin	81,666	81,269	80,701	80,399	80,157	79,535	-0.5%
Villa Park	5,945	5,907	5,852	5,863	5,834	5,782	-0.5%
Westminster	93,005	92,809	92,289	90,998	90,812	90,393	-0.6%
Yorba Linda	68,641	68,560	68,304	68,095	67,760	67,233	-0.4%
Unincorporated	125,658	127,431	127,586	132,951	133,302	132,437	1.1%
Total	**3,180,125**	**3,186,254**	**3,185,378**	**3,186,989**	**3,169,542**	**3,162,245**	**-0.1%**
Source: California Department of Finance							

Orange County is the third most populous county in California, following Los Angeles and San Diego Counties. The majority of residents live within incorporated areas, the largest of which is the city of Anaheim with a population of just over 341,000. Santa Ana is the county seat and the third most populous. The seven largest cities, ranging in population from 137,676 to 341,245, make up 51% of the total county population.

Employment & Economy

The California Employment Development Department has reported the following employment data for Orange County over the past five years.

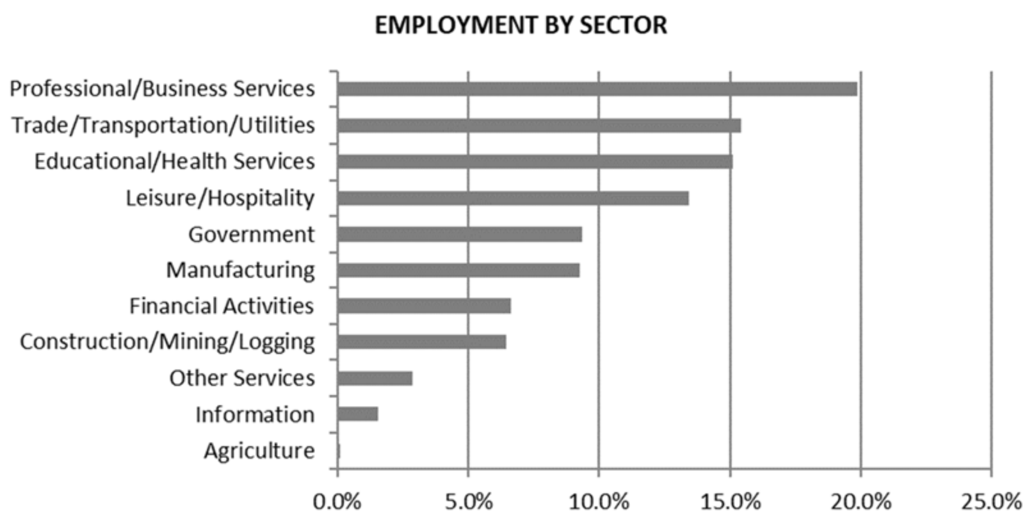
Employment Trends						
	2017	2018	2019	2020	2021	2022
Labor Force	1,605,800	1,615,900	1,616,000	1,561,500	1,553,900	1,591,500
Employment	1,549,000	1,567,700	1,570,000	1,420,700	1,461,200	1,544,000
Annual Employment Change	16,300	18,700	2,300	(149,300)	40,500	82,800
Unemployment Rate	3.5%	3.0%	2.8%	9.0%	6.0%	3.0%

Source: California Employment Development Department

For most areas within the state and nation, including Orange County, unemployment declined from 2004 through 2006, increased from 2007 to 2010, declined during 2011-2019, increased significantly in 2020 due to the pandemic and improved in 2021 and 2022. Current unemployment has declined to pre-pandemic levels.

As of December 2022, the California Employment Development Department reported an unemployment rate of 2.5% in Orange County, which is below the year ago estimate of 3.7% and compares to rates of 3.7% for California and 3.3% for the nation.

The following chart indicates the percentage of total employment for each sector within the county as of December 2022.



Source: California Employment Development Department

Orange County has a diverse economy, with the majority of its employment distributed among several sectors of industry, as opposed to one or two key sectors. As illustrated in the chart above, the region's largest employment sectors are Professional and Business Services; Trade/Transportation/ Utilities; and Educational and Health Services. The Leisure and Hospitality industry was most heavily impacted by the pandemic but has gradually recovered to near pre-pandemic levels.

The county is home to several Fortune 500 and Fortune 1000 companies, as well as start-up companies and notable technology companies, such as Gateway Inc., Linksys, Blizzard Entertainment and Panasonic Avionics Corporation. Regional headquarters of several international companies, such as Mazda, Toshiba, Toyota, Samsung, Mitsubishi, Hyundai and others, are also located in the county, as are headquarters for several fashion brands (Oakley, Inc., Hurley International, St. John's) and restaurants (In-N-Out Burger, Claim Jumper, Taco Bell, El Pollo Loco and Wienerschnitzel). The region's largest employers are listed in the following table.

Largest Employers

	Employer	Industry	Employees
1	University of California, Irvine	Education	26,182
2	Walt Disney Co.	Leisure / Hospitality	25,000
3	County of Orange	Government	18,388
4	Providence	Healthcare	13,079
5	Kaiser Permanente	Healthcare	8,800
6	Albertsons	Grocery / Retail	7,853
7	Hoag Memorial Hospital	Healthcare	7,051
8	Walmart, Inc.	Retail	6,300
9	Target Corporation	Retail	6,000
10	MemorialCare	Healthcare	5,490

Source: County of Orange, Comprehensive Annual Financial Report, For The Year Ended June 30, 2022

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. According to Claritas Spotlight data reporting service, the median household income estimated for Orange County in 2023 is $104,614, which is higher than the state of California's median income of $89,113.

Transportation

Access to and through Orange County is provided by several routes, including three major interstates and several state routes and connector highways. The Santa Ana Freeway (Interstate 5) is one the primary north-south transportation routes in Southern California, connecting all of California, Oregon and Washington to Los Angeles, and Los Angeles to suburbs southeast, terminating in San Diego. It connects to several state highways, including State Route 91, State Route 22, and State Route 55. It also connects with Interstate 405, known as the San Diego Freeway, another primary route through the region, providing access from San Fernando north of Los Angeles, continuing south through Inglewood west of Los Angeles, through Torrance, Fountain Valley and Irvine, where it terminates at the I-5 junction.

Several major east-west freeways provide access to neighboring counties in Southern California. State Route 91, known as the Riverside Freeway, runs from Gardena in Los Angeles County to Riverside County to the east. State Route 22 runs between Long Beach and Orange, through Garden Grove. State Route 55, also known as the Costa Mesa Freeway, runs from the coast in Newport Beach to

Anaheim, where it terminates at State Route 91. Several smaller highways connect to these primary routes to provide ground transportation throughout the county.

Public transportation is provided primarily by the Orange County Transportation Authority (OCTA), which manages the county's bus network, maintains local streets and freeways, regulates taxicab services; and manages express toll lanes on State Route 91. The OCTA also collaborates with Southern California's Metrolink to provide commuter rail service via the Orange County Line, the 91 Line and the Inland Empire-Orange County Line.

The county has one major airport, the John Wayne Airport, with seven airlines servicing passengers and two cargo airlines (FedEx and UPS). In 2019, the airport serviced over 10.6 million passengers. While that number dropped significantly in 2020 to 3.8 million passengers due to travel restrictions during the pandemic, it increased in 2021 to 7.7 million passengers serviced and 11.4 million in 2022. The next closest airports are Los Angeles International Airport approximately 42 miles northwest; Ontario Airport approximately 43 miles northeast; and Hollywood Burbank Airport approximately 54 miles northwest.

Recreation & Culture

Orange County offers innumerable recreational and cultural opportunities, including world renowned Disneyland, Knotts Berry Farm, beaches, biking paths and hiking trails, golf courses, shopping and dining. Disneyland is ranked as the second most visited theme park in the world and Knotts Berry Farm receives roughly seven million visitors per year. The year-round, mild climate attracts millions of tourists annually, with 40 miles of coastline home to several beaches popular for surfing and sunbathing. Anaheim is home to the largest convention center on the West Coast with major conventions held throughout the year. Several significant shopping malls are located in Orange County, including South Coast Plaza, the largest mall in California and the third largest in the U.S.; Fashion Island, an open-air mall in Newport Beach; and the Irvine Spectrum Center, an outdoor shopping and entertainment center.

There are several historical points of interest in the county, including Mission San Juan Capistrano and the Richard Nixon Presidential Library and Museum, as well as other notable structures/venues, such as Crystal Cathedral and Angel Stadium.

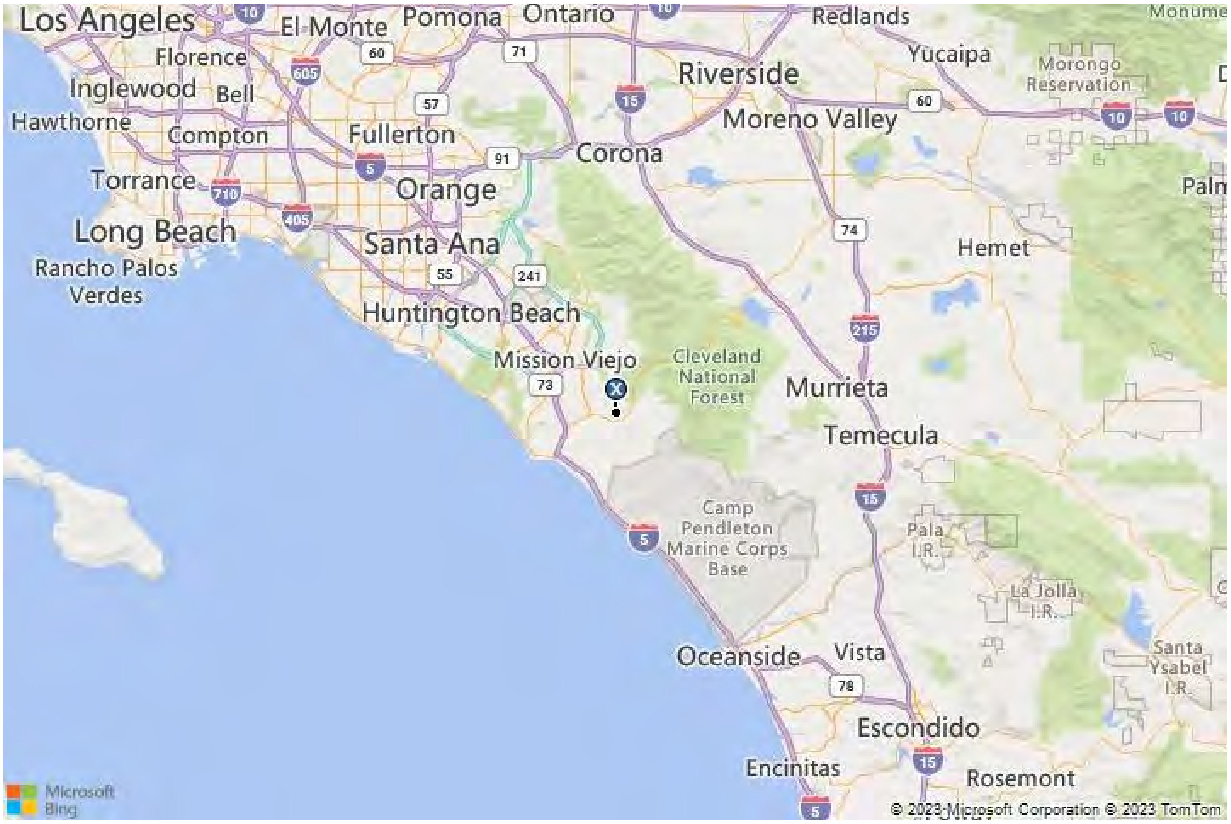
Over 28 school districts provide elementary, middle and high school education in the county. Orange County has many higher education institutions ranging from two-year community colleges to private and public universities, including Chapman University, Concordia University, Hope international University, Saddleback College, Trinity Law School, Vanguard University, California State University Fullerton, and University of California Irvine.

Conclusion

Orange County, one of the largest counties in the state, is located in the southern portion of California, with extensive transportation routes; diverse employment opportunities; numerous colleges and universities; and recreational activities ranging from world famous amusement parks, popular beaches, an abundance of shopping centers and dining establishments, and outdoor hiking and biking trails.

The county has had steady improvement in economic and market conditions after a decline following the onset of the pandemic. However, current macroeconomic factors, particularly high inflation and rising interest rates, have re-introduced uncertainty in the market. Overall, the locational advantages and historical stability of the local economy bode well for recovery and the long-term outlook for the region is good.

Area Map


Los Angeles
El Monte
Pomona
Ontario
Redlands
Yucaipa
Florence
Inglewood
Bell
Riverside
Morongo Reservation
Hawthorne
Compton
Fullerton
Moreno Valley
Corona
Torrance
Orange
Long Beach
Santa Ana
Hemet
Rancho Palos Verdes
Huntington Beach
Mission Viejo
Cleveland National Forest
Murrieta
Temecula
Camp Pendleton Marine Corps Base
Pala I.R.
La Jolla I.R.
Oceanside
Vista
Santa Ysabel I.R.
Escondido
Encinitas
Rosemont
Microsoft Bing
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Surrounding Area Analysis

Location

The subject is located in The Ranch Plan Specific Plan, within the Rancho Mission Viejo community, in an area in Orange County known as Saddleback Valley. Saddleback Valley describes the landmark formed by the two highest peaks in the Santa Ana Mountains and the ridge between them, which resembles a saddle. This valley is home to cities and communities to the west of the formation, including Mission Viejo, Ladera Ranch, Coto de Caza, Trabuco Canyon, Rancho Santa Margarita, Lake Forest, Aliso Viejo, Laguna Woods, Laguna Hills, and Laguna Niguel, among others.

Rancho Mission Viejo is situated just east of the community of Ladera Ranch. More specifically, Rancho Mission Viejo is surrounded by Ladera Ranch to the west, Las Flores and the city of Rancho Santa Margarita to the north, the community of Coto de Caza to the northeast, the foothills of the Santa Ana Mountains to the east, unincorporated areas of Orange County to the south and San Juan Capistrano to the southwest.

The neighborhood boundaries are generally Interstate 5 to the west until Oso Parkway; Oso Parkway forms a northern boundary eastward until it reaches the western boundary of the Las Flores community, at which point the western boundaries of Las Flores and Rancho Santa Margarita form the western boundaries of the neighborhood; the northern boundary of the neighborhood corresponds to the Rancho Santa Margarita city limits; the eastern boundary is formed by the Santa Ana Mountains and Highway 74 forms the southern neighborhood boundary.

A map identifying the location of the property follows this section.

Access and Linkages

The subject benefits from excellent access near freeways and major thoroughfares, with Interstate 5 and Highway 74, also known as Ortega Highway, approximately four and two miles away, respectively. Interstate 5 is the primary route connecting all of California and the west coast. In the subject's neighborhood, Interstate 5 provides access to the communities and cities within Orange County, including Laguna Hills, Mission Viejo, Lake Forest, Irvine, Santa Ana, Anaheim, and into Los Angeles County. To the south, it provides access to San Juan Capistrano, San Clemente and along the Pacific Coast to San Diego. Interstate 5 intersects with a multitude of additional highways, providing access throughout the Southern California region. Highway 74 begins at its intersection with Interstate 5 in San Juan Capistrano and extends east through the Santa Ana Mountains into Riverside County. It is one of two routes that provide access through the mountains; the other route is Highway 91, approximately 30 miles north of the subject.

Los Patrones Parkway is the predominant thoroughfare in the neighborhood, situated just east of the subject. It is the primary north/south route connecting Rancho Mission Viejo with Las Flores and Rancho Santa Margarita to the north. At the city boundaries of Rancho Santa Margarita, Las Patrones Parkway becomes Highway 241, which travels through the city and north through the county, terminating at its juncture with Highway 91.

Additional area thoroughfares include Antonio Parkway and Oso Parkway, approximately two to seven miles east and northeast of the subject. Antonio Parkway provides the major north/south connector through Ladera Ranch and connects with Oso Parkway to the north. Oso Parkway is an east/west route through the southern portions of the cities of Mission Viejo and Laguna Hills.

Public transportation in the neighborhood is provided by OC Bus, which operates fixed bus routes and Stationlink rail service which connects OC Metrolink stations with major employment centers. The bus routes most proximate to the subject are Routes 85 (Mission Viejo - Laguna Niguel), 86 (Costa Mesa – Mission Viejo) and 91 (Laguna Hills – San Clemente). The nearest Metrolink station is the Mission Viejo Laguna Niguel Station, located just north of the intersection of Interstate 5 and Highway 73.

The nearest airport for commercial air travel is John Wayne Airport, located approximately 26 miles northwest in Orange County.

Demographic Factors

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics

2023 Estimates	3-Mile Radius	5-Mile Radius	10-Mile Radius	Orange County, CA	Los Angeles-Long Beach et al, CA Metro
Population 2020	14,012	79,734	501,681	3,186,989	13,200,998
Population 2023	15,437	81,348	501,190	3,183,623	13,001,368
Population 2028	17,770	84,874	506,570	3,218,503	12,943,151
Compound % Change 2020-2023	3.3%	0.7%	0.0%	0.0%	-0.5%
Compound % Change 2023-2028	2.9%	0.9%	0.2%	0.2%	-0.1%
Households 2020	5,110	26,490	185,028	1,074,105	4,494,733
Households 2023	5,536	26,918	185,543	1,077,652	4,451,946
Households 2028	6,298	28,048	188,418	1,095,897	4,463,302
Compound % Change 2020-2023	2.7%	0.5%	0.1%	0.1%	-0.3%
Compound % Change 2023-2028	2.6%	0.8%	0.3%	0.3%	0.1%
Median Household Income 2023	$182,526	$172,209	$126,819	$104,614	$86,066
Average Household Size	2.8	3.0	2.7	2.9	2.9
College Graduate %	66%	61%	50%	41%	35%
Median Age	41	38	42	40	39
Owner Occupied %	85%	82%	70%	57%	49%
Renter Occupied %	15%	18%	30%	43%	51%
Median Owner Occupied Housing Value	$1,158,421	$1,195,510	$1,037,948	$933,045	$857,642
Median Year Structure Built	2016	2002	1985	1976	1968
Average Travel Time to Work in Minutes	35	33	31	31	35

Source: Claritas

As shown above, the current population within a 5-mile radius of the subject is 81,348, and the average household size is 3.0. Population in the area has grown since the 2020 census, and this trend is projected to continue over the next five years. Compared to Orange County overall, the population within a 5-mile radius is projected to grow at a faster rate.

Median household income is $172,209, which is higher than the household income for Orange County. Residents within a 5-mile radius have a considerably higher level of educational attainment than those of Orange County, while median owner occupied home values are considerably higher.

Land Use

Development in the subject's neighborhood area is comprised of several large master planned communities that have been developed over the past 50+ years on what was originally a series of land grants that combined was called Rancho Mission Viejo. Four master planned communities have been developed on Rancho Mission Viejo. The first was in 1963 with the 11,000-acre master planned community of Mission Viejo. The city of Rancho Santa Margarita, the community of Las Flores and the community of Ladera Ranch were also developed on Rancho Mission Viejo. Trabuco Canyon and Coto de Caza are communities in the neighborhood. Trabuco Canyon is a small, unincorporated community situated on land that was originally part of Rancho Trabuco. Coto de Caza is a census-designated place in Orange County and is a guard-gated private community, featuring approximately 4,000 homes. Development in this community began in 1968 and was completed in 2003. It is one of Orange County's oldest and most expensive master planned communities.

In the year 2000, the owning entities of Rancho Mission Viejo created a land use and preservation plan for the 23,000 acres remaining in Rancho Mission Viejo, which was approved in 2004. This plan created the Reserve at Rancho Mission Viejo, a 17,000-acre habitat reserve, and a 6,000-acre new community to be called Rancho Mission Viejo, which would be the next master planned community for growth in Orange County. The community began to develop in 2010, with phased development of 14,000 homes extending into 2040.

The first residential village in the Rancho Mission Viejo master planned community was Sendero, which opened in July 2013 at Antonio Parkway and Highway 74. Sendero was developed with 1,334 homes and sold out in two years. In 2015, Esencia Village opened with its first neighborhoods and various community amenities. As of the date of this appraisal, Sendero Village, Gavilan (Age 55+) and Esencia Village have been developed. Esencia includes 2,778 residential units (2,516 for-sale units, 150 market rate apartment units, and 112 affordable apartment units), with less than 100 homes remaining after four years of sales. The Esencia Village sold out in 2020. Neighborhoods within the Village of Esencia include Sterling, Reverie, Vivaz, Avant, Cobalt, Modena, and Viridian.

The next phase of development in The Ranch Plan Specific Plan is Planning Area 3 of 7,000 dwelling units (for which the subject is a portion of). The first development will be the Village of Rienda, which opened in April 2022. Rienda will be the third village in The Ranch Plan and will feature 2,700 new homes, with plans to deliver smaller homes that are more affordable. Rienda will average 18 units per acre, and up to 28 units per acre for the condominium project. This compares to Sendero which averaged 8-10 homes per acre and Esencia, with homes averaging 10-12 units per acre. The village will be located east of Los Patrones Parkway, along the north side of Highway 74. It is anticipated the project will take six to eight years to complete; the first phase of 950 homes, comprising 11 neighborhoods, features condominiums, townhomes, duplexes, and detached single-family homes. Homebuilders within the first phase of Rienda include Lennar, TriPointe, Meritage, Pulte, and Trumark.

Rienda is part of what is identified as Planning Area 3 in The Ranch Plan. This Planning Area comprises 2,200 acres and is planned for 7,000 homes. At completion, Rienda will also have 250 apartments, 100-150 affordable housing units, 815 homes for 55+ years, and roughly 2.5 million square feet of non-residential development for retail and community amenities.

It is expected it will take 20 years to complete all development in The Ranch Plan and this will also be the last, large master planned community on previously undeveloped land in Orange County.

Currently, Rancho Mission Viejo still has a working cattle ranch, called The Ranch, with year-round operations including orchards and row crops. Rancho Mission Viejo is one of the largest citrus producers in Orange County, with more than 63,000 lemon trees harvested year-round. There are also over 9,000 avocado trees.

Single-family residential uses are situated to the north, south and west of the subject, while the east is undeveloped land.

There are several apartment projects in the neighborhood, with the most proximate being Esencia Norte Apartment Homes and Esencia Sur Apartment Homes situated in the southern portion of the community, at the northwest quadrant of Los Patrones Parkway and Cow Camp Road. Sendero Gateway and Sendero Bluffs Senior Apartment Homes are located along Highway 74 and Antonio Parkway. Additional multifamily projects are found in Ladera Ranch, Las Flores and Rancho Santa Margarita.

As part of the Rancho Mission Viejo project, the subject benefits from a variety of recreational and community amenities available to its residents, including clubhouses, fitness and pools, parks and playgrounds, farms, nature trails, food, retail, and schools. The Esencia Elementary school is part of the Capistrano Unified School District. The neighborhood is served by the Las Flores Middle School and Tesoro High School, also in Las Flores.

Sendero Marketplace, a 10-acre retail plaza at the northeast corner of Antonio Parkway and Highway 74 has also been completed as part of the community. Additional commercial uses in the neighborhood are located to the west along streets parallel to Interstate 5. Rancho Viejo Road intersects Highway 74 and travels parallel to Interstate 5 through the northern part of San Juan Capistrano and becomes Marguerite Parkway at the Mission Viejo city limits. Commercial uses along Rancho Viejo Road include restaurants, cafes and bars, fitness centers, beauty salons and services, and limited neighborhood commercial services. There are also numerous bus stops and park and ride locations along this route.

Along the east side of Marguerite Parkway just north of Avery Parkway near the Mission Viejo city limits is Saddleback College. On the other side of the street, across from the college campus is an intensive commercial hub, including The Shops at Mission Viejo indoor shopping mall; Kaleidoscope Courtyards (Target, UPS Store, Bank of America, Edwards Theatre, and others); Campus Plaza (La-Z-Boy Furniture Gallery, DSW Shoes, Pier 1, Burlington, etc.). There are also a variety of additional eating establishments, retail boutiques, Hampton Inn and Suites, a United States Post Office and neighborhood commercial services. Adjacent to The Shops at Mission Viejo is Mission Hospital. Surrounding the hospital are various medical and wellness service offices, including plastic surgery, chiropractic, acupuncture and massage, as well as general office uses. Continuing north, Marguerite Parkway travels through residential neighborhoods with commercial uses concentrated at major street intersections.

Commercial development in Las Flores is concentrated at Oso Parkway and Antonio Parkway and consists of a few eating establishments and limited retail.

The other large commercial hub in the neighborhood is in Rancho Santa Margarita, at the intersection of Santa Margarita Parkway and Highway 241. This area contains Lowe’s Home Improvement, Walmart, PetSmart, Staples, Target, Walgreens, Cinepolis Luxury Theatres, Kohls, Bed Bath and Beyond, 24-Hour Fitness, Pavilions grocery store, a variety of eateries and neighborhood service providers. Rancho Santa Margarita City Hall, related civic offices and Rancho Santa Margarita Library are also located here.

The neighborhood is served by several elementary, middle and high schools. Saddleback College is the largest college in the neighborhood; Carrington College and 123 College of Orange County, a technical college, are also located in Mission Viejo. The nearest hospital is Mission Hospital in Mission Viejo.

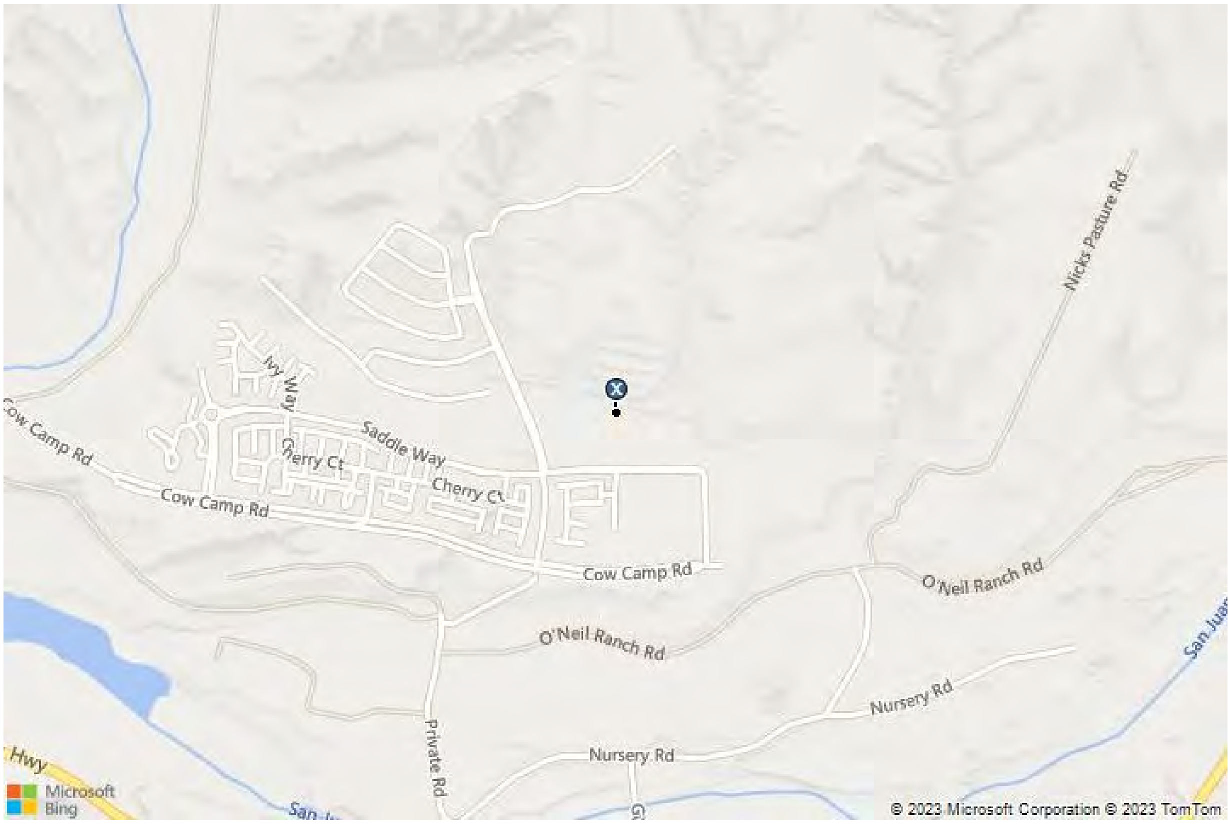
The area east of the subject is undeveloped and flows into Casper’s Wilderness Park, an area of 8,000 acres of protected wilderness among the western part of the Santa Ana Mountains. The Park features areas for hiking, horseback riding, mountain biking, road biking, trail running, and a walking trail. The Santa Ana Mountains extend for approximately 61 miles largely along the border between Orange and Riverside counties.

The neighborhood has an abundance of outdoor recreational opportunities. In addition to the various recreational amenities within Rancho Mission Viejo and Casper’s Wilderness Park, there is O’Neill Regional Park, Riley Wilderness Park, and several smaller parks located within the various residential subdivisions. Marbella Country Club is located along the east side of Rancho Viejo Road, north of Highway 74 in San Juan Capistrano; Arroyo Trabuco Golf Club is located just east of Saddleback College; Coto de Caza Golf and Racquet Club is located north of the subject along Coto de Caza Drive, the primary thoroughfare through that community; the Rancho Mission Viejo Riding Park is located along the south side of Highway 74 and Avenida la Pata/Antonio Parkway.

Outlook and Conclusions

The subject’s neighborhood represents an area of growth in Orange County and Southern California. Housing in the Southern California region continues to be a concern and a state mandate has been issued to provide 1.34 million homes by 2030. Much of this supply will be denser developments clustered within reclaimed retail, commercial and industrial sites. The Rancho Mission Viejo community is among the last of large communities that can be developed in Orange County and as such, demand is expected to remain strong. We anticipate that property values will remain stable to in the near future.

Surrounding Area Map



Residential Market Analysis

Given prevailing land use patterns and the subject's zoning, a likely use of the property is for residential development. In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

The residential housing market has been changing due to rising interest rates. After a period of expansion leading up to, and sustained during, the COVID-19 pandemic with low mortgage interest rates, the increased cost of borrowing, which began in 2022, put downward pressure on housing affordability and, consequently, housing prices. A survey of several active homebuilders was conducted to gain insight relative to current market conditions. While new home sales trended downward over the course of 2022, for many submarkets the compression was most pronounced in late 2022. The duration of the downward trend appears to have been short-lived in some submarkets and lingering in others. However, the overall consensus among active market participants is the downward trend has stabilized or increased, based on submarket, with limited evidence of ongoing downward pressure.

In many new home submarkets sales began rising in the Spring of 2023. This is partially due to low resale inventory, as existing homeowners with low interest rate mortgages have reconsidered a move, with a corresponding higher interest rate mortgage. The result is a more constrained resale market inventory, leading many first-time buyers to find that increased opportunities in the new home market despite slightly higher prices than resale homes. With the market volatility in the second half of 2022, buyers were concerned with settling for a higher interest rate, but were also waiting to see if home prices would decline. Some buyers accepted the higher interest rates but wanted assurance they weren't overpaying for a home that would soon drop in price. Reportedly, many new homebuyers have now adjusted their budgets to current interest rates, which have stabilized, and seem more confident in their expectations of interest rate activity in the near term. Homebuilders are still offering concessions in the market to buy down the interest rates for prospective buyers, which decreases the net sale price to the homebuilders, but allows more buyers to afford the new home product; this trend is expected to continue in the near term, as the higher interest rate environment has led to tighter lending standards. It's also worth noting the unemployment rate has risen slightly following the recent trend in company layoffs impacting many of the technology sectors throughout the San Francisco Bay Area and Southern California, which may impact the homebuyer market in some submarkets.

Submarket Overview

The subject is located in Rancho Mission Viejo, an active 23,000-acre ranch and farm, habitat reserve, residential community, and census-designated place in South Orange County, California. The subject is located within proximity of existing residential development, but immediately adjacent to planned future residential development. It is noted Rancho Mission Viejo is home to four master-planned communities: the City of Mission Viejo, City of Rancho Santa Margarita, Las Flores, and Ladera Ranch. Sendero was the first new community within Rancho Mission Viejo, with its grand opening in 2013. In Fall 2015, the new community of Esencia celebrated the grand opening of its first 12 neighborhoods, as well as a host of community amenities.

The subject is considered to have good transportation linkages. The neighborhood is characterized as a suburban area that appeals to both local workers and commuters. Based on existing surrounding homes, the subject characteristics best support a project designed for a combination of entry-level and/or first-time move-up home buyers.

Single-Family Building Permits

Single-family building permits for Orange County, the surrounding communities of Mission Viejo and San Juan Capistrano, and the unincorporated areas of Orange County are shown in the following table.

Building Permits

Year	Orange County	Mission Viejo	San Juan Capistano	Unincorporated Area of Orange Co.
2012	2,271	66	101	202
2013	3,670	36	102	690
2014	3,714	2	59	651
2015	3,809	0	48	566
2016	4,357	32	62	687
2017	4,904	37	94	815
2018	4,085	16	43	385
2019	3,422	0	87	226
2020	2,985	14	80	159
2021	3,449	32	16	99
2022	2,931	34	173	309
2023 (through June)	1,369	11	73	78

Source: SOCDS Building Permits Database

The subject is located within an area of Orange County which has observed limited new home construction in recent years.

Active New Home Absorption

Aside from the adjacent active projects within Planning Areas 3.1 and 3.2A of The Village at Rienda, there are no active new home projects within the subject's market area.

The following pages provide housing metrics from the Ryness Group (new home sales tracking service). The graphics from the Ryness Group summarize residential market conditions within Orange County; the subject is located in the South Inland Orange submarket, which is comprised of Lake Forest, Rancho Mission Viejo, and Mission Viejo. New home projects (overall) in the South Inland Orange submarket as of the week ending August 27, 2023 are averaging 1.08 sales per week.

The Ryness Group report from the week ending August 27, 2023 includes ten active projects located within Planning Areas 3.1 and 3.2A of The Village at Rienda, which are summarized below.

Average Sales per Week: Subject's Active Projects

Project	Builder	Market Segment/ Product Type	Avg. Sales/Week as of August 27, 2023
Haven	Lennar	Age Qualified / Detached Duplex	0.88
Oasis	Lennar	All Age / Attached Row Townhome	0.73
Pearl	Lennar	Age Qualified / Detached Cluster	0.80
Portico	Lennar	All Age / Attached Flats	1.22
Serenity	Lennar	All Age / Detached Stub Alley	1.02
Evolve	Pulte	All Age / Detached Stub Alley	1.00
Botanica	TriPointe	All Age / Detached SFR	1.23
Paisley	TriPointe	All Age / Detached Duplex	1.07
Wildrose	TriPointe	All Age / Detached Stub Alley	0.98
Dahlia	Trumark	All Age / Detached SFR	1.35

As illustrated from the information cited above, the subject market area is enjoying market acceptance across all product lines offered. While the active projects within larger Rienda master planned community have reported stable demand from homebuyers since the grand opening (April 2022), there has been recent indications of prospective buyer pullback within the greater regional area, as well as within hot residential markets nationally. Our analysis herein takes into consideration the existing cross currents being observed and reported within the residential (for-sale) market.

In addition, we were provided a Market Absorption Study prepared by Empire Economics, Inc., dated August 9, 2023. Our estimates of absorption of approximately 2.5 to 3.7 units per month per project, are generally consistent with the conclusions of absorption within this study.

THE RYNESS REPORT

A New Home Sales, Marketing & Research Company

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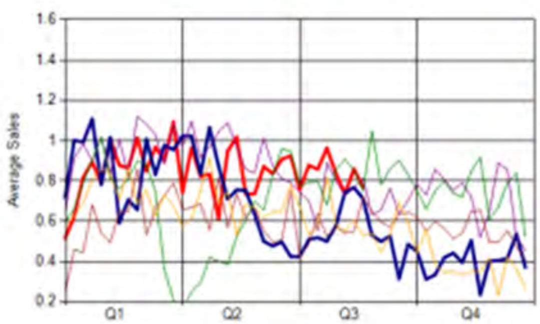
LA-Orange-North

Week 34 Ending: Sunday, August 27, 2023

Counties / Groups			Projects	Traffic	Sales	Cancels	Net Sales	Avg. Sales	Year to Date Avg.	Year to Date Diff.	Prev. 13 Wks. Avg.	Prev. 13 Wks. Diff.
Central-North Orange			42	996	49	1	48	1.14	0.97	17%	1.02	12%
Coastal-South Orange			16	348	18	3	15	0.94	1.01	-8%	1.01	-7%
Los Angeles			32	506	19	4	15	0.47	0.83	-44%	0.77	-39%
Santa Clarita / Antelope			26	745	19	4	15	0.58	0.64	-10%	0.63	-8%
Ventura			6	279	7	1	6	1.00	0.54	86%	0.47	115%
Santa Barbara-San Luis Obispo			8	140	2	0	2	0.25	0.74	-66%	0.84	-70%
Kern-Tulare-Kings			37	533	38	11	27	0.73	0.85	-15%	0.82	-11%
Current Week Totals	Traffic : Sales	23 : 1	167	3547	152	24	128	0.77	0.85	-9%	0.84	-8%
Per Project Average				21	0.91	0.14	0.77					
Year Ago - 08/28/2022	Traffic : Sales	28 : 1	166	4163	151	33	118	0.71	0.74	-4%	0.56	26%
% Change			1%	-15%	1%	-27%	8%	8%	14%		48%	

52 Weeks Comparison



Year to Date Averages Through Week 34 — Annual

Graph Legend	Year	Avg. Weekly Projects	Avg. Weekly Traffic	Avg. Weekly Sales	Avg. Weekly Cancels	Avg. Project Sales	Year End Avg. Proj. Sales
■	2018	189	32	0.78	0.10	0.68	0.58
■	2019	233	30	0.70	0.10	0.60	0.59
■	2020	210	19	0.80	0.12	0.68	0.71
■	2021	165	19	0.98	0.08	0.90	0.84
■	2022	144	24	0.86	0.12	0.74	0.62
■	2023	163	23	0.95	0.10	0.85	0.85
% Change		13%	-3%	10%	-14%	14%	36%

* Averages rounded for presentation. Change % calculated on actual numbers.

usbank.

WEEKLY FINANCIAL NEWS

Financing

	RATE	APR
CONV	6.88%	7.15%
FHA	6.75%	6.99%
10 Yr Yield	4.22%	

EQUAL OPPORTUNITY LENDER

Market Commentary

The leg-up in financing costs has dampened the housing market recovery. Whereas homebuyers jumped on lower mortgage rates in the first few months of 2023, the recent upturn in rates is giving them pause. Existing home sales posted their second consecutive dip in July, all but reversing the uptick in housing demand that started at the beginning of the year. In addition to higher financing costs cooling demand, lower resale inventory has also fueled higher prices, further straining affordability. The median existing single-family home price in July was up year-over-year for every major region. Thus far, low resale supply and builders' use of incentives have shielded the new home market from this broader slowdown. New home sales surprised to the upside with a 4.4% jump in July, solidifying the upward march that began last fall. In our view, it is only a matter of time before higher mortgage rates depress demand for new construction as well. The average 30-year fixed mortgage rate according to Freddie Mae surged to 7.23% last week, the highest level since 2001. Builders are already responding by offering greater price cuts and other incentives to bridge the affordability gap for buyers, however, the sharp increase in rates may test their ability to do so in the future. Source: Wells Fargo Bank Weekly Economic & Financial Commentary

South Inland Orange				Projects Participating: 12									
				Units	New Rel.	Rel'd Rm'g	Traffic	Wk's Sales	Wk's Cans	Sold to Date	Sold YTD	Av. Sls /Week	Av. Sls /YTD
Oaks, The	Baldwin and Sons TSO	LFO	DTMU	304	0	TSO	0	0	0	165	3	0.39	0.09
Haven at Rancho Mission Viejo	Lennar	RMV	DTMU	89	0	2	12	1	1	33	28	0.88	0.82
Oasis at Rancho Mission Viejo	Lennar	RMV	ATMU	120	0	2	49	2	0	52	22	0.73	0.65
Pearl at Rancho Mission Viejo	Lennar	RMV	DTMU	56	3	3	10	1	0	30	28	0.80	0.82
Portico at Rancho Mission Viejo	Lennar	RMV	ATMU	132	0	1	24	2	0	87	44	1.22	1.29
Serenity at Rancho Mission Viejo	Lennar	RMV	ATMU	86	0	1	29	1	0	73	34	1.02	1.00
Evolve at Rienda	Pulte	RMV	DTMU	73	0	1	5	1	1	72	31	1.00	0.91
Botanica	TRI Pointe	RMV	DTMU	61	0	2	21	4	0	41	41	1.23	1.21
Paisley	TRI Pointe	RMV	ATMU	110	0	1	16	0	0	83	45	1.07	1.32
Wildrose	TRI Pointe	RMV	DTMU	83	0	2	18	0	0	76	39	0.98	1.15
Dahlia	Trumark TSO	RMV	DTMU	73	0	TSO	31	0	0	54	46	1.35	1.35
Saddleback Place	Trumark	MJ	ATMU	91	6	6	11	3	0	49	49	1.81	1.81
TOTALS: No. Reporting: 12	Avg. Sales: 1.08	Traffic to Sales: 15 : 1				21	226	15	2	815	410	Net: 13	
City Codes: LFO = Lake Forest, RMV = Rancho Mission Viejo, MJ = Mission Viejo													

Project Types: AAAT= Active Adult ATT, AASF= Active Adult SFD, ATMU= Attached Move-up , ATST= Attached Starter , ATT= Single Family Attached , COHT=Condo/Hotel ,CONV=Conversion ,DTMU=Detached Move-up ,DTST=Detached Starter ,HIGH=High Rise , LOFT= Loft , MIDR= Mid-Rise , RWHS=Row Houses , SFD= Single Family Detached

Abbreviations: SO= Sold Out, TSO= Temporarily Sold Out

Resale Pricing

The following table shows historical resale data for more recently built homes (2015 and newer) in the communities of Ladera Ranch, Lake Forest, Mission Viejo, Rancho Mission Viejo, and Rancho Santa Margarita since April 1, 2023. We restricted our search to lot sizes with less than 5,000 square feet. It is noted, these search parameters resulted in 89 detached, single-family home resales; therefore, for this product type only, the table on the following page show detached, single-family homes that sold since July 1, 2023 (no other search parameters changed).

Resales							
Address	Subtype	Sale Date	Living Area (SF)	Sale Price	Sale Price /SF	Year Built	Lot Size
136 Listo Street	Condominium	7/24/2023	1,707	$1,000,000	$586	2015	
299 Alienta Lane	Condominium	4/4/2023	707	$485,000	$686	2018	
264 Alienta Lane	Condominium	5/31/2023	1,182	$700,000	$592	2018	
1 Patria	Condominium	4/10/2023	1,425	$725,000	$509	2017	
105 Patria	Condominium	6/15/2023	1,344	$735,000	$547	2016	
124 Jaripol Circle	Condominium	7/19/2023	1,318	$745,000	$565	2017	
102 Alienta Lane	Condominium	6/23/2023	1,216	$760,000	$625	2018	
167 Patria	Condominium	5/5/2023	1,428	$765,000	$536	2017	
175 Alienta Lane	Condominium	5/9/2023	1,395	$840,000	$602	2020	
81 Promesa Avenue	Condominium	6/20/2023	2,424	$1,060,000	$437	2017	
163 Garcilla Drive	Condominium	6/30/2023	1,729	$1,175,000	$680	2018	
566 Catalonia	Condominium	7/5/2023	2,467	$1,280,000	$519	2021	
505 Deeann	Condominium	4/6/2023	1,761	$920,000	$522	2019	
Total Sales	**Condominium**	**13**	**1,546 (avg.)**	**$860,769 (avg.)**	**$570 (avg.)**	**2018 (avg.)**	
154 Natal Road	Townhome	4/5/2023	1,585	$775,000	$489	2019	
152 Jaripol Circle	Townhome	6/20/2023	1,617	$869,000	$537	2017	
3781 Bellver #13	Townhome	6/20/2023	1,711	$1,000,000	$584	2020	
Total Sales	**Townhome**	**3**	**1,638 (avg.)**	**$881,333 (avg.)**	**$537 (avg.)**	**2019 (avg.)**	
520 Escenico	Single-Family Detached	7/6/2023	1,969	$1,220,000	$620	2017	2,911
23 Morning Glory	Single-Family Detached	7/14/2023	2,252	$1,540,000	$684	2015	4,743
40 Forster	Single-Family Detached	7/26/2023	2,547	$1,615,000	$634	2016	3,994
172 Luneta Lane	Single-Family Detached	7/18/2023	1,569	$1,049,975	$669	2019	4,840
43 Lomada Street	Single-Family Detached	8/11/2023	2,121	$1,150,000	$542	2016	2,729
30 Ocaso Street	Single-Family Detached	7/19/2023	2,018	$1,180,000	$585	2018	3,391
54 Puesto Road	Single-Family Detached	7/21/2023	1,688	$1,190,000	$705	2016	4,042
11 Pascuas Place	Single-Family Detached	7/24/2023	2,144	$1,195,000	$557	2019	3,337
76 Vasto Street	Single-Family Detached	7/26/2023	2,464	$1,200,000	$487	2017	2,609
37 Alienta Lane	Single-Family Detached	7/19/2023	2,307	$1,244,000	$539	2018	3,524
51 Vasto Street	Single-Family Detached	7/21/2023	2,615	$1,298,925	$497	2017	3,059
71 Cerrero Court	Single-Family Detached	7/14/2023	1,659	$1,485,000	$895	2017	4,502
25 Jarano Street	Single-Family Detached	7/12/2023	2,910	$1,535,000	$527	2019	4,231
62 Cerrero Court	Single-Family Detached	8/7/2023	2,184	$1,550,000	$710	2015	4,885
25 Sedoso Court	Single-Family Detached	8/11/2023	2,880	$1,680,000	$583	2018	4,526
131 Primrose Drive	Single-Family Detached	8/2/2023	1,825	$1,175,000	$644	2016	2,227
223 Primrose Drive	Single-Family Detached	7/5/2023	1,825	$1,260,000	$690	2015	2,718
1871 Aliso Canyon Drive	Single-Family Detached	7/12/2023	3,099	$1,600,000	$516	2020	4,760
103 Encantador	Single-Family Detached	7/20/2023	2,198	$1,325,000	$603	2018	3,384
639 Athos	Single-Family Detached	8/9/2023	2,754	$1,635,000	$594	2020	3,290
Total Sales	**Single-Family Detached**	**20**	**2,251 (avg.)**	**$1,356,395 (avg.)**	**$614 (avg.)**	**2017 (avg.)**	**3,685 (avg.)**

Ability to Pay

The subject includes six product lines and four different styles of product; price points vary by product type. In this section, we will examine the ability to pay among prospective buyers for the lowest and highest representative price point within the appraised properties, or $520,000 consistent with Plan 1 in Mariposa (attached back to back townhomes, 930 SF) and $1,100,000 consistent with Plan 4 in

Bloom (detached alley, 2,150 SF). First, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rate of 7.000%, 360 monthly payments, and a 40% ratio for the housing as a percent of monthly income (inclusive of principal, interest, all taxes and insurance). Property tax payments are accounted for in the analysis (including direct charges), as well as homeowner's insurance. The following tables show the estimate of the annual household income that would be required to afford homes priced at the representative price point.

Income Required

Home Price	$520,000	$1,100,000
Loan % of Price (Loan to Value)	80%	80%
Loan Amount	$416,000	$880,000
Interest Rate	7.000%	7.000%
Mortgage Payment	$2,768	$5,855
Ad Valorem Taxes	$455	$943
CFD No. 2023-1	$482	$987
Property Insurance	$108	$229
Total Monthly Obligation	$3,813	$8,014
Mortgage Payment % of Income	40%	40%
Monthly Income	$9,532	$20,036
Annual Income	$114,383	$240,431

Generally, interest rates have an inverse relationship to the affordability of a home. In short, all else being equal, higher interest rates lower the price point for buyers based on income. Over the past several years, interest rates have remained historically low, often at or below 3.0%. Current mortgage interest rates more closely resemble historic rates and for the most part the home buyer pool appears to recognize that the 3% mortgage rate environment was the anomaly and rates around the 7% level are most likely into the foreseeable future.

Conversations with sales agents in multiple new home projects noted there was a slowing in demand for new residential homes in the second half of 2022 and early 2023. The combination of historically high new home prices and rising interest rates priced some buyers out of entry-level (lower-priced) homes. While some projects were affected more than others, coastal locations and limited supply submarkets fared better than emerging submarkets with a concentration of competing projects, predominately due to inventory levels. Continued high inflation forced prospective homeowners to account for other costs (like groceries, gas, etc.) over buying a new home at a higher interest rate. Homebuilders reported turmoil from pending buyers dropping out of contract because of rising interest rates. Most homebuilders reported the pace of sales slowed from the historic highs. Further, homebuilders began offering concessions in the form of buying down interest rates and discounted options, instead of decreasing their base prices. In some markets, there was enough downward pressure on the market for homebuilders to offer concessions as well as drop their base prices.

Prior to mid-2022, homebuilders were able to sell homes faster than they were able to construct them, but with the rising interest rates this has since moderated pace of sales to a level more in line with builders' ability to deliver. The recent increases in interest rates impacted the pace of sales as well as pricing in most markets. However, there are signs the residential market is beginning to stabilize. Markets in Spring 2023 have generally been stronger than expected. Homebuyers that previously were waiting on the sidelines either in anticipation of decreasing home prices, or due to interest rate volatility, are beginning to adjust their budgets to the new higher interest rates as home pricing stabilizes. In addition, low inventory and a tight resale market make new construction more attractive. According to market participants in the spring, absorption rates have remained steady or increased slightly with some homebuilders having small increases in base prices from the First Quarter 2023.

We have also obtained income data from Spotlight Analytics, for a 10-mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. In the following tables we show the income brackets within the noted area, along with estimates of the percentage of households able to afford homes priced at the representative price points within each income bracket.

Household Ability $520,000

Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
Current Year Households, Household Income < $15,000	8,283	4.5%	0.0%	0	0.0%
Current Year Households, Household Income $15,000 - $24,999	6,839	3.7%	0.0%	0	0.0%
Current Year Households, Household Income $25,000 - $34,999	7,620	4.1%	0.0%	0	0.0%
Current Year Households, Household Income $35,000 - $49,999	10,924	5.9%	0.0%	0	0.0%
Current Year Households, Household Income $50,000 - $74,999	19,258	10.4%	0.0%	0	0.0%
Current Year Households, Household Income $75,000 - $99,999	19,491	10.5%	0.0%	0	0.0%
Current Year Households, Household Income $100,000 - $124,999	19,057	10.3%	42.5%	8,093	4.4%
Current Year Households, Household Income $125,000 - $149,999	16,676	9.0%	100.0%	16,676	9.0%
Current Year Households, Household Income $150,000 - $199,999	24,251	13.1%	100.0%	24,251	13.1%
Current Year Households, Household Income $200,000 - $249,999	15,167	8.2%	100.0%	15,167	8.2%
Current Year Households, Household Income $250,000 - $499,999	20,927	11.3%	100.0%	20,927	11.3%
Current Year Households, Household Income $500,000+	17,051	9.2%	100.0%	17,051	9.2%
	185,544	100.0%		102,165	55.1%

Household Ability $1,100,000

Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
Current Year Households, Household Income < $15,000	8,283	4.5%	0.0%	0	0.0%
Current Year Households, Household Income $15,000 - $24,999	6,839	3.7%	0.0%	0	0.0%
Current Year Households, Household Income $25,000 - $34,999	7,620	4.1%	0.0%	0	0.0%
Current Year Households, Household Income $35,000 - $49,999	10,924	5.9%	0.0%	0	0.0%
Current Year Households, Household Income $50,000 - $74,999	19,258	10.4%	0.0%	0	0.0%
Current Year Households, Household Income $75,000 - $99,999	19,491	10.5%	0.0%	0	0.0%
Current Year Households, Household Income $100,000 - $124,999	19,057	10.3%	0.0%	0	0.0%
Current Year Households, Household Income $125,000 - $149,999	16,676	9.0%	0.0%	0	0.0%
Current Year Households, Household Income $150,000 - $199,999	24,251	13.1%	0.0%	0	0.0%
Current Year Households, Household Income $200,000 - $249,999	15,167	8.2%	19.1%	2,899	1.6%
Current Year Households, Household Income $250,000 - $499,999	20,927	11.3%	100.0%	20,927	11.3%
Current Year Households, Household Income $500,000+	17,051	9.2%	100.0%	17,051	9.2%
	185,544	100.0%		40,877	22.0%

Conclusions

Demand for homes in the subject's market area is considered to be moderating somewhat compared to the expansion period as indicated by the overall trend of building permit activity, new home sales prices, and activity in recent quarters as well as the sales activity within the larger Rienda master planned community. Even with some reduction in the number of new buyers, due to rising interest rates, the remaining pool of buyers (demand) for the subject's product lines appears to be greater than the supply.

Property Analysis

Land Description and Analysis

Location

The property is located on the north side of Cow Camp Road approximately one mile east of its intersection with Los Patrones Parkway, within an unincorporated area of South Orange County identified as Rancho Mission Viejo. Rancho Mission Viejo is an active 23,000-acre ranch and farm, habitat reserve and community.

Shape and Dimensions

Overall, the boundaries of the subject are irregular in shape, but are not so irregular as to inhibit development of the property commensurate with the underlying land use designations. Site utility based on shape is average.

Topography

Overall, the topography within the boundaries of the subject is rolling; however, each partially finished lot will be level. The topography does not result in any particular development limitations.

Off-site Improvements

Off-site improvements currently consist of paved streets, as well as curbs, gutters, sidewalks, and streetlights. According to the Master Developer, the remaining public improvements to be completed include Gibby Road and Bridge, a flood control basin, a pump station, and a water-quality basin.

On-site Improvements

Development of the property has begun. Remaining on-site improvements include storm drain, wet and dry utilities, streets, landscape/hardscape, pocket parks, etc.

Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	06059C0465J
Date	December 3, 2009
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

Ranch Plan Fire Protection Program

The Master Developer has worked closely with the Orange County Fire Authority and the County of Orange on a three-party agreement that specifies:

- Construction Code Requirements;
- Fuel Modification Zones based on sophisticated research and fire behavior modeling;
- Landscaping and Plan Species Restrictions;
- Emergency Vehicle Access; and
- Detailing Review at Multiple Levels of Planning, Continually Updated per State Codes.

According to information provided by the Master Developer, other wildfire risk mitigations implements by Rancho Mission Viejo include perpetual funding, maintenance, and enforcement through an HOA; appropriate and reliable fire access and evacuation routes; adequate water supplies; residential fire sprinklers; underground project utilities; community design and siting to minimize fire risk (e.g., slope setbacks); and new fire stations, fire equipment and/or funding for firefighters to provide for a rapid initial fire attack where it not previously exist.

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Seismic Hazards

According to the Seismic Safety Commission, there are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. The subject site is located within Zone 4, which is considered to be the highest risk zone in California. The subject is not located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology. It should be noted, in general, a number of faults are located in Southern California and throughout California; thus, the area is subject to severe ground shaking during earthquakes. Competitive sites face similar seismic risk.

Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the existing improvements.

Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

Streets, Access and Frontage

Street	Cow Camp	Interior Streets
Frontage Feet	4,850±	N/Ap
Paving	Yes	Yes
Curbs	Yes	Yes
Sidewalks	Yes	Yes
Lanes	2 way, 3 lanes each way	2 way, 1 lane each way
Direction of Traffic	East-West	N/Ap
Condition	Average	N/Ap
Traffic Levels	Moderate	Low
Signals/Traffic Control	Turn lane	Stop signs
Access/Curb Cuts	Average	Average
Visibility	Average	Average

The recent completion of the extension of Los Patrones Parkway to the west of the subject provides access from Cow Camp Road to Oso Parkway to the north, with further access to the 241 toll road.

The southern segment of Los Patrones Parkway opened to traffic in Rancho Mission Viejo in October 2019. The completed project extended the parkway about a mile and a half from Chiquita Canyon Drive to Cow Camp Road (adjacent to the subject property). An article from the Orange County Register, published on October 18, 2019, summarizes the larger Los Patrones Parkway and Oso Parkway Bridge project below.

The first phase of the project from Oso Parkway (to the north) to Chiquita Canyon Drive was completed in September 2018. With the extension finished, the 4.5-mile, four-lane public road connects Rancho Mission Viejo residents, especially those in the Esencia neighborhoods, to Oso Parkway and the 241 toll road.

The Transportation Corridor Agencies (TCA) and Orange County Public Works is overseeing a $30 million project to turn Oso Parkway into a bridge and to connect the 241 toll road directly to Los Patrones Parkway.

The entire stretch of Los Patrones Parkway cost $98 million to construct, with funding through a partnership between Rancho Mission Viejo, the County and the Transportation Corridor Agencies.

Utilities

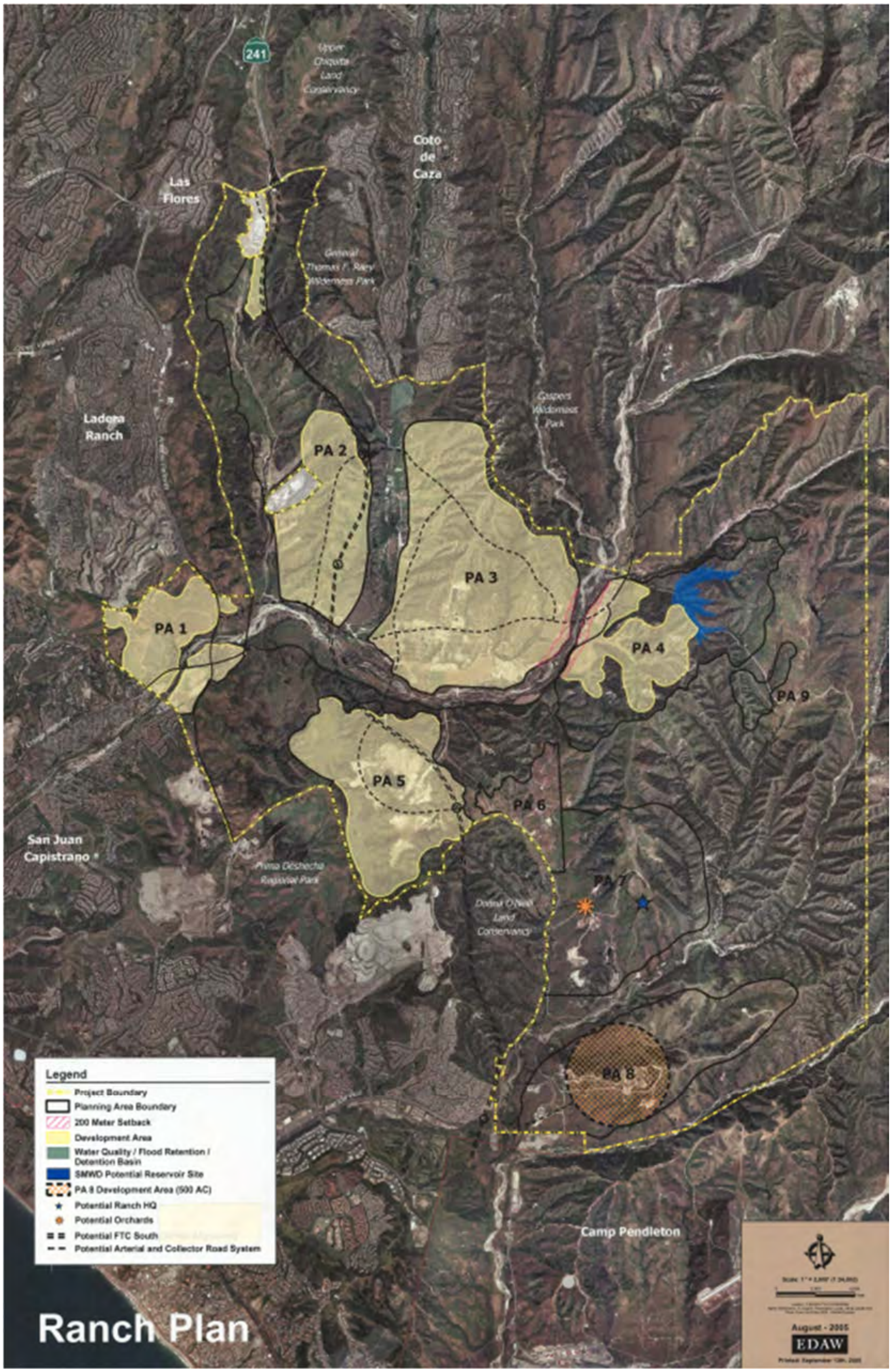
The availability of utilities to the subject is summarized in the following table.

Utilities

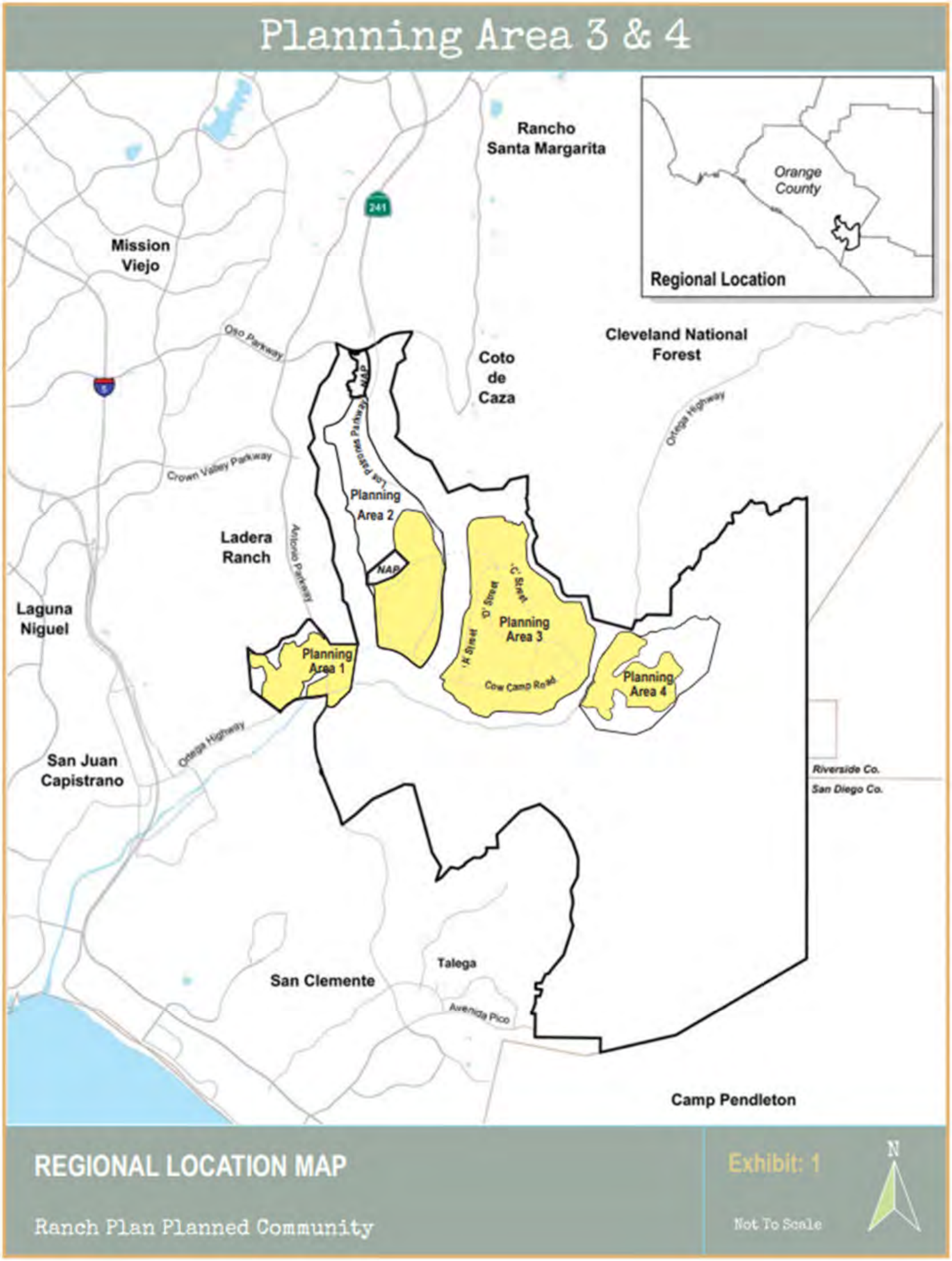
Service	Provider
Water	Santa Margarita Water District (SMWD)
Sewer	Santa Margarita Water District (SMWD)
Electricity	San Diego Gas and Electric (SDG&E)
Natural Gas	San Diego Gas and Electric (SDG&E)
Local Phone	Various providers

Zoning

A summary of land uses comprising the Planning Areas 3 and 4 of the Ranch Plan Specific Plan is provided in the following table from the PA3-4 Master Area Plan, dated September 11, 2019. On the following page are two maps identifying PA3-4 and the subareas of PA3-4.



241
Coto
de
Caza
Las
Flores
Ladera
Ranch
San Juan
Capistrano
PA 1
PA 2
PA 3
PA 4
PA 5
PA 6
PA 7
PA 8
PA 9
Camp Pendleton
Legend
Project Boundary
Planning Area Boundary
200 Meter Setback
Development Area
Water Quality / Flood Retention / Detention Basin
SMWD Potential Reservoir Site
PA 8 Development Area (500 AC)
Potential Ranch HQ
Potential Orchards
Potential FTC South
Potential Arterial and Collector Road System
Ranch Plan
August - 2005
EDAW


Planning Area 3 & 4
Rancho Santa Margarita
Regional Location
Orange County
Mission Viejo
Oso Parkway
Coto de Caza
Cleveland National Forest
Ortega Highway
Crown Valley Parkway
Los Patrones Parkway
NAP
Planning Area 2
Ladera Ranch
Antonio Parkway
'C' Street
'D' Street
'H' Street
Planning Area 3
Cow Camp Road
Planning Area 4
Laguna Niguel
Planning Area 1
San Juan Capistrano
Ortega Highway
Riverside Co.
San Diego Co.
Talega
San Clemente
Avenida Pico
Camp Pendleton
REGIONAL LOCATION MAP
Ranch Plan Planned Community
Exhibit: 1
Not To Scale
N

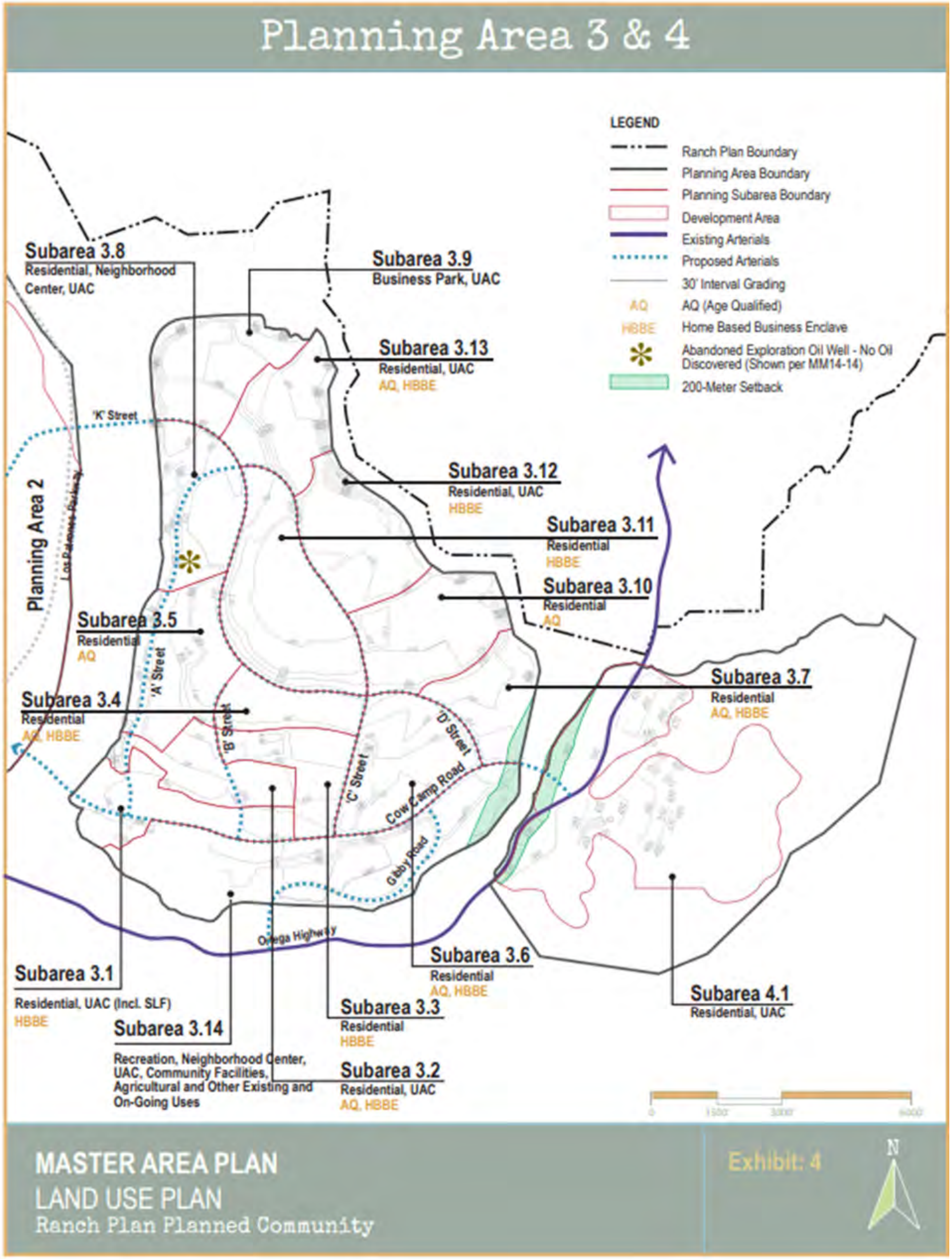
Planning Area 3 & 4

Planning Area	Development Use: Residential – Gross Acres	Residential – Maximum Dwelling Units	Residential – Maximum Non-Residential Square Footage (000)	Urban Activity Center (UAC) – Gross Acres	UAC – Maximum Square Footage of Non-Residential Uses (000)	Neighborhood Center – Gross Acres	Neighborhood Center – Maximum Square Footage (000)	Business Park – Gross Acres	Business Park – Maximum Square Footage (000)	Golf Resort – Gross Acres	Gross Acres	Open Space Use – Open Space Acres	Planning Area Totals – Gross Acres
Planning Area 1	446	1,247	110	5	30	13	95				464	240	704
Planning Area 2	806	2,760	15	45	495	5	30				856	824	1,680
Planning Areas 3 & 4	**2,396**	**7,500**	**120**	**201**	**2,830**	**19**	**145**	**50**	**305**		**2,666**	**647**	**3,313**
Planning Areas 5 & 8	1,705	2,493				13	220	30	805	25	1,773	3,010	4,783
Planning Area 10												12,203	12,203
Subtotal	5,353	14,000	245	251	3,355	50	490	80	1,110	25	5,759	16,924	22,683
Total													

Revised July 26, 2006, Per Planning Commission Resolution # 06-05.
Revised February 23, 2011, per PA110003, PA110004, PA110005, and PA110006.
Revised March 27 , 2013, per Planning Commission
Revised February 26, 2015, per Planning Commission
Revised September 11, 2019, per Planning Commission

MASTER AREA PLAN
PC STATISTICAL TABLE REVISION (Per Ranch Plan Planned Community Program Text Section II.A.4.b.)
Ranch Plan Planned Community

PA 3 & 4 MASTER AREA PLAN
Table 1


Planning Area 3 & 4
LEGEND
Ranch Plan Boundary
Planning Area Boundary
Planning Subarea Boundary
Development Area
Existing Arterials
Proposed Arterials
30' Interval Grading
AQ AQ (Age Qualified)
HBBE Home Based Business Enclave
Abandoned Exploration Oil Well - No Oil Discovered (Shown per MM14-14)
200-Meter Setback
Subarea 3.8
Residential, Neighborhood Center, UAC
Subarea 3.9
Business Park, UAC
Subarea 3.13
Residential, UAC
AQ, HBBE
Subarea 3.12
Residential, UAC
HBBE
Subarea 3.11
Residential
HBBE
Subarea 3.10
Residential
AQ
Subarea 3.5
Residential
AQ
Subarea 3.4
Residential
AQ, HBBE
Subarea 3.7
Residential
AQ, HBBE
'K' Street
'A' Street
'B' Street
'C' Street
'D' Street
Cow Camp Road
Gobby Road
Ortega Highway
Los Patrones Parkway
Planning Area 2
Subarea 3.1
Residential, UAC (Incl. SLF)
HBBE
Subarea 3.14
Recreation, Neighborhood Center, UAC, Community Facilities, Agricultural and Other Existing and On-Going Uses
Subarea 3.6
Residential
AQ, HBBE
Subarea 3.3
Residential
HBBE
Subarea 3.2
Residential, UAC
AQ, HBBE
Subarea 4.1
Residential, UAC
MASTER AREA PLAN
LAND USE PLAN
Ranch Plan Planned Community
Exhibit: 4
N

Planning Area 3 & 4

Planning Area	Development Use																		Open Space Use	Planning Area Totals
	Residential										Urban Activity Center (UAC)		Neighborhood Center		Business Park		Golf Resort Gross Acreage			
	Gross Acres	Net Acres	Maximum Dwelling Units	Conventional Single-Family Detached Dwellings	Planned Concept Detached Dwellings	Multiple-Family Dwellings	Estate Lots	Age Qualified Dwelling Units	Maximum Non-Residential Square Footage (000)	Parkland Gross Acreage	Gross Acres	Maximum Square Footage of Non-Residential Uses (000)	Gross Acres	Maximum Square Footage (000)	Gross Acres	Maximum Square Footage (000)		Gross Acres	Open Space Acres	Gross Acres
Planning Areas 3 & 4	**2,396**	1,372	**7,500**	1,415	4,000	2,085		2,865	**120**	95	**201**	**2,830**	**19**	**145**	**50**	**305**	**0**	**2,666**	**647**	**3,313**
Subarea 3.1	105	76	775	0	520	255		0	120	5	13	10						**118**		
Subarea 3.2	102	74	805	125	435	245		130		5								**102**		
Subarea 3.3	98	71	430	130	100	200		0		10								**98**		
Subarea 3.4	80	58	320	140	125	55		320		5								**80**		
Subarea 3.5	163	119	655	165	435	55		405										**163**		
Subarea 3.6	168	122	725	50	405	270		280		5								**168**		
Subarea 3.7	106	77	395	50	160	185		160		5								**106**		
Subarea 3.8	108	79	400		160	240		240		5	25	405	14	100				**147**		
Subarea 3.9	14										82	1,015			50	305		**146**		
Subarea 3.10	169	123	825	200	625			825		5								**169**		
Subarea 3.11	235	171	820	200	400	220				20	8	210						**243**		
Subarea 3.12	117	85	545	80	305	160					40	460						**157**		
Subarea 3.13	133	97	305	50	155	100		305		5								**133**		
Subarea 3.14	320									20	8	30	5	45				**333**		
Subarea 4.1	478	220	500	225	175	100		200		5	25	700						**503**		

MASTER AREA PLAN
DEVELOPMENT TABLE (Per Ranch Plan Planned Community Program Text Section II.B.3.a. and II.B.3.b.)
Ranch Plan Planned Community

PA-3 & 4 MASTER AREA PLAN
Table 2

The land use plan for Planning Areas 3 and 4 is composed of a majority of residential uses with urban activity center, neighborhood center, public facilities, recreation and open space. There are a maximum of 7,500 dwelling units, 201 gross acres of Urban Activity Center uses and 19 acres of Neighborhood Center uses proposed within the 2,666 gross acre development use portion of Planning Areas 3 and 4. The remainder of the 3,313 gross acre PA3-4 would be 647 acres of permanent open space.

More specifically, the subject property is located within a portion of Subarea 3.3, details related to this entire Subarea is provided below:

Subarea 3.3
The 98-gross-acre Subarea 3.3 is located in the south-central portion of Planning Area 3. Cow Camp Road would traverse the southerly boundary of the subarea and “C” Street would traverse the easterly boundary of the subarea. The following land uses are proposed:

- 98 gross acres of residential area, allowing a total of up to 430 dwelling units, none of which are planned as age-qualified units. This residential area may also include, but not be limited, to the following uses allowed by Section III.A (Residential) of the Ranch Plan Planned Community Program Text:

- o A potential affordable housing site of up to 6-gross-acres in compliance with the Affordable Housing Implementation Agreement (AHIA).
- A potential Home Based Business Enclave (HBBE).
- Recreational Uses (including, but not limited to):
  - Private recreational uses, including but not limited to sports fields, sports courts, tot lots, and pedestrian and bike trails, swimming pools, and clubhouses
  - Up to 10 acres of public parkland
- Community Facility uses (including, but not limited to):
  - A K-8 public school
  - Private clubs and recreational facilities to be owned and operated by the Master Maintenance Corporation, including serving alcoholic beverages
  - A wireless facilities tower up to 70 feet in height

To the best of our knowledge, there are no pending or prospective zoning changes. It appears that the property as proposed conforms with zoning requirements.

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required.

Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

Entitlements

A summary of the current legal (entitlements) and physical status of the appraised properties is shown in the following table.

Entitlements

Planning Area	Market Segment	Product Type	Typical Lot Size	No. of Units	Market Entry (Commence Sales)	Development Status			
						Units Under Construction	Finished Lots	Partially Improved Lots	Unimproved Lots
MR-6	All Age	Attached Back to Back Townhomes		106	Nov-23			106	
MR-8	All Age	Attached Row Townhomes		93	Nov-23			93	
MR-11	All Age	Detached Duplex		82	Nov-23			82	
MR-24	All Age	Detached Alley	1,260	69	Nov-23			69	
MR-25	All Age	Detached Alley	2,150	82	Nov-23			82	
MR-28	All Age	Detached Alley	1,885	82	Nov-23			82	
Total				514		0	0	514	0

Easements, Encroachments and Restrictions

We have reviewed four preliminary title reports prepared by First American Title Company dated December 15, 2022 or January 20, 2023. The reports identify exceptions to title, which include various utility and access easements that are typical for a property of this type. Such exceptions would not appear to have an adverse effect on value. Our valuation assumes no adverse impacts from easements, encroachments or restrictions and further assumes that the subject has clear and marketable title.

Site Development Costs

Per the cost budgets provided by each homebuilder, site development costs are summarized as follows:

Site Development Cost Summary

Planning Area	Builder	Market Segment / Product Type	No. of Units	Total Site Development Costs	Current Condition	Remaining Site Development Costs
MR-6	Lennar	All Age Attached Back to Back Townhomes	106	$ 4,646,711.00 $43,837 /lot	Partially-Improved Lots	$ 654,820.75 $6,178 /lot
MR-8	Trumark	All Age Attached Row Townhomes	93	$ 13,234,996.00 $142,312 /lot	Partially-Improved Lots	$ 4,677,215.75 $50,293 /lot
MR-11	Pulte	All Age SFD - Duplex	82	$ 5,835,284.00 $71,162 /lot	Partially-Improved Lots	$ 2,756,102.95 $33,611 /lot
MR-24	Lennar	All Age SFD Alley (30' x 42')	69	$ 5,021,770.00 $72,779 /lot	Partially-Improved Lots	$ 483,664.95 $7,010 /lot
MR-25	Shea	All Age SFD Alley (43' x 50')	82	$ 5,979,162.00 $72,917 /lot	Partially-Improved Lots	$ 3,849,651.75 $46,947 /lot
MR-28	TriPointe	All Age SFD Alley (31' - 34' x 58')	82	$ 5,241,898.00 $63,926 /lot	Partially-Improved Lots	$ 3,446,095.55 $42,026 /lot

Remaining Off-Site Cost Obligations

According to the Master Developer, construction of off-site improvements as of the effective appraisal date (August 31, 2023) are detailed in the following table.

Off-Site Cost Obligations

Improvements	Budget	Spent to Date	Remaining Costs	CFD Eligible Costs	Remaining Non CFD Eligible Costs
Major Infrastructure					
Cow Camp Road	$ 9,947,000	$ 9,947,000	$ -	$ 9,947,000	$ -
Gibby Bridge and Roadway	39,892,000	34,966,930	4,925,070	39,892,000	-
County Flood Control Basin	16,805,000	-	16,805,000	16,805,000	-
Zone B Pump Station	4,250,000	97,800	4,152,200	4,250,000	-
Water Quality Basin	1,823,000	-	1,823,000	1,823,000	-
Total Major Infrastructure	**$ 72,717,000**	**$ 45,011,730**	**$ 27,705,270**	**$ 72,717,000**	**$ -**
Development Costs					
Design/Engineering/Fees/Bonds (Project Soft Costs)	$ 3,762,739	$ 2,475,112	$ 1,287,627	$ -	$ 1,287,627
Grading/Storm Drain	15,814,748	13,451,703	2,363,045	2,847,547	(484,502)
Streets/Wet + Dry Utilities	4,787,624	2,305,224	2,482,400	4,840,453	-
Landscape/Hardscape	4,469,631	2,034,157	2,435,474	-	2,435,474
Parks/Trails	2,041,685	1,139,910	901,775	-	901,775
Amenities/Clubhouses	4,996,875	880,479	4,116,396	-	4,116,396
Indirect Construction Costs	-	-	-	-	-
Impact Fees					
OCFA (Fire Station)	5,800,000	5,800,000	-	5,078,000	-
Impact Fees (TCA, SMWD, Library)	5,613,862	794,328	4,819,534	-	4,819,534
Total Development Costs	**$ 47,287,164**	**$ 28,880,913**	**$ 18,406,251**	**$ 12,766,000**	**$ 13,076,304**
TCA Impact Fee Credit					$ (3,011,180)
Grand Total	**$ 120,004,164**	**$ 73,892,643**	**$ 46,111,521**	**$ 85,483,000**	**$ 10,065,124**

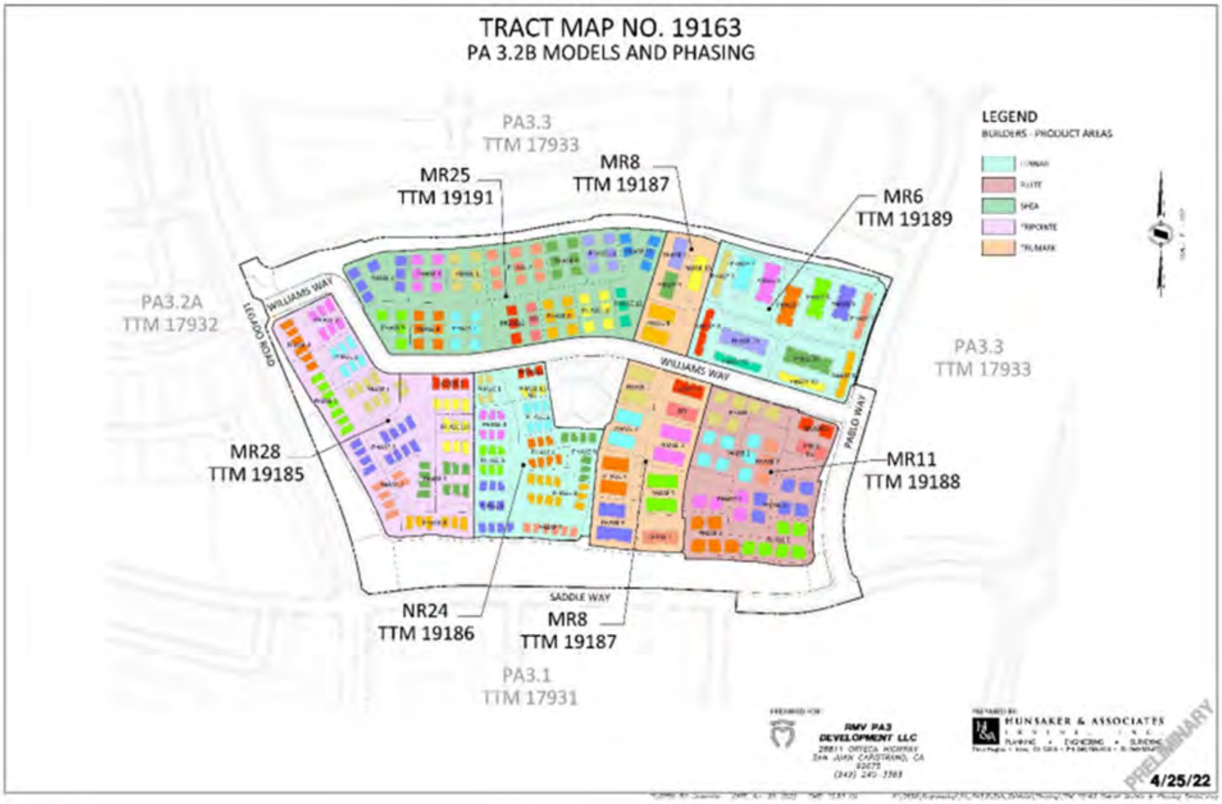
Total remaining off-site cost obligations associated with Planning Area 3.2B/Phase 2B equate to $13,076,304, net of estimated CFD No. 2023-1 County of Orange Bond Proceeds. In addition, the Master Developer has a fee credit agreement with the County for the TCA Impact Fees with the County, in which the credit balance more than off-sets the remaining TCA Impact Fees of $3,011,180 as of the effective appraisal date.

The Master Developer is responsible for the remaining costs a contractual obligation ($10,065,124), net of CFD eligible infrastructure costs and impact fee credits. However, for valuation purposes and given the fact the majority of the District properties are now held by homebuilders, it is appropriate to reflect these remaining off-site cost obligations as a deduction across the total 514 units, as these costs benefit all the units appraised. The pro-rata deduction for the remaining off-site cost obligations is approximately $19,581.95 per unit ($10,065,124 divided by 514 total units).

Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include residential development. We are not aware of any other particular restrictions on development.

Site Plan


TRACT MAP NO. 19163
PA 3.2B MODELS AND PHASING
LEGEND
PA3.3
TTM 17933
MR25
TTM 19191
MR8
TTM 19187
MR6
TTM 19189
PA3.2A
TTM 17932
WILLIAMS WAY
PA3.3
TTM 17933
MR28
TTM 19185
MR11
TTM 19188
PABLO WAY
SADDLE WAY
NR24
TTM 19186
MR8
TTM 19187
PA3.1
TTM 17931
HUNSAKER & ASSOCIATES
PRELIMINARY
4/25/22

Aerial Map


Community Facilities District No. 2023-1 of the
County of Orange (Rienda Phase 2B)
Legado Way
Saddle Way
Williams Way
N

Proposed Improvements Description

The table on the following page provides a summary of the proposed projects within The Village of Rienda master planned community comprising Phase 2B.

Interior finishes vary amongst each of the builders/projects, but are generally consistent with market expectations and offer a range of options and upgrades to prospective buyers.

It is noted the subject properties are encumbered by a Homeowner's Association (HOA) that will be responsible for maintenance of the private roads and common areas throughout the project. The dues have not yet been determined.

Improvement Description

Planning Area / Project Name	Builder	Market Segment / Product Type	No. of Units	Market Entry (Commence Sales)	Floor Plan	Home Size (SF)	Empire Economics Recommended Price (July 2023)*	Builder Base Price as of July 2023**	Builder Price per SF	HOA
Planning Area 3										
MR-6	Lennar	All Age	106	Nov-23	Plan 1	922	$520,000	$520,000	$563.99	
Mariposa		Attached Back to Back			Plan 2	1,371	$695,000	$695,000	$506.93	
		Townhomes			Plan 3	1,482	$710,000	$710,000	$479.08	N/Av
					Plan 4	1,605	$730,000	$730,000	$454.83	
					Plan 4x	1,663	$765,000	$765,000	$460.01	
MR-8	Trumark	All Age	93	Nov-23	Plan 1	923	$557,682	$579,990	$628.37	
Willow		Attached Row Townhomes			Plan 2	1,272	$691,241	$694,990	$546.38	N/Av
					Plan 3	1,540	$788,990	$788,990	$512.33	
MR-11	Pulte	All Age	82	Nov-23	Plan 1	1,142	$641,491	$690,000	$604.20	
Juniper		SFD - Duplex			Plan 2	1,230	$675,168	$710,000	$577.24	N/Av
					Plan 3	1,525	$750,000	$750,000	$491.80	
					Plan 4	1,608	$800,000	$800,000	$497.51	
MR-24	Lennar	All Age	69	Nov-23	Plan 1	1,397	$760,415	$820,000	$586.97	
Flora		SFD Alley (30' x 42')			Plan 2	1,597	$838,499	$900,000	$563.56	N/Av
					Plan 3	1,818	$924,782	$945,000	$519.80	
MR-25	Shea	All Age	82	Nov-23	Plan 1	1,753	$899,405	$990,000	$564.75	
Bloom		SFD Alley (43' x 50')			Plan 2	1,805	$919,707	$1,010,000	$559.56	N/Av
					Plan 3	2,017	$1,002,476	$1,060,000	$525.53	
					Plan 4	2,150	$1,054,402	$1,100,000	$511.63	
MR-28	TriPointe	All Age	82	Nov-23	Plan 1	1,691	$875,199	$893,000	$528.09	
Heatherly		SFD Alley (31' - 34' x 58')			Plan 2	2,003	$975,000	$975,000	$486.77	N/Av
					Plan 3	2,182	$1,043,000	$1,043,000	$478.00	

*Source: "DRAFT" Price Point *Review* Study Addendum 1, prepared by Empire Economics, dated August 24, 2023

**Source: Merchant Builder Questionnaires











Drone Photos

The following drone photos were provided by the Master Developer which show current builder site development/in-tract progress (taken September 5, 2023).

Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

Ad Valorem Taxes

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the remaining property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised properties. According to the Orange County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.01041% based on assessed value.

Special Taxes

All of the appraised properties are encumbered by CFD No. 2023-1. The special tax amounts applicable to the CFD are provided in the tables on the following pages. Additionally, direct charges of $17 per year exist for each unit and will be considered in our analysis.

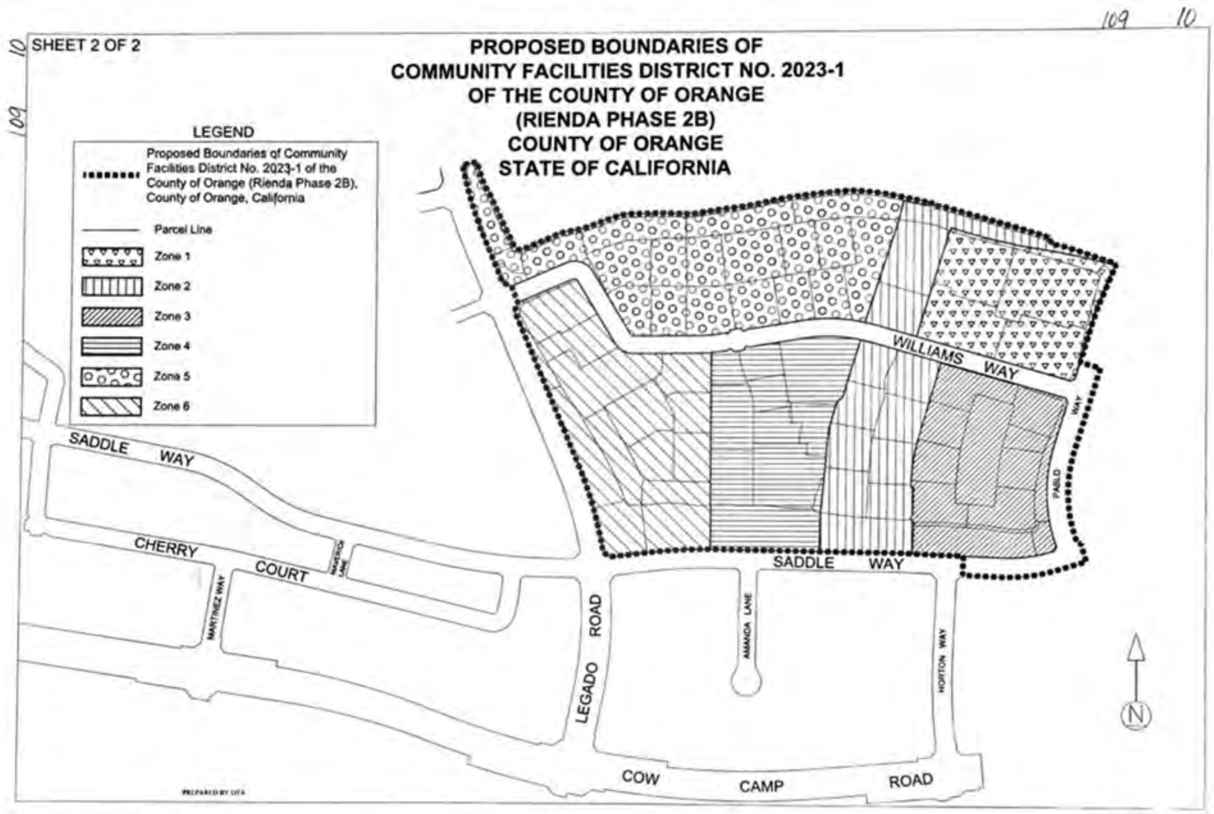
County of Orange CFD No. 2023-1 (Rienda Phase 2B)

Zone	Units	Residential Floor Area	Fiscal Year 2023-24 Special Tax
1	40	Attached Flats (> 1,600 SF)	$7,207.00
1	0	Attached Flats (1,501 - 1,600 SF)	$7,040.00
1	30	Attached Flats (1,401 - 1,500 SF)	$7,009.00
1	20	Attached Flats (1,301 - 1,400 SF)	$6,861.00
1	0	Attached Flats (1,201 - 1,300 SF)	$6,205.00
1	16	Attached Flats (< 1,201 SF)	$5,129.00
2	40	Attached Row Townhomes (> 1,400 SF)	$7,791.00
2	40	Attached Row Townhomes (1,101 - 1,400 SF)	$6,823.00
2	13	Attached Row Townhomes (< 1,101 SF)	$5,502.00
3	20	Attached Duplex (> 1,600 SF)	$7,900.00
3	21	Attached Duplex (1,401 - 1,600 SF)	$7,405.00
3	21	Attached Duplex (1,201 - 1,400 SF)	$6,664.00
3	20	Attached Duplex (< 1,201 SF)	$6,331.00
4	21	Detached Stub Alley Small Lot (> 1,700 SF)	$9,135.00
4	22	Detached Stub Alley Small Lot (1,501 - 1,700 SF)	$8,281.00
4	26	Detached Stub Alley Small Lot (< 1,501 SF)	$7,508.00
5	28	Detached Stub Alley Large Lot (> 1,900 SF)	$9,903.00
5	54	Detached Stub Alley Large Lot (1,701 - 1,900 SF)	$8,883.00
5	0	Detached Stub Alley Large Lot (< 1,701 SF)	$8,112.00
6	55	Detached - Traditional (> 2,000 SF)	$9,631.00
6	0	Detached - Traditional (1,800 - 2,000 SF)	$8,992.00
6	27	Detached - Traditional (< 1,801 SF)	$8,644.00

Source: ETR Analysis CFD No. 2023-1, prepared by DTA and dated 8/24/2023

According to the Rate and Method of Apportionment, on each July 1, beginning on July 1, 2024, these special taxes are also subject to an annual increase of 2%.

The delineation of Tax Zones within the boundaries of CFD No. 2023-1 are shown as follows:


SHEET 2 OF 2
PROPOSED BOUNDARIES OF
COMMUNITY FACILITIES DISTRICT NO. 2023-1
OF THE COUNTY OF ORANGE
(RIENDA PHASE 2B)
COUNTY OF ORANGE
STATE OF CALIFORNIA
LEGEND
Proposed Boundaries of Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B), County of Orange, California
Parcel Line
Zone 1
Zone 2
Zone 3
Zone 4
Zone 5
Zone 6
SADDLE WAY
CHERRY COURT
WILLIAMS WAY
PABLO WAY
SADDLE WAY
LEGADO ROAD
AMANDA LANE
HORTON WAY
MARTINEZ WAY
COW CAMP ROAD
N
109 10

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

Highest and Best Use As If Vacant

Legally Permissible

The subject is part of the third phase of development within Rancho Mission Viejo and identified in The Ranch Plan Specific Plan as a portion of Planning Area 3 (PA-3), consisting of residential development areas.

To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The Ranch Specific Plan has undergone extensive planning and review as part of an ongoing master planned community development. Given prevailing land use patterns in the area, residential development is permitted and given further consideration in determining highest and best use of the site, as though vacant.

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a residential development with the underlying zoning and land use designations, which complement existing and proposed surrounding development.

Financially Feasible

Financial feasibility depends on supply and demand influences. With respect to financial feasibility of single-family residential development, consideration to the current state of the residential housing market and its impact on the residential land market is necessary. As previously discussed in the *Residential Market Analysis* section, the significant rise in mortgage interest rates had an inverse relationship on the affordability of a home. Prior to the second half of 2022, interest rates remained historically low, often at or below 3.0%. Conversations with sales agents in multiple new home projects noted there was a slowing in demand for new residential homes in the second half of 2022, with some buyers priced out of entry-level (lower-priced) homes. Current mortgage interest rates more closely resemble historic rates and for the most part the home buyer pool appears to recognize that the 3% mortgage rate environment was the anomaly and rates around the 7% level are most likely into the foreseeable future.

Prior to mid-2022, homebuilders were able to sell homes faster than they were able to construct the homes, but with moderating demand due to rising interest rates and inflation factors, construction delivery is no longer a project challenge. The downward shifts in home prices in the second half of 2022 had a significant impact on underlying land/lot values, and land brokers indicated an abrupt drop in builder demand for developable lots and challenges in selling lots presently available during that time period. Recent market conditions for new homes, constraints on new home inventory, appears to have reversed this trend and early indications are builders are once again looking to increase buildable lot inventories. Reports from active market participants indicate that while only a few bulk lot purchases have closed to builders lately, there is increased interest, and several pending sales are in the due diligence period for acquisition. Lot pricing remains lower than recent peaks achieved, but the return of builder interest in bulk lot acquisitions appears to be signaling a return to steady-to-increasing demand for new homes across many submarkets.

Current market conditions once again appear to support development of partially-improved and unimproved residential lots. With new, lower lot prices, land development to residential lots is again financially feasible (if the vacant land is acquired at prices commensurate with current new home pricing). This return to feasibility is driven by new home buyers (as of Spring 2023) beginning to adjust their budgets to the new interest rates and making purchases. Due to depleting lot existing inventories for many builders, additional land and lot acquisitions may be the maximally productive use of vacant land (discussed below).

Maximally Productive

Legal, physical, and market conditions have been analyzed to evaluate the highest and best use of the appraised properties as vacant. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, the maximally productive use of the appraised properties, and their highest and best use as vacant, may be to hold for future single-family residential development. While land development might be feasible (generates revenue at least some increment greater than cost to complete), it may not be the maximally productive use. The probable buyer of vacant land in the residential space is a merchant builder. For the most part these likely buyers have existing inventories, which under current new home pricing and pace of sales may supply their needs into the foreseeable future.

As Improved (Proposed)

As with the highest and best use as though vacant, the four tests of highest and best use must also be applied to the subject property considering the in-place improvements. Consideration must be given to the continued as-is use of the subject, as well as alternative uses for the subject. The potential alternative uses consist of demolition, expansion, conversion or renovation.

The subject properties are approved and under development as a master planned residential community, which is consistent with the highest and best use of the subject as if it were vacant. In the case of undeveloped land under development, consideration must be given to whether it makes sense to demolish existing improvements (either on-site or off-site improvements) for replacement with another use. The time and expense to demolish existing improvements, re-grade, reroute utilities or re-map must be weighed against alternative uses. If the existing or proposed improvements are not performing well, then it may produce a higher return to demolish existing improvements, if any, and re-grade the site for development of an alternative use.

Based on the current condition, the improvements completed contribute to the overall property value. The value of the subject property as improved exceeds its value as vacant less demolition. Therefore, it is concluded that the maximally productive and the highest and best use of the property is continued development of the subject as planned.

Most Probable Buyer

Taking into account the size and characteristics of the property, the probable buyer of the improved residential lots and partially-improved residential lots, as well as the partially-completed homes would be a production homebuilder. The probable buyers of the completed single-family homes would be individual homeowners.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction**, **land residual analysis,** and the **subdivision development method**.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

Land Residual Analysis

The land residual analysis is employed to estimate the market value for the subject's lots, by project. This valuation method is used in estimating land value when subdivision and development are the highest and best use of the land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land. The land residual analysis is conducted on a semi-annual basis. As a discounted cash flow analysis, the land residual analysis consists of four primary components summarized as follows:

Revenue – the gross income is based on the individual component values.

Absorption Analysis – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

Expenses – the expenses associated with the sell-off are calculated in this section – including administration, marketing and commission costs, as well as taxes and special taxes.

Discount Rate – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section.

Revenue

The projected sales price for the typical unit within the project will vary, as the ultimate sales price is affected by unit size, location within the project, site influences, construction costs, anticipated premiums achievable at the point of retail sale, as well as external influences such as adjacent land uses. Considering the proposed home sizes provided by each homebuilder, as well as the Draft Price Point Review Study Addendum 1, prepared by Empire Economics (dated August 24, 2023), the representative home and corresponding base price is estimated in the following table and will be utilized in the analyses.

Land Residual Revenue Basis

Planning Area / Project Name	Market Segment / Product Type	Typical Lot Size	No. of Units	Representative Home Size	Base Price
MR-6 / Mariposa	All Age / Attached Back to Back Townhomes		106	1,482 (Plan 3)	$710,000
MR-8 / Willow	All Age / Attached Row Townhomes		93	1,272 (Plan 2)	$690,000
MR-11 / Juniper	All Age/ Detached Duplex		82	1,230 (Plan 2)	$675,000
MR-24 / Flora	All Age / Detached Alley	1,260	69	1,597 (Plan 2)	$835,000
MR-25 / Bloom	All Age / Detached Alley	2,150	82	1,805 (Plan 2)	$920,000
MR-28 / Heatherly	All Age / Detached Alley	1,885	82	2,003 (Plan 2)	$975,000

As noted, the impact of the rising interest rates affects each buyer pool differently with the first-time homebuyer being the most affected in the buyer pool and luxury as well as age-restricted homebuyers the most insulated from the market. Given the current market conditions, the subject property is geared toward a combination of entry-level and/or first-time move-up home buyers. Consistent with many new communities in the market, homebuilders are offering significant concessions which lower the net sale price; therefore, the concluded estimates are less than the base prices for the subject property.

Finally, it's common for subdivisions to achieve premiums for larger than typical lots, as well as lots with corner or cul-de-sac positioning, or proximity to open space or views. Based on the site plans of the subject planning areas, as well as achieved lot premiums within Planning Areas 3.1 and 3.2A of The Village at Rienda of upwards of $60,000 per lot, an overall premium of 5% of home revenue is considered reasonable for the subject’s detached product lines, which range from $33,750 to $48,750 per lot on average.

Closing Projections

According to market interviews and surveys of active market participants, for the attached products, the typical time required for the construction of units is estimated at approximately nine to 18 months from start to closing. For the detached products, construction of the homes is estimated at approximately two to nine months. It is assumed that closings will occur within 12 months of the date of sale for the attached products and six months of the detached products. These assumptions are reflected in the projected construction schedules shown in the land residual model’s project activity table in the section titled direct construction and phasing. Since the land residual analysis is conducted on a semiannual basis, closings are reflected in the third period following the sale for the attached products, and in the second period following the sale for the detached products.

Changes in Market Conditions (Price Increases or Decreases)

The subject’s market area has experienced rapid market appreciation in home prices for the past few years; however, since early 2022 the Federal Reserve Bank began raising the benchmark federal-funds rate (from near zero in March 2022) in an effort to manage rising inflation. The fed-funds rate is greater than 5%, which has resulted in a substantial rise in mortgage interest rates, which now exceed 6.50%. Market expectations are for additional rate increases. The rise in mortgage interest rates is anticipated to impact the affordability of homes for a certain segment of the homebuyer market, which may impact pricing in the near term. Consequently, under current market conditions, forecasting home appreciation during the absorption period is speculative, and several homebuilders surveyed indicate they typically do not trend/forecast home appreciation during the sell-off period. Therefore, for purposes of this analysis, the home price revenue will be held constant during the sell-off period.

Absorption

Typically multiple product lines would be marketed in a subdivision to create characteristics appealing to as many potential purchasers as possible. Offering home products within a subdivision to different market segments is done with the aim of increasing absorption and reducing the overall development holding period for a project. Based on the typical marketing and absorption rate data presented in the *Residential Market Analysis* section, with limited new home competition in the immediate area, and taking into consideration current market conditions, we estimate an absorption rate of approximately 2.5 to 3.70 units per month for the subject. Home closings begin in Period 3 for the attached product and Period 2 for the detached product.

Expense Projections

As part of an ongoing effort to assemble market information, the table below reflects survey responses and developer budget information for numerous single-family residential subdivisions throughout California.

Attached Residential Budgets

Developer Classification	Budget Date	No. of Unit	Quality	Avg. Unit Size (SF)	G & A % of Revenue	Mkt & Sales % of Revenue	Direct Costs/SF	Indirect % of Direct Costs	Site Costs/Unit	Permits & Fees/Unit	Profit % of Revenue	IRR	Projected Sales/Mo.
Regional	2022	46	Good	1,727	2.43%	2.78%	$199.00	19%	$67,604	$59,935	N/Av	N/Av	N/Av
Local	2021	84	Average	1,500	N/Av	N/Av	$109.96	1%	$56,681	$13,280	N/Av	N/Av	N/Av
Local	2021	50	Average	1,392	4.90%	5.20%	$108.90	19%	$57,690	$16,136	16.7%	16.4%	N/Av
Regional	2021	15	Good	1,678	4.80%	1.34%	$223.00	17%	$108,667	$40,000	10.9%	N/Av	4.0
Regional	2020	29	Good	1,364	N/Av	N/Av	$210.00	10%	$90,074	$49,244	N/Av	N/Av	N/Av
Regional	2020	102	Average	1,560	2.80%	6.00%	$136.00	18%	$105,207	$44,282	24.5%	N/Av	3.0
Regional	2020	134	Good	1,707	N/Av	N/Av	$180.00	16%	$187,280	$27,365	N/Av	N/Av	4.0
Minimum		15	Average	1,364	2.43%	1.34%	$108.90	1%	$56,681	$13,280	10.9%	16.4%	3.0
Maximum		134	Good	1,727	4.90%	6.00%	$223.00	19%	$187,280	$59,935	24.5%	16.4%	4.0
Average		66	Average/Good	1,561	3.73%	3.83%	$166.69	14%	$96,172	$35,749	17.4%	16.4%	3.7

Subdivision Budgets

Developer Classification	Budget Date	No. of Units	Quality	Avg. Home Size (SF)	Typical Lot Size	G & A % of Revenue	Mkt & Sales % of Revenue	Direct Costs/SF	Indirect % of Direct Costs	Site Costs/Lot	Permits & Fees/Unit	Profit % of Revenue	IRR	Projected Sales/Mo.
National	2023	85	Average	2,118	4,800	2.25%	2.25%	$96.79	10.24%	N/Av	$88,700	N/Av	N/Av	3.0
National	2022	150	Average	2,092	5,500	N/Av	N/Av	$92.11	N/Av	$72,875	$51,700	20.5%	N/Av	N/Av
Local	2022	91	Average	2,160	5,475	5.0%	1.0%	$117.00	N/Av	N/Av	$52,790	10.0%	N/Av	N/Av
National	2022	159	Average	1,575	2,275	N/Av	N/Av	$145.64	N/Av	$41,811	$54,100	28.0%	25.0%	6.0
Regional	2022	30	Average	2,090	5,200	3.0%	2.0%	$150.00	6.0%	$103,967	$55,800	16.4%	N/Av	4.0
Regional	2021	128	Average	2,009	2,565	3.0%	3.5%	$87.42	19.0%	N/Av	$54,371	14.0%	N/Av	N/Av
Local	2021	12	Good	1,909	3,450	N/Av	1.4%	$189.48	16.7%	$96,162	$36,270	20.0%	N/Av	4.0
Local	2020	30	Average	1,643	5,344	0.4%	1.7%	$143.00	5%	N/Av	$25,267	N/Av	N/Av	3.5
National	2020	144	Average	1,800	2,000	N/Av	N/Av	$134.00	N/Av	$25,569	$37,700	N/Av	N/Av	N/Av
Local	2020	22	Good	1,692	2,200	N/Av	N/Av	$170.00	20%	$101,441	$25,850	N/Av	N/Av	N/Av
National	2020	14	Average	2,165	3,500	N/Av	3.2%	$95.00	12%	N/Av	$68,214	N/Av	N/Av	4.0
National	2020	48	Average	2,102	5,250	2.4%	6.1%	$124.00	16%	$102,134	$53,000	16.1%	36.2%	4.0
Minimum		12	Average	1,575	2,000	0.4%	1.0%	$87.42	5.0%	$25,569	$25,267	10.0%	25.0%	3.0
Maximum		159	Good	2,165	5,500	5.0%	6.1%	$189.48	20.0%	$103,967	$88,700	28.0%	36.2%	6.0
Average		76	Average	1,946	3,963	2.7%	2.6%	$128.70	13.1%	$77,708	$50,314	17.9%	30.6%	4.1

Information from the surveys above will contribute to the estimate of development expenses summarized as follows, and discussed in further detail on the following pages.

Land Residual Expense Summary

	MR-6 / Mariposa	MR-8 / Willow	MR-11 / Juniper	MR-24 / Flora	MR-25 / Bloom	MR-28 / Heatherly
General and Administrative (% of total revenue)	2%	2%	2%	2%	2%	2%
Marketing and Sales (% of total revenue)	5%	5%	5%	5%	5%	5%
Direct Real Estate Tax Charges ($/unit/year)	$17.00	$17.00	$17.00	$17.00	$17.00	$17.00
CFD No. 2023-1 (Rienda Phase 2B) ($/unit/year)	$7,009	$6,823	$6,664	$8,281	$8,883	$9,631
Number of Model Homes	5	3	4	3	4	3
Model Costs ($/model)	$55,000	$55,000	$55,000	$65,000	$85,000	$85,000
Site Development Costs ($/unit)	$0	$0	$0	$0	$0	$0
Building Permits and Fees ($/unit)	$5,100	$5,100	$2,000	$3,200	$3,200	$3,200
Direct Construction Costs ($/SF)	$110	$105	$110	$105	$100	$105
Indirect Construction Costs (% of Direct Costs)	15%	15%	15%	15%	15%	15%
Internal Rate of Return (IRR)	9.00%	9.00%	13.00%	13.00%	15.00%	15.00%

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.0% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 2.0% for general and administrative expenses.

Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 5.0%, or 2.0% for marketing and 3.0% for sales, is estimated in the marketing and sales expense category.

Property Taxes (Ad Valorem and Special Taxes)

The subject is located within an area with an effective tax rate of 1.01041%. This amount is applied to the estimated market values and divided by the total number of units to yield an estimate of ad valorem taxes/unit/year for each project. The tax amounts are applied to unclosed inventory of lots over the sell-off period. Property taxes are increased by 2% per year. The subject is within the boundary of CFD No. 2023-1. Special Taxes associated with the District, for the most recently available tax year are detailed in the *Real Estate Taxes* section presented previously in this report. In addition, the subject units are subject to various direct charges of $17/unit/year. The total tax expense is gradually reduced over the absorption period, as the land components are sold off.

Remaining Site Development Costs

This analysis considers the subject as finished lots; no deduction for remaining site development costs is considered in the analyses that follow.

Permits and Fees

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units.

Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, who are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

Recent conversations with homebuilders confirm construction costs have increased over the last 12 months; consequently, based on the cost comparables, and considering the product lines under development, a direct cost estimates range from $105 to $110 per square foot for the attached products, and between $100 and $110 per square foot for the detached products, considering economies of scale. Considering current market conditions, we have applied a 0.5% per year cost increase during the sell-off period.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 15% is considered reasonable for the subject.

Model Complex

Model upgrade expenses can vary widely depending upon construction quality, targeted market and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from $20,000 per model to over $250,000 per model for executive homes.

Based on the quality of the subjects' proposed improvements and the targeted buyer segments, model upgrade costs between $55,000 and $85,000 is considered reasonable. Of this amount approximately 35% will be recaptured with the sale of the models. Model cost will be applied over the initial period, and recapture amounts spread over the revenue projection.

Summary

The following charts summarize the revenue and expenses discussed on the preceding pages.

Revenue & Expense Summary - MR-6 / Mariposa (All Age - Attached Back to Back Townhomes)

Revenue								
Home Size (SF)			1,482					
Sale Price			$710,000					
Number of Units			106					
Home Revenue (Before Appreciation):			$75,260,000					
Home Revenue (After Appreciation):			$75,260,000					
Home Revenue (Per Lot - from cash flow):			$710,000					
Unit Premiums			$940,750	$8,875 (per unit)				
Model Recapture	(@ 35% of cost)		$96,250					
Lot Premium and Model Recapture Revenue:			$1,037,000	$9,783 (per unit)				
Total Revenue (After Appreciation):			$76,297,000	$719,783 (per unit)				
Expenses								
Non-Appreciated Expenses					Total Over Sell-Off Period			
General and Administrative	2.0%	of total revenue			$1,525,940			
Marketing and Sales	5.0%	of total revenue			$3,814,850			
Ad Valorem Real Estate Taxes	$3,584	/unit/year			$754,924	(from cash flow)		
Direct Real Estate Tax Charges	$17	/unit/year			$3,536	(from cash flow)		
CFD No. 2023-1 (Rienda Phase 2B)	$7,009	/unit/year			$1,476,317	(from cash flow)		
Model Costs	5	models			$275,000	$55,000 (per model)		
Site Development Costs					$0	$0 (per unit)		
Permits and Fees					$540,600	$5,100 (per unit)		
Subtotal:					$8,391,167			
Appreciated Expenses								
Direct Construction Costs (Before Appreciation)					$17,280,120	$163,020 (per unit)	$110	per SF
Direct Construction Costs (After Appreciation)					$17,406,905	$164,216 (per unit)	(from cash flow)	
Indirect Construction Costs (Total)	15%	of Direct Costs			$2,611,036	$24,632 (per unit)	(from cash flow)	
Subtotal:					$20,017,941			
				Total Expenses:	$28,409,107			

Revenue & Expense Summary - MR-8 / Willow (All Age - Attached Row Townhomes)

Revenue								
Home Size (SF)			1,272					
Sale Price			$690,000					
Number of Units			93					
Home Revenue (Before Appreciation):			$64,170,000					
Home Revenue (After Appreciation):			$64,170,000					
Home Revenue (Per Lot - from cash flow):			$690,000					
Unit Premiums			$1,058,805	$11,385 (per unit)				
Model Recapture	(@ 35% of cost)		$57,750					
Lot Premium and Model Recapture Revenue:			$1,116,555	$12,006 (per unit)				
Total Revenue (After Appreciation):			$65,286,555	$702,006 (per unit)				
Expenses								
Non-Appreciated Expenses					Total Over Sell-Off Period			
General and Administrative	2.0%	of total revenue			$1,305,731			
Marketing and Sales	5.0%	of total revenue			$3,264,328			
Ad Valorem Real Estate Taxes	$3,609	/unit/year			$781,748	(from cash flow)		
Direct Real Estate Tax Charges	$17	/unit/year			$3,621	(from cash flow)		
CFD No. 2023-1 (Rienda Phase 2B)	$6,823	/unit/year			$1,477,842	(from cash flow)		
Model Costs	3	models			$165,000	$55,000 (per model)		
Site Development Costs					$0	$0 (per unit)		
Permits and Fees					$474,300	$5,100 (per unit)		
Subtotal:					$7,472,570			
Appreciated Expenses								
Direct Construction Costs (Before Appreciation)					$12,421,080	$133,560 (per unit)	$105	per SF
Direct Construction Costs (After Appreciation)					$12,532,772	$134,761 (per unit)	(from cash flow)	
Indirect Construction Costs (Total)	15%	of Direct Costs			$1,879,916	$20,214 (per unit)	(from cash flow)	
Subtotal:					$14,412,688			
				Total Expenses:	$21,885,257			

Revenue & Expense Summary - MR-11 / Juniper (All Age - Detached Duplex)

Revenue							
Home Size (SF)		1,230					
Sale Price		$675,000					
Number of Units		82					
Home Revenue (Before Appreciation):		$55,350,000					
Home Revenue (After Appreciation):		$55,350,000					
Home Revenue (Per Lot - from cash flow):		$675,000					
Lot Premiums		$2,767,500	$33,750 (per unit)				
Model Recapture	(@ 35% of cost)	$77,000					
Lot Premium and Model Recapture Revenue:		$2,844,500	$34,689 (per unit)				
Total Revenue (After Appreciation):		$58,194,500	$709,689 (per unit)				
Expenses							
Non-Appreciated Expenses				Total Over Sell-Off Period			
General and Administrative	2.0%	of total revenue		$1,163,890			
Marketing and Sales	5.0%	of total revenue		$2,909,725			
Ad Valorem Real Estate Taxes	$3,815	/unit/year		$442,309	(from cash flow)		
Direct Real Estate Tax Charges	$17	/unit/year		$1,955	(from cash flow)		
CFD No. 2023-1 (Rienda Phase 2B)	$6,664	/unit/year		$772,637	(from cash flow)		
Model Costs	4	models		$220,000	$55,000 (per model)		
Site Development Costs				$0	$0 (per unit)		
Permits and Fees				$164,000	$2,000 (per unit)		
Subtotal:				$5,674,516			
Appreciated Expenses							
Direct Construction Costs (Before Appreciation)				$11,094,600	$135,300 (per unit)	$110 per SF	
Direct Construction Costs (After Appreciation)				$11,163,347	$136,138 (per unit)	(from cash flow)	
Indirect Construction Costs (Total)	15%	of Direct Costs		$1,674,502	$20,421 (per unit)	(from cash flow)	
Subtotal:				$12,837,849			
			Total Expenses:	$18,512,366			

Revenue & Expense Summary - MR-24 / Flora (All Age - Detached Alley)

Revenue							
Home Size (SF)		1,597					
Sale Price		$835,000					
Number of Units		69					
Home Revenue (Before Appreciation):		$57,615,000					
Home Revenue (After Appreciation):		$57,615,000					
Home Revenue (Per Lot - from cash flow):		$835,000					
Lot Premiums		$2,880,750	$41,750 (per unit)				
Model Recapture	(@ 35% of cost)	$68,250					
Lot Premium and Model Recapture Revenue:		$2,949,000	$42,739 (per unit)				
Total Revenue (After Appreciation):		$60,564,000	$877,739 (per unit)				
Expenses							
Non-Appreciated Expenses			Total Over Sell-Off Period				
General and Administrative	2.0%	of total revenue	$1,211,280				
Marketing and Sales	5.0%	of total revenue	$3,028,200				
Ad Valorem Real Estate Taxes	$4,906	/unit/year	$384,502	(from cash flow)			
Direct Real Estate Tax Charges	$17	/unit/year	$1,326	(from cash flow)			
CFD No. 2023-1 (Rienda Phase 2B)	$8,281	/unit/year	$649,065	(from cash flow)			
Model Costs	3	models	$195,000	$65,000	(per model)		
Site Development Costs			$0	$0	(per unit)		
Permits and Fees			$220,800	$3,200	(per unit)		
Subtotal:			$5,690,173				
Appreciated Expenses							
Direct Construction Costs (Before Appreciation)			$11,570,265	$167,685	(per unit)	$105	per SF
Direct Construction Costs (After Appreciation)			$11,626,130	$168,495	(per unit)	(from cash flow)	
Indirect Construction Costs (Total)	15%	of Direct Costs	$1,743,920	$25,274	(per unit)	(from cash flow)	
Subtotal:			$13,370,050				
		Total Expenses:	$19,060,223				

Revenue & Expense Summary - MR-25 / Bloom (All Age - Detached Alley)

Revenue				
Home Size (SF)		1,805		
Sale Price		$920,000		
Number of Units		82		
Home Revenue (Before Appreciation):		$75,440,000		
Home Revenue (After Appreciation):		$75,440,000		
Home Revenue (Per Lot - from cash flow):		$920,000		
Lot Premiums		$3,772,000	$46,000	(per unit)
Model Recapture	(@ 35% of cost)	$119,000		
Lot Premium and Model Recapture Revenue:		$3,891,000	$47,451	(per unit)
Total Revenue (After Appreciation):		$79,331,000	$967,451	(per unit)

Expenses						
Non-Appreciated Expenses			Total Over Sell-Off Period			
General and Administrative	2.0%	of total revenue	$1,586,620			
Marketing and Sales	5.0%	of total revenue	$3,966,550			
Ad Valorem Real Estate Taxes	$5,099	/unit/year	$565,012	(from cash flow)		
Direct Real Estate Tax Charges	$17	/unit/year	$1,870	(from cash flow)		
CFD No. 2023-1 (Rienda Phase 2B)	$8,883	/unit/year	$984,336	(from cash flow)		
Model Costs	4	models	$340,000	$85,000	(per model)	
Site Development Costs			$0	$0	(per unit)	
Permits and Fees			$262,400	$3,200	(per unit)	
Subtotal:			$7,706,788			
Appreciated Expenses						
Direct Construction Costs (Before Appreciation)			$14,801,000	$180,500	(per unit)	$100 per SF
Direct Construction Costs (After Appreciation)			$14,888,171	$181,563	(per unit)	(from cash flow)
Indirect Construction Costs (Total)	15%	of Direct Costs	$2,233,226	$27,234	(per unit)	(from cash flow)
Subtotal:			$17,121,397			
Total Expenses:			$24,828,185			

Revenue & Expense Summary - MR-28 / Heatherly (All Age - Detached Alley)										
Revenue										
Home Size (SF)			2,003							
Sale Price			$975,000							
Number of Units			82							
Home Revenue (Before Appreciation):			$79,950,000							
Home Revenue (After Appreciation):			$79,950,000							
Home Revenue (Per Lot - from cash flow):			$975,000							
Lot Premiums			$3,997,500	$48,750	(per unit)					
Model Recapture	(@ 35% of cost)		$89,250							
Lot Premium and Model Recapture Revenue:			$4,086,750	$49,838	(per unit)					
Total Revenue (After Appreciation):			$84,036,750	$1,024,838	(per unit)					
Expenses										
Non-Appreciated Expenses						Total Over Sell-Off Period				
General and Administrative	2.0%	of total revenue				$1,680,735				
Marketing and Sales	5.0%	of total revenue				$4,201,838				
Ad Valorem Real Estate Taxes	$4,998	/unit/year				$674,586	(from cash flow)			
Direct Real Estate Tax Charges	$17	/unit/year				$2,272	(from cash flow)			
CFD No. 2023-1 (Rienda Phase 2B)	$9,631	/unit/year				$1,299,952	(from cash flow)			
Model Costs	3	models				$255,000	$85,000	(per model)		
Site Development Costs						$0	$0	(per unit)		
Permits and Fees						$262,400	$3,200	(per unit)		
Subtotal:						$8,376,783				
Appreciated Expenses										
Direct Construction Costs (Before Appreciation)						$17,245,830	$210,315	(per unit)	$105	per SF
Direct Construction Costs (After Appreciation)						$17,372,296	$211,857	(per unit)	(from cash flow)	
Indirect Construction Costs (Total)	15%	of Direct Costs				$2,605,844	$31,779	(per unit)	(from cash flow)	
Subtotal:						$19,978,140				
					Total Expenses:	$28,354,923				

Developer's Incentive and Discount Rate

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the "base" equity position when a portion of the development is financed. The "base" equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey[1], discount rates for land development projects ranged from 12.00% to 30.00%, with an average of 19.2% during the Second Quarter 2023, which is 50 basis points higher than the average reported in the Fourth Quarter 2022, 100 basis points higher than a year ago, and assumes entitlements are in place. Without entitlements in place, certain investors will increase the discount rate an average of 125 basis points.

[1] PwC Real Estate Investor Survey, PricewaterhouseCoopers, 2nd Quarter 2023.

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Excerpts from recent PwC surveys are copied below.

> "Development land investors continue to search for opportunities, especially in the apartment and industrial sectors of the industry. They note, however, that holding costs are dramatically higher due to the rise in interest rates over the past year, which could change their strategies for the near term and keep their acquisitions to a minimum. 'Deals are requiring further due diligence to meet projected returns,' states an investor. Unfortunately, the current stress in the financial sector is adding additional challenges. 'We are looking closely at our banking relationships,' says another. Growth rates for development expenses, such as amenities, real estate taxes, advertising, and administration, range from 0.00% to 10.00% and average 4.71%. For lot pricing, investors indicate a range from 2.00% to 5.00%; the average growth rate is 3.13%." (Second Quarter 2023)

> "Confronted with inflation, rising interest rates, economic uncertainty, and a slowdown in tenant demand, it is not surprising that most surveyed investors expect property values to decline over the next 12 months…When looking at macro development prospects for the five major commercial real estate sectors included in *Emerging Trends*, only the hotel sector shows an improvement in its rating from last year... Although the industrial/distribution and multi-family sectors boast the highest ratings for 2023, they both slip this year among respondents… From a micro standpoint, the top-five property types for development prospects in 2023 are datacenters, fulfillment, moderate-income/workforce apartments, life-science facilities, and single-family rental housing." Labor costs and availability as well as material costs are among the top three reported development issues for 2023. (Fourth Quarter 2022)

> "Based on our Survey results, the industrial and multifamily sectors of the U.S. commercial real estate industry offer the best development land investment opportunities due to strong tenant demand. Investors also see opportunities in the single-family residential sector…However, many are mindful that rising interest rates could dampen demand even though U.S. homebuilding unexpectedly rose in March 2022. Still, record low housing supply should continue to support homebuilding this year…Over the next 12 months, surveyed investors are mostly optimistic regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +7.0%. This average is better than where it is was both six months ago, as well as a year ago (+5.8% for both time periods)." (Second Quarter 2022)

"Compared to five years ago, both the apartment and industrial sectors show strong gains in their ratings, while the other three sectors [retail, office, hotel] see their ratings decline…From a micro standpoint, the top five property types for development prospects in 2022 are fulfillment, life science facilities, warehouse, single-family rental housing, and moderate-income/workforce apartments." Among the top five development issues as reported among *Emerging Trends* Respondents are construction material costs, construction labor costs, construction labor availability, land costs and state & local regulations. (Fourth Quarter 2021)

"2020 revealed that where people work and where people live can be very far apart," says a development land participant. This philosophy is a driving force behind a resurgence of new-home construction in the United States. In the nonresidential sector, each segment reported year-over-year declines in spending as of March 2021. Over the next 12 months, surveyed investors are most optimistic regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +5.8%. This average is better than where it was six months ago (+4.9%), as well as a year ago (-6.9%). (Second Quarter 2021)

For 2021, most *Emerging Trends* respondents (53.0%) believe that debt capital for development and redevelopment will be undersupplied. This percentage is more than twice the figure from last year's report and is likely due to the uncertainty tied to the pandemic. Interestingly, the percentage of respondents that feel debt capital for such projects will be "in balance" drops this year to 35.0% – down from 57.0% in 2020. (Fourth Quarter 2020)

Amid the COVID-19 crisis, participants in the national development land market are looking to reduce leverage, lessen their holding costs, and preserve cash flow. "These are highly uncertain times, and we are moving in a direction no one thought we'd be headed a few months ago," shares a participant. Although some investors are looking to acquire distressed properties, it is difficult to ascertain pricing amid such uncertainty. For now, most investors are content to wait on the sidelines for a clearer path to emerge before they formulate new strategies for the rest of 2020 and beyond. (Second Quarter 2020)

Project Yield Rate Survey

Data Source	Yield / IRR Expectations (Inclusive of Profit)
PwC Real Estate Investor Survey - Second Quarter 2023 (updated semi-annually)	Range of 12.0% to 30.0%, with an average of 19.20%, on an unleveraged basis, for land development (national average)
National Builder	20% to 25% for entitled lots
Regional Builder	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
National Builder	18% minimum, 20% target
Developer	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Developer	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
Land Management Company	20% to 30% IRR for land development deals on an unleveraged basis
Land Developer	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Land Developer	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled land
Real Estate Consulting Firm	Low 20% range yield rate required to attract capital to longer-term land holdings
Land Developer	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%.
Regional Builder	10% discount rate excluding profit for single-family subdivisions
National Builder	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Regional Builder	15% to 20% IRR
Regional Builder	No less than 20% IRR for land development, either entitled or unentitled
Land Developer	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Regional Builder	No less than 30% when typical entitlement risk exists

According to industry sources, project yield rates historically have ranged anywhere from 5% to 25%, with a predominate range of 5% to 25%. A yield rate is based on the perceived risk associated with the development.

Positive attributes of the subject property include steady demand in the market area and limited new construction. There are some “negative” attributes associated with the subject such as rising construction costs, in addition to the potential for deterioration in market conditions in the residential sector that would result from a change in macroeconomic factors (ex. continued high inflation, unemployment rates, interest rates, etc.). Based on the characteristics of the subject an internal rate of return (IRR) between 9% and 15% are used in our analyses.

Conclusion

The land residual analyses are presented as follows:

Land Residual Analysis - MR-6 / Mariposa (All Age - Attached Back to Back Townhomes)

Semi-Annual:	0	1	2	3	4	5	6	7	8	Total
REVENUE AND SALES										
Sales - Attached	0	22	22	22	22	18	0	0	0	106
Unsold Inventory	106	84	62	40	18	0	0	0	0	
Close of Escrow (COE)	0	0	0	22	22	22	22	18	0	106
Pending/Under Construction	0	22	44	66	66	62	40	18	0	
Under Construction by %		6.9%	13.8%	20.8%	20.8%	19.5%	12.6%	5.7%	0.0%	100.0%
Unclosed Inventory		106	106	84	62	40	18	0	0	
Contracted Base Revenue (Before Appreciation)		$15,620,000	$15,620,000	$15,620,000	$15,620,000	$12,780,000	$0	$0	$0	$75,260,000
Semi-Annual Appreciation Factor	1.0000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue		$15,620,000	$15,620,000	$15,620,000	$15,620,000	$12,780,000	$0	$0	$0	$75,260,000
Appreciated Closing Home Revenue		$0	$0	$15,620,000	$15,620,000	$15,620,000	$15,620,000	$12,780,000	$0	$75,260,000
Lot Premium and Model Recapture Revenue		$0	$0	$215,226	$215,226	$215,226	$215,226	$176,094	$0	$1,037,000
Total Revenue		$0	$0	$15,835,226	$15,835,226	$15,835,226	$15,835,226	$12,956,094	$0	$76,297,000
EXPENSES AND CASH FLOWS										
Fixed or Percentage Expenses										
General and Administrative	2%	($190,743)	($190,743)	($190,743)	($190,743)	($190,743)	($190,743)	($190,743)	($190,743)	($1,525,940)
Marketing and Sales	5%	$0	$0	($791,761)	($791,761)	($791,761)	($791,761)	($647,805)	$0	($3,814,850)
Ad Valorem Real Estate Taxes	$3,584	($189,957)	($189,957)	($153,543)	($113,329)	($74,578)	($33,560)	$0	$0	($754,924)
Direct Real Estate Tax Charges	$17	($901)	($901)	($714)	($527)	($340)	($153)	$0	$0	($3,536)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	$7,009	($371,477)	($371,477)	($300,266)	($221,625)	($145,843)	($65,629)	$0	$0	($1,476,317)
Model Costs		($275,000)	$0	$0	$0	$0	$0	$0	$0	($275,000)
Site Development Costs		$0	$0	$0	$0	$0	$0	$0	$0	$0
Building Permits		($112,200)	($112,200)	($112,200)	($112,200)	($91,800)	$0	$0	$0	($540,600)
Subtotal:		($1,140,278)	($865,278)	($1,549,226)	($1,430,185)	($1,295,065)	($1,081,846)	($838,547)	($190,743)	($8,391,167)
Appreciated Expenses										
Direct Construction Costs		($1,195,480)	($2,390,960)	($3,586,440)	($3,586,440)	($3,369,080)	($2,173,600)	($978,120)	$0	($17,280,120)
Semi-Annual Appreciation Factor	1.0025	1.00000	1.00250	1.00501	1.00752	1.01004	1.01256	1.01509	1.01763	
Appreciated Direct Costs		($1,195,480)	($2,396,937)	($3,604,395)	($3,613,406)	($3,402,897)	($2,200,906)	($992,884)	$0	($17,406,905)
Indirect Construction Costs	15%	($179,322)	($359,541)	($540,659)	($542,011)	($510,435)	($330,136)	($148,933)	$0	($2,611,036)
Subtotal:		($1,374,802)	($2,756,478)	($4,145,054)	($4,155,416)	($3,913,332)	($2,531,042)	($1,141,816)	$0	($20,017,941)
Total Expenses		($2,515,080)	($3,621,756)	($5,694,280)	($5,585,601)	($5,208,397)	($3,612,888)	($1,980,364)	($190,743)	($28,409,107)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		($2,515,080)	($3,621,756)	$10,140,947	$10,249,625	$10,626,830	$12,222,338	$10,975,731	($190,743)	$47,887,893
Present Value Factor										
Internal Rate of Return (IRR)	**9.00%**	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790	0.73483	0.70319	
Discounted Cash Flow		($2,406,775)	($3,316,550)	$8,886,477	$8,594,940	$8,527,510	$9,385,481	$8,065,279	($134,127)	$37,602,236
Net Present Value										**$37,600,000**
									Net Present Value Per Unit (Rounded):	**$355,000**

Land Residual Analysis - MR-8 / Willow (All Age - Attached Row Townhomes)										
Semi-Annual:	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**Total**
REVENUE AND SALES										
Sales - Attached	0	15	15	15	15	15	18	0	0	93
Unsold Inventory	93	78	63	48	33	18	0	0	0	
Close of Escrow (COE)	0	0	0	15	15	15	15	15	18	93
Pending/Under Construction	0	15	30	45	45	45	48	33	18	
Under Construction by %		5.4%	10.8%	16.1%	16.1%	16.1%	17.2%	11.8%	6.5%	100.0%
Unclosed Inventory		93	93	78	63	48	33	18	0	
Contracted Base Revenue (Before Appreciation)		$10,350,000	$10,350,000	$10,350,000	$10,350,000	$10,350,000	$12,420,000	$0	$0	$64,170,000
Semi-Annual Appreciation Factor	1.0000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue		$10,350,000	$10,350,000	$10,350,000	$10,350,000	$10,350,000	$12,420,000	$0	$0	$64,170,000
Appreciated Closing Home Revenue		$0	$0	$10,350,000	$10,350,000	$10,350,000	$10,350,000	$10,350,000	$12,420,000	$64,170,000
Lot Premium and Model Recapture Revenue		$0	$0	$180,090	$180,090	$180,090	$180,090	$180,090	$216,107	$1,116,555
Total Revenue		$0	$0	$10,530,090	$10,530,090	$10,530,090	$10,530,090	$10,530,090	$12,636,107	$65,286,555
EXPENSES AND CASH FLOWS										
Fixed or Percentage Expenses										
General and Administrative	2%	($163,216)	($163,216)	($163,216)	($163,216)	($163,216)	($163,216)	($163,216)	($163,216)	($1,305,731)
Marketing and Sales	5%	$0	$0	($526,504)	($526,504)	($526,504)	($526,504)	($526,504)	($631,805)	($3,264,328)
Ad Valorem Real Estate Taxes	$3,609	($167,829)	($167,829)	($143,575)	($115,964)	($90,121)	($61,958)	($34,471)	$0	($781,748)
Direct Real Estate Tax Charges	$17	($791)	($791)	($663)	($536)	($408)	($281)	($153)	$0	($3,621)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	$6,823	($317,270)	($317,270)	($271,419)	($219,223)	($170,368)	($117,128)	($65,166)	$0	($1,477,842)
Model Costs		($165,000)	$0	$0	$0	$0	$0	$0	$0	($165,000)
Site Development Costs		$0	$0	$0	$0	$0	$0	$0	$0	$0
Building Permits		($76,500)	($76,500)	($76,500)	($76,500)	($76,500)	($91,800)	$0	$0	($474,300)
Subtotal:		($890,605)	($725,605)	($1,181,878)	($1,101,944)	($1,027,117)	($960,887)	($789,511)	($795,022)	($7,472,570)
Appreciated Expenses										
Direct Construction Costs		($667,800)	($1,335,600)	($2,003,400)	($2,003,400)	($2,003,400)	($2,136,960)	($1,469,160)	($801,360)	($12,421,080)
Semi-Annual Appreciation Factor	1.0025	1.00000	1.00250	1.00501	1.00752	1.01004	1.01256	1.01509	1.01763	
Appreciated Direct Costs		($667,800)	($1,338,939)	($2,013,430)	($2,018,463)	($2,023,509)	($2,163,806)	($1,491,336)	($815,489)	($12,532,772)
Indirect Construction Costs	15%	($100,170)	($200,841)	($302,014)	($302,769)	($303,526)	($324,571)	($223,700)	($122,323)	($1,879,916)
Subtotal:		($767,970)	($1,539,780)	($2,315,444)	($2,321,233)	($2,327,036)	($2,488,377)	($1,715,036)	($937,813)	($14,412,688)
Total Expenses		($1,658,575)	($2,265,385)	($3,497,322)	($3,423,176)	($3,354,153)	($3,449,264)	($2,504,547)	($1,732,835)	($21,885,257)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		($1,658,575)	($2,265,385)	$7,032,768	$7,106,913	$7,175,936	$7,080,825	$8,025,543	$10,903,273	$43,401,298
Present Value Factor										
Internal Rate of Return (IRR)	**9.00%**	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790	0.73483	0.70319	
Discounted Cash Flow		($1,587,154)	($2,074,481)	$6,162,790	$5,959,583	$5,758,338	$5,437,336	$5,897,397	$7,667,019	$33,220,828
Net Present Value										**$33,220,000**
						Net Present Value Per Unit (Rounded):				**$357,000**

Land Residual Analysis - MR-11 / Juniper (All Age - Detached Duplex)								
Semi-Annual:	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
REVENUE AND SALES								
Sales - Detached	0	18	18	18	18	10	0	82
Unsold Inventory	82	64	46	28	10	0	0	
Close of Escrow (COE)	0	0	18	18	18	18	10	82
Pending/Under Construction	0	18	54	54	54	46	20	
Under Construction by %		7.3%	22.0%	22.0%	22.0%	18.7%	8.1%	100.0%
Unclosed Inventory		82	64	46	28	10	0	
Contracted Base Revenue (Before Appreciation)		$12,150,000	$12,150,000	$12,150,000	$12,150,000	$6,750,000	$0	$55,350,000
Semi-Annual Appreciation Factor	1.0000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue		$12,150,000	$12,150,000	$12,150,000	$12,150,000	$6,750,000	$0	$55,350,000
Appreciated Closing Home Revenue		$0	$12,150,000	$12,150,000	$12,150,000	$12,150,000	$6,750,000	$55,350,000
Lot Premium and Model Recapture Revenue		$0	$624,402	$624,402	$624,402	$624,402	$346,890	$2,844,500
Total Revenue		$0	$12,774,402	$12,774,402	$12,774,402	$12,774,402	$7,096,890	$58,194,500
EXPENSES AND CASH FLOWS								
Fixed or Percentage Expenses								
General and Administrative	2%	($193,982)	($193,982)	($193,982)	($193,982)	($193,982)	($193,982)	($1,163,890)
Marketing and Sales	5%	$0	($638,720)	($638,720)	($638,720)	($638,720)	($354,845)	($2,909,725)
Ad Valorem Real Estate Taxes	$3,815	($156,411)	($122,077)	($89,498)	($54,477)	($19,845)	$0	($442,309)
Direct Real Estate Tax Charges	$17	($697)	($544)	($391)	($238)	($85)	$0	($1,955)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	$6,664	($273,224)	($213,248)	($156,337)	($95,162)	($34,666)	$0	($772,637)
Model Costs		($220,000)	$0	$0	$0	$0	$0	($220,000)
Site Development Costs		$0	$0	$0	$0	$0	$0	$0
Building Permits		($36,000)	($36,000)	($36,000)	($36,000)	($20,000)	$0	($164,000)
Subtotal:		($880,314)	($1,204,571)	($1,114,928)	($1,018,579)	($907,298)	($548,826)	($5,674,516)
Appreciated Expenses								
Direct Construction Costs		($811,800)	($2,435,400)	($2,435,400)	($2,435,400)	($2,074,600)	($902,000)	($11,094,600)
Semi-Annual Appreciation Factor	1.0025	1.00000	1.00250	1.00501	1.00752	1.01004	1.01256	
Appreciated Direct Costs		($811,800)	($2,441,489)	($2,447,592)	($2,453,711)	($2,095,424)	($913,332)	($11,163,347)
Indirect Construction Costs	15%	($121,770)	($366,223)	($367,139)	($368,057)	($314,314)	($137,000)	($1,674,502)
Subtotal:		($933,570)	($2,807,712)	($2,814,731)	($2,821,768)	($2,409,738)	($1,050,331)	($12,837,849)
Total Expenses		($1,813,884)	($4,012,283)	($3,929,659)	($3,840,347)	($3,317,036)	($1,599,157)	($18,512,366)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		($1,813,884)	$8,762,120	$8,844,743	$8,934,056	$9,457,367	$5,497,733	$39,682,134
Present Value Factor								
Internal Rate of Return (IRR)	**13.00%**	0.93897	0.88166	0.82785	0.77732	0.72988	0.68533	
Discounted Cash Flow		($1,703,178)	$7,725,204	$7,322,113	$6,944,648	$6,902,751	$3,767,784	$30,959,322
Net Present Value								**$30,960,000**
							Net Present Value Per Unit (Rounded):	**$378,000**

Land Residual Analysis - MR-24 / Flora (All Age - Detached Alley)							
Semi-Annual:	0	1	2	3	4	5	Total
REVENUE AND SALES							
Sales - Detached	0	20	20	20	9	0	69
Unsold Inventory	69	49	29	9	0	0	
Close of Escrow (COE)	0	0	20	20	20	9	69
Pending/Under Construction	0	20	60	60	49	18	
Under Construction by %		9.7%	29.0%	29.0%	23.7%	8.7%	100.0%
Unclosed Inventory		69	49	29	9	0	
Contracted Base Revenue (Before Appreciation)		$16,700,000	$16,700,000	$16,700,000	$7,515,000	$0	$57,615,000
Semi-Annual Appreciation Factor	1.0000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue		$16,700,000	$16,700,000	$16,700,000	$7,515,000	$0	$57,615,000
Appreciated Closing Home Revenue		$0	$16,700,000	$16,700,000	$16,700,000	$7,515,000	$57,615,000
Lot Premium and Model Recapture Revenue		$0	$854,783	$854,783	$854,783	$384,652	$2,949,000
Total Revenue		$0	$17,554,783	$17,554,783	$17,554,783	$7,899,652	$60,564,000
EXPENSES AND CASH FLOWS							
Fixed or Percentage Expenses							
General and Administrative	2%	($242,256)	($242,256)	($242,256)	($242,256)	($242,256)	($1,211,280)
Marketing and Sales	5%	$0	($877,739)	($877,739)	($877,739)	($394,983)	($3,028,200)
Ad Valorem Real Estate Taxes	$4,906	($169,244)	($120,188)	($72,554)	($22,517)	$0	($384,502)
Direct Real Estate Tax Charges	$17	($587)	($417)	($247)	($77)	$0	($1,326)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	$8,281	($285,695)	($202,885)	($122,476)	($38,010)	$0	($649,065)
Model Costs		($195,000)	$0	$0	$0	$0	($195,000)
Site Development Costs		$0	$0	$0	$0	$0	$0
Building Permits		($64,000)	($64,000)	($64,000)	($28,800)	$0	($220,800)
Subtotal:		($956,781)	($1,507,484)	($1,379,272)	($1,209,398)	($637,239)	($5,690,173)
Appreciated Expenses							
Direct Construction Costs		($1,117,900)	($3,353,700)	($3,353,700)	($2,738,855)	($1,006,110)	($11,570,265)
Semi-Annual Appreciation Factor	1.0025	1.00000	1.00250	1.00501	1.00752	1.01004	
Appreciated Direct Costs		($1,117,900)	($3,362,084)	($3,370,489)	($2,759,448)	($1,016,209)	($11,626,130)
Indirect Construction Costs	15%	($167,685)	($504,313)	($505,573)	($413,917)	($152,431)	($1,743,920)
Subtotal:		($1,285,585)	($3,866,397)	($3,876,063)	($3,173,365)	($1,168,640)	($13,370,050)
Total Expenses		($2,242,366)	($5,373,881)	($5,255,335)	($4,382,763)	($1,805,879)	($19,060,223)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		($2,242,366)	$12,180,902	$12,299,448	$13,172,019	$6,093,773	$41,503,777
Present Value Factor							
Internal Rate of Return (IRR)	**13.00%**	0.93897	0.88166	0.82785	0.77732	0.72988	
Discounted Cash Flow		($2,105,508)	$10,739,405	$10,182,087	$10,238,915	$4,447,728	$33,502,628
Net Present Value							**$33,500,000**
					Net Present Value Per Unit (Rounded):		**$486,000**

Land Residual Analysis - MR-25 / Bloom (All Age - Detached Alley)

Semi-Annual:	0	1	2	3	4	5	6	Total
REVENUE AND SALES								
Sales - Detached	0	19	19	19	19	6	0	82
Unsold Inventory	82	63	44	25	6	0	0	
Close of Escrow (COE)	0	0	19	19	19	19	6	82
Pending/Under Construction	0	19	57	57	57	44	12	
Under Construction by %		7.7%	23.2%	23.2%	23.2%	17.9%	4.9%	100.0%
Unclosed Inventory		82	63	44	25	6	0	
Contracted Base Revenue (Before Appreciation)		$17,480,000	$17,480,000	$17,480,000	$17,480,000	$5,520,000	$0	$75,440,000
Semi-Annual Appreciation Factor	1.0000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue		$17,480,000	$17,480,000	$17,480,000	$17,480,000	$5,520,000	$0	$75,440,000
Appreciated Closing Home Revenue		$0	$17,480,000	$17,480,000	$17,480,000	$17,480,000	$5,520,000	$75,440,000
Lot Premium and Model Recapture Revenue		$0	$901,573	$901,573	$901,573	$901,573	$284,707	$3,891,000
Total Revenue		$0	$18,381,573	$18,381,573	$18,381,573	$18,381,573	$5,804,707	$79,331,000
EXPENSES AND CASH FLOWS								
Fixed or Percentage Expenses								
General and Administrative	2%	($264,437)	($264,437)	($264,437)	($264,437)	($264,437)	($264,437)	($1,586,620)
Marketing and Sales	5%	$0	($919,079)	($919,079)	($919,079)	($919,079)	($290,235)	($3,966,550)
Ad Valorem Real Estate Taxes	$5,099	($209,054)	($160,615)	($114,419)	($65,011)	($15,915)	$0	($565,012)
Direct Real Estate Tax Charges	$17	($697)	($536)	($374)	($213)	($51)	$0	($1,870)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	$8,883	($364,203)	($279,815)	($199,335)	($113,258)	($27,726)	$0	($984,336)
Model Costs		($340,000)	$0	$0	$0	$0	$0	($340,000)
Site Development Costs		$0	$0	$0	$0	$0	$0	$0
Building Permits		($60,800)	($60,800)	($60,800)	($60,800)	($19,200)	$0	($262,400)
Subtotal:		($1,239,190)	($1,685,280)	($1,558,443)	($1,422,797)	($1,246,407)	($554,672)	($7,706,788)
Appreciated Expenses								
Direct Construction Costs		($1,143,167)	($3,429,500)	($3,429,500)	($3,429,500)	($2,647,333)	($722,000)	($14,801,000)
Semi-Annual Appreciation Factor	1.0025	1.00000	1.00250	1.00501	1.00752	1.01004	1.01256	
Appreciated Direct Costs		($1,143,167)	($3,438,074)	($3,446,669)	($3,455,286)	($2,673,906)	($731,070)	($14,888,171)
Indirect Construction Costs	15%	($171,475)	($515,711)	($517,000)	($518,293)	($401,086)	($109,661)	($2,233,226)
Subtotal:		($1,314,642)	($3,953,785)	($3,963,669)	($3,973,578)	($3,074,992)	($840,731)	($17,121,397)
Total Expenses		($2,553,832)	($5,639,065)	($5,522,112)	($5,396,375)	($4,321,399)	($1,395,403)	($24,828,185)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		($2,553,832)	$12,742,509	$12,859,461	$12,985,198	$14,060,175	$4,409,305	$54,502,815
Present Value Factor								
Internal Rate of Return (IRR)	**15.00%**	0.93023	0.86533	0.80496	0.74880	0.69656	0.64796	
Discounted Cash Flow		($2,375,658)	$11,026,508	$10,351,359	$9,723,323	$9,793,736	$2,857,060	$41,376,328
Net Present Value								**$41,380,000**
								$505,000

Land Residual Analysis - MR-28 / Heatherly (All Age - Detached Alley)									
Semi-Annual:	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**Total**
REVENUE AND SALES									
Sales - Detached	0	15	15	15	15	15	7	0	82
Unsold Inventory	82	67	52	37	22	7	0	0	
Close of Escrow (COE)	0	0	15	15	15	15	15	7	82
Pending/Under Construction	0	15	45	45	45	45	37	14	
Under Construction by %		6.1%	18.3%	18.3%	18.3%	18.3%	15.0%	5.7%	100.0%
Unclosed Inventory		82	67	52	37	22	7	0	
Contracted Base Revenue (Before Appreciation)		$14,625,000	$14,625,000	$14,625,000	$14,625,000	$14,625,000	$6,825,000	$0	$79,950,000
Semi-Annual Appreciation Factor	1.0000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue		$14,625,000	$14,625,000	$14,625,000	$14,625,000	$14,625,000	$6,825,000	$0	$79,950,000
Appreciated Closing Home Revenue		$0	$14,625,000	$14,625,000	$14,625,000	$14,625,000	$14,625,000	$6,825,000	$79,950,000
Lot Premium and Model Recapture Revenue		$0	$747,576	$747,576	$747,576	$747,576	$747,576	$348,869	$4,086,750
Total Revenue		$0	$15,372,576	$15,372,576	$15,372,576	$15,372,576	$15,372,576	$7,173,869	$84,036,750
EXPENSES AND CASH FLOWS									
Fixed or Percentage Expenses									
General and Administrative	2%	($240,105)	($240,105)	($240,105)	($240,105)	($240,105)	($240,105)	($240,105)	($1,680,735)
Marketing and Sales	5%	$0	($768,629)	($768,629)	($768,629)	($768,629)	($768,629)	($358,693)	($4,201,838)
Ad Valorem Real Estate Taxes	$4,998	($204,911)	($167,427)	($132,543)	($94,309)	($57,197)	($18,199)	$0	($674,586)
Direct Real Estate Tax Charges	$17	($697)	($570)	($442)	($315)	($187)	($62)	$0	($2,272)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	$9,631	($394,871)	($322,639)	($255,414)	($181,737)	($110,221)	($35,070)	$0	($1,299,952)
Model Costs		($255,000)	$0	$0	$0	$0	$0	$0	($255,000)
Site Development Costs		$0	$0	$0	$0	$0	$0	$0	$0
Building Permits		($48,000)	($48,000)	($48,000)	($48,000)	($48,000)	($22,400)	$0	($262,400)
Subtotal:		($1,143,584)	($1,547,369)	($1,445,132)	($1,333,094)	($1,224,339)	($1,084,465)	($598,798)	($8,376,783)
Appreciated Expenses									
Direct Construction Costs		($1,051,575)	($3,154,725)	($3,154,725)	($3,154,725)	($3,154,725)	($2,593,885)	($981,470)	($17,245,830)
Semi-Annual Appreciation Factor	1.0025	1.00000	1.00250	1.00501	1.00752	1.01004	1.01256	1.01509	
Appreciated Direct Costs		($1,051,575)	($3,162,612)	($3,170,518)	($3,178,445)	($3,186,391)	($2,626,471)	($996,284)	($17,372,296)
Indirect Construction Costs	15%	($157,736)	($474,392)	($475,578)	($476,767)	($477,959)	($393,971)	($149,443)	($2,605,844)
Subtotal:		($1,209,311)	($3,637,004)	($3,646,096)	($3,655,211)	($3,664,349)	($3,020,442)	($1,145,727)	($19,978,140)
Total Expenses		($2,352,895)	($5,184,373)	($5,091,229)	($4,988,306)	($4,888,688)	($4,104,907)	($1,744,525)	($28,354,923)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		($2,352,895)	$10,188,203	$10,281,348	$10,384,270	$10,483,888	$11,267,669	$5,429,343	$55,681,827
Present Value Factor									
Internal Rate of Return (IRR)	15.00%	0.93023	0.86533	0.80496	0.74880	0.69656	0.64796	0.60275	
Discounted Cash Flow		($2,188,740)	$8,816,185	$8,276,079	$7,775,747	$7,302,643	$7,301,016	$3,272,563	$40,555,494
Net Present Value									$40,560,000
								Net Present Value Per Unit (Rounded):	$495,000

Land Residual Conclusion

Planning Area / Project Name	Market Segment / Product Type	Typical Lot Size	No. of Units	Typical Home Size	Finished Lot Value
MR-6 / Mariposa	All Age / Attached Back to Back Townhomes		106	1,482 (Plan 3)	**$355,000**
MR-8 / Willow	All Age / Attached Row Townhomes		93	1,272 (Plan 2)	**$357,000**
MR-11 / Juniper	All Age/ Detached Duplex		82	1,230 (Plan 2)	**$378,000**
MR-24 / Flora	All Age / Detached Alley	1,260	69	1,597 (Plan 2)	**$486,000**
MR-25 / Bloom	All Age / Detached Alley	2,150	82	1,805 (Plan 2)	**$505,000**
MR-28 / Heatherly	All Age / Detached Alley	1,885	82	2,003 (Plan 2)	**$495,000**

Sales Comparison Approach

Due to the lack of comparable bulk land sales in the subject's neighborhood and surrounding areas, we have arrayed available bulk land transactions as a test of reasonableness for the land residual conclusions. We searched for sale transactions within the following parameters:

- Location: Orange County
- Typical Lot Size: less than 5,000 square feet
- Use: attached and detached housing
- Transaction Date: 2018 or later

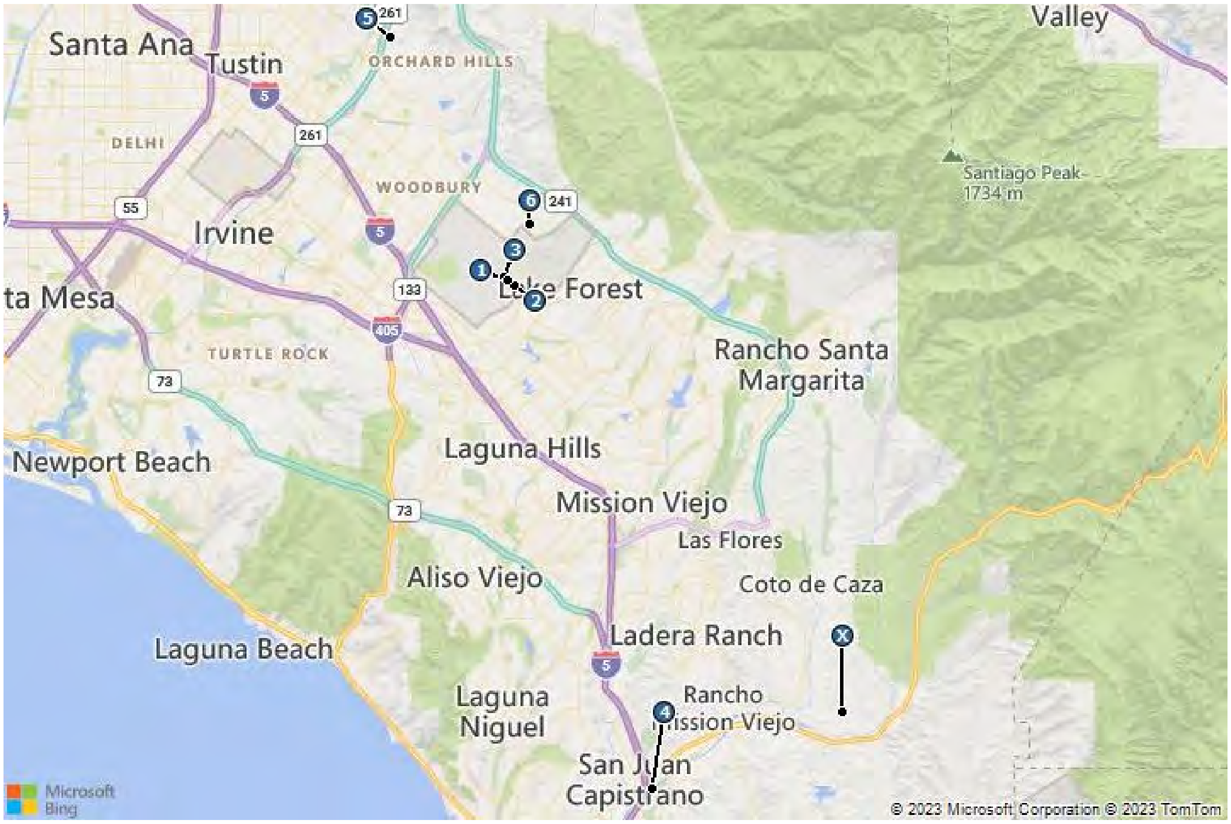
For this analysis, we use price per lot as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized in the following tables and are presented on an improved lot basis, after consideration is given to remaining site development and impact fees.

The first table arrays sales of detached lots (both traditional and detached condominiums), while the second table reflects data applicable to the subject's attached condominiums and townhomes.

Summary of Comparable Land Sales - Detached

No.	Name/Address	Sale Date; Status	Sale Price	Number of Lots	$/Finished Lot	Site Dev. Costs/Lot
1	53 Lots Cadence Irvine	Sep-21 Closed	$33,300,000	53	$708,302	$80,000
	Tax ID: Lots 1 thru 4, Le. ered Lots A thru C Trt 19051 bk 988 pgs 17 thru 20Lots 2, 3, 4, Le Grantor: Heritage Fields El Toro LLC Grantee: Pulte Home Co LLC Document ID: 0552650 *Comments: The 53 lots sold as part of a master planned community for $33,300,000. The seller had entitled the land for single family home development prior to sale. The land sold in rough graded/ blue topped condition with all utilities to site. The Appraiser estimates site development costs of $80,000 per lot.* *There was no name for this community at time of sale. The first home closings are expected for Third Quarter 2022.*					
2	Restore Irvine	Jun-21 Closed	$30,901,000	117	$344,111	$80,000
	Tax ID: Lots 1 thru 4, A thru C TRT MAP 19042 BK 989, PGS 17 THRU 20Lots 1 thru 3, A thru Grantor: Heritage Fields El Toro LLC Grantee: Solis Village - Irvine LP Document ID: 0387184 *Comments: The 117 residential, blue top lots with all utilities assigned sold for $30,901,000. The buyer is responsible for on-site in-tract improvements, which the Appraiser estimates at $80,000/lot. They will build 66 2-story single family detached homes on 35x65 lots ranging in size from 2,085 to 2,250 sf and 51 3-story single family detached 3-pack homes ranging in size from 2,326 to 2,597 square feet. This property is part of Great Park Neighborhoods Development District 5 - North Master Plan.*					
3	Ascent Pulte Homes Cadence Irvine	Jun-21 Closed	$19,781,000	37	$614,622	$80,000
	Tax ID: Parcels 133A, 134A & D1 Lot Line Adj 771028-LL & Parcels 132B & A Lot Line Adj 7 Grantor: Heritage Fields El Toro LLC Grantee: Pulte Home Company, LLC Document ID: 21-355611 *Comments: The 4.39-acre site, which totals about 37 SFR Lots, sold for $19,781,000 or $4,505,923 per acre. The land sold in blue-top condition aka rough graded with all utilities to site. This is the second takedown for Pule Homes and is part of the Ascent Community.*					
4	Tirador - 132 Lots Calle Arroyo & Paseo Tirador San Juan Capistrano	Apr-21 Closed	$30,100,000	132	$356,560	$128,530
	Tax ID: Lengthy legal, please refer to attached deed. Parcel Numbers 666-131-07,13, 14 a Grantor: San Juan Tirador LLC Grantee: Arroyo Cap II-1 LLC *Comments: The 13.08-acres sold for $30,100,000 or $52.84 per gross square foot. The sale price for the net 9.5 acres was $72.74 per net square foot. The property sold as 132 residential lots with utilities to site. The buyer Landsea Homes, a publicly traded residential homebuilder, built Spanish and Farmhouse-style architecture with 43 two-story, detached homes and 89 three-story townhomes. It was reported that the 89 townhomes will offer three different floor plans that will range from 1,200 square feet to 1,900 square feet and will include options for two to three bedrooms and two to three-and-a-half bathrooms. Each townhome will come with a two-car garage and some floor plans will also include a den. Fourteen townhomes will be designated for moderate-income affordable units. Approximately 3.6 acres adjacent to San Juan Creek were to be dedicated as a conservation area.*					
5	Padova at Orchard Hills Woody Knoll Irvine	Jun-20 Closed	$15,324,000	23	$666,261	$0
	Tax ID: 527-331-08 through -10, 527-331-33 through -36, 527-332-18 through -34, -38, - Grantor: Irvine Community Development Company, LLC Grantee: Shea Homes LP Document ID: 0285424 *Comments: This is the sale of a 2.41-acre site comprising 23 residential lots in finished condition as part of a rolling takedown.*					
6	Montara NEC Ceremony & Portola Springs Irvine	May-18 Closed	$50,504,158	104	$485,617	$0
	Grantor: Irvine Community Development Grantee: CDB Investments, LP *Comments: Montara is a 104-unit detached condominium development. The project was developed on with a density of approximately 13.2 dwelling units per acre. The developer is California Pacific Homes. The finished price is $485,617 per lot.*					

Comparable Land Sales Map – Detached



The sales on the previous page range from $344,111 to $708,302 per finished lot. With a rapidly changing market, the land residual analysis is considered to be the most applicable approach to value. The sales comparison approach is typically a lagging indicator of value in a rapidly expansionary or contracting market. There has been a lack of recent lot sales within the region due to homebuilders taking a pause on buying more lots due to the recent rise in interest rates. Therefore, the land residual analysis is given the greatest emphasis in the valuation of the subject lots.

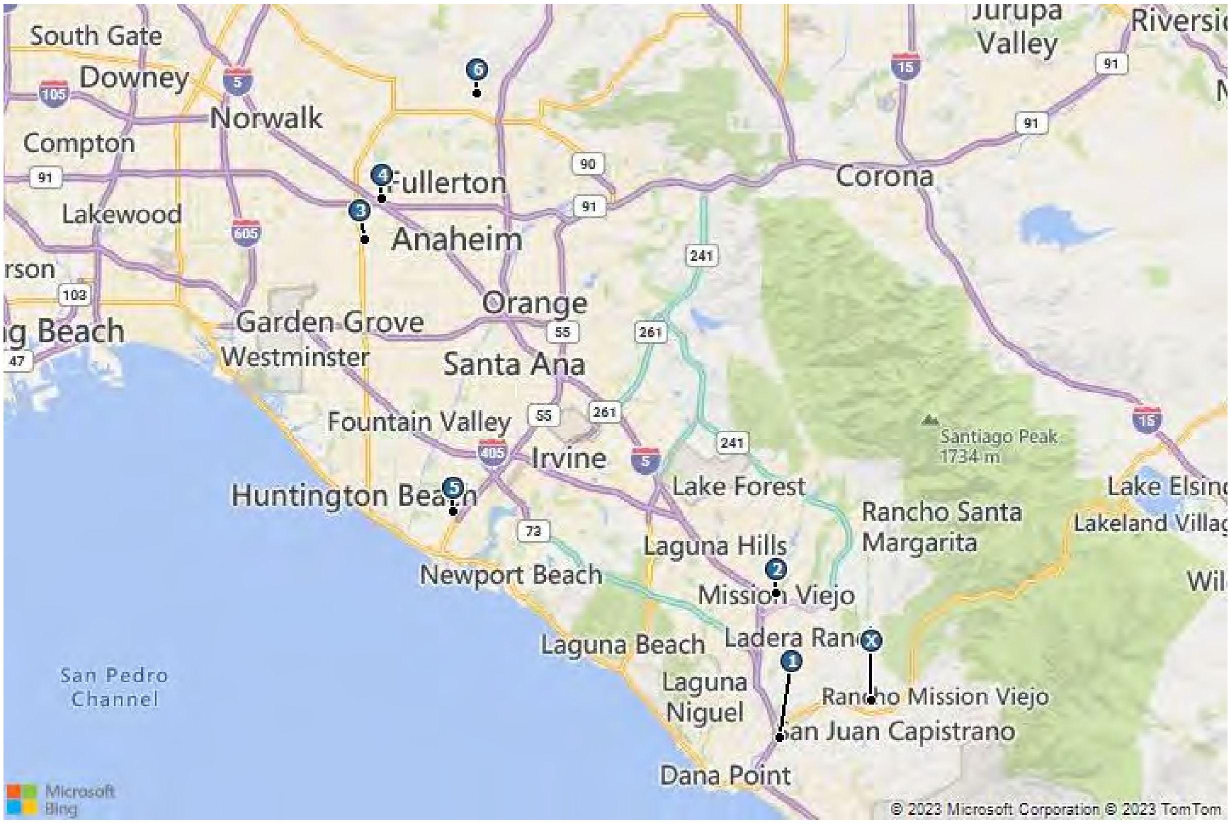
Our land residual conclusions fall within the comparable range and are considered reasonable. Further, all of subject properties have sold or are in contract to be sold. While details of each transaction have been provided for our review, they have been made confidential. Our value conclusions are supported by the contract prices of the subject properties.

The following pages include the comparable set used for the subject’s attached products.

Summary of Comparable Land Sales - Attached

No.	Name/Address	Sale Date; Status	Sale Price	Number of Lots/Units	$/Finished Lot	Site Dev. Costs/Lot
1	Tirador - 132 Lots Calle Arroyo & Paseo Tirador San Juan Capistrano Tax ID: Lengthy legal, please refer to attached deed. Parcel Numbers 666-131-07,13, 14 and 32 Grantor: San Juan Tirador LLC Grantee: Arroyo Cap II-1 LLC Document ID: 21-0240480 *Comments: The 13.08-acres sold for $30,100,000 or $52.84 per gross square foot. The sale price for the net 9.5 acres was $72.74 per net square foot. The property sold as 132 residential lots with utilities to site. The buyer Landsea Homes, a publicly traded residential homebuilder, built Spanish and Farmhouse-style architecture with 43 two-story, detached homes and 89 three-story townhomes. It was reported that the 89 townhomes will offer three different floor plans that will range from 1,200 square feet to 1,900 square feet and will include options for two to three bedrooms and two to three-and-a-half bathrooms. Each townhome will come with a two-car garage and some floor plans will also include a den. Fourteen townhomes will be designated for moderate-income affordable units. Approximately 3.6 acres adjacent to San Juan Creek were to be dedicated as a conservation area.*	Apr-21 Closed	$30,100,000	132	$356,560	$128,530
2	N/S Los Alisos Bl., SW/O Foothill Trans. Corr. Mission Viejo Tax ID: Portion of 839-161-12 & 16 Grantor: M.F. Mission Viejo, LLC Grantee: Shea Homes Limited Partnership Document ID: 20-485320 *Comments: This is the sale of a 4.12-acre or 179,293-square foot parcel located along the north side of Los Alisos Boulevard, southwest of the Foothill Transportation Corridor in the city of Mission Viejo. Land uses within proximity include a community shopping center to the west, a hotel to the east, single family residential to the south and open space including the Upper Oso Reservoir to the north. The parcel is irregular in shape, characterized by level topography and is served by electric, water, gas, sewer and telephone utilities. The parcel is zoned RPD 30, Residential Planned Development Zone, and is entitled with a tract map for the development of 60 townhomes, representing development density 14.6 units per acre. The project, City Lane Townhomes, built by Shea Homes.* *The property was sold in September 2020 at a sale price of $9,900,000, which is equivalent to $55.22 per square foot or $165,000 per potential dwelling unit.*	Sep-20 Closed	$9,900,000	60	$265,000	$100,000
3	Nolin Beach Blvd. Anaheim Tax ID: N/Av Grantor: Greenlaw 39 Commons Grantee: Landsea Homes *Comments: Landsea Homes planned to construct 65 townhomes ranging in size from 1,134 to 1,975 square feet. Pricing is expected to range from $522,000 to $685,000. Finishing costs are estimated at $103,457 per unit.*	Aug-20 Closed	$10,825,000	65	$269,995	$103,457
4	Orangethorpe & Magnolia 8925 Orangethorpe Ave Buena Park Tax ID: Lots 1 thru 14 A, B, AA THRU KK Trt 17667 bk 986 pgs 23 thru 29; APN: 070-712-22 Grantor: Orangethorpe Recovery Acquisition LLC Grantee: KB Home Coastal, Inc. *Comments: The 5.6-acre site sold to KB Home Coastal, Inc. for $22.9 million, or $93.88 per square foot of land. The property was acquired with the intent of demolishing the structure and redeveloping the land with 108 townhomes. Demolition costs of $516,600 were applied to the sale price bringing the effective sale price to $23,416,600, or $95.99 per square foot of land. The former AT&T data center site is fully entitled with about 98% of the engineering in place and there is an approved tentative tract map for 108 townhomes with 19 dwelling units per acre. The site is located within the Fullerton Municipal Airport (FMA) Planning Area, just north of the site, and went before the Airport Land Use Commission with respect to aircraft noise, building heights, and the development of heliports. The project does not fall within 60-65 dBA CNEL noise contours; however, the project site is within the arrival and departure path for helicopter noise abatement. Additionally, the project height does not penetrate the height limitation of 246 above mean sea level (AMSL). This well-located gated community will serve as an excellent opportunity to provide new housing in a high barrier to entry infill market.*	Jul-20 Closed	$23,416,600	108	$216,820	$0
5	Twenty8 Walk 2089-2099 Harbor Blvd Costa Mesa Tax ID: FAIRVIEW FARMS LOT 20 POR OF LOT AS DESC IN DD -7683/543 OR- TR 247 Grantor: Red Mountain Asset Fund II, LLC Grantee: Olson Urban III-Costa Mesa 3, LLC Document ID: 0501738 *Comments: This is the sale of six parcels totaling 1.53 acres of vacant land sold in an investment sale on December 3, 2020 for $6,000,000, or $89.96 per square foot of land. The land is entitled for the development of 28 residential lots. The location is within walking distance of local amenities and within 5 miles of the Huntington Beach pier and 3 miles of the Newport Beach Pier. According to public record, no financing was provided. Strong traffic counts – over 55,000 CPD at the intersection and is in close proximity to Orange Coast College (over 25,000 students) and Vanguard University (over 4,000 students). The property is under construction in August 2021. Finishing costs with impact fees are estimated at $130,000 per lot. Homes will be three-stories with small lots (2,000 SF) and zero lot line configurations.*	Dec-19 Closed	$6,000,000	28	$344,286	$130,000
6	Central Park Villa 340-420 W. Central Ave. Brea Tax ID: 296-241-12 Grantor: Brea Central LLC Grantee: TH Brea Venture LLC *Comments: This is the sale of a 4.61-acre or 200,812-square foot parcel located at 420 West Central Avenue in the city of Brea. Land uses within proximity include a business park of office/warehouse buildings, an office building, Memory Garden Memorial Park, a shopping center, and the Crestmont Estates mobile home park. The parcel is irregular in shape, characterized by level topography and is served by electric, water, gas, sewer and telephone utilities. The parcel, which is a part of the Central Park Village Master Plan, was entitled by the seller with a tract map for the development of 81 residential units, representing development density 17.6 units per acre.* *The property was sold in April 2019 at a sale price of $14,000,000, which is equivalent to $69.72 per square foot or $172,840 per*	Apr-19 Closed	$14,000,000	81	$281,061	$108,221

Comparable Land Sales Map – Attached



The comparables range from $216,820 to $356,560 per finished lot/unit. The conclusions for the subject via the land residual analyses fall at the upper end of this range and are considered reasonable. Further, all of subject properties have sold. While details of each transaction have been provided for our review, they have been made confidential. Our value conclusions are supported by the contract prices of the subject properties.

Value by Ownership

The purpose of the appraisal is to provide an indication of market value by ownership. There are multiple components appraised which vary by ownership entity. In this section, the previously concluded component market values will be allocated to each ownership group comprising the appraised properties in order to provide a market value of the appraised properties by ownership.

In light of the fact the merchant builders have a number of lot(s) that could sell in bulk to one buyer within 12 months, no additional discounting is necessary beyond the market value, in bulk, of the various single-family residential lot categories previously estimated. It is noted, as of the effective appraisal date, while all lots are under contract to be acquired by merchant builders, the master developer stills holds title to some of these lots. Similar to the merchant builder holdings, the master developer holdings at 47 lots could sell to a single buyer within 12 months; thus, no additional discounting is necessary.

We have also considered remaining site development costs as provided by each homebuilder as of the date of value, summarized as follows:

Site Development Cost Summary

Planning Area	Builder	Market Segment / Product Type	No. of Units	Total Site Development Costs	Current Condition	Remaining Site Development Costs
MR-6	Lennar	All Age Attached Back to Back Townhomes	106	$ 4,646,711.00 $43,837 /lot	Partially-Improved Lots	$ 654,820.75 $6,178 /lot
MR-8	Trumark	All Age Attached Row Townhomes	93	$ 13,234,996.00 $142,312 /lot	Partially-Improved Lots	$ 4,677,215.75 $50,293 /lot
MR-11	Pulte	All Age SFD - Duplex	82	$ 5,835,284.00 $71,162 /lot	Partially-Improved Lots	$ 2,756,102.95 $33,611 /lot
MR-24	Lennar	All Age SFD Alley (30' x 42')	69	$ 5,021,770.00 $72,779 /lot	Partially-Improved Lots	$ 483,664.95 $7,010 /lot
MR-25	Shea	All Age SFD Alley (43' x 50')	82	$ 5,979,162.00 $72,917 /lot	Partially-Improved Lots	$ 3,849,651.75 $46,947 /lot
MR-28	TriPointe	All Age SFD Alley (31' - 34' x 58')	82	$ 5,241,898.00 $63,926 /lot	Partially-Improved Lots	$ 3,446,095.55 $42,026 /lot

In addition, remaining off-site cost obligations associated with Planning Area 3.2B/Phase 2B equate to $13,076,304, net of estimated CFD No. 2023-1 County of Orange Bond Proceeds. In addition, the Master Developer has a fee credit agreement with the County for the TCA Impact Fees with the County, in which the credit balance more than off-sets the remaining TCA Impact Fees of $3,011,180 as of the effective appraisal date.

The Master Developer is responsible for the remaining costs a contractual obligation ($10,065,124), net of CFD eligible infrastructure costs and impact fee credits. However, for valuation purposes and given the fact the majority of the District properties are now held by homebuilders, it is appropriate to reflect these remaining off-site cost obligations as a deduction across the total 514 units, as these costs benefit all the units appraised. The pro-rata deduction for the remaining off-site cost obligations is approximately $19,581.95 per unit ($10,065,124 divided by 514 total units), as detailed in the following table.

Off-Site Cost Obligations

Improvements	Budget	Spent to Date	Remaining Costs	CFD Eligible Costs	Remaining Non CFD Eligible Costs
Major Infrastructure					
Cow Camp Road	$ 9,947,000	$ 9,947,000	$ -	$ 9,947,000	$ -
Gibby Bridge and Roadway	39,892,000	34,966,930	4,925,070	39,892,000	-
County Flood Control Basin	16,805,000	-	16,805,000	16,805,000	-
Zone B Pump Station	4,250,000	97,800	4,152,200	4,250,000	-
Water Quality Basin	1,823,000	-	1,823,000	1,823,000	-
Total Major Infrastructure	**$ 72,717,000**	**$ 45,011,730**	**$ 27,705,270**	**$ 72,717,000**	**$ -**
Development Costs					
Design/Engineering/Fees/Bonds (Project Soft Costs)	$ 3,762,739	$ 2,475,112	$ 1,287,627	$ -	$ 1,287,627
Grading/Storm Drain	15,814,748	13,451,703	2,363,045	2,847,547	(484,502)
Streets/Wet + Dry Utilities	4,787,624	2,305,224	2,482,400	4,840,453	-
Landscape/Hardscape	4,469,631	2,034,157	2,435,474	-	2,435,474
Parks/Trails	2,041,685	1,139,910	901,775	-	901,775
Amenities/Clubhouses	4,996,875	880,479	4,116,396	-	4,116,396
Indirect Construction Costs	-	-	-	-	-
Impact Fees					
OCFA (Fire Station)	5,800,000	5,800,000	-	5,078,000	-
Impact Fees (TCA, SMWD, Library)	5,613,862	794,328	4,819,534	-	4,819,534
Total Development Costs	**$ 47,287,164**	**$ 28,880,913**	**$ 18,406,251**	**$ 12,766,000**	**$ 13,076,304**
TCA Impact Fee Credit					$ (3,011,180)
Grand Total	**$ 120,004,164**	**$ 73,892,643**	**$ 46,111,521**	**$ 85,483,000**	**$ 10,065,124**

The following table summarizes the market value by ownership.

Value by Ownership

Ownership	Planning Area	Market Segment	Product Type	No. of Units	Concluded Finished Lot Value	Less: Remaining Site Development Costs	Lot Value as of Date of Value	Extension
RMV PA3 Development, LLC (Master Developer)	Value of Finished Lots							
	MR-11	All Age	Detached Duplex	42	$378,000	$33,611	$344,389	$14,464,338
				42				$14,464,338
	Less: Pro-Rata Share of Off-Site Obligation Costs			42	@ per unit of:	$19,581.95		($822,442)
								$13,641,895
RMV PA3 Development, LLC Total				**42**			**Rounded**	**$13,640,000**
AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank)	Value of Finished Lots							
	MR-6	All Age	Attached Back to Back Townhomes	106	$355,000	$6,178	$348,822	$36,975,179
	MR-24	All Age	Detached Alley	69	$486,000	$7,010	$478,990	$33,050,335
				175				$70,025,514
	Less: Pro-Rata Share of Off-Site Obligation Costs			175	@ per unit of:	$19,581.95		($3,426,842)
								$66,598,672
AG EHC II (LEN) CA 3, LP Total				**175**			**Rounded**	**$66,600,000**
RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank)	Value of Finished Lots							
	MR-28	All Age	Detached Alley	82	$495,000	$42,026	$452,974	$37,143,904
				82				$37,143,904
	Less: Pro-Rata Share of Off-Site Obligation Costs			82	@ per unit of:	$19,581.95		($1,605,720)
								$35,538,184
RMV MR28 – Mission Viejo LP Total				**82**			**Rounded**	**$35,540,000**
TH Rancho Mission Viejo MR 8, LLC (Truemark)	Value of Finished Lots							
	MR-8	All Age	Attached Row Townhomes	93	$357,000	$50,293	$306,707	$28,523,784
				93				$28,523,784
	Less: Pro-Rata Share of Off-Site Obligation Costs			93	@ per unit of:	$19,581.95		($1,821,122)
								$26,702,663
TH Rancho Mission Viejo MR 8, LLC Total				**93**			**Rounded**	**$26,700,000**
Pulte Home Company, LLC (Pulte)	Value of Finished Lots							
	MR-11	All Age	Detached Duplex	40	$378,000	$33,611	$344,389	$13,775,560
				40				$13,775,560
	Less: Pro-Rata Share of Off-Site Obligation Costs			40	@ per unit of:	$19,581.95		($783,278)
								$12,992,281
Pulte Home Company, LLC Total				**40**			**Rounded**	**$12,990,000**
Shea Homes LP (Shea)	Value of Finished Lots							
	MR-25	All Age	Detached Alley	82	$505,000	$46,947	$458,053	$37,560,348
				82				$37,560,348
	Less: Pro-Rata Share of Off-Site Obligation Costs			82	@ per unit of:	$19,581.95		($1,605,720)
								$35,954,628
Shea Homes LP Total				**82**			**Rounded**	**$35,950,000**

Conclusion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value by Ownership, Subject to a Hypothetical Condition	Fee Simple	August 31, 2023	
RMV PA3 Development, LLC (Master Developer)			$13,640,000
AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank)			$66,600,000
RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank)			$35,540,000
TH Rancho Mission Viejo MR 8, LLC (Truemark)			$26,700,000
Pulte Home Company, LLC (Pulte)			$12,990,000
Shea Homes LP (Shea)			$35,950,000
Aggregate Total			$191,420,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact.

None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition, directly related to a specific assignment, contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Certain proceeds from the CFD Bonds will be used to reimburse and finance infrastructure improvements and certain impact fees paid. The market values estimated herein are subject to the hypothetical condition certain authorized public improvements to be funded by proceeds from the County of Orange CFD No. 2023-1 Bonds are completed. The estimates of market value account for the impact of lien of the Special Taxes securing the CFD Bonds.

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local land market, it is our opinion that the probable exposure time for each of the owner’s properties separately at the concluded market values stated previously is 12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject’s marketing period at 12 months.

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Kevin Ziegenmeyer, MAI, made a personal inspection of the property that is the subject of this report. Eric Segal, MAI, has personally inspected the subject. Sara Gilbertson, MAI, has not personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Kevin Ziegenmeyer, MAI, Eric Segal, MAI, and Sara Gilbertson, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.

15.

Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567

Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558

Sara Gilbertson, MAI
Certified General Real Estate Appraiser
California Certificate # 3002204

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.

8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.

9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.

10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.

11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.

12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.

14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.

16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Sacramento, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. Integra Realty Resources – Sacramento is not a building or environmental inspector. Integra Sacramento does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct.

25. Integra Realty Resources – Sacramento, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact.

None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition, directly related to a specific assignment, contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Certain proceeds from the CFD Bonds will be used to reimburse and finance infrastructure improvements and certain impact fees paid. The market values estimated herein are subject to the hypothetical condition certain authorized public improvements to be funded by proceeds from the County of Orange CFD No. 2023-1 Bonds are completed. The estimates of market value account for the impact of lien of the Special Taxes securing the CFD Bonds.

Addendum A

Appraiser Qualifications

Kevin Ziegenmeyer, MAI

Integra Realty Resources - Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916.435.3883
F 916.435.4774

irr.com

Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the state of California, and Northern Nevada. Mr. Ziegenmeyer handles many of the firm's master-planned property appraisals and over the past two decades has developed expertise in the valuation of Community Facilities Districts and Assessment Districts.In fact, Mr. Ziegenmeyer was one of five appraisers to collaborate with other professionals in developing the appraisal guidelines for the California Debt and Investment Advisory Commission (Recommended Practices in the Appraisal of Real Estate for Land-Secured Financing - 2004). He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities and counties of San Francisco, Dublin, Monterey, Newport Beach, Alameda, Napa and San Mateo. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, California Certified General Real Estate Appraiser, AG013567, Expires June 2025

Education

Academic:
Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:
Standards of Professional Practice, Parts A, B & C
Basic Valuation Procedures
Real Estate Appraisal Principles
Capitalization Theory and Techniques, Part A
Advanced Income Capitalization
Report Writing and Valuation Analysis
Advanced Applications
IRS Valuation Summit I & II
2008, 2009, 2010 & 2011 Economic Forecast
Business Practices and Ethics
Contemporary Appraisal Issues with Small Business Administration Financing
General Demonstration Appraisal Report Writing Seminar
7-Hour National USPAP Update Course
Valuation of Easements and Other Partial Interests
2009 Summer Conference
Uniform Appraisal Standards for Federal Land Acquisitions (Yellowbook)
2008 Economic Update
Valuation of Conservation Easements
Subdivision Valuation

kziegenmeyer@irr.com - 916.435.3883 x224

Kevin Ziegenmeyer, MAI

Education (Cont'd)

2005 Annual Fall Conference
General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments
Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

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Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2023
Date Expires: June 4, 2025

Angela Jemmott

Angela Jemmott, Bureau Chief, BREA

3070756

Eric Segal, MAI

Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office as well as Integra-Sacramento office.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

Licenses

California, Certified General Real Estate Appraiser, AG026558, Expires February 2025
Nevada, Certified General, A.0207666-CG, Expires January 2025
Arizona, Certified General, CGA - 1006422, Expires January 2024
Washington, Certified General, 20100611, Expires June 2025

Education

Academic:
Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:
Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Self-Storage Economics and Appraisal Seminar
Appraisal Litigation Practice and Courtroom Management
Hotel Valuations: New Techniques for today's Uncertain Times
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications
Supervisor-Trainee Course for California

esegal@irr.com - 916.435.3883 x228

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Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2023
Date Expires: February 18, 2025

Angela Jemmott

Angela Jemmott, Bureau Chief, BREA

3069186

Sara Gilbertson, MAI

Integra Realty Resources - Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916.435.3883
F 916.435.4774

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Experience

Ms. Gilbertson is a licensed appraiser with Integra Realty Resources, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. After completing her bachelor’s degree at California State University, Sacramento, Ms. Gilbertson began her career in real estate as a research analyst/appraiser trainee for Seevers Jordan Ziegenmeyer in 2011. She has experience in writing narrative appraisal reports covering a variety of commercial properties, as well as special use properties including self-storage facilities, hotels and mobile home parks. She also specialized in the appraisal of residential master planned communities and subdivision, as well as Mello Roos and Assessment Districts for land secured municipal financings. Ms. Gilbertson has developed the experience and background necessary to deal with complex assignments covering an array of property types.

Licenses

California, California Certified General Real Estate Appraiser, 3002204, Expires May 2024

Education

Academic:
Bachelor of Science in Business Administration (Concentration in Real Estate and Land Development), California State University, Sacramento

Appraisal Institute Courses:
Basic Appraisal Principles
Basic Appraisal Procedures
Uniform Standards of Professional Appraisal Practice
Real Estate Finance and Statistics and Valuation Modeling
Sales Comparison Approach
Report Writing and Case Studies
Market Analysis and Highest and Best Use
Site Valuation and Cost Approach
Basic Income Capitalization
Federal and California Statutory and Regulator Laws
Quantitative Analysis
Business Practices and Ethics
Advanced Market Analysis and Highest and Best Use
Advanced Income Capitalization
Advanced Concepts and Case Studies

sgilbertson@irr.com - 916.435.3883 x248

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Sara A. Gilbertson

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3002204

Effective Date: May 30, 2022
Date Expires: May 29, 2024

Loretta Dillon

Loretta Dillon, Deputy Bureau Chief, BREA

3062390

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com

Addendum B

IRR Quality Assurance Survey

IRR Quality Assurance Survey

We welcome your feedback!

At IRR, providing a quality work product and delivering on time is what we strive to accomplish. Our local offices are determined to meet your expectations. Please reach out to your local office contact so they can resolve any issues.

Integra Quality Control Team

Integra does have a Quality Control Team that responds to escalated concerns related to a specific assignment as well as general concerns that are unrelated to any specific assignment. We also enjoy hearing from you when we exceed expectations! You can communicate with this team by clicking on the link below. If you would like a follow up call, please provide your contact information and a member of this Quality Control Team will call contact you.

Link to the IRR Quality Assurance Survey: quality.irr.com

Addendum C

Definitions

Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

As Is Market Value
The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Disposition Value
The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date
1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entitlement
In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

Entrepreneurial Incentive
The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's*

profit) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)

3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time
An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Value
The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value
A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Addendum D

Preliminary Title Reports

LOAN POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 17 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation (the "Company") insures as of Date of Policy and, to the extent stated in Covered Risks 11, 13, and 14, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
   (a) A defect in the Title caused by
      (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
      (ii) failure of any person or Entity to have authorized a transfer or conveyance;
      (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
      (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
      (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
      (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
      (vii) a defective judicial or administrative proceeding.
   (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
   (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   (a) the occupancy, use, or enjoyment of the Land;
   (b) the character, dimensions, or location of any improvement erected on the Land;
   (c) the subdivision of land; or
   (d) environmental protection

   if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title. This Covered Risk includes but is not limited to insurance against loss from any of the following impairing the lien of the Insured Mortgage
   (a) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
   (b) failure of any person or Entity to have authorized a transfer or conveyance;
   (c) the Insured Mortgage not being properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
   (d) failure to perform those acts necessary to create a document by electronic means authorized by law;
   (e) a document executed under a falsified, expired, or otherwise invalid power of attorney;
   (f) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
   (g) a defective judicial or administrative proceeding.
10. The lack of priority of the lien of the Insured Mortgage upon the Title over any other lien or encumbrance.
11. The lack of priority of the lien of the Insured Mortgage upon the Title
   (a) as security for each and every advance of proceeds of the loan secured by the Insured Mortgage over any statutory lien for services, labor, or material arising from construction of an improvement or work related to the Land when the improvement or work is either
      (i) contracted for or commenced on or before Date of Policy; or
      (ii) contracted for, commenced, or continued after Date of Policy if the construction is financed, in whole or in part, by proceeds of the loan secured by the Insured Mortgage that the Insured has advanced or is obligated on Date of Policy to advance; and
   (b) over the lien of any assessments for street improvements under construction or completed at Date of Policy.
12. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.
13. The invalidity, unenforceability, lack of priority, or avoidance of the lien of the Insured Mortgage upon the Title
   (a) resulting from the avoidance in whole or in part, or from a court order providing an alternative remedy, of any transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction creating the lien of the Insured Mortgage because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
   (b) because the Insured Mortgage constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
      (i) to be timely, or
      (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
14. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 13 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

First American Title Insurance Company

Kenneth D. DeGiorgio, President

Lisa W. Cornehl, Secretary

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   (i) the occupancy, use, or enjoyment of the Land;
   (ii) the character, dimensions, or location of any improvement erected on the Land;
   (iii) the subdivision of land; or
   (iv) environmental protection;
   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
   (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   (a) created, suffered, assumed, or agreed to by the Insured Claimant;
   (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   (c) resulting in no loss or damage to the Insured Claimant;
   (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
   (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
   (a) a fraudulent conveyance or fraudulent transfer, or
   (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

(a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b) or decreased by Section 10 of these Conditions.

(b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.

(c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.

(d) "Indebtedness": The obligation secured by the Insured Mortgage including one evidenced by electronic means authorized by law, and if that obligation is the payment of a debt, the Indebtedness is the sum of
   (i) the amount of the principal disbursed as of Date of Policy;
   (ii) the amount of the principal disbursed subsequent to Date of Policy;
   (iii) the construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land or related to the Land that the Insured was and continued to be obligated to advance at Date of Policy and at the date of the advance;
   (iv) interest on the loan;
   (v) the prepayment premiums, exit fees, and other similar fees or penalties allowed by law;
   (vi) the expenses of foreclosure and any other costs of enforcement;
   (vii) the amounts advanced to assure compliance with laws or to protect the lien or the priority of the lien of the Insured Mortgage before the acquisition of the estate or interest in the Title;
   (viii) the amounts to pay taxes and insurance; and
   (ix) the reasonable amounts expended to prevent deterioration of improvements;
   but the Indebtedness is reduced by the total of all payments and by any amount forgiven by an Insured.

(e) "Insured": The Insured named in Schedule A.
   (i) The term "Insured" also includes
      (A) the owner of the Indebtedness and each successor in ownership of the Indebtedness, whether the owner or successor owns the Indebtedness for its own account or as a trustee or other fiduciary, except a successor who is an obligor under the provisions of Section 12(c) of these Conditions;
      (B) the person or Entity who has "control" of the "transferable record," if the Indebtedness is evidenced by a "transferable record," as these terms are defined by applicable electronic transactions law;
      (C) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
      (D) successors to an Insured by its conversion to another kind of Entity;
      (E) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
         (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
         (2) if the grantee wholly owns the named Insured, or
         (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity;
      (F) any government agency or instrumentality that is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the Indebtedness secured by the Insured Mortgage, or any part of it, whether named as an Insured or not;
   (ii) With regard to (A), (B), (C), (D) , and (E) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the Indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, or other matter insured against by this policy.

(f) "Insured Claimant": An Insured claiming loss or damage.

(g) "Insured Mortgage": The Mortgage described in paragraph 4 of Schedule A.

(h) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.

(i) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.

(j) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.

(k) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

(l) "Title": The estate or interest described in Schedule A.

(m) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title or a prospective purchaser of the Insured Mortgage to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured after acquisition of the Title by an Insured or after conveyance by an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT
The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured of any claim of title or interest that is adverse to the Title or the lien of the Insured Mortgage, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title or the lien of the Insured Mortgage, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS
In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS
(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.
(b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.
(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE
(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title, the lien of the Insured Mortgage, or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.
(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY
In case of a claim under this policy, the Company shall have the following additional options:
(a) To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.
(i) To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or
(ii) To purchase the Indebtedness for the amount of the Indebtedness on the date of purchase, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.
When the Company purchases the Indebtedness, the Insured shall transfer, assign, and convey to the Company the Indebtedness and the Insured Mortgage, together with any collateral security.
Upon the exercise by the Company of either of the options provided for in subsections (a)(i) or (ii), all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in those subsections, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.
(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.
(i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or
(ii) to pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.
Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY
This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.
(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the least of
(i) the Amount of Insurance,
(ii) the Indebtedness,
(iii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy, or
(iv) if a government agency or instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Insured Mortgage in satisfaction of its insurance contract or guaranty.
(b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title or the lien of the Insured Mortgage, as insured,
(i) the Amount of Insurance shall be increased by 10%, and
(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.
(c) In the event the Insured has acquired the Title in the manner described in Section 2 of these Conditions or has conveyed the Title, then the extent of liability of the Company shall continue as set forth in Section 8(a) of these Conditions.

(d) In addition to the extent of liability under (a), (b), and (c), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, or establishes the lien of the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title or to the lien of the Insured Mortgage, as insured.

(c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

(a) All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment. However, any payments made prior to the acquisition of Title as provided in Section 2 of these Conditions shall not reduce the Amount of Insurance afforded under this policy except to the extent that the payments reduce the Indebtedness.

(b) The voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2 of these Conditions.

11. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

12. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) The Company's Right to Recover

Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title or Insured Mortgage and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Insured's Rights and Limitations

(i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Title from the lien of the Insured Mortgage, or release any collateral security for the Indebtedness, if it does not affect the enforceability or priority of the lien of the Insured Mortgage.

(ii) If the Insured exercises a right provided in (b)(i), but has Knowledge of any claim adverse to the Title or the lien of the Insured Mortgage insured against by this policy, the Company shall be required to pay only that part of any losses insured against by this policy that shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

(c) The Company's Rights Against Noninsured Obligors

The Company's right of subrogation includes the Insured's rights against noninsured obligors including the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(e)(i)(F) of these Conditions) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond, and the obligor will not be an Insured under this policy.

13. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is $2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of $2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

14. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or lien of the Insured Mortgage or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

15. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

16. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title or the lien of the Insured Mortgage that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

17. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at 1 First American Way, Santa Ana, CA 92707, Attn: Claims Department.

POLICY OF TITLE INSURANCE

FIRST AMERICAN

SCHEDULE A

First American Title Insurance Company

Name and Address of Title Insurance Company:
First American Title Insurance Company
1 First American Way
Santa Ana, CA 92707
File No.: OSA-6927336 Policy No.: 6927336

Loan No.:
Address Reference: Lots 1, 2, 5, 9, tract 19163, unincorporated area, CA
Amount of Insurance: $9,346,098.00 Premium: $ 150.00

Date of Policy: January 20, 2023 at 9:14 AM

1. Name of Insured:

   RMV PA3 Development, LLC, a Delaware limited liability company

2. The estate or interest in the Land that is encumbered by the Insured Mortgage is:

   A Fee.

3. Title is vested in:

   Pulte Home Company, LLC a Michigan Limited Liability Company

4. The Insured Mortgage, and its assignments, if any, are described as follows:

   A deed of trust to secure the performance of an agreement or other obligation, recorded January 20, 2023 as Instrument No. 2023000014321 of Official Records.

   Dated: January 18, 2023
   Trustor: Pulte Home Company, LLC a Michigan Limited Liability Company
   Trustee: First American Title Insurance Company, a California corporation
   Beneficiary: RMV PA3 Development, LLC, a Delaware limited liability company

5. The Land referred to in this policy is described as follows:

   Real property in the City of unincorporated area, County of Orange, State of California, described as follows:

   LOTS 1, 2, 5 AND 9 OF TRACT NO. 19163, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 1003, PAGES 1 THROUGH 16, INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

   EXCEPTING ANY AND ALL RIPARIAN, APPROPRIATIVE, OVERLYING OR OTHER WATER AND WATER RIGHTS AND ANY AND ALL INTERESTS IN SUCH WATER, INCLUDING SURFACE WATER, SUBSURFACE UNDERFLOW, AND PERCOLATING GROUNDWATER APPURTENANT OR RELATING TO SAID LAND, CONVEYED TO RANCHO MISSION VIEJO MUTUAL WATER COMPANY, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION IN DEED RECORDED APRIL 23, 2012 AS INSTRUMENT NO. 2012000230675 OF OFFICIAL RECORDS.

SCHEDULE B

File No.: OSA-6927336 Policy No.: 6927336

EXCEPTIONS FROM COVERAGE

PART I

This Policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

1. General and special taxes and assessments for the fiscal year 2023-2024, a lien not yet due or payable.

2. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	$3,768.32, PAID
Penalty:	$0.00
Second Installment:	$3,768.32, OPEN
Penalty:	$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-85

Affects: A portion of the land and other property.

2A. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	$27,235.74, PAID
Penalty:	$0.00
Second Installment:	$27,235.74, OPEN
Penalty:	$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-86

Affects: A portion of the land and other property.

2B. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	$26,770.17, PAID
Penalty:	$0.00
Second Installment:	$26,770.17, OPEN
Penalty:	$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-68

Affects: The land and other property.

3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

4. The terms and provisions contained in the document entitled "Agreement for Financing Public School Facilities" recorded June 27, 1985 as Instrument No. 85-237046 of Official Records.

5. The terms and provisions contained in the document entitled "Rancho Mission Viejo Development Agreement County of Orange (Ranch Plan Project)" recorded December 6, 2004 as Instrument No. 2004001082094 of Official Records.

   The terms and provisions contained in the document entitled Assignment and Assumption Agreement (Subarea 3.2B) recorded December 13, 2022 as Instrument No. 2022000404996 of Official Records.

6. The terms and provisions contained in the document entitled "Notice of Settlement and Declaration of Restrictions" recorded August 17, 2005 as Instrument No. 2005000648330 of Official Records.

7. The terms and provisions contained in the document entitled "Secured Fire Protection Agreement" recorded April 04, 2007 as Instrument No. 2007000218114 of Official Records.

8. Intentionally Deleted

9. The terms and provisions contained in the document entitled "Memorandum of School Facilities and Funding Agreement and Option to Purchase School Site" recorded January 31, 2014 as Instrument No. 2014000040452 of Official Records.

10. Intentionally Deleted

11. The following matters shown or disclosed by the filed or recorded Tract No. 19163 referred to in the legal description:

    WE EXPRESSLY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, THE EASEMENTS AS NOTED AND SHOWN TRACT NO. 19163 AS EASEMENTS RESERVED FOR ACCESS PURPOSES.

    (AFFECTS LOTS 1-9)

    WE ALSO HEREBY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, AN ACCESS EASEMENT OVER AND ACROSS LOTS 1-17 INCLUSIVE, AND LOTS 19-56 INCLUSIVE, AS SHOWN ON TRACT NO. 19163. THIS EASEMENT SHALL BE NON-EXCLUSIVE AND THE UNDERSIGNED RETAINS THE RIGHT TO USE AND GRANT TO OTHERS THE RIGHT TO USE ALL OR ANY PORTION OF THE AREA COVERED BY THE EASEMENT FOR ALL LAWFUL PURPOSES.
    THIS EASEMENT SHALL AUTOMATICALLY TERMINATE UPON THE FIRST TO OCCUR OF:
    1) DEDICATION OF A PUBLIC ROADWAY TO THE BOUNDARIES OF SAID LOTS OR PORTION THEREOF, OR GRANT OF ANOTHER PRIVATE EASEMENT WHICH PROVIDES ACCESS FROM SUCH LOT, OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY, OR
    2) RECORDATION OF A MAP PURSUANT TO THE CALIFORNIA SUBDIVISION MAP ACT COVERING SAID LOTS OR POTION THEREOF, OR ANY ADJACENT PROPERTY WHICH ESTABLISHES ROADWAYS WHICH PROVIDE ACCESS FROM SAID LOTS OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY CONVEYANCE OF ANY NUMBERED LOTS SHOWN ON SAID MAP MUST INCLUDE INGRESS AND EGRESS TO A PUBLIC STREET.

    GENERAL NOTES:
    1. TRACT NO. 19163 IS SUBJECT TO THE STANDARDS OF THE RANCH PLAN PLANNED COMMUNITY.
    2. THIS DEVELOPMENT IS SUBJECT TO THE CONDITONS OF APPROVAL FOR ALL OF VESTING

TENTATIVE TRACT NO. 19163.
3. ALL STORM DRAIN LINES & APPURTENANCES CONSTRUCTED WITHIN LETTERED LOTS WITHIN THIS MAP SHALL BE OWNED, OPERATED AND MAINTAINED BY THE DEVELOPER, SUCCESSORS OR ASSIGNS.

HIGH FIRE HAZARD AREA NOTE THE
DEVELOPMENT IS WITHIN A STATE RESPONSIBILITY AREA (SRA) - VERY HIGH FIRE HAZARD SEVERITY ZONE.

AUTOMATIC FIRE SPRINKLERS
All NEW HABITABLE STRUCTURES SHALL BE EQUIPPED THE APPROPRIATE AUTOMATIC FIRE SPRINKLER SYSTEMS PER RANCH PLAN FIRE PROTECTION PROGRAM EXHIBIT 2, SECTION A, CONDITION OF APPROVAL NO. 1, EXCEPT AS NOTED PER THE EXCEPTIONS LISTED IN THE TEXT OF THE CONDITION.

12. Abutter's rights of ingress and egress to or from Williams Way have been dedicated or relinquished on the filed Map.

(Affects Lots 1 and 9)

13. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
For: Water, sewer and access and incidental purposes.

(Affects Lots 1 and 9)

14. Intentionally Deleted

15. The terms and provisions contained in the document entitled "Declaration of Restrictive Coevnant (Subarea 3.2B)" recorded December 2, 2022 as Instrument No. 2022000396863 of Official Records.

16. Intentionally Deleted

17. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.

18. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded December 13, 2022 as Instrument No. 2022000404992 as rerecorded on December 14, 2022 as Instrument No. 2022000408038, both of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction, if any, indicating a preference, limitation, or discrimination based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, handicap, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, to the extent that such covenants, conditions or restrictions violate applicable state or federal laws. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Note: You may wish to contact the homeowners association referred to in the above document for information regarding assessments, transfer requirements or other matters.

The terms and provisions contained in the document entitled Supplemental Declaration of Development Covenants, Conditions and Restrictions recorded January 18, 2023 as Instrument No. 2023000013332 of Official Records.

19. Easements, Covenants and Conditions contained in the deed from RMV PA3 Development, LLC, a Delaware limited liability company, as Grantor, to Pulte Home Company, LLC, a Michigan limited liability company, as Grantee, recorded January 18, 2023 as Instrument No. Instrument No. 2023000013333 of Official Records. Reference being made to the document for full particulars.

20. The terms and provisions contained in the document entitled Memorandum of Repurchase Option recorded January 18, 2023 as Instrument No. 2023000013334 of Official Records.

SCHEDULE B

File No.: OSA-6927336 Policy No.: 6927336

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:

None

LOAN POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 17 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation (the "Company") insures as of Date of Policy and, to the extent stated in Covered Risks 11, 13, and 14, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
   (a) A defect in the Title caused by
      (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
      (ii) failure of any person or Entity to have authorized a transfer or conveyance;
      (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
      (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
      (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
      (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
      (vii) a defective judicial or administrative proceeding.
   (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
   (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   (a) the occupancy, use, or enjoyment of the Land;
   (b) the character, dimensions, or location of any improvement erected on the Land;
   (c) the subdivision of land; or
   (d) environmental protection

   if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title. This Covered Risk includes but is not limited to insurance against loss from any of the following impairing the lien of the Insured Mortgage
   (a) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
   (b) failure of any person or Entity to have authorized a transfer or conveyance;
   (c) the Insured Mortgage not being properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
   (d) failure to perform those acts necessary to create a document by electronic means authorized by law;
   (e) a document executed under a falsified, expired, or otherwise invalid power of attorney;
   (f) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
   (g) a defective judicial or administrative proceeding.
10. The lack of priority of the lien of the Insured Mortgage upon the Title over any other lien or encumbrance.
11. The lack of priority of the lien of the Insured Mortgage upon the Title
   (a) as security for each and every advance of proceeds of the loan secured by the Insured Mortgage over any statutory lien for services, labor, or material arising from construction of an improvement or work related to the Land when the improvement or work is either
      (i) contracted for or commenced on or before Date of Policy; or
      (ii) contracted for, commenced, or continued after Date of Policy if the construction is financed, in whole or in part, by proceeds of the loan secured by the Insured Mortgage that the Insured has advanced or is obligated on Date of Policy to advance; and
   (b) over the lien of any assessments for street improvements under construction or completed at Date of Policy.
12. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.
13. The invalidity, unenforceability, lack of priority, or avoidance of the lien of the Insured Mortgage upon the Title
   (a) resulting from the avoidance in whole or in part, or from a court order providing an alternative remedy, of any transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction creating the lien of the Insured Mortgage because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
   (b) because the Insured Mortgage constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
      (i) to be timely, or
      (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
14. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 13 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

First American Title Insurance Company

Kenneth D. DeGiorgio, President

Lisa W. Cornehl, Secretary

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
    (i) the occupancy, use, or enjoyment of the Land;
    (ii) the character, dimensions, or location of any improvement erected on the Land;
    (iii) the subdivision of land; or
    (iv) environmental protection;
    or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
   (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   (a) created, suffered, assumed, or agreed to by the Insured Claimant;
   (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   (c) resulting in no loss or damage to the Insured Claimant;
   (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
   (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
   (a) a fraudulent conveyance or fraudulent transfer, or
   (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

(a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b) or decreased by Section 10 of these Conditions.

(b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.

(c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.

(d) "Indebtedness": The obligation secured by the Insured Mortgage including one evidenced by electronic means authorized by law, and if that obligation is the payment of a debt, the Indebtedness is the sum of
  (i) the amount of the principal disbursed as of Date of Policy;
  (ii) the amount of the principal disbursed subsequent to Date of Policy;
  (iii) the construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land or related to the Land that the Insured was and continued to be obligated to advance at Date of Policy and at the date of the advance;
  (iv) interest on the loan;
  (v) the prepayment premiums, exit fees, and other similar fees or penalties allowed by law;
  (vi) the expenses of foreclosure and any other costs of enforcement;
  (vii) the amounts advanced to assure compliance with laws or to protect the lien or the priority of the lien of the Insured Mortgage before the acquisition of the estate or interest in the Title;
  (viii) the amounts to pay taxes and insurance; and
  (ix) the reasonable amounts expended to prevent deterioration of improvements;
  but the Indebtedness is reduced by the total of all payments and by any amount forgiven by an Insured.

(e) "Insured": The Insured named in Schedule A.
  (i) The term "Insured" also includes
    (A) the owner of the Indebtedness and each successor in ownership of the Indebtedness, whether the owner or successor owns the Indebtedness for its own account or as a trustee or other fiduciary, except a successor who is an obligor under the provisions of Section 12(c) of these Conditions;
    (B) the person or Entity who has "control" of the "transferable record," if the Indebtedness is evidenced by a "transferable record," as these terms are defined by applicable electronic transactions law;
    (C) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
    (D) successors to an Insured by its conversion to another kind of Entity;
    (E) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
      (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
      (2) if the grantee wholly owns the named Insured, or
      (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity;
    (F) any government agency or instrumentality that is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the Indebtedness secured by the Insured Mortgage, or any part of it, whether named as an Insured or not;
  (ii) With regard to (A), (B), (C), (D) , and (E) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the Indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, or other matter insured against by this policy.

(f) "Insured Claimant": An Insured claiming loss or damage.

(g) "Insured Mortgage": The Mortgage described in paragraph 4 of Schedule A.

(h) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.

(i) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.

(j) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.

(k) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

(l) "Title": The estate or interest described in Schedule A.

(m) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title or a prospective purchaser of the Insured Mortgage to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured after acquisition of the Title by an Insured or after conveyance by an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT
The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured of any claim of title or interest that is adverse to the Title or the lien of the Insured Mortgage, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title or the lien of the Insured Mortgage, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS
In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS
(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.
(b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.
(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE
(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title, the lien of the Insured Mortgage, or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.
(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY
In case of a claim under this policy, the Company shall have the following additional options:
(a) To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.
(i) To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or
(ii) To purchase the Indebtedness for the amount of the Indebtedness on the date of purchase, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.
When the Company purchases the Indebtedness, the Insured shall transfer, assign, and convey to the Company the Indebtedness and the Insured Mortgage, together with any collateral security.
Upon the exercise by the Company of either of the options provided for in subsections (a)(i) or (ii), all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in those subsections, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.
(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.
(i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or
(ii) to pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.
Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY
This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.
(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the least of
(i) the Amount of Insurance,
(ii) the Indebtedness,
(iii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy, or
(iv) if a government agency or instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Insured Mortgage in satisfaction of its insurance contract or guaranty.
(b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title or the lien of the Insured Mortgage, as insured,
(i) the Amount of Insurance shall be increased by 10%, and
(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.
(c) In the event the Insured has acquired the Title in the manner described in Section 2 of these Conditions or has conveyed the Title, then the extent of liability of the Company shall continue as set forth in Section 8(a) of these Conditions.

(d) In addition to the extent of liability under (a), (b), and (c), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, or establishes the lien of the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title or to the lien of the Insured Mortgage, as insured.

(c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

(a) All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment. However, any payments made prior to the acquisition of Title as provided in Section 2 of these Conditions shall not reduce the Amount of Insurance afforded under this policy except to the extent that the payments reduce the Indebtedness.

(b) The voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2 of these Conditions.

11. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

12. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) The Company's Right to Recover

Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title or Insured Mortgage and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Insured's Rights and Limitations

(i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Title from the lien of the Insured Mortgage, or release any collateral security for the Indebtedness, if it does not affect the enforceability or priority of the lien of the Insured Mortgage.

(ii) If the Insured exercises a right provided in (b)(i), but has Knowledge of any claim adverse to the Title or the lien of the Insured Mortgage insured against by this policy, the Company shall be required to pay only that part of any losses insured against by this policy that shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

(c) The Company's Rights Against Noninsured Obligors

The Company's right of subrogation includes the Insured's rights against noninsured obligors including the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(e)(i)(F) of these Conditions) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond, and the obligor will not be an Insured under this policy.

13. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is $2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of $2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

14. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or lien of the Insured Mortgage or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

15. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

16. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title or the lien of the Insured Mortgage that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

17. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at 1 First American Way, Santa Ana, CA 92707, Attn: Claims Department.

POLICY OF TITLE INSURANCE

FIRST AMERICAN

SCHEDULE A

First American Title Insurance Company

Name and Address of Title Insurance Company:
First American Title Insurance Company
1 First American Way
Santa Ana, CA 92707
File No.: OSA-6927338 Policy No.: 6927338

Loan No.:
Address Reference: Lots 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50 tract 19163, unincorporated area, CA
Amount of Insurance: $28,080,041.00 Premium: $ 150.00

Date of Policy: January 18, 2023 at 11:52 AM

1. Name of Insured:

   RMV PA3 Development, LLC, a Delaware limited liability company

2. The estate or interest in the Land that is encumbered by the Insured Mortgage is:

   A Fee.

3. Title is vested in:

   Shea Homes Limited Partnership, a California limited partnership

4. The Insured Mortgage, and its assignments, if any, are described as follows:

   A deed of trust to secure the performance of an agreement or other obligation, recorded January 18, 2023 as Instrument No. 2023000012635 of Official Records.

   Dated: January 18, 2023
   Trustor: Shea Homes Limited Partnership, a California limited partnership
   Trustee: First American Title Insurance Company, a California corporation
   Beneficiary: RMV PA3 Development, LLC, a Delaware limited liability company

5. The Land referred to in this policy is described as follows:

   Real property in the City of unincorporated area, County of Orange, State of California, described as follows:

   LOTS 38 THROUGH 50, INCLUSIVE, OF TRACT NO. 19163, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 1003, PAGES 1 THROUGH 16, INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

   EXCEPTING ANY AND ALL RIPARIAN, APPROPRIATIVE, OVERLYING OR OTHER WATER AND WATER RIGHTS AND ANY AND ALL INTERESTS IN SUCH WATER, INCLUDING SURFACE WATER, SUBSURFACE UNDERFLOW, AND PERCOLATING GROUNDWATER APPURTENANT OR RELATING TO SAID LAND, CONVEYED TO RANCHO MISSION VIEJO MUTUAL WATER COMPANY, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION IN DEED RECORDED APRIL 23, 2012 AS INSTRUMENT NO. 2012000230675 OF OFFICIAL RECORDS.

SCHEDULE B

File No.: OSA-6927338 Policy No.: 6927338

EXCEPTIONS FROM COVERAGE

PART I

This Policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

1. General and special taxes and assessments for the fiscal year 2023-2024, a lien not yet due or payable.

2. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	$27,235.74, PAID
Penalty:	$0.00
Second Installment:	$27,235.74, OPEN
Penalty:	$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-86

Affects: Portion of the land and other property.

3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

4. The terms and provisions contained in the document entitled "Agreement for Financing Public School Facilities" recorded June 27, 1985 as Instrument No. 85-237046 of Official Records.

5. The terms and provisions contained in the document entitled "Rancho Mission Viejo Development Agreement County of Orange (Ranch Plan Project)" recorded December 6, 2004 as Instrument No. 2004001082094 of Official Records.

   The terms and provisions contained in the document entitled Assignment and Assumption Agreement (Subarea 3.2B) recorded December 13, 2022 as Instrument No. 2022000404996 of Official Records.

6. The terms and provisions contained in the document entitled "Notice of Settlement and Declaration of Restrictions" recorded August 17, 2005 as Instrument No. 2005000648330 of Official Records.

7. The terms and provisions contained in the document entitled "Secured Fire Protection Agreement" recorded April 04, 2007 as Instrument No. 2007000218114 of Official Records.

8. Intentionally Deleted

9. The terms and provisions contained in the document entitled "Memorandum of School Facilities and Funding Agreement and Option to Purchase School Site" recorded January 31, 2014 as Instrument No. 2014000040452 of Official Records.

10. The terms and provisions contained in the document entitled "Covenant and Declaration of Restriction" recorded November 9, 2022 as Instrument No. 2022000358976 of Official Records.

11. The following matters shown or disclosed by the filed or recorded Tract No. 19163 referred to in the legal description:

    WE EXPRESSLY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, THE EASEMENTS AS NOTED AND SHOWN TRACT NO. 19163 AS EASEMENTS RESERVED FOR ACCESS PURPOSES.

    (AFFECTS LOTS 38-50)

    WE ALSO HEREBY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, AN ACCESS EASEMENT OVER AND ACROSS LOTS 1-17 INCLUSIVE, AND LOTS 19-56 INCLUSIVE, AS SHOWN ON TRACT NO. 19163. THIS EASEMENT SHALL BE NON-EXCLUSIVE AND THE UNDERSIGNED RETAINS THE RIGHT TO USE AND GRANT TO OTHERS THE RIGHT TO USE ALL OR ANY PORTION OF THE AREA COVERED BY THE EASEMENT FOR ALL LAWFUL PURPOSES.
    THIS EASEMENT SHALL AUTOMATICALLY TERMINATE UPON THE FIRST TO OCCUR OF:
    1) DEDICATION OF A PUBLIC ROADWAY TO THE BOUNDARIES OF SAID LOTS OR PORTION THEREOF, OR GRANT OF ANOTHER PRIVATE EASEMENT WHICH PROVIDES ACCESS FROM SUCH LOT, OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY, OR
    2) RECORDATION OF A MAP PURSUANT TO THE CALIFORNIA SUBDIVISION MAP ACT COVERING SAID LOTS OR POTION THEREOF, OR ANY ADJACENT PROPERTY WHICH ESTABLISHES ROADWAYS WHICH PROVIDE ACCESS FROM SAID LOTS OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY CONVEYANCE OF ANY NUMBERED LOTS SHOWN ON SAID MAP MUST INCLUDE INGRESS AND EGRESS TO A PUBLIC STREET.

    GENERAL NOTES:
    1. TRACT NO. 19163 IS SUBJECT TO THE STANDARDS OF THE RANCH PLAN PLANNED COMMUNITY.
    2. THIS DEVELOPMENT IS SUBJECT TO THE CONDITONS OF APPROVAL FOR ALL OF VESTING TENTATIVE TRACT NO. 19163.
    3. ALL STORM DRAIN LINES & APPURTENANCES CONSTRUCTED WITHIN LETTERED LOTS WITHIN THIS MAP SHALL BE OWNED, OPERATED AND MAINTAINED BY THE DEVELOPER, SUCCESSORS OR ASSIGNS.

    HIGH FIRE HAZARD AREA NOTE THE
    DEVELOPMENT IS WITHIN A STATE RESPONSIBILITY AREA (SRA) - VERY HIGH FIRE HAZARD SEVERITY ZONE.

    AUTOMATIC FIRE SPRINKLERS
    All NEW HABITABLE STRUCTURES SHALL BE EQUIPPED THE APPROPRIATE AUTOMATIC FIRE SPRINKLER SYSTEMS PER RANCH PLAN FIRE PROTECTION PROGRAM EXHIBIT 2, SECTION A, CONDITION OF APPROVAL NO. 1, EXCEPT AS NOTED PER THE EXCEPTIONS LISTED IN THE TEXT OF THE CONDITION.

12. Abutter's rights of ingress and egress to or from Williams Way, Saddle Way and Pablo Way have been dedicated or relinquished on the filed Map.

    (Affects Lots 38-43 and 50)

13. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
    For: Water, sewer and access and incidental purposes.

    (Affects Lots 40 and 41)

14. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
    For: Water and access and incidental purposes.

    (Affects Lot 43)

15. The terms and provisions contained in the document entitled "Declaration of Restrictive Coevnant (Subarea 3.2B)" recorded December 2, 2022 as Instrument No. 2022000396863 of Official Records.

16. Intentionally Deleted

17. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.

18. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded December 13, 2022 as Instrument No. 2022000404992 as rerecorded on December 14, 2022 as Instrument No. 2022000408038 both of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction, if any, indicating a preference, limitation, or discrimination based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, handicap, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, to the extent that such covenants, conditions or restrictions violate applicable state or federal laws. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

    Note: You may wish to contact the homeowners association referred to in the above document for information regarding assessments, transfer requirements or other matters.

    The terms and provisions contained in the document entitled Supplemental Declaration of Development Covenants, Conditions and Restrictions recorded January 18, 2023 as Instrument No. 2023000012632 of Official Records.

19. Easements, Covenants and Conditions contained in the deed from RMV PA3 Development, LLC, a Delaware limited liability company, as Grantor, to Shea Homes Limited Partnership, a California limited partnership, as Grantee, recorded January 18, 2023 as Instrument No. Instrument No. 2023000012633 of Official Records. Reference being made to the document for full particulars.

20. The terms and provisions contained in the document entitled Memorandum of Repurchase Option recorded January 18, 2023 as Instrument No. 2023000012634 of Official Records.

SCHEDULE B

File No.: OSA-6927338

Policy No.: 6927338

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:

None

LOAN POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 17 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation (the "Company") insures as of Date of Policy and, to the extent stated in Covered Risks 11, 13, and 14, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
   (a) A defect in the Title caused by
      (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
      (ii) failure of any person or Entity to have authorized a transfer or conveyance;
      (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
      (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
      (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
      (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
      (vii) a defective judicial or administrative proceeding.
   (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
   (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   (a) the occupancy, use, or enjoyment of the Land;
   (b) the character, dimensions, or location of any improvement erected on the Land;
   (c) the subdivision of land; or
   (d) environmental protection

   if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title. This Covered Risk includes but is not limited to insurance against loss from any of the following impairing the lien of the Insured Mortgage
   (a) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
   (b) failure of any person or Entity to have authorized a transfer or conveyance;
   (c) the Insured Mortgage not being properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
   (d) failure to perform those acts necessary to create a document by electronic means authorized by law;
   (e) a document executed under a falsified, expired, or otherwise invalid power of attorney;
   (f) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
   (g) a defective judicial or administrative proceeding.
10. The lack of priority of the lien of the Insured Mortgage upon the Title over any other lien or encumbrance.
11. The lack of priority of the lien of the Insured Mortgage upon the Title
   (a) as security for each and every advance of proceeds of the loan secured by the Insured Mortgage over any statutory lien for services, labor, or material arising from construction of an improvement or work related to the Land when the improvement or work is either
      (i) contracted for or commenced on or before Date of Policy; or
      (ii) contracted for, commenced, or continued after Date of Policy if the construction is financed, in whole or in part, by proceeds of the loan secured by the Insured Mortgage that the Insured has advanced or is obligated on Date of Policy to advance; and
   (b) over the lien of any assessments for street improvements under construction or completed at Date of Policy.
12. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.
13. The invalidity, unenforceability, lack of priority, or avoidance of the lien of the Insured Mortgage upon the Title
   (a) resulting from the avoidance in whole or in part, or from a court order providing an alternative remedy, of any transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction creating the lien of the Insured Mortgage because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
   (b) because the Insured Mortgage constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
      (i) to be timely, or
      (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
14. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 13 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

First American Title Insurance Company

Kenneth D. DeGiorgio, President

Lisa W. Cornehl, Secretary

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   (i) the occupancy, use, or enjoyment of the Land;
   (ii) the character, dimensions, or location of any improvement erected on the Land;
   (iii) the subdivision of land; or
   (iv) environmental protection;
   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
   (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   (a) created, suffered, assumed, or agreed to by the Insured Claimant;
   (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   (c) resulting in no loss or damage to the Insured Claimant;
   (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
   (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
   (a) a fraudulent conveyance or fraudulent transfer, or
   (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

(a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b) or decreased by Section 10 of these Conditions.

(b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.

(c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.

(d) "Indebtedness": The obligation secured by the Insured Mortgage including one evidenced by electronic means authorized by law, and if that obligation is the payment of a debt, the Indebtedness is the sum of
   (i) the amount of the principal disbursed as of Date of Policy;
   (ii) the amount of the principal disbursed subsequent to Date of Policy;
   (iii) the construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land or related to the Land that the Insured was and continued to be obligated to advance at Date of Policy and at the date of the advance;
   (iv) interest on the loan;
   (v) the prepayment premiums, exit fees, and other similar fees or penalties allowed by law;
   (vi) the expenses of foreclosure and any other costs of enforcement;
   (vii) the amounts advanced to assure compliance with laws or to protect the lien or the priority of the lien of the Insured Mortgage before the acquisition of the estate or interest in the Title;
   (viii) the amounts to pay taxes and insurance; and
   (ix) the reasonable amounts expended to prevent deterioration of improvements;
   but the Indebtedness is reduced by the total of all payments and by any amount forgiven by an Insured.

(e) "Insured": The Insured named in Schedule A.
   (i) The term "Insured" also includes
      (A) the owner of the Indebtedness and each successor in ownership of the Indebtedness, whether the owner or successor owns the Indebtedness for its own account or as a trustee or other fiduciary, except a successor who is an obligor under the provisions of Section 12(c) of these Conditions;
      (B) the person or Entity who has "control" of the "transferable record," if the Indebtedness is evidenced by a "transferable record," as these terms are defined by applicable electronic transactions law;
      (C) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
      (D) successors to an Insured by its conversion to another kind of Entity;
      (E) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
         (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
         (2) if the grantee wholly owns the named Insured, or
         (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity;
      (F) any government agency or instrumentality that is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the Indebtedness secured by the Insured Mortgage, or any part of it, whether named as an Insured or not;
   (ii) With regard to (A), (B), (C), (D) , and (E) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the Indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, or other matter insured against by this policy.

(f) "Insured Claimant": An Insured claiming loss or damage.

(g) "Insured Mortgage": The Mortgage described in paragraph 4 of Schedule A.

(h) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.

(i) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.

(j) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.

(k) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

(l) "Title": The estate or interest described in Schedule A.

(m) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title or a prospective purchaser of the Insured Mortgage to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured after acquisition of the Title by an Insured or after conveyance by an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT
The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured of any claim of title or interest that is adverse to the Title or the lien of the Insured Mortgage, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title or the lien of the Insured Mortgage, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS
In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS
(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.
(b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.
(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE
(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title, the lien of the Insured Mortgage, or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.
(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY
In case of a claim under this policy, the Company shall have the following additional options:
(a) To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.
(i) To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or
(ii) To purchase the Indebtedness for the amount of the Indebtedness on the date of purchase, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.
When the Company purchases the Indebtedness, the Insured shall transfer, assign, and convey to the Company the Indebtedness and the Insured Mortgage, together with any collateral security.
Upon the exercise by the Company of either of the options provided for in subsections (a)(i) or (ii), all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in those subsections, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.
(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.
(i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or
(ii) to pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.
Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY
This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.
(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the least of
(i) the Amount of Insurance,
(ii) the Indebtedness,
(iii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy, or
(iv) if a government agency or instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Insured Mortgage in satisfaction of its insurance contract or guaranty.
(b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title or the lien of the Insured Mortgage, as insured,
(i) the Amount of Insurance shall be increased by 10%, and
(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.
(c) In the event the Insured has acquired the Title in the manner described in Section 2 of these Conditions or has conveyed the Title, then the extent of liability of the Company shall continue as set forth in Section 8(a) of these Conditions.

(d) In addition to the extent of liability under (a), (b), and (c), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, or establishes the lien of the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title or to the lien of the Insured Mortgage, as insured.

(c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

(a) All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment. However, any payments made prior to the acquisition of Title as provided in Section 2 of these Conditions shall not reduce the Amount of Insurance afforded under this policy except to the extent that the payments reduce the Indebtedness.

(b) The voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2 of these Conditions.

11. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

12. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) The Company's Right to Recover

Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title or Insured Mortgage and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Insured's Rights and Limitations

(i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Title from the lien of the Insured Mortgage, or release any collateral security for the Indebtedness, if it does not affect the enforceability or priority of the lien of the Insured Mortgage.

(ii) If the Insured exercises a right provided in (b)(i), but has Knowledge of any claim adverse to the Title or the lien of the Insured Mortgage insured against by this policy, the Company shall be required to pay only that part of any losses insured against by this policy that shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

(c) The Company's Rights Against Noninsured Obligors

The Company's right of subrogation includes the Insured's rights against noninsured obligors including the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(e)(i)(F) of these Conditions) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond, and the obligor will not be an Insured under this policy.

13. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is $2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of $2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

14. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or lien of the Insured Mortgage or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

15. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

16. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title or the lien of the Insured Mortgage that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

17. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at 1 First American Way, Santa Ana, CA 92707, Attn: Claims Department.

SCHEDULE A

First American Title Insurance Company

Name and Address of Title Insurance Company:
First American Title Insurance Company
1 First American Way
Santa Ana, CA 92707
File No.: OSA-6927340 Policy No.: 6927340

Loan No.:
Address Reference: Lots 28, 29, 30, 31, 32, 33, 34, 35, 36, 37 tract 19163, unincorporated area, CA
Amount of Insurance: $26,378,574.00 Premium: $ 150.00

Date of Policy: January 18, 2023 at 12:30 PM

1. Name of Insured:

   RMV PA3 Development, LLC, a Delaware limited liability company

2. The estate or interest in the Land that is encumbered by the Insured Mortgage is:

   A Fee.

3. Title is vested in:

   RMV MR 28 - Mission Viejo, L.P., a Delaware limited partnership

4. The Insured Mortgage, and its assignments, if any, are described as follows:

   A deed of trust to secure the performance of an agreement or other obligation, recorded January 18, 2023 as Instrument No. 2023000012709 of Official Records.

   Dated: January 18, 2023
   Trustor: RMV MR 28 - Mission Viejo, L.P., a Delaware limited partnership
   Trustee: First American Title Insurance Company, a California corporation
   Beneficiary: RMV PA3 Development, LLC, a Delaware limited liability company

5. The Land referred to in this policy is described as follows:

   Real property in the City of unincorporated area, County of Orange, State of California, described as follows:

   LOTS 28 THROUGH 37, INCLUSIVE, OF TRACT NO. 19163, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 1003, PAGES 1 THROUGH 16, INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

   EXCEPTING ANY AND ALL RIPARIAN, APPROPRIATIVE, OVERLYING OR OTHER WATER AND WATER RIGHTS AND ANY AND ALL INTERESTS IN SUCH WATER, INCLUDING SURFACE WATER, SUBSURFACE UNDERFLOW, AND PERCOLATING GROUNDWATER APPURTENANT OR RELATING TO SAID LAND, CONVEYED TO RANCHO MISSION VIEJO MUTUAL WATER COMPANY, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION IN DEED RECORDED APRIL 23, 2012 AS INSTRUMENT NO. 2012000230675 OF OFFICIAL RECORDS.

SCHEDULE B

File No.: OSA-6927340 Policy No.: 6927340

EXCEPTIONS FROM COVERAGE

PART I

This Policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

1. General and special taxes and assessments for the fiscal year 2023-2024, a lien not yet due or payable.

2. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	$3,768.32, PAID
Penalty:	$0.00
Second Installment:	$3,768.32, OPEN
Penalty:	$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-85

Affects: A portion of the land and other property.

2A. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	$27,235.74, PAID
Penalty:	$0.00
Second Installment:	$27,235.74, OPEN
Penalty:	$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-86

Affects: A portion of the land and other property.

2B. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	$1,102.61, PAID
Penalty:	$0.00
Second Installment:	$1,102.61, OPEN
Penalty:	$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-87

Affects: A portion of the land and other property.

3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

4. The terms and provisions contained in the document entitled "Agreement for Financing Public School Facilities" recorded June 27, 1985 as Instrument No. 85-237046 of Official Records.

5. The terms and provisions contained in the document entitled "Rancho Mission Viejo Development Agreement County of Orange (Ranch Plan Project)" recorded December 6, 2004 as Instrument No. 2004001082094 of Official Records.

   The terms and provisions contained in the document entitled Assignment and Assumtion Agreement recorded December 13, 2022 as Instrument No. 2022000404996 of Official Records.

6. The terms and provisions contained in the document entitled "Notice of Settlement and Declaration of Restrictions" recorded August 17, 2005 as Instrument No. 2005000648330 of Official Records.

7. The terms and provisions contained in the document entitled "Secured Fire Protection Agreement" recorded April 04, 2007 as Instrument No. 2007000218114 of Official Records.

8. The terms and provisions contained in the document entitled "Memorandum of School Facilities and Funding Agreement and Option to Purchase School Site" recorded January 31, 2014 as Instrument No. 2014000040452 of Official Records.

9. Intentionally Deleted

10. The terms and provisions contained in the document entitled "Covenant and Declaration of Restriction" recorded November 9, 2022 as Instrument No. 2022000358976 of Official Records.

11. The following matters shown or disclosed by the filed or recorded Tract No. 19163 referred to in the legal description:

   WE EXPRESSLY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, THE EASEMENTS AS NOTED AND SHOWN TRACT NO. 19163 AS EASEMENTS RESERVED FOR ACCESS PURPOSES.

   (AFFECTS LOTS 28-37)

   WE ALSO HEREBY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, AN ACCESS EASEMENT OVER AND ACROSS LOTS 1-17 INCLUSIVE, AND LOTS 19-56 INCLUSIVE, AS SHOWN ON TRACT NO. 19163. THIS EASEMENT SHALL BE NON-EXCLUSIVE AND THE UNDERSIGNED RETAINS THE RIGHT TO USE AND GRANT TO OTHERS THE RIGHT TO USE ALL OR ANY PORTION OF THE AREA COVERED BY THE EASEMENT FOR ALL LAWFUL PURPOSES.
   THIS EASEMENT SHALL AUTOMATICALLY TERMINATE UPON THE FIRST TO OCCUR OF:
   1) DEDICATION OF A PUBLIC ROADWAY TO THE BOUNDARIES OF SAID LOTS OR PORTION THEREOF, OR GRANT OF ANOTHER PRIVATE EASEMENT WHICH PROVIDES ACCESS FROM SUCH LOT, OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY, OR
   2) RECORDATION OF A MAP PURSUANT TO THE CALIFORNIA SUBDIVISION MAP ACT COVERING SAID LOTS OR POTION THEREOF, OR ANY ADJACENT PROPERTY WHICH ESTABLISHES ROADWAYS WHICH PROVIDE ACCESS FROM SAID LOTS OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY CONVEYANCE OF ANY NUMBERED LOTS SHOWN ON SAID MAP MUST INCLUDE INGRESS AND EGRESS TO A PUBLIC STREET.

   GENERAL NOTES:
   1. TRACT NO. 19163 IS SUBJECT TO THE STANDARDS OF THE RANCH PLAN PLANNED COMMUNITY.
   2. THIS DEVELOPMENT IS SUBJECT TO THE CONDITONS OF APPROVAL FOR ALL OF VESTING

TENTATIVE TRACT NO. 19163.
3. ALL STORM DRAIN LINES & APPURTENANCES CONSTRUCTED WITHIN LETTERED LOTS WITHIN THIS MAP SHALL BE OWNED, OPERATED AND MAINTAINED BY THE DEVELOPER, SUCCESSORS OR ASSIGNS.

HIGH FIRE HAZARD AREA NOTE THE
DEVELOPMENT IS WITHIN A STATE RESPONSIBILITY AREA (SRA) - VERY HIGH FIRE HAZARD SEVERITY ZONE.

AUTOMATIC FIRE SPRINKLERS
All NEW HABITABLE STRUCTURES SHALL BE EQUIPPED THE APPROPRIATE AUTOMATIC FIRE SPRINKLER SYSTEMS PER RANCH PLAN FIRE PROTECTION PROGRAM EXHIBIT 2, SECTION A, CONDITION OF APPROVAL NO. 1, EXCEPT AS NOTED PER THE EXCEPTIONS LISTED IN THE TEXT OF THE CONDITION.

12. Abutter's rights of ingress and egress to or from Williams Way, Saddle Way and Pablo Way have been dedicated or relinquished on the filed Map.

(Affects Lots 31 and 35-37)

13. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
For: Water, sewer and access and incidental purposes.

(Affects Lots 31 and 35)

14. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
For: Water and access and incidental purposes.

(Affects Lot 37)

15. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
For: Sewer and access and incidental purposes.

(Affects Lot 37)

16. Intentionally Deleted

17. The terms and provisions contained in the document entitled Declaration of Restrictive Covenant recorded December 2, 2022 as Instrument No. 2022000396863 of Official Records.

18. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.

19. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded December 13, 2022 as Instrument No. 2022000404992 as rerecorded on December 14, 2022 as Instrument No. 2022000408038 both of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction, if any, indicating a preference, limitation, or discrimination based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, handicap, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, to the extent that such covenants, conditions or restrictions violate applicable state or federal laws. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

    Note: You may wish to contact the homeowners association referred to in the above document for information regarding assessments, transfer requirements or other matters.

    The terms and provisions contained in the document entitled Supplemental Declaration of Development Covenants, Conditions and Restrictions recorded January 18, 2023 as Instrument No. 2023000012706 of Official Records.

20. Easements, Covenants and Conditions contained in the deed from RMV PA3 Development, LLC, a Delaware limited liability company, as Grantor, to RMV MR 28 - Mission Viejo, L.P., a Delaware limited partnership, as Grantee, recorded January 18, 2023 as Instrument No. Instrument No. 2023000012707 of Official Records. Reference being made to the document for full particulars.

21. The terms and provisions contained in the document entitled Memorandum of Repurchase Option recorded January 18, 2023 as Instrument No. 2023000012708 of Official Records.

22. The terms and provisions contained in the document entitled Memorandum of Option and Developem Agreement recorded January 18, 2023 as Instrument No. 2023000012710 of Official Records.

23. The terms and provisions contained in the document entitled Construction License and Indemnity Agreement recorded January 18, 2023 as Instrument No. 2023000012711 of Official Records.

SCHEDULE B

File No.: OSA-6927340 Policy No.: 6927340

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:

None

OWNER'S POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 18 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
   (a) A defect in the Title caused by
      (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
      (ii) failure of any person or Entity to have authorized a transfer or conveyance;
      (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
      (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
      (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
      (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
      (vii) a defective judicial or administrative proceeding.
   (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
   (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   (a) the occupancy, use, or enjoyment of the Land;
   (b) the character, dimensions, or location of any improvement erected on the Land;
   (c) the subdivision of land; or
   (d) environmental protection

   if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. Title being vested other than as stated in Schedule A or being defective
   (a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
   (b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
      (i) to be timely, or
      (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

First American Title Insurance Company

Kenneth D. DeGiorgio, President

Lisa W. Cornehl, Secretary

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   (i) the occupancy, use, or enjoyment of the Land;
   (ii) the character, dimensions, or location of any improvement erected on the Land;
   (iii) the subdivision of land; or
   (iv) environmental protection;

   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

   (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   (a) created, suffered, assumed, or agreed to by the Insured Claimant;
   (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   (c) resulting in no loss or damage to the Insured Claimant;
   (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risks 9 and 10); or
   (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
   (a) a fraudulent conveyance or fraudulent transfer; or
   (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

(a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b), or decreased by Sections 10 and 11 of these Conditions.
(b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.
(c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.
(d) "Insured": The Insured named in Schedule A.
   (i) The term "Insured" also includes
      (A) successors to the Title of the Insured by operation of law as distinguished from purchase, including heirs, devisees, survivors, personal representatives, or next of kin;
      (B) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
      (C) successors to an Insured by its conversion to another kind of Entity;
      (D) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
         (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
         (2) if the grantee wholly owns the named Insured,
         (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity, or
         (4) if the grantee is a trustee or beneficiary of a trust created by a written instrument established by the Insured named in Schedule A for estate planning purposes.
   (ii) With regard to (A), (B), (C), and (D) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured.
(e) "Insured Claimant": An Insured claiming loss or damage.
(f) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.
(g) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.
(h) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.
(i) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.
(j) "Title": The estate or interest described in Schedule A.
(k) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured hereunder of any claim of title or interest that is adverse to the Title, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.
(b) The Company shall have the right, in addition to the options contained in

Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE

(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.
To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay.
Upon the exercise by the Company of this option, all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in this subsection, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.
  (i) To pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or
  (ii) To pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the lesser of
  (i) the Amount of Insurance; or
  (ii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy.

(b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title, as insured,
  (i) the Amount of Insurance shall be increased by 10%, and
  (ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.

(c) In addition to the extent of liability under (a) and (b), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title, as insured.

(c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment.

11. LIABILITY NONCUMULATIVE

The Amount of Insurance shall be reduced by any amount the Company pays under any policy insuring a Mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is executed by an Insured after Date of Policy and which is a charge or lien on the Title, and the amount so paid shall be deemed a payment to the Insured under this policy.

12. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

13. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.
If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Company's right of subrogation includes the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

14. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is $2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of $2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

16. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

17. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefore in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

18. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at 1 First American Way, Santa Ana, CA 92707, Attn: Claims Department.

POLICY OF TITLE INSURANCE

FIRST AMERICAN

SCHEDULE A

First American Title Insurance Company

Name and Address of Title Insurance Company:
First American Title Insurance Company
1 First American Way
Santa Ana, CA 92707

File No.: OSA-6927334 Policy No.: 6927334
Address Reference: Lots 19, 20, 21, 22, 23, 24, 25, 26, 27, F and 53, 54, 55, 56, P1, P2, P4, tract 19163, unincorporated area, CA

Amount of Insurance: $47,441,127.00 Premium: $28,467.00
Date of Policy: December 15, 2022 at 1:15 PM

1. Name of Insured:

   AG EHC II (LEN) CA 3, L.P., a Delaware limited partnership

2. The estate or interest in the Land that is insured by this policy is:

   A Fee.

3. Title is vested in:

   AG EHC II (LEN) CA 3, L.P., a Delaware limited partnership

4. The Land referred to in this policy is described as follows:

   Real property in the City of unincorporated area, County of Orange, State of California, described as follows:

   PARCEL A:[APN: PORTIONS OF 125-165-86]

   LOTS 53 THROUGH 56, INCLUSIVE, AND LETTERED LOTS P1, P2 AND P4 OF TRACT 19163 IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 1003, PAGES 1 THROUGH 16, INCLUSIVE, OF MAPS, IN THE OFFICE OF COUNTY RECORDER OF SAID COUNTY.

   EXCEPTING ANY AND ALL RIPARIAN, APPROPRIATIVE, OVERLYING OR OTHER WATER AND WATER RIGHTS AND ANY AND ALL INTERESTS IN SUCH WATER, INCLUDING SURFACE WATER, SUBSURFACE UNDERFLOW, AND PERCOLATING GROUNDWATER APPURTENANT OR RELATING TO SAID LAND, CONVEYED TO RANCHO MISSION VIEJO MUTUAL WATER COMPANY, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION IN DEED RECORDED APRIL 23, 2012 AS INSTRUMENT NO. 2012000230675 OF OFFICIAL RECORDS.

   PARCEL B:[APN: PORTIONS OF 125-165-85 AND 125-165-86]

   LOTS 19 THROUGH 27, INCLUSIVE, AND LETTERED LOT F OF TRACT 19163 IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 1003, PAGES 1 THROUGH 16, INCLUSIVE, OF MAPS, IN THE OFFICE OF COUNTY RECORDER OF SAID COUNTY.

   EXCEPTING ANY AND ALL RIPARIAN, APPROPRIATIVE, OVERLYING OR OTHER WATER AND WATER RIGHTS AND ANY AND ALL INTERESTS IN SUCH WATER, INCLUDING SURFACE WATER,

SUBSURFACE UNDERFLOW, AND PERCOLATING GROUNDWATER APPURTENANT OR RELATING TO SAID LAND, CONVEYED TO RANCHO MISSION VIEJO MUTUAL WATER COMPANY, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION IN DEED RECORDED APRIL 23, 2012 AS INSTRUMENT NO. 2012000230675 OF OFFICIAL RECORDS.

SCHEDULE B

File No.: OSA-6927334 Policy No.: 6927334

EXCEPTIONS FROM COVERAGE

This Policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

The Following Matters Affect Parcel A:

1. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	$27,235.74, PAID
Penalty:	$0.00
Second Installment:	$27,235.74, OPEN
Penalty:	$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-86

Affects: The land and other property.

2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

3. The terms and provisions contained in the document entitled "Agreement for Financing Public School Facilities" recorded June 27, 1985 as Instrument No. 85-237046 of Official Records.

4. The terms and provisions contained in the document entitled "Rancho Mission Viejo Development Agreement County of Orange (Ranch Plan Project)" recorded December 6, 2004 as Instrument No. 2004001082094 of Official Records.

   The terms and provisions contained in the document entitled "Assignment and Assumption Agreement" recorded December 13, 2022 as Instrument No. 2022000404996 of Official Records.

5. The terms and provisions contained in the document entitled "Notice of Settlement and Declaration of Restrictions" recorded August 17, 2005 as Instrument No. 2005000648330 of Official Records.

6. The terms and provisions contained in the document entitled "Secured Fire Protection Agreement" recorded April 04, 2007 as Instrument No. 2007000218114 of Official Records.

7. The terms and provisions contained in the document entitled "Memorandum of School Facilities and Funding Agreement and Option to Purchase School Site" recorded January 31, 2014 as Instrument No. 2014000040452 of Official Records.

8. The terms and provisions contained in the document entitled Grant and Conveyance of Telecommunication Easements recorded December 30, 2020 as Instrument No. 2020000775536 of Official Records.

The terms and provisions contained in the document entitled Assignment and Assumption of Telecommunication Rights recorded December 30, 2020 as Instrument No. 2020000775538 of Official Records.

Affects: LETTERED LOTS P1, P2 AND P4

9. Abutter's rights of ingress and egress to or from Williams Way have been dedicated or relinquished on the filed Map of Tract 19163.

10. An easement in favor of RMV PA3 Development, LLC, as shown or dedicated on the Map of Tract 19163
For: access and incidental purposes.

11. An easement in favor of the Santa Margarita Water District shown or dedicated on the Map of Tract 19163
For: water, sewer and access and incidental purposes.

Easements shall be subject to the same terms and conditions as shown in that certain easement recorded October 6, 1980 in Book 13776, Page 341, of Official Records, County of Orange.

12. The following matters shown or disclosed by the filed or recorded map referred to in the legal description:

1. Tract No. 19163 is subject to the standards of the ranch plan planned community.

2. This development is subject to the conditions of approval for all of the vesting tentative tract no. 19163.

3. All storm drain lines & appurtenances constructed within lettered lots within this map shall be owned, operated and maintained by the developer, successors or assigns.

High Fire Hazard Area Note
The development is within a state responsibility area (SRA) - very high fire hazard severity zone.

Automatic Fire Sprinklers
All new habitable structures shall be equipped with appropriate automatic fire sprinkler systems per ranch plan fire protection program exhibit 2, sections A, condition of approval no. 1, except as noted per the exceptions listed in the text of the condition.

Lots A through S, are for open space/slopes and not separate building sites.

13. The terms and provisions contained in the document entitled Declaration of Restrictive Covenant (Subarea 3.2B) recorded November 2, 2022 as Instrument No. 2022000396863 of Official Records.

14. Covenants, conditions, restrictions and easements in the document recorded December 13, 2022 as Instrument No. 2022000404992 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction, if any, indicating a preference, limitation, or discrimination based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, handicap, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, to the extent that such covenants, conditions or restrictions violate applicable state or federal laws. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

    The terms and provisions contained in the document entitled Supplemental Declaration of Development of Covenants, Conditions and Restrictions recorded December 15, 2022 as Instrument No. 2022000409220 of Official Records.

15. Easements, Covenants and Conditions contained in the deed from RMV PA3 Developement, LLC, a Delaware limited liability company, as Grantor, to AG EHC II (LEN) CA 3, L.P., a Delaware limited partnership, as Grantee, recorded December 15, 2022 as Instrument No. Instrument No. 2022000409221 of Official Records. Reference being made to the document for full particulars.

16. The terms and provisions contained in the document entitled Memorandum of Repurchase Option recorded December 15, 2022 as Instrument No. 2022000409222 of Official Records.

17. The terms and provisions contained in the document entitled Amended and Restated Memorandum of Option Agreement recorded December 15, 2022 as Instrument No. 2022000409227 of Official Records.

The Following Matters Affect Parcel B:

18. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	$27,235.74, PAID
Penalty:	$0.00
Second Installment:	$27,235.74, OPEN
Penalty:	$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-86

Affects: The land and other property.

1A. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	$3,768.32, PAID
Penalty:	$0.00
Second Installment:	$3,768.32, OPEN
Penalty:	$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-85

Affects: The land and other property.

19. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

20. The terms and provisions contained in the document entitled "Agreement for Financing Public School Facilities" recorded June 27, 1985 as Instrument No. 85-237046 of Official Records.

21. The terms and provisions contained in the document entitled "Rancho Mission Viejo Development Agreement County of Orange (Ranch Plan Project)" recorded December 6, 2004 as Instrument No. 2004001082094 of Official Records.

    The terms and provisions contained in the document entitled "Assignment and Assumption Agreement" recorded December 13, 2022 as Instrument No. 2022000404996 of Official Records.

22. The terms and provisions contained in the document entitled "Notice of Settlement and Declaration of Restrictions" recorded August 17, 2005 as Instrument No. 2005000648330 of Official Records.

23. The terms and provisions contained in the document entitled "Secured Fire Protection Agreement" recorded April 04, 2007 as Instrument No. 2007000218114 of Official Records.

24. The terms and provisions contained in the document entitled "Memorandum of School Facilities and Funding Agreement and Option to Purchase School Site" recorded January 31, 2014 as Instrument No. 2014000040452 of Official Records.

25. The terms and provisions contained in the document entitled Grant and Conveyance of Telecommunication Easements recorded December 30, 2020 as Instrument No. 2020000775536 of Official Records.

    The terms and provisions contained in the document entitled Assignment and Assumption of Telecommunication Rights recorded December 30, 2020 as Instrument No. 2020000775538 of Official Records.

    Affects: LETTERED LOT F

26. Abutter's rights of ingress and egress to or from Williams Way have been dedicated or relinquished on the filed Map of Tract 19163.

27. An easement in favor of RMV PA3 Development, LLC, as shown or dedicated on the Map of Tract 19163
    For: access and incidental purposes.

28. An easement in favor of the Santa Margarita Water District shown or dedicated on the Map of Tract 19163
    For: water, sewer and access and incidental purposes.

    Easements shall be subject to the same terms and conditions as shown in that certain easement recorded October 6, 1980 in Book 13776, Page 341, of Official Records, County of Orange.

29. The following matters shown or disclosed by the filed or recorded map referred to in the legal description:

    1. Tract No. 19163 is subject to the standards of the ranch plan planned community.

2. This development is subject to the conditions of approval for all of the vesting tentative tract no. 19163.

3. All storm drain lines & appurtenances constructed within lettered lots within this map shall be owned, operated and maintained by the developer, successors or assigns.

High Fire Hazard Area Note
The development is within a state responsibility area (SRA) - very high fire hazard severity zone.

Automatic Fire Sprinklers
All new habitable structures shall be equipped with appropriate automatic fire sprinkler systems per ranch plan fire protection program exhibit 2, sections A, condition of approval no. 1, except as noted per the exceptions listed in the text of the condition.

Lots A through S, are for open space/slopes and not separate building sites.

30. The terms and provisions contained in the document entitled Declaration of Restrictive Covenant (Subarea 3.2B) recorded December 2, 2022 as Instrument No. 2022000396863 of Official Records.

31. The terms and provisions contained in the document entitled Declaration of Development Covenants, Conditions and Restrictions (MR24) recorded December 13, 2022 as Instrument No. Instrument No. 2022000404992 as rerecorded on December 14, 2022 as Instrument No. 2022000408038 of Official Records.

32. Easements, Covenants and Conditions contained in the deed from RMV PA3 Developement, LLC, a Delaware limited liability company, as Grantor, to AG EHC II (LEN) CA 3, L.P., a Delaware limited partnership, as Grantee, recorded December 15, 2022 as Instrument No. Instrument No. 2022000409224 of Official Records. Reference being made to the document for full particulars.

33. The terms and provisions contained in the document entitled Memorandum of Repurchase Option recorded December 15, 2022 as Instrument No. 2022000409225 of Official Records.

34. A deed of trust to secure the performance of an agreement or other obligation, recorded December 15, 2022 as Instrument No. 2022000409226 of Official Records.

Dated:	December 15, 2022
Trustor:	Tri Pointe Homes Holdings, Inc., a Delaware corporation
Trustee:	First American Title Insurance Company, a California corporation
Beneficiary:	RMV PA3 Development, LLC, a Delaware limited liability company

35. The terms and provisions contained in the document entitled Amended and Restated Memorandum of Option Agreement recorded December 15, 2022 as Instrument No. 2022000409227 of Official Records.

First American Title

COVENANTS, CONDITIONS AND RESTRICTIONS - UNIMPROVED LAND - OWNER'S POLICY ENDORSEMENT

Issued by
First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

1. The insurance provided by this endorsement is subject to the exclusions in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.

2. For the purposes of this endorsement only, "Covenant" means a covenant, condition, limitation or restriction in a document or instrument in effect at Date of Policy.

3. The Company insures against loss or damage sustained by the Insured by reason of:
   a. A violation on the Land at Date of Policy of an enforceable Covenant, unless an exception in Schedule B of the policy identifies the violation; or
   b. A notice of a violation, recorded in the Public Records at Date of Policy, of an enforceable Covenant relating to environmental protection describing any part of the Land and referring to that Covenant, but only to the extent of the violation of the Covenant referred to in that notice, unless an exception in Schedule B of the policy identifies the notice of the violation.

4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:
   a. any Covenant contained in an instrument creating a lease;
   b. any Covenant relating to obligations of any type to perform maintenance, repair, or remediation on the Land; or
   c. except as provided in Section 3.b, any Covenant relating to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: ______________________
Kenneth D. DeGiorgio, President

By: ______________________
Lisa W. Cornehl, Secretary

By:
Authorized Countersignature

First American Title

WATER RIGHTS, SURFACE
DAMAGE ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

The Company insures against loss or damage sustained by the Insured by reason of damage to existing and/or future improvements, including lawns, shrubbery or trees, resulting from the exercise of any right to use the surface of the Land for the extraction or development of water excepted from the description of the Land or shown as a reservation in Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: ______________________
Kenneth D. DeGiorgio, President

By: ______________________
Lisa W. Cornehl, Secretary

By:

Authorized Countersignature

Form 50-10103 (7-1-14)	Page 15 of 20	CLTA 103.5-06 Water Rights, Surface Damage (3-9-07)

First American Title

MINERALS – SURFACE DAMAGE
ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334 File No.: OSA-6927334

The Company insures against loss sustained by reason of damage to existing and/or future improvements, including lawns, shrubbery or trees resulting from the exercise of any right to use the surface of the Land for the extraction or development of the minerals excepted from the description of the Land or shown as a reservation in Schedule B.

This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:

a. contamination, explosion, fire, vibration, fracturing, earthquake or subsidence; [or]
b. negligence by a person or an Entity exercising a right to extract or develop minerals or other subsurface substances [;or
c. .

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: Kenneth D. DeGiorgio, President

By: Lisa W. Cornehl, Secretary

Name of Agent

By:
Authorized Countersignature

First American Title

SUBDIVISION ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

The Company insures against loss or damage sustained by the Insured by reason of the failure of the Land to constitute a lawfully created parcel according to the subdivision statutes and local subdivision ordinances applicable to the Land.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date:December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: ______________________
Kenneth D. DeGiorgio, President

By: ______________________
Lisa W. Cornehl, Secretary

Form 50-10061 (7-1-14)	Page 17 of 20	ALTA 26-06 Subdivision (10-16-08)

First American Title

ENVIRONMENTAL PROTECTION
LIEN ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

The insurance afforded by this endorsement is only effective if the Land is used or is to be used primarily for residential purposes.

The Company insures against loss or damage sustained by the Insured by reason of lack of priority of the lien of the Insured Mortgage over

a. any environmental protection lien that, at Date of Policy, is recorded in those records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge, or is filed in the records of the clerk of the United States district court for the district in which the Land is located, except as set forth in Schedule B; or

b. any environmental protection lien provided by any state statute in effect at Date of Policy, except environmental protection liens provided by the following state statutes: NONE

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: ______________________________
Kenneth D. DeGiorgio, President

By: ______________________________
Lisa W. Cornehl, Secretary

First American Title

DELETION OF ARBITRATION - ALTA OWNER'S POLICY
ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

1. The policy is hereby amended by deleting Paragraph 14 from the Conditions of the policy.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: ______________________
Kenneth D. DeGiorgio, President

By: ______________________
Lisa W. Cornehl, Secretary

By:

Authorized Countersignature

First American Title

POLICY AUTHENTICATION ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

When the policy is issued by the Company with a policy number and Date of Policy, the Company will not deny liability under the policy or any endorsements issued with the policy solely on the grounds that the policy or endorsements were issued electronically or lack signatures in accordance with the Conditions.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

IN WITNESS WHEREOF, the Company has caused this endorsement to be issued and become valid when signed by an authorized officer or licensed agent of the Company.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: ______________________
Kenneth D. DeGiorgio, President

By: ______________________
Lisa W. Cornehl, Secretary

By:

Authorized Countersignature

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Bond Counsel will deliver an opinion for the Bonds substantially in the form set forth below:

[Closing Date]

Community Facilities District No. 2023-1
of the County of Orange (Rienda Phase 2B)
Santa Ana, California

Re: $66,175,000 Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) 2023 Series A Special Tax Bonds

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Board of Supervisors of the County of Orange taken in connection with the authorization and issuance by the Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) (the "District") of its 2023 Series A Special Tax Bonds in the aggregate principal amount of $66,175,000 (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), Resolution No. 23-132, adopted by the Board of Supervisors of the County of Orange (the "County"), acting in its capacity as the legislative body of the District (the "Board") on October 31, 2023, and the Indenture dated as of December 1, 2023 (the "Indenture"), by and between the District and U.S. Bank Trust Company, National Association, as trustee. All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, enforceable in accordance with their terms and the terms of the Indenture. The Bonds are limited obligations of the District but are not a debt of the County, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, except for the Net Taxes, neither the faith and credit nor the taxing power of the County, the State of California, or any of its political subdivisions is pledged for the payment thereof.

(2) The execution and delivery of the Indenture has been duly authorized by the District, and the Indenture is valid and binding upon the District and is enforceable in accordance with its terms; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses and we express no opinion as to any provisions with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

(3) The Indenture creates a valid pledge of that which the Indenture purports to pledge, subject to the provisions of the Indenture.

(4) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

(5) Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

(6) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond.

(7) The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner.

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is subject to the condition that the District and the County comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the County have covenanted to comply with all such requirements. Except as set forth in paragraphs (4), (5), (6) and (7) above, we express no opinion as to any tax consequences related to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate executed by the District and the County and other documents related to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on any Bond if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions, including the default judgment entered on September 26, 2023, by the Superior Court of the State of California for the County of Orange in the action entitled County of Orange v. All Persons Interested in the Matter etc., Case No. 30-2023-01327984-CU-MC-CJC, and cover certain matters not directly addressed by such authorities.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement or other offering material.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

Respectfully submitted,

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC DATA FOR THE COUNTY OF ORANGE

The following economic data for the County of Orange (the "County"), the City of Rancho Santa Margarita and the City of Mission Viejo are presented for information purposes only. The Bonds are not a debt or obligation of the County, the City of Rancho Santa Margarita or the City of Mission Viejo.

General

The County is bordered on the north by Los Angeles County and San Bernardino County, 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.

The County is the third largest county in California (by population) and is located in the most heavily populated region of California, necessitating easy access to road, rail, air and sea transportation. The County is also a major Southern California tourist center with a large number of amusement parks and recreational and entertainment activities. The County's Pacific Coast shoreline includes five state beaches and parks, five municipal beaches, and five County beaches.

The County is a charter county, created under a provision of the State Constitution that allows for adoption and enforcement of local ordinances, provided they do not conflict with the general laws of the State. The County is divided into five supervisorial districts on the basis of population and is governed by an elected five-member Board of Supervisors with each Supervisor serving a four-year term.

The County provides a wide range of services to its residents, including public protection, public assistance/social services, health and mental health services, infrastructure and environmental services such as airport, road, flood control, landfill and waste management services, libraries, beaches and parks. The County administers the numerous health and social service programs as the administrative agent of the State and pursuant to State law.

Population

The following table summarizes population estimates for the City of Mission Viejo, the City of Rancho Santa Margarita, County and State from 2019 through 2023.

POPULATION ESTIMATES
The City of Mission Viejo, the City of Rancho Santa Margarita,
County of Orange and the State of California
2019-2023[(1)]

Year	*City of Mission Viejo*	*City of Rancho Santa Margarita*	*County of Orange*	*California*
2019	95,728	48,987	3,185,378	39,605,361
2020	95,130	48,708	3,180,491	39,648,938
2021	92,597	47,590	3,167,783	39,286,510
2022	92,118	42,300	3,151,946	39,078,674
2023	91,846	47,066	3,137,164	38,940,231

(1) January 1 data.
Source: California State Department of Finance, Demographic Research Unit., *E-4 Population Estimates for Cities, Counties, and the State, 2010-2020, with 2010 Census Benchmark, and E-4 Population Estimates for Cities, Counties, and the State, 2020-2023, with 2020 Benchmark.*

Income

The following tables show the personal income and per capita personal income for the County, State of California and United States from 2017 through 2021.

PERSONAL INCOME
County of Orange, State of California, and United States
2017-2021
(Dollars in Thousands)

Year	*County of Orange*	*California*	*United States*
2017	$204,911,755	$2,318,281,000	$16,837,337,000
2018	212,806,994	2,431,774,000	17,671,054,000
2019	224,716,133	2,567,426,000	18,575,467,000
2020	241,153,117	2,790,524,000	19,812,171,000
2021	256,700,438	3,006,184,000	21,288,709,000

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME[(1)]
County of Orange, State of California, and United States
2017-2021

Year	*County of Orange*	*California*	*United States*
2017	$64,321	$58,804	$51,550
2018	66,753	61,508	53,786
2019	70,539	64,919	56,250
2020	75,737	70,647	59,765
2021	81,034	76,614	64,143

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Employment

The following table summarizes the labor force, employment and unemployment figures from 2017 to 2021 for the City of Mission Viejo, the City of Rancho Santa Margarita, the County and the State of California.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Mission Viejo, City of Rancho Santa Margarita, County of Orange, State of California and the United States
2017-2021[(1)]

	Area	*Labor Force*	*Employment[(2)]*	*Unemployment[(3)]*	*Unemployment Rate[(4)]*
2017	City of Mission Viejo	49,800	48,000	1,800	3.5%
	City of Rancho Santa Margarita	27,800	26,900	900	3.1
	Orange County	1,609,800	1,553,400	56,400	3.5
	State of California	19,205,300	18,285,500	919,800	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4
2018	City of Mission Viejo	49,700	48,200	1,500	3.0%
	City of Rancho Santa Margarita	27,700	27,000	800	2.8
	Orange County	1,625,400	1,569,750	47,500	2.9
	State of California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9
2019	City of Mission Viejo	49,900	48,500	1,400	2.8%
	City of Rancho Santa Margarita	27,800	27,100	700	2.5
	Orange County	1,623,400	1,578,333	45,100	2.8%
	State of California	19,411,600	18,627,400	784,200	4.0
	United States	163,539,000	157,538,000	6,001,000	3.7
2020	City of Mission Viejo	47,100	43,300	3,800	8.8%
	City of Rancho Santa Margarita	26,100	24,200	1,900	7.9
	Orange County	1,561,500	1,420,700	140,800	9.0
	State of California	18,931,100	16,996,700	1,934,500	10.2
	United States	160,742,000	147,795,000	12,947,000	8.1
2021	City of Mission Viejo	47,500	44,900	2,600	5.5%
	City of Rancho Santa Margarita	26,300	25,000	1,300	4.9
	Orange County	1,560,000	1,467,300	93,400	6.0
	State of California	18,923,200	17,541,900	1,381,200	7.3
	United States	161,204,000	152,581,000	8,623,000	5.3

(1) Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
(2) Includes persons involved in labor-management trade disputes.
(3) Includes all persons without jobs who are actively seeking work.
(4) The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2021 Benchmark.

Industry

The following table summarizes employment figures by industry for the Anaheim-Santa Ana-Irvine Metropolitan Division, which is located entirely within the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
Anaheim-Santa Ana-Irvine Metropolitan Division
(Orange County)
2018-2022[(1)]

	2018	*2019*	*2020*	*2021*	*2022*
Farming	2,000	1,900	1,900	2,000	1,600
Mining and Logging	500	500	400	400	300
Construction	105,900	106,100	101,300	102,200	106,500
Manufacturing	160,800	160,100	150,100	149,800	155,400
Wholesale Trade	79,800	79,400	79,400	75,600	76,900
Retail Trade	152,600	150,500	137,600	143,400	146,000
Transportation, Warehousing and Utilities	29,200	29,500	29,600	31,100	33,700
Information	26,700	26,000	24,100	24,000	24,800
Financial Activities	118,700	117,600	115,900	117,100	114,100
Professional and Business Services	317,300	328,400	309,200	321,700	332,500
Education and Health Services	225,200	233,100	225,800	237,300	249,500
Leisure and Hospitality	222,600	227,700	161,800	180,400	217,700
Other Services	51,400	52,000	44,100	47,500	52,700
Government	161,200	162,500	156,100	155,700	160,200
Total:	1,653,800	1,675,300	1,532,700	1,587,900	1,671,500

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
(1) Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.
Source: State of California, Employment Development Department, *Industry Employment & Labor Force by Annual Average, March 2021 Benchmark.*

Largest Employers

The following table presents the largest employers in the County as of June 30, 2022.

LARGEST EMPLOYERS
County of Orange
2022

Name of Business	*Number of Employees*	*Type of Business*
University of California, Irvine	26,182	Education
Walt Disney Co.	25,000	Entertainment
County of Orange	18,388	County Government
Providence	13,079	Healthcare
Kaiser Permanente	8,800	Healthcare
Albertsons	7,853	Grocery
Hoag Memorial Hospital	7,051	Healthcare
Wal-Mart	6,300	Retail
Target Corporation	6,000	Retail
Memorial Care	5,490	Healthcare

Source: County of Orange Comprehensive Annual Financial Report, Year Ended June 30, 2022.

Building Activity

The following tables summarize building permits and valuations for the County, the City of Mission Viejo and the City of Rancho Santa Margarita during calendar years 2018 through 2022.

BUILDING PERMITS AND VALUATIONS
County of Orange
2018-2022

	2018	*2019*	*2020*	*2021*	*2022*
Valuation (In $000's)					
Residential	$2,750,619	$2,642,321	$1,870,957	$2,393,961	$2,214,772
Nonresidential	3,532,285	3,152,501	2,025,512	1,825,076	1,928,312
Total Valuation[(1)]	$6,282,904	$5,794,815	$3,896,469	$4,219,037	$4,143,084
New Dwelling Units (#)					
Single-Family	3,975	3,125	2,863	3,292	2,929
Multifamily	4,130	7,169	3,032	4,382	3,405
Total:	8,105	10,294	5,895	7,674	6,334

(1) Total may not add up due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Mission Viejo
2018-2022

	2018	*2019*	*2020*	*2021*	*2022*
Valuation (In $000's)					
Residential	$22,695	$10,243	$14,117	$25,825	$35,538
Nonresidential	67,837	20,673	50,376	70,276	22,007
Total Valuation[(1)]	$90,532	$30,916	$64,493	$96,101	$57,545
New Dwelling Units (#)					
Single-Family	21	0	12	39	35
Multi-Family	0	0	10	14	32
Total:	21	0	22	53	67

(1) Total may not add up due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Rancho Santa Margarita
2018-2022

	2018	*2019*	*2020*	*2021*	*2022*
Valuation (In $000's)					
Residential	$ 4,586	$ 3,744	$3,534	$ 3,569	$ 4,980
Nonresidential	9,675	4,901	9,662	15,628	18,914
Total Valuation[(1)]	$14,261	$8,645	$13,196	$19,197	$23,894
New Dwelling Units (#)					
Single-Family	0	0	0	0	0
Multi-Family	0	0	0	0	0
Total:	0	0	0	0	0

(1) Total may not add up due to rounding.
Source: Construction Industry Research Board.

Taxable Sales

The history of taxable transactions in the County, the City of Mission Viejo and the City of Rancho Santa Margarita from 2018 through 2022 is shown in the following tables.

TAXABLE SALES
County of Orange
(Dollars in Thousands)
2018-2022

Year	*Retail Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2018	69,228	$46,078,187	117,633	$67,468,616
2019	71,305	47,044,198	122,989	69,499,158
2020	76,066	44,257,342	132,807	63,833,514
2021	67,060	53,553,039	118,779	78,095,148
2022	67,272	58,099,122	119,697	88,027,071

Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2018-2022. Certain previously reported data has been revised by the CDTFA.

TAXABLE SALES
City of Mission Viejo
(Dollars in Thousands)
2018-2022

Year	*Retail Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2018	1,900	$1,391,667	3,125	$1,649,008
2019	1,953	1,362,000	3,280	1,618,523
2020	2,045	1,056,267	3,511	1,255,031
2021	1,771	1,304,530	3,013	1,613,038
2022	1,704	1,386,127	2,955	1,754,002

Source: Taxable Sales in California, CDTFA for 2018-2022. Certain previously reported data has been revised by the CDTFA.

TAXABLE SALES
City of Rancho Santa Margarita
(Dollars in Thousands)
2018-2022

Year	*Retail Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2018	677	$485,629	1,243	$609,287
2019	694	483,666	1,294	598,668
2020	739	453,344	1,400	555,405
2021	644	566,165	1,218	673,410
2022	632	609,792	1,196	725,817

Source: Taxable Sales in California, CDTFA for 2018-2022. Certain previously reported data has been revised by the CDTFA.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

The following is a summary of certain definitions and provisions of the Indenture which is not described elsewhere in the Official Statement. This Summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.

DEFINITIONS

"Account" means any account created pursuant to the Indenture.

Acquisition Agreement" means that certain 2023 Series A Special Tax Bonds Acquisition, Funding and Disclosure Agreement dated as of December 7, 2023, by and between the County and RMV PA3 Development, LLC, a Delaware limited liability company, together with any amendments thereto

"Acquisition and Construction Fund" means the fund by that name established pursuant to the Indenture.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 *et seq.* of the California Government Code.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of the District: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the County or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the County, the District or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, the District or any designee thereof of complying with disclosure requirements of the County, the District or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, the District or any designee thereof related to an appeal of any Special Tax levy; the costs associated with the release of funds from an escrow account, including the Escrow Fund; and the County's annual administration fees and third party expenses. Administrative Expenses will also include amounts estimated by the CFD Administrator (as defined in the RMA) or advanced by the County or the District for any other administrative purposes of the District, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

"Administrative Expense Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"Administrative Expenses Cap" means $75,000 for Fiscal Year 2023-24, increasing at a rate of 2% per Fiscal Year thereafter.

"Annual Debt Service" means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

"Appraisal" means an appraisal performed by an Appraiser with a date of value that is within ninety (90) days of the Escrow Disbursement Date, based upon a methodology of valuation consistent with the County's policy for appraisals for financings under the Act.

"Appraised Value of Property" means for the Taxable Property in the District, either (i) the fair market value, as of the date of value of the Appraisal provided for above, of such parcels of property, including with respect to such parcels the value of the then existing improvements thereon, as estimated by an Appraiser in an Appraisal; and/or (ii) the full cash value of any or all of such parcels of property, including with respect to such parcels the value of the improvements thereon as set forth on the last equalized assessment roll of the County Assessor of the County.

"Appraiser" means an appraiser, who shall be a State of California certified general real estate appraiser selected and retained by the County.

"Assessor's Parcel" has the meaning ascribed to it in the RMA.

"Assigned Special Tax" has the meaning ascribed to it in the RMA.

"Authorized Representative of the District" means the Chair of the legislative body of the District, the County Executive Officer of the County, the Chief Financial Officer of the County, the Finance Team Lead of the County, the Budget & Finance Director of the County, or any other person or persons designated by the Chair of the legislative body of the District, the County Executive Officer of the County, the Chief Financial Officer of the County, the Finance Team Lead of the County, or the Budget & Finance Director of the County by a written certificate signed by one of such officers of the County and containing the specimen signature of each such person.

"Bond Counsel" means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

"Bond Register" means the books which the Trustee will keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds will be recorded.

"Bondowner" or "Owner" means the person or persons in whose name or names any Bond or Parity Bond is registered.

"Bonds" means the District's 2023 Series A Special Tax Bonds issued on December 7, 2023 in the aggregate principal amount of $66,175,000.

"Bond Year" means the twelve-month period ending on August 15 of each year; provided, however, that the first Bond Year will begin on the Delivery Date and end on August 15, 2024.

"Business Day" means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located, are not required or authorized to remain closed.

"Certificate of an Authorized Representative" means a written certificate executed by an Authorized Representative of the District.

"Certificate of the Special Tax Consultant" means a certificate of DTA, Inc., or any successor entity appointed by the District, to administer the calculation and collection of the Special Taxes.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of December 7, 2023, executed and delivered by the District, together with any amendments thereto.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants, fees of special tax consultants, reimbursements to the Developer for costs relating to formation of the District, and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the District.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“County” means the County of Orange, California.

“Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Developed Property” has the meaning ascribed to it in the RMA.

“Developer” means RMV PA3 Development, LLC, a Delaware limited liability company, and its successor and assigns.

“District” means Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) established pursuant to the Act and the Resolution of Formation.

“Escrow Closing Date” means July 1, 2026.

“Escrow Fund” means the Fund by that name created and established pursuant to the Indenture.

“Escrow Interest Account” means the Account in the Escrow Fund by that name created and established pursuant to the Indenture.

“Escrow Redemption Date” means August 15, 2026.

“Escrow Term Bonds” means the Bonds maturing on September 1, 2053 in an aggregate principal amount of $2,370,000 to which CUSIP No. 68423PB25 has been assigned.

“Event of Default” will mean the “event of default” described in the Indenture.

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”) or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal, (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by Standard & Poor’s and Moody’s, respectively (or any combination thereof).

"Fire Facilities Account" means the account by that name established pursuant to the Indenture.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next following June 30.

"Fitch" means Fitch Ratings, Inc., New York, New York, or its successors, and if such organization will for any reason no longer perform the functions of a securities rating agency, "Fitch" will be deemed to refer to any other nationally recognized securities rating agency designated by the County.

"Fund" means any fund created pursuant to the Indenture.

"Gross Taxes" means the amount of all Special Taxes received by the District from the Treasurer-Tax Collector, together with all payments made with respect to tax-defaulted parcels (including all delinquent and redemption penalties, fees and costs) and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, but excluding any payment of Special Taxes on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the District the Special Taxes levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County pursuant to California Revenue and Taxation Code Sections 4701 *et seq*.

"In-Tract Subaccount" means the subaccount by that name created and established in the Water Facilities Account of the Acquisition and Construction Fund pursuant to the Indenture.

"Indenture" means the Bond Indenture pursuant to which the Bonds are issued, together with any Supplemental Indenture approved pursuant to the Indenture.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom:

(1) is in fact independent and not under the domination of the District or the County;

(2) does not have any substantial interest, direct or indirect, in the District or the County; and

(3) is not connected with the District or the County as a member, officer or employee of the District or the County, but who may be regularly retained to make annual or other reports to the District or the County.

"Interest Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"Interest Payment Date" means each February 15 and August 15, commencing February 15, 2024; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

"Maximum Annual Debt Service" means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year:

(1) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and

(2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

"Maximum Special Tax" has the meaning ascribed to it in the RMA.

"Moody's" means Moody's Investors Service, Inc., New York, New York, or its successors, and if such organization will for any reason no longer perform the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the County.

"Net Taxes" means Gross Taxes minus amounts set aside to pay Administrative Expenses.

"Nominee" will mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Ordinance" means Ordinance No. 23-002 adopted by the legislative body of the District on May 23, 2023, providing for the levying of the Special Tax, as it may be amended from time to time, or any other ordinance adopted by the Board of Supervisors levying the Special Taxes.

"Other Facilities Account" means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

"Overlapping Debt" means with respect to any property within the District, the sum of (a) the aggregate amount of all unpaid assessments which are a lien on such property and which are pledged to secure the repayment of bonds, plus (b) a portion of the principal amount of any outstanding bonds of other community facilities districts which are payable at least partially from special taxes to be levied on such property (the "Other CFD Bonds") determined by multiplying the aggregate principal amount of the Other CFD Bonds by a fraction, the numerator of which is the amount of special taxes levied for the Other CFD Bonds on such property and the denominator of which is the total amount of special taxes levied for the Other CFD Bonds on all parcels of property which are subject to the levy of such special taxes, based upon information which is available for the then current Fiscal Year (excluding, for purposes of allocating such Overlapping Debt, any capitalized interest on the Other CFD Bonds).

"Outstanding" or "Outstanding Bonds and Parity Bonds" means all Bonds and Parity Bonds theretofore issued by the District, except:

(1) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture;

(2) Bonds and Parity Bonds for payment or redemption of which monies will have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

"Parity Bonds" means all bonds, notes or other similar evidences of indebtedness subsequently issued, payable out of the Net Taxes and which, as provided in the Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

"Participants" will mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

“Permitted Investments” means any of the following that at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (provided that the Trustee may rely upon investment direction of the District as a determination that such investment is a legal investment):

(1) Cash.

(2) United States Treasury bills, notes, bonds or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(3) Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

(4) Eligible commercial paper will be of “prime quality” and of the highest of ranking or of the highest letter and number rating as provided by a Rating Agency, expect that split ratings (i.e., A2/P1) will not be allowed. The commercial paper will not exceed 270 days’ maturity and the entity that issues the commercial paper will meet all of the following conditions in either paragraph (a) or paragraph (b):

(a) Has total assets in excess of five hundred million dollars ($500,000,000) , is organized and operating within the United States as a general corporation, and has debt other than commercial paper, if any, that is rated “A” or higher by a Rating Agency.

(b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond, has commercial paper that is rated “A-1” or higher, or the equivalent, by a Rating Agency.

(5) Negotiable certificates of deposit issued by a U.S. national or state-chartered bank, savings bank, saving and loan association, or credit union in this state or state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank. Issuing banks must have a short-term rating of not less than A1/P1 and a long-term rating of not less than a “A” from a Rating Agency, if any.

(6) Investments in repurchase agreements which comply with the requirements of California Government Code Section 53601(j) pursuant to which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Trustee by book entry, physical delivery, or by third party custodial agreement. The terms of a repurchase agreement will not exceed one year. The term “securities,” for the purpose of repurchase agreements, means securities of the same issuer, description, issue date and maturity.

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. Repurchase agreements are required to be collateralized by securities or cash authorized under California Government Code Section 53601(j)(2) as described below:

(a) To anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement will be valued at 102% or greater of the funds borrowed against those securities and the value will be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements will be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

(b) Collateral will be limited to U.S. Treasury securities listed in paragraph (2) above and U.S. Government Agency securities listed in paragraph (3) above. Collateral will be held by an independent third party with whom the Trustee has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Trustee and retained. The Trustee retains the right to substitute or grant substitutions of collateral.

(7) Bankers acceptances, also known as time drafts (bills of exchange) that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances will not exceed 180 days maturity. Issuing banks must be rated by each Rating Agency and have a short-term rating of at least A1/P1 and a long-term rating of not less than "A" from a Rating Agency, if any.

(8) Shares of beneficial interest issued by diversified management companies that are mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et. seq.), which only invest in direct obligations in U.S. Treasury bills, notes and bonds, U.S. Government Agency securities and repurchase agreements with a weighted average maturity of 60 days or less. At a minimum, approved mutual funds will have met either of the following criteria:

(a) Attained the highest ranking or the highest letter or numerical rating provided by each Rating Agency.

(b) Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500,000,000.

(9) Municipal debt instruments issued by a local or state agency, including:

(a) Bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

(b) Registered state warrants or treasury notes or bonds, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state or a department, board, agency or authority of the state.

(c) Bonds, notes, warrants or other evidences of indebtedness of any local agency within a state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency, or authority of the local agency.

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 a Rating Agency, if any. Municipal debt issued by the County is exempt from this credit requirement.

(10) Medium-term notes consisting of corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools such as money market funds and five years for any longer-term pools such as an extended fund. Medium-terms notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment will be rated not less than "A" or its equivalent form each Rating Agency.

(11) Money markets or mutual funds which are rated by S&P "AAAm-G" or "AAAm" or higher and, if rated by Fitch, are rated "Aaa" or higher, which funds may include funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services.

(12) The Orange County Treasurer's Pool.

The value of the above investments in (1) through (11) above, which will be determined as of the end of each month, means that the value of any investments will be calculated as follows:

(1) for the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued at fair market value. The Trustee will determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers will include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation and Merrill Lynch;

(2) as to certificates of deposit and bankers acceptances; the face amount thereof, plus accrued interest;

(3) as to any investment not specified above: the value thereof established by prior agreement between the District and the Trustee; and

(4) as to any investment in the Orange County Treasurer's Pool, in the manner required by State law.

"Person" means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

"Prepayments" means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the RMA.

"Principal Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"Principal Office of the Trustee" means the office of the Trustee located in Los Angeles, California, or such other office or offices as the Trustee may designate from time to time, or the office of any successor trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

"Proceeds Fund" means the fund by that name created and established pursuant to the Indenture.

"Project" means those facilities described in the Acquisition Agreement which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities.

"Project Costs" means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds, and to pay any other "incidental expenses" of the District, as such term is defined in the Act

"Project Facilities Account" means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

"Rating Agency" means Fitch, Moody's and Standard & Poor's, or any one of such entities, as the context requires.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Record Date" means the first day of the month in which an Interest Payment Date occurs, regardless of whether such day is a Business Day.

"Redemption Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"Regulations" means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

"Representation Letter" will mean the Blanket Letter of Representations from the District to the Depository as described in the Indenture.

"Reserve Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"Reserve Requirement" means that amount as of any date of calculation equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; provided, however, that the Reserve Requirement will not increase beyond $5,890,536.49, the Reserve Requirement as of the Delivery Date of the Bonds, except upon the issuance of Parity Bonds, or in connection with a release from the Escrow Fund as set forth in the Indenture; and provided further that, in calculating the amounts referred to in the preceding clauses (i), (ii) and (iii), there will be excluded the debt service on, or the principal amount of, as applicable, the Escrow Term Bonds as of such date of calculation unless amounts are released from the Escrow Fund in accordance with the Indenture.

"Resolution of Formation" means Resolution No. 23-043 adopted by the Board of Supervisors of the County on April 11, 2023, pursuant to which the County formed the District, together with Resolution No. 23-044 adopted by the legislative body of the District on April 11, 2023.

"RMA" means the Rate and Method of Apportionment of Special Taxes for Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) in the form attached to Resolution No. 23-043 adopted by the Board of Supervisors of the County on April 11, 2023.

"School Facilities Account" means the account by that name established pursuant to the Indenture.

"Sinking Fund Payment" means the annual payment to be deposited in the Principal Account to redeem a portion of the Term Bonds and Escrow Term Bonds in accordance with the schedules set forth in the Indenture and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

"SMWD Construction Subaccount" means the subaccount by that name created and established in the Water Facilities Account of the Acquisition and Construction Fund pursuant to the Indenture.

"Special Tax Consultant" means DTA, Inc., or any successor entity appointed by the District, to administer the calculation and collection of the Special Taxes.

"Special Tax Fund" means the fund by that name created and established pursuant to the Indenture.

"Special Taxes" means the taxes authorized to be levied by the legislative body of the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act, the voter approval obtained at the April 11, 2023 election in the District.

"Standard & Poor's" or "S&P" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business or its successors and if such organization will no longer perform the functions of a securities rating agency, "Standard & Poor's" will be deemed to refer to any other nationally recognized securities rating agency designated by the County.

"Subordinated Bonds" means any bonds or indebtedness of the District that have a lien, charge, pledge or encumbrance on the Net Taxes junior and subordinated to the lien, charge, pledge and encumbrance thereon for the Bonds and any Parity Bonds.

"Supplemental Indenture" means any supplemental indenture amending or supplementing the Indenture.

"Surplus Fund" means the fund by that name created and established pursuant to the Indenture.

"Tax Certificate" means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

"Taxable Property" has the meaning ascribed to it in the RMA.

"Term Bonds" means the Bonds maturing on August 15, 2038, August 15, 2043, August 15, 2048, and August 15, 2053 other than the Escrow Term Bonds, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

"Treasurer-Tax Collector" means the Treasurer-Tax Collector of the County, or an authorized delegate thereof.

"Trustee" means U.S. Bank Trust Company, National Association a national banking association duly organized and existing under the laws of the United States, at its principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

"Underwriters" means Stifel, Nicolaus & Company, Incorporated and Piper Sandler & Co., with respect to the Bonds and, with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

"Water Facilities Account" means the account by that name established pursuant to the Indenture.

GENERAL AUTHORIZATION AND BOND TERMS

Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the County, the State of California, or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity 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 (exclusive of the Administrative Expense Account) and the Escrow Fund (and the Escrow Interest Account therein) (to the limited extent described in the Indenture), as more fully described in the Indenture. The District's limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the County or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) and the Escrow Fund (and the Escrow Interest Account therein) (to the limited extent described in the Indenture) which are, under the terms of the Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon and neither the members of the legislative body of the District or the Board of Supervisors of the County nor any persons executing the Bonds or any Parity Bonds, are liable personally on the Bonds or any Parity Bonds, by reason of their issuance.

Notwithstanding anything to the contrary contained in the Indenture, the District will not be required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds or any Parity Bonds, or for the performance of any covenants contained therein. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Equality of Bonds and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and the Indenture, the Bonds and any Parity Bonds will be secured by a pledge, charge, lien and encumbrance upon and equally payable from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) and the Escrow Fund (and the Escrow Interest Account therein) (to the limited extent described in the Indenture) without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof, will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) and the Escrow Fund (and the Escrow Interest Account therein) (to the limited extent described in the Indenture), which are set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) and the Escrow Fund (and the Escrow Interest Account therein) (to the limited extent described in the Indenture) will constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding will not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund will no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Acquisition and Construction Fund, the Costs of Issuance Fund or the Administrative Expense Account of the Special Tax Fund will be construed as a trust fund held for the benefit of the Owners.

Nothing in the Indenture or any Supplemental Indenture will preclude: (i) subject to the limitations contained in the Indenture, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as subsequently amended, or under any other law of the State of California; or (ii) the issuance, subject to the limitations contained in the Indenture, of Parity Bonds which will be payable from Net Taxes.

Place and Form of Payment. The Bonds and Parity Bonds will be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and Parity Bonds and any premiums due upon the redemption thereof will be payable upon presentation and surrender thereof at the Principal Office of the Trustee, or at the designated office of any successor Trustee. Interest on any Bond or Parity Bond will be payable from the

Interest Payment Date next preceding the date of authentication of that Bond or Parity Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest will be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond or Parity Bond, in which event interest will be payable from the dated date of such Bond or Parity Bond, as applicable; provided, however, that if at the time of authentication of such Bond or Parity Bond, interest is in default, interest on that Bond or Parity Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Bond or Parity Bond, interest on that Bond or Parity Bond will be payable from its dated date. Interest on any Bond or Parity Bond will be paid to the person whose name will appear in the Bond Register as the Owner of such Bond or Parity Bond as of the close of business on the Record Date. Such interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of $1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment will be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

Bond Register. The Trustee will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which will upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in the Indenture, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as provided in the Indenture.

The District and the Trustee may treat the Owner of any Bond or Parity Bond whose name appears on the Bond Register as the absolute Owner of that Bond or Parity Bond for any and all purposes, and the District and the Trustee will not be affected by any notice to the contrary. The District and the Trustee may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes. It will be the duty of the Bondowner to give written notice to the Trustee of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any Bond or Parity Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond or Parity Bond for cancellation at the office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds or Parity Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Bonds or Parity Bonds for other authorized denominations of the same maturity and issue. The Trustee will not collect from the Owner any charge for any new Bond or Parity Bond issued upon any exchange or transfer, but will require the Bondowner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds or Parity Bonds will be surrendered for registration of transfer or exchange, the District will execute and the Trustee will authenticate and deliver a new Bond or Bonds or a new Parity Bond or Parity Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee will not be required to register transfers or make exchanges of (i) Bonds or Parity Bonds for a period of 15 days next preceding any selection of the Bonds or Parity Bonds to be redeemed; or (ii) any Bonds or Parity Bonds chosen for redemption.

Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond will become mutilated, the District will execute, and the Trustee will authenticate and deliver, a new Bond or Parity Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond or Parity Bond so mutilated, but only upon surrender to the Trustee of the Bond or Parity Bond so mutilated. Every mutilated Bond or Parity Bond so surrendered to the Trustee will be cancelled by the Trustee pursuant to the Indenture. If any Bond or Parity Bond will be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the Trustee will be given, the District will execute and the Trustee will authenticate and deliver, a new Bond or Parity Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Trustee will determine in lieu of and in substitution for the Bond or Parity Bond so lost, destroyed or stolen. Any Bond or Parity Bond issued in lieu of any Bond or Parity Bond alleged to be mutilated, lost, destroyed or stolen, will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds and Parity Bonds issued under the Indenture. The Trustee will not treat both the original Bond or Parity Bond and any replacement Bond or Parity Bond as being Outstanding for the purpose of determining the principal amount of Bonds or Parity Bonds which may be executed, authenticated and delivered under the Indenture or for the purpose of determining any percentage of Bonds or Parity Bonds Outstanding under the Indenture, but both the original and replacement Bond or Parity Bond will be treated as one and the same. Notwithstanding any other provision of the Indenture, in lieu of delivering a new Bond or Parity Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds or Parity Bonds.

Validity of Bonds and Parity Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds will not be affected in any way by any defect in any proceedings taken by the District and the recital contained in the Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State will be conclusive evidence of their validity and of the regularity of their issuance.

Book-Entry System. The Bonds will be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial delivery, the ownership of each such Bond will be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in the Indenture, all of the Outstanding Bonds will be registered in the registration books kept by the Trustee in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book-entry bonds registered in the name of the Nominee as provided in the Indenture, in which case the references to "Bonds" in the Indenture with respect to the Book-Entry System will be applicable to such Parity Bonds.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee will have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee will have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, will receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such new nominee of the Depository.

Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the District determines that the Depository will no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated will no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but will be registered in whatever name or names Persons transferring or exchanging Bonds will designate, in accordance with the provisions of the Indenture.

Payments to the Nominee. Notwithstanding any other provisions of the Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond will be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds; Application of Proceeds.

(a) The Trustee has established the following funds and accounts:

(1) The Community Facilities District No. 2023-1 Proceeds Fund (the "Proceeds Fund").

(2) The Community Facilities District No. 2023-1 Special Tax Fund (the "Special Tax Fund") (in which there will be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expense Account).

(3) The Community Facilities District No. 2023-1 Rebate Fund (the "Rebate Fund").

(4) The Community Facilities District No. 2023-1 Acquisition and Construction Fund (the "Acquisition and Construction Fund") (in which there will be established a Project Facilities Account, a Fire Facilities Account, a School Facilities Account, an Other Facilities Account and a Water Facilities Account and within the Water Facilities Account, a SMWD Construction Subaccount and an In-Tract Subaccount).

(5) The Community Facilities District No. 2023-1 Costs of Issuance Fund (the "Costs of Issuance Fund").

(6) The Community Facilities District No. 2023-1 Surplus Fund (the "Surplus Fund").

(7) The Community Facilities District No. 2023-1 Escrow Fund (the "Escrow Fund") (in which there will be established an Escrow Interest Account).

The amounts on deposit in the foregoing funds, accounts and subaccounts will be held by the Trustee and the Trustee will invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of the Indenture and will disburse investment earnings thereon in accordance with the provisions of the Indenture.

In connection with the issuance of any Parity Bonds, the Trustee, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

(b) The proceeds of the sale of the Bonds will be received by the Trustee on behalf of the District and deposited and transferred as set forth in the Official Statement under the caption "ESTIMATED SOURCES AND USES OF FUNDS."

Deposits to and Disbursements from Special Tax Fund.

(a) Except for Prepayments which will be deposited to the Interest Account, the Principal Account, and/or the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

(1) the Administrative Expense Account of the Special Tax Fund;

(2) the Interest Account of the Special Tax Fund;

(3) the Principal Account of the Special Tax Fund;

(4) the Redemption Account of the Special Tax Fund;

(5) the Reserve Account of the Special Tax Fund;

(6) the Rebate Fund; and

(7) the Surplus Fund.

(b) At maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts in the Indenture may be used by the District for any lawful purpose.

Administrative Expense Account of the Special Tax Fund. The Trustee will transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a requisition, substantially in the form set forth in the Indenture, executed by an Authorized Representative of the District; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year will not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit in the Indenture, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expense Account to the extent necessary to collect delinquent Special Taxes. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Permitted Investments as directed in writing by an Authorized

Representative of the District and will be disbursed as directed in a Certificate of an Authorized Representative.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon optional or extraordinary redemption, will be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by the Indenture, at least five Business Days prior to each February 15 and August 15, the Trustee will make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account from amounts transferred or to be transferred from the Escrow Fund or the Escrow Interest Account pursuant to the Indenture, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers (after giving effect to any amounts transferred from the Escrow Fund or the Escrow Interest Account for such purpose pursuant to the Indenture), then any deficiency will be made up by transfers from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account 5 Business Days prior to each Interest Payment Date will be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due. In the event that funds from Prepayments are deposited to the Interest Account, such amounts will be expended in accordance with the schedule of payments included in the Certificate of an Authorized Representative delivered with respect to such Prepayments.

(b) To the Principal Account, an amount such that the balance in the Principal Account 5 Business Days prior to August 15 of each year, commencing August 15, 2025, will equal the principal payment due on the Bonds and any Parity Bonds on such August 15, whether at maturity or by Sinking Fund Payment, and any principal payment due on a previous August 15 which remains unpaid. Moneys in the Principal Account will be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity or by Sinking Fund Payment. In the event that funds from Prepayments are deposited to the Principal Account, such amounts will be expended in accordance with the schedule of payments included in the Certificate of an Authorized Representative delivered with respect to such Prepayment.

Redemption Account of the Special Tax Fund.

(a) After making the deposits to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to the Indenture, and in accordance with the District's election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(b) Prepayments deposited to the Redemption Account, along with any amounts that an Authorized Representative of the District directs to be transferred from the Reserve Account to the Redemption Account in connection with any Prepayments, will be applied on the redemption date established pursuant to the Indenture for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments; provided that amounts will be transferred from the Reserve Account only if immediately following such redemption the amount in the Reserve Account will meet the Reserve Requirement.

(c) Amounts transferred to the Redemption Account from the Escrow Fund and the Escrow Interest Account pursuant to the Indenture will be applied to redeem Bonds pursuant to the Indenture.

(d) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and Parity Bonds and will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the next sentence. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or an extraordinary redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Indenture, or in the case of Parity Bonds the premium established by any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Reserve Account of the Special Tax Fund. There will be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The amounts in the Reserve Account will be applied as follows:

(a) Moneys in the Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on the Bonds or any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee will withdraw from the Reserve Account for deposit in the Interest Account or the Principal Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers to the Administrative Expense Account, the Interest Account, the Principal Account and the Redemption Account, the Trustee will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund will be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expense Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next August 15. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District, subject to any limitations in the Act, will include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates and the limitations of the Act.

(c) In connection with a redemption of Bonds in accordance with the Indenture, or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District will set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee will make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of the Indenture will be withdrawn from the Reserve Account on the Business Day before each February 15 and August 15 and transferred to the Interest Account of the Special Tax Fund.

Rebate Fund.

(a) The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. The District will cause to be deposited in the Rebate Fund such amounts as required under the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund with respect to the Bonds will be governed by the Indenture and the Tax Certificate.

Without limiting the generality of the foregoing, the District agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final treasury regulations as may be applicable to the Bonds from time to time, which the District covenants to pay or cause to be paid to the United States at the times and in the amounts determined under the Tax Certificate. The Trustee agrees to comply with all instructions given to it by the District in accordance with this covenant. The Trustee will conclusively be deemed to have complied with the provisions of the Indenture if it follows the instructions of the District and will not be required to take any actions under the Indenture in the absence of instructions from the District.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund with respect to the Bonds and each series of Parity Bonds after payment in full of such issue and after making the payments required to comply with the Indenture and the applicable Tax Certificate for such issue may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the requirements of this section of the Indenture will survive the defeasance and final payment of the Bonds and any Parity Bonds.

(d) Amendment Without Consent of Owners. The "Rebate Fund" section of the Indenture may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis. Notwithstanding any provision of the Indenture, if the District provides to the Trustee an opinion of a nationally recognized bond or tax counsel that any specified action required under this section of the Indenture is no longer required or that some further or different action is required to maintain the tax-exempt status of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis, the Trustee and the District may conclusively rely on such opinion in complying with the requirements of this section of the Indenture, and the covenants under this section of the Indenture will be deemed to be modified to that extent.

Surplus Fund. After making the foregoing transfers required by the Indenture, as soon as practicable after each August 15, and in any event prior to each September 1, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing (i) that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture, or (ii) that certain amounts be transferred to the Acquisition and Construction Fund because such amounts were included in the levy of Special Taxes for the previous Fiscal Year to pay for the acquisition or construction of the Project; provided, however, that, if a transfer is made to the Acquisition and Construction Fund and unexpended proceeds of the Bonds or an issue of Parity Bonds remain in the Acquisition and Construction Fund, the Trustee will establish a subaccount of the Project Facilities Account for amounts transferred from the Surplus Fund. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose in accordance with a Certificate of an Authorized Representative. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount established by the Trustee and the moneys on deposit in such subaccount of the Surplus Fund will be invested at the written direction of the District in Permitted Investments, the interest on which is excludable from gross income under the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Permitted Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Costs of Issuance Fund.

(a) The moneys in the Costs of Issuance Fund will be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District to pay Costs of Issuance, substantially in the form attached to the Indenture, and all payments will be made by check or wire transfer in accordance with the payment instructions set forth in such Certificate, and the Trustee may rely on such payment instructions with no duty to investigate or inquire as to their authenticity or the authority under which they were given.

(b) Upon the receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Costs of Issuance Fund is no longer needed to pay Costs of Issuance, the Trustee will transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Costs of Issuance Fund to the Project Facilities Account of the Acquisition and Construction Fund. On the date which is six months after the date of issuance of each series of Bonds and Parity Bonds, all amounts remaining in the Costs of Issuance Fund will be transferred to the Project Facilities Account of the Acquisition and Construction Fund and the Costs of Issuance Fund will be closed.

Acquisition and Construction Fund.

(a) The Trustee will hold the moneys in the Acquisition and Construction Fund and the accounts and subaccounts therein and will apply such moneys to pay Project Costs. Amounts for Project Costs will be disbursed by the Trustee on behalf of the District from the Acquisition and Construction Fund or the accounts or subaccounts therein as specified in a Request for Disbursement of Project Costs, substantially in the form of Exhibit E attached to the Indenture, which must be submitted by an Authorized Representative of the District to the Trustee in connection with each requested disbursement. Subject to the terms of the Acquisition Agreement, the District may direct the Trustee, in a Certificate of an Authorized Representative, to transfer amounts from one account or subaccount within the Acquisition and Construction Fund to another account or subaccount therein. The Trustee may conclusively rely upon such Certificate of an Authorized Representative in making any such transfer.

(b) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund and the accounts and subaccounts therein is no longer needed to pay Project Costs, the Trustee will transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund and the accounts and subaccounts therein to the Principal Account or Redemption Account of the Special Tax Fund or to the Surplus Fund, as directed in the Certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there will have been delivered to the Trustee with such Certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Escrow Fund.

(a) Establishment of Escrow Fund. Moneys in the Escrow Fund (and the Escrow Interest Account therein) will be held in trust by the Trustee and, pending disbursement as provided in the Indenture, will be subject to a lien in favor of the Owners of the Bonds and will be administered as provided in the Indenture.

(b) Disbursements Prior to Escrow Closing Date.

(1) Prior to the Escrow Closing Date and the Escrow Disbursement Date, the Trustee will transfer from the Escrow Interest Account to the Interest Account of the Special Tax Fund on the Business Day prior to each Interest Payment Date prior to the Escrow Redemption Date or the Escrow Disbursement Date, an amount that is equal to the interest payable on the Escrow Term Bonds on such Interest Payment Date.

(2) In addition to disbursements pursuant to paragraph (1) above, assuming the conditions to the release of amounts in the Escrow Fund to the Acquisition and Construction Fund are satisfied prior to the Escrow Closing Date, the Trustee will make a single disbursement from the Escrow Fund and the Escrow Interest Account to one or more Accounts within the Acquisition and Construction Fund, as directed in writing by the Authorized Representative of the District, on any date other than an Interest Payment Date (the "Escrow Disbursement Date"), providing that the Escrow Disbursement Date will not occur in the five days preceding an Interest Payment Date, if at least ten (10) Business Days prior to the Escrow Disbursement Date, the District and the Trustee has received a Certificate of the Special Tax Consultant certifying that (a) the Appraised Value of Property is at least three (3) times the sum of the principal amount of the Outstanding Bonds and the Overlapping Debt, including within such calculation the principal amount of the Escrow Term Bonds, and (b) the Special Taxes levied each Fiscal Year at the Assigned Special Tax rates, assuming full buildout in the District and including any Special Taxes to be levied on any then delinquent parcels, is at least 110% of gross debt service for the Bond Year commencing in such Fiscal Year on all outstanding Bonds (including debt service on the Escrow Term Bonds), plus the Administrative Expenses Cap; and (c) the Special Taxes levied each Fiscal Year at the Assigned Special Tax rates, assuming full buildout in the District and

excluding Special Tax revenues from any then delinquent parcels, is at least 109% of gross debt service for the Bond Year commencing in such Fiscal Year on all outstanding Bonds (including debt service on the Escrow Term Bonds), plus the Administrative Expenses Cap.

The Developer will be responsible for all costs in connection with the disbursement from the Escrow Fund pursuant to this section of the Indenture, including, but not limited to, the Appraisal, Special Tax Consultant, Independent Financial Consultant and the District, subject to reimbursement of such costs from amounts in the Acquisition and Construction Fund.

(3) If the District and the Trustee receive the Certificate of the Special Tax Consultant pursuant to paragraph (2) above prior to the Escrow Closing Date, the Trustee will transfer the amounts then on deposit in the Escrow Fund and the Escrow Interest Account as follows:

(i) First, the Trustee will transfer from the Escrow Interest Account to the Interest Account of the Special Tax Fund an amount sufficient to pay interest on the Escrow Term Bonds on each Interest Payment Date that will occur before Special Taxes can be levied and collected in an amount sufficient to pay such interest;

(ii) Second, the Trustee will transfer from the Escrow Fund to the Reserve Account, an amount sufficient to cause the amount on deposit in the Reserve Account to be at least equal to the Reserve Requirement (calculated as if the disbursement pursuant to paragraph (2) above had already occurred); and

(iii) Third, the Trustee will transfer from the remaining amounts in the Escrow Fund and the Escrow Interest Account, to one or more Accounts within the Acquisition and Construction Fund, as directed in writing by the Authorized Representative of the District on the Escrow Disbursement Date.

(c) Disbursement for Special Mandatory Redemption from Escrow Fund Transfer. The Trustee will not disburse any funds from the Escrow Fund or the Escrow Interest Account pursuant to subsection (b) above if the certificate pursuant to paragraph (2) above is not delivered prior to the Escrow Closing Date except that on the Escrow Redemption Date the Trustee will transfer the amounts on deposit in the Escrow Fund and the Escrow Interest Account to the Redemption Account of the Special Tax Fund, to be applied to the redemption of Escrow Term Bonds on the Escrow Redemption Date at the redemption price set forth in the Indenture, with any excess not required to pay such redemption price transferred to the Interest Account. After the foregoing transfers, the Escrow Fund and the Escrow Interest Account will be closed.

(d) Investment. The Trustee will invest the moneys in the Escrow Fund and the Escrow Interest Account therein, in such Permitted Investments, which will: (1) be rated in one of the highest two rating categories offered by each Rating Agency (without regard to gradations of plus or minus, or numerical gradations, within such category); (2) mature in an amount at least equal to the purchase price thereof; and (3) be redeemable at the option of the District or mature no later than necessary to make the disbursements under the Indenture, as the District will direct in a Certificate of the Authorized Representative of the District which will be delivered to the Trustee on the Delivery Date for the Bonds and thereafter at least two (2) Business Days prior to the maturity date of any such Permitted Investment; provided that if the District does not deliver such certificate, the Trustee will hold such funds uninvested. Investment earnings will be retained by the Trustee in the Escrow Fund or the Escrow Interest Account, as applicable, and will be applied as set forth in the Indenture.

Investments. Moneys held in any of the Funds, Accounts and subaccounts under the Indenture will be invested at the written direction of the District in accordance with the limitations set forth below only in Permitted Investments which will be deemed at all times to be a part of such Funds, Accounts and subaccounts. Any loss resulting from such Permitted Investments will be credited or charged to the Fund, Account or subaccount from which such investment was made, and any investment earnings on a Fund, Account or subaccount will be applied as follows: (i) investment earnings on all amounts deposited in the

Costs of Issuance Fund, the Acquisition and Construction Fund, the Special Tax Fund, the Surplus Fund, the Escrow Fund and the Rebate Fund and each Account and subaccount therein (other than the Reserve Account of the Special Tax Fund) will be deposited in those respective Funds and Accounts and subaccounts, and (ii) investment earnings on all amounts deposited in the Reserve Account will be deposited therein to be applied as set forth in the Indenture. Moneys in the Funds, Accounts and subaccounts held under the Indenture will be invested by the Trustee as directed in writing by the District, from time to time, in Permitted Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance Fund and the Acquisition and Construction Fund (and the Accounts and subaccounts therein) will be invested in Permitted Investments which will by their terms mature as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Costs of Issuance Fund and the Acquisition and Construction Fund (and the Accounts and subaccounts therein).

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund will be invested only in Permitted Investments which will by their terms mature on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(c) Monies in the Reserve Account of the Special Tax Fund may be invested only in Permitted Investments; provided that no such Permitted Investment of amounts in the Reserve Account will mature later than the earlier of the final maturity date of the Bonds or any Parity Bonds.

(d) Moneys in the Rebate Fund will be invested only in Permitted Investments of the type described in clause (2) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government or in Permitted Investments of the type described in clause (8) of the definition thereof as the District will designate on forms provided by the Trustee.

(e) In the absence of written investment directions from the District, the Trustee will hold such moneys uninvested.

The Trustee will sell, or present for redemption, any Permitted Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts will be valued at their cost, except that amounts in the Reserve Account will be valued at the market value thereof at least annually within 5 Business Days prior to each August 15. In making any valuations under the Indenture, the Trustee may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything in the Indenture to the contrary, the Trustee will not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture.

The Trustee may act as principal or agent in the making or disposing of any investment and will be entitled to its customary fee for making such investment. The Trustee may sell at the best market price obtainable, or present for redemption, any Permitted Investment so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the Fund or Account to which such Permitted Investment is credited, and, subject to the provisions of the Indenture, the Trustee will not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee may commingle the Funds and Accounts established under the Indenture (other than the Escrow Fund), but will account for each separately.

The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the District. Upon the District's election, such statements will be delivered via the Trustee's online service and, upon electing such service, paper statements will be provided only upon request. The District acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost, and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

REDEMPTION

Selection of Bonds and Parity Bonds for Redemption. If less than all of the Bonds or Parity Bonds Outstanding are to be redeemed, the portion of any Bond or Parity Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple thereof. In selecting portions of such Bonds or Parity Bonds for redemption, the Trustee will treat such Bonds or Parity Bonds, as applicable, as representing that number of Bonds or Parity Bonds of $5,000 denominations which is obtained by dividing the principal amount of such Bonds or Parity Bonds to be redeemed in part by $5,000. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Indenture for such Parity Bonds. The Trustee will promptly notify the District in writing of the Bonds or Parity Bonds, or portions thereof, selected for redemption.

Partial Redemption of Bonds or Parity Bonds. Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds or a new Parity Bond or Parity Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity or, in the case of surrender of a Parity Bond, a new Parity Bond or Parity Bonds subject to the foregoing limitations.

Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (a) the Bonds and Parity Bonds, or portions thereof, designated for redemption will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Indenture or in any Supplemental Indenture with respect to any Parity Bonds, anything in the Indenture or in the Bonds or the Parity Bonds to the contrary notwithstanding; (b) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds and Parity Bonds will be paid to the Owners thereof; (c) as of the redemption date the Bonds or the Parity Bonds, or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds or Parity Bonds, or portions thereof, will cease to bear further interest from and after the redemption date; and (d) as of the date fixed for redemption no Owner of any of the Bonds, Parity Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Indenture or any Supplemental Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

COVENANTS AND WARRANTY

Warranty. The District warrants that it will preserve and protect the security pledged under the Indenture to the Bonds and any Parity Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds or Parity Bonds issued under the Indenture are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Treasurer-Tax Collector to deposit all Special Taxes with the Trustee as soon as reasonably practicable following their apportionment to the District, and the District will have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes will be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Taxes and other amounts pledged under the Indenture are available therefor, and that the payments into the Funds and Accounts created under the Indenture will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued under the Indenture.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Special Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien, charge, pledge or encumbrance upon the Net Taxes senior or superior to the Bonds or Parity Bonds or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture will prevent the District from issuing Subordinated Bonds or incurring other indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds.

(b) Levy of Special Tax. Beginning in Fiscal Year 2024-25 and so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, subject to the limitations set forth in the Act and the RMA, the legislative body of the District covenants to levy the Special Tax in an amount sufficient (taking into account reasonably anticipated delinquencies), together with other amounts on deposit in the Special Tax Fund, and amounts to be transferred from the Escrow Interest Account pursuant to the Indenture and deemed available by the District for such purpose, to pay (i) the principal of and interest on the Bonds and any Parity Bonds when due; (ii) the Administrative Expenses; and (iii) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it will commence judicial foreclosure proceedings against parcels which are delinquent in payment of four or more installments of Special Taxes by the October 1 following the close of the Fiscal Year in which the fourth delinquent installment of Special Taxes was due and will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied on such parcels, and diligently pursue to completion such foreclosure proceedings; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement. The District may, but is not obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account of the Special Tax Fund at the Reserve Requirement or to avoid a default in payment on the Bonds and any Parity Bonds.

The District covenants that it will deposit any Gross Taxes received in connection with a foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account as set forth in the Indenture), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing contained in the Indenture will require the District to make any such payments so long as the District in good faith contests the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries will be made of all transactions relating to the improvements constructed with the proceeds of bonded indebtedness issued by the District, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts will at all times during business hours be subject to the inspection of the Trustee (who has no duty or obligation to inspect) or of the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other monies or property which would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "private activity bonds" within the meaning of Section 141 of the Code.

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds or take or omit to take any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(4) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the

Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and any applicable Parity Bonds.

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and any issue of Parity Bonds and will comply with the covenants and requirements stated in the Indenture and incorporated by reference in the Indenture.

(7) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds or Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis.

(g) Reduction of Maximum Special Taxes. The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it will not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the Administrative Expenses Cap and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

Notwithstanding the foregoing, the District may modify, alter or amend the RMA in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property below the amounts which will equal at least the sum of the Administrative Expenses Cap and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds Outstanding.

(h) Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District covenants that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Continuing Disclosure. The District covenants to comply with the terms of the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriters in complying with Rule 15(c)2-12 adopted by the Securities and Exchange Commission.

(k) Further Assurances. The District will preserve and protect the security pledged to the Bonds and any Parity Bonds against all claims and demands as long as the Bonds or Parity Bonds are Outstanding and will make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or desirable to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided in the Indenture.

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, inconsistency or omission, to correct, cure or supplement any defective provisions of the Indenture or provisions which may be inconsistent with any other provision in the Indenture, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute subsequently in effect, or to comply with the Code or regulations issued under the Indenture, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding;

(e) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners or that is contrary to the rules and regulations of the Municipal Securities Rulemaking Board.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described in the preceding paragraph, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding will have the right to consent to and approve the adoption by the District of such Supplemental Indentures as will be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture will permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond; (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon; (c) a preference or priority of any Bond over any other Bond or Parity Bond; or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District desires to adopt a Supplemental Indenture, which pursuant to the terms of the Indenture requires the consent of the Bondowners, the District will so notify the Trustee and will deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee will, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice will not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee receives an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments will refer to the proposed Supplemental Indenture described in such notice, and will specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, will thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bond and Parity Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds will thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds. After the effective date of any action taken as provided in the above section of the Indenture, the District may determine that the Bonds or any Parity Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date and presentation of his Bond or Parity Bond for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action will be made on such Bonds or Parity Bonds. If the District so determines, new Bonds or Parity Bonds so modified as, in the opinion of the District, will be necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date such new Bonds or Parity Bonds will be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds or Parity Bonds, upon surrender of such Outstanding Bonds or Parity Bonds.

TRUSTEE

Trustee. U.S. Bank Trust Company, National Association has been appointed the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The Trustee represents that it has a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000. The District may, at any time, appoint a successor Trustee satisfying certain requirements under the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture.

Removal of Trustee. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor will be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. Any removal will become effective only upon acceptance of appointment by the successor Trustee. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

Resignation of Trustee. The Trustee may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice will be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. In the event the District will for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the receipt of notice by the District, the Trustee, at the cost of the District, may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed by such court will become the successor Trustee under the Indenture notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such 90-day period.

Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds and any Parity Bonds will be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Indenture, the Bonds or any Parity Bonds, and will incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth in the Indenture, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee will be under no responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

The Trustee will not be bound to recognize any person as the Owner of a Bond or Parity Bond unless and until such Bond or Parity Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

The Trustee will have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received, but its liability will be limited to the proper accounting for such funds as it will actually receive. No provision in the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of its rights or powers.

The Trustee will not be deemed to have knowledge of any default or Event of Default until an officer at the Trustee's corporate trust office responsible for the administration of its duties under the Indenture has actual knowledge thereof or the Trustee has received written notice thereof at its corporate trust office.

The Trustee will have no responsibility for, and makes no representations with respect to, any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

In no event will the Trustee be liable for any special, punitive, indirect or consequential damages of any kind whatsoever (including, but not limited to, loss of profit) in connection with or arising from the Indenture and regardless of the form of action.

The Trustee will not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, pandemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources or energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee will have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee acts upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties

Merger or Consolidation. Any company into which the 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 will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, will be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding; provided, however, such successor will provide the District with a notice of merger or conversion as soon as practicable.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events will constitute an "Event of Default":

(a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same becomes due and payable; or

(c) except as described in (a) or (b), default is made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, and such default has continued for a period of 30 days after the District has been given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The Trustee has agreed to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under (a) or (b) above and within 10 days of the Trustee's knowledge of a default of the type described in (c) above which, if not cured, with the passage of time would become an Event of Default.

Remedies of Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

(b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) by a suit in equity to require the District and its members, officers and employees to account as the Trustee of an express trust.

If an Event of Default will have occurred and be continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy conferred in the Indenture upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy. Every such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or subsequently existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds and Parity Bonds will be applied by the Trustee in the following order upon presentation of the several Bonds and Parity Bonds:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event such amounts will be insufficient to pay in full the full amount of such interest and principal, then such amounts will be applied in the following order of priority:

(a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing;

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; and

(c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues to be an Event of Default, 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 Owners of a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity Bonds has the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds and Parity Bonds similarly situated and the Trustee has been appointed (and the successive respective Owners of the Bonds and Parity Bonds issued under the Indenture, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds and Parity Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds and Parity Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds and Parity Bonds under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment will confer.

Non-Waiver. Nothing in the Indenture or in the Bonds or the Parity Bonds, will affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as provided in the Indenture, out of the Net Taxes and other moneys pledged in the Indenture for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds or Parity Bonds to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or the Owners by the Act or by this Article VIII may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners, as the case may be.

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued under the Indenture will 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 Owner has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy under the

Indenture; it being understood and intended that no one or more Owners of Bonds and Parity Bonds will 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 will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond or Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond or Parity Bonds as provided in the Indenture or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner.

Termination of Proceedings. In case the Trustee has proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case, the District, the Trustee and the Owners will be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

DEFEASANCE AND PARITY BONDS

Defeasance. If the District pays or causes to be paid, or is otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond will cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond will thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to the Indenture, the Trustee will execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond will be deemed to have been paid within the meaning expressed in the preceding paragraph if such Bond or Parity Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same will become due and payable on or prior to the maturity date thereof, as applicable; or

(c) by depositing with the Trustee, in trust, or an escrow agent appointed by the District, Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same will become due and payable on or prior to the maturity date or redemption date thereof, as applicable.

If paid as provided above, and notwithstanding that any Outstanding Bonds and Parity Bonds have not been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond will cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the federal tax covenants of the District or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election by the District to defease any Bond or Parity Bond will be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In the event any of the Bonds or Parity Bonds to be defeased are to be redeemed prior to maturity, the District will give irrevocable instructions to the Trustee to send a notice of redemption in accordance with the Indenture or any Supplemental Indenture, as applicable.

In connection with a defeasance under (c) above, there will be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow agent to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with the Indenture, as and when the same will become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, upon request of the District, will release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under the Indenture and any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Indenture of all Outstanding Bonds and Parity Bonds, the Trustee will pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due and unpaid fees and expenses of the Trustee. The Trustee will, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred; provided, however, so long as the Bonds or Parity Bonds are registered in the name of the Nominee, notice will be given in such manner as complies with the requirements of the Depository.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or Parity Bonds then Outstanding and only if the issuance of such Parity Bonds does not result in an increase in the Annual Debt Service due in any Bond Year. Parity Bonds may be issued subject to the following additional specific conditions, which are made conditions precedent to the issuance of any such Parity Bonds:

(a) The District will be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect will have been filed with the Treasurer-Tax Collector; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds has been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds has been provided for by a Supplemental Indenture duly authorized, executed and delivered by the District which will specify the following:

(1) The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs incidental to or connected with such refunding and to make a deposit to the Reserve Account pursuant to the Indenture, if any;

(2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date will fall on an August 15, (ii) all such Parity Bonds of like maturity will be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, will be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement;

(8) The form of such Parity Bonds; and

(9) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The District will have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the District accepts any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) A written request of the District as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or County Counsel to the effect that (a) the District has the right and power under the Act to execute and deliver the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully executed and delivered by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of

Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(4) A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

(5) A certificate from one or more Independent Financial Consultants which, when taken together, certify that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and

(6) Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

MISCELLANEOUS

Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption will be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose will be, cancelled forthwith and will not be reissued. The Trustee will destroy such Bonds and Parity Bonds, as provided by law, and furnish to the District a certificate of such destruction.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds or Parity Bonds will be sufficient for the purposes of the Indenture (except as otherwise provided therein), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee will also constitute sufficient proof of his authority.

(b) As to any Bond or Parity Bond, the person in whose name the same will be registered in the Bond Register will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond or Parity Bond, and the interest thereon, will be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond or Parity Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee will be affected by any notice to the contrary.

Nothing contained in the Indenture will be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters stated therein which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond or Parity Bond will bind every future Owner of the same Bond or Parity Bond in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request or consent.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for one year after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for one year after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, will be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee, at the expense of the District, will cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date will not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Provisions Constitute Contract. The provisions of the Indenture will constitute a contract between the District and the Bondowners and the provisions of the Indenture will be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy is brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds the Indenture will be irrepealable, but will be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

Future Contracts. Nothing contained in the Indenture will be deemed to restrict or prohibit the District from making contracts or issuing Subordinated Bonds or creating other indebtedness payable from a pledge, lien, charge and encumbrance upon the Net Taxes which is subordinate to the pledge under the Indenture, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged under the Indenture.

Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or desirable to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds or any Parity Bonds the rights and benefits provided in the Indenture.

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, will be deemed severable and will not be affected thereby, and the Indenture, the Bonds and any Parity Bonds issued pursuant to the Indenture will remain valid and the Bondowners will retain all valid rights and benefits accorded to them under the laws of the State of California.

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APPENDIX F

DISTRICT CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of December 7, 2023 (the "Disclosure Certificate") is executed and delivered by Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) (the "District") in connection with the issuance and delivery by the District of its $66,175,000 2023 Series A Special Tax Bonds (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 23-132 adopted on October 31, 2023, by the Board of Supervisors of the County of Orange, acting as the legislative body of the District, and the Bond Indenture dated as of December 1, 2023 by and between the District and U.S. Bank Trust Company, National Association, as trustee. The District covenants as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (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 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

"County" means the County of Orange, California.

"Disclosure Representative" shall mean the Finance Team Lead of the County of Orange, or his or her designee, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean, initially, the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the then current Dissemination Agent a written acceptance of such designation.

"District" shall mean Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B).

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Official Statement" shall mean that certain Official Statement for the Bonds dated November 15, 2023.

"Owners" shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

"Repository" shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at *http://emma.msrb.org*.

"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.

"State" shall mean the State of California.

"Trustee" means U.S. Bank Trust Company, National Association or such other entity appointed by the District pursuant to the Indenture to act as the trustee under the Indenture.

"Underwriter" shall mean any underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Section 3. Provision of Annual Reports.

(a) The District shall, or, if the Dissemination Agent is other than the District, upon written direction shall cause the Dissemination Agent to, not later than March 1 after the end of the District's Fiscal Year (June 30) commencing with the report due by March 1, 2024, which initial Annual Report shall consist solely of the Official Statement and audited financial statements of the District, if any, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 Certificate; provided that the audited financial statements of the District, if any exist, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) In the event that the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to the due date for an Annual Report the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District 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 District and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send, in a timely manner, a notice to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the District, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the repository if other than the MSRB through EMMA; and

(ii) promptly after receipt of the Annual Report, file a report with the District certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the District for the prior fiscal year, if any have been prepared and which, if prepared, shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided, however, that the District may, from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the District shall modify the basis upon which its financial statements are prepared, the District shall provide the information referenced in Section 8 below regarding such modification. If the District is preparing audited financial statements and such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial and Operating Data. The first Annual Report due by March 1, 2024 shall consist of the Official Statement and audited financial statements of the District, if any. Thereafter, the District's Annual Report shall contain or incorporate by reference the following:

(i) the principal amount of the Bonds outstanding as of the August 16 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture and the Reserve Requirement as of the August 16 preceding the filing of the Annual Report;

(iii) any changes to the RMA approved or submitted to the qualified electors for approval prior to the filing of the Annual Report;

(iv) an update of the estimated assessed value-to-lien ratio for the District substantially in the form of Table 4 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(v) until such time that the property within the District is no longer owned by any developer or merchant builder, an update of the largest taxpayers in the District substantially in the form of Table 5 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(vi) the percentage of the maximum Special Taxes levied by the District with respect to the Bonds;

(vii) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;

(viii) a statement as to whether the District participates in the Teeter Plan (as defined in the Official Statement) and in the event that the Teeter Plan is terminated with respect to the District, a table showing the total Special Taxes levied and the total Special Taxes collected for the prior fiscal year and the total Special Taxes that, as of December 31, remain unpaid for each prior fiscal year in which Special Taxes were levied and the number of delinquent parcels in the District;

(ix) if Special Taxes are levied on Undeveloped Property, the amount of Special Taxes levied on Undeveloped Property and the amount of Special Taxes levied on Developed Property (as such terms are defined in the RMA); and

(x) any information not already included under (i) through (ix) above that the District is required to file in its annual report pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, with the California Debt and Investment Advisory Commission.

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 District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause the Dissemination Agent to give, notice filed with the Repository of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after 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);

6. tender offers;

7. defeasances;

8. ratings changes;

9. bankruptcy, insolvency, receivership or similar proceedings; and

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, 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;

2. 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;

3. appointment of a successor or additional paying agent or the change of the name of a paying agent;

4. nonpayment related defaults;

5. modifications to the rights of Owners of the Bonds;

6. notices of redemption;

7. release, substitution or sale of property securing repayment of the Bonds; and

8. incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Bond holders.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

(e) For purposes of the events identified in subparagraphs (a)(10) and (b)(8), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(f) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District and that the Dissemination Agent, if other than the District, shall not be responsible for determining whether the District’s instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The District 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 initial Dissemination Agent shall be the District. The Dissemination Agent, if other than the District, shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the District and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District 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 is related to the provisions of Sections 3(a), 4, or 5, 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 hereunder, 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 either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment related to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the formed accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District 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 Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Trustee at the written direction of any Underwriter or the Owners of at least 25%

aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate, but only to the extent funds have been provided to the Trustee or the Trustee has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorney. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their 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 District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

District:	Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) County Executive Office 400 West Civic Center Drive Santa Ana, California 92701 Attn: Finance Team Lead
Underwriters:	Stifel, Nicolaus & Company, Incorporated 2121 Avenue of the Stars, Suite 2150 Los Angeles, CA 90067 Attn: Public Finance
	Piper Sandler & Co. 2321 Rosecrans Avenue, Suite 3200 El Segundo, California 90245 Attn: Public Finance

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notice or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

This Disclosure Certificate is executed as of the date and year first set forth above.

COMMUNITY FACILITIES DISTRICT NO. 2023-1 OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)

By: ______________________________

Budget & Finance Director of the County of Orange

APPENDIX G

FORM OF DEVELOPER CONTINUING DISCLOSURE AGREEMENT

This Developer Continuing Disclosure Agreement (the “Disclosure Agreement”) dated as of December 7, 2023 is executed and delivered by the RMV PA3 Development, LLC (the “Landowner”), and DTA, Inc., as dissemination agent (the “Dissemination Agent”), in connection with the issuance by Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) of its $66,175,000 Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B) 2023 Series A Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 23-132 adopted on October 31, 2023, by the Board of Supervisors of the County of Orange, acting as the legislative body of the District, and the Bond Indenture dated as of December 1, 2023 by and between the District and U.S. Bank Trust Company, National Association, as trustee. The Landowner covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Landowner to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. Unless otherwise defined in this Disclosure Agreement, the following capitalized terms shall have the following meanings. Capitalized terms used and not defined herein shall have the meanings set forth in the Official Statement (defined below):

“Affiliate” shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person’s executive officers, directors, joint venturers and general partners; provided, however, that in no case shall the District be deemed to be an Affiliate of the Landowner for purposes of this Disclosure Agreement. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise. Affiliates of the Landowner include, but are not limited to, RMV Community Development, LLC.

“Annual Report” shall mean any Annual Report provided by the Landowner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Chief Financial Officer or his or her designee acting on behalf of the Landowner, or such other officer or employee as the Landowner shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean DTA, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Landowner and which has filed with the Landowner and the District a written acceptance of such designation.

“District” shall mean Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B).

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

"Equity Securities" of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

"Fiscal Year" shall mean the period beginning on January 1 of each year and ending on the next succeeding December 31.

"Government Authority" shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement, dated November 15, 2023, relating to the Bonds.

"Parity Bonds" shall mean bonds of the District that are secured on a parity with the Bonds.

"Person" shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

"Repository" shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless 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.

"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.

"Semiannual Report" shall mean any report to be provided by the Landowner on or prior to December 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"State" shall mean the State of California.

"Underwriter" shall mean the original underwriters of the Bonds, which are Stifel, Nicolaus & Company, Incorporated and Piper Sandler & Co.

SECTION 3. Provision of Annual Reports and Semiannual Report.

(a) The Landowner shall, or upon receipt of the Annual Report the Dissemination Agent shall, not later than June 15 of each year, commencing June 15, 2024, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, June 15 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent's offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent's offices are open for business. 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, if any, of the Landowner may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date. In addition, until such time as the Landowner's reporting requirements terminate pursuant to Section 6 below, the Landowner shall, or upon receipt of the Semiannual

Report the Dissemination Agent shall, not later than December 15 of each year, commencing December 15, 2024, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, December 15 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent's offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent's offices are open for business.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to the Repository, the Landowner shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall notify the Landowner of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to the Repository by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in the form required by the Repository.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Annual Report, file a report with the Landowner and the District certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Landowner's Annual Report and Semiannual Report shall contain or include by reference the information which is updated, except with respect to the financial statements of the Landowner required under 4(a)(4), through a date which shall not be more than 60 days prior to the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. An update (if any) to the information relating to the Landowner and its Affiliates under the captions in the Official Statement entitled "PROPERTY OWNERSHIP AND THE DEVELOPMENT—General Description of the Development," "The Developer," "The Development," and "Remaining Developer Properties." Such updates shall include, but not be limited to, the estimated remaining cost of the Landowner and its Affiliates to complete any of the public improvements in the District (collectively, the "Landowner Improvements").

2. Any significant amendments to land use entitlements with respect to parcels owned by the Landowner or its Affiliates within the District, or that are otherwise known to the Landowner, including an update of the total acres subject to the levy of Special Taxes if the amendment affects the total number of acres subject to the levy of the Special Taxes.

3. Status of Special Tax payments on all parcels owned by the Landowner and its Affiliates.

4. In the Annual Report only, the financial statements of the Landowner for its most recently completed Fiscal Year (which currently ends on each December 31).

5. An update of the number of building permits pulled by each merchant builder and the acquisition of property by merchant builders from the Landowner or the merchant builders' respective landbank (as applicable) as set forth in Table 6 of the Official Statement.

(b) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository 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 Landowner shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c) as soon as practicable after the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the District on a parcel owned by the Landowner or any Affiliate;

2. Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of the Landowner Improvements to which the Landowner or any Affiliate has been provided a notice of default;

3. Material default by the Landowner or any Affiliate on any loan secured by property within the District owned by the Landowner or any Affiliate to which the Landowner or any Affiliate has been provided a notice of default;

4. Payment default by the Landowner or any Affiliate on any loan of the Landowner or any Affiliate (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan;

5. The filing of any proceedings with respect to the Landowner or any Affiliate, in which the Landowner or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts; and

6. The filing of any lawsuit against the Landowner or any of its Affiliates which, in the reasonable judgment of the Landowner, will adversely affect the completion of the development of parcels owned by the Landowner or its Affiliates within the District, or litigation which if decided against the Landowner, or any of its Affiliates, in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner or its Affiliates or their respective ability to pay special taxes levied within the District.

(b) Whenever the Landowner obtains knowledge of the occurrence of a Listed Event, the Landowner shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Repository, with a copy to the District.

SECTION 6. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or

(b) as of the date of the filing for the Semiannual Report or Annual Report (1) with respect to the obligation of the Landowner to update the information pursuant to Section 4(a)(1) – (4) above, ninety percent (90%) of the public improvements to be constructed by the Landowner as described under the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT—The Development" have been completed based on costs expended and (2) with respect to the obligation of the Landowner to update the information pursuant to Section 4(a)(5) above, 75% of the building permits for the planned residential development within the District have been issued.

If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for an Annual Report hereunder.

SECTION 7. Dissemination Agent. The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Landowner pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing (i) thirty days written notice to the Landowner and the Dissemination Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Landowner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, 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 amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Indenture with the consent of owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the District and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds; and

(c) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above to the District and the Trustee.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Landowner shall describe such amendment in the next Annual Report or Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Landowner.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Landowner from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Landowner chooses to include any information in any Annual Report or Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Landowner shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or Semiannual Report or notice of occurrence of a Listed Event.

The Landowner acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Landowner, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Landowner under such laws.

SECTION 10. Default. In the event of a failure of the Landowner or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Underwriter or any owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the Landowner or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Underwriters, owners of the Bonds or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of nationally recognized bond counsel. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon the Annual Report and Semiannual Report provided to it by the Landowner as constituting the Annual Report and Semiannual Report required of the Landowner in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report and Semiannual Report. The Dissemination Agent shall have no duty to prepare the Annual Report and Semiannual Report nor shall the Dissemination Agent be responsible for filing any Annual Report and Semiannual Report not provided to it by the Landowner in a timely manner in a form suitable for filing with the Repositories. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

The Dissemination Agent will not, without the Landowner's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Landowner and its controlling persons from all liability arising out of such claim, action or proceedings. If a claim, action or proceeding is settled with the consent of the Landowner or if there is a final judgment (other than a stipulated final judgment without the approval of the Landowner) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Landowner, the Landowner agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

SECTION 12. Landowner as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Landowner is an independent contractor and not an agent of the District.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Landowner:	RMV PA3 Development, LLC 28811 Ortega Highway San Juan Capistrano, CA 92675 Attn: Chief Financial Officer
Dissemination Agent:	DTA, Inc. 18201 Von Karman, Suite 220 Irvine, CA 92612 Attn: Andrea Roess
Underwriters:	Stifel, Nicolaus & Company, Incorporated 2121 Avenue of the Stars, Suite 2150 Los Angeles, CA 90067 Attn: Public Finance Department
	Piper Sandler & Co. 120 Vantis Drive, Suite 330 Aliso Viejo, California 92656 Attn: Public Finance

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Landowner, the District, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

RMV PA3 DEVELOPMENT, LLC, a Delaware limited liability company

By: RANCHO MISSION VIEJO, LLC, a Delaware limited liability company, its authorized agent and manager

By: ______________________________
Name: [Name]
Title: [Title]

By: ______________________________
Name: [Name]
Title: [Title]

DTA, Inc., as Dissemination Agent

By: ______________________________
Authorized Officer

APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriters believe to be reliable, but neither the District nor the Underwriters takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the District which the District believes to be reliable, but the District and the Underwriters do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, NY, 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, each in the aggregate principal amount of such annual maturity, and will be deposited with 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 3.5 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.

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 certificates representing their ownership interests in the 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 effect 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 redemptions, 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 District 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 District 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 District, 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 District 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.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District 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 District 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.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE

VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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APPENDIX I

SAMPLE PROPERTY TAX BILLS

TABLE I-1
COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 2023-1 (RIENDA PHASE 2B)
ESTIMATED FISCAL YEAR 2023-2024 SAMPLE TAX BILL
DEVELOPED PROPERTY – CONDOMINIUMS
ZONE 1 - TAX CLASS 1 (> 1,600 SF)

Assessed Valuation and Property Taxes		***Percent of Total AV***	***Expected Amount***
BASE PRICE [(1)]	$730,000		
NET ASSESSED VALUE [(1)]	$723,000		
Unit Size [(2)]	1,605 Square Feet		
AD VALOREM PROPERTY TAXES [(3)]			
Basic Levy		1.00000%	$ 7,300.00
Metropolitan Water District G.O. Bonds		0.00350	25.55
Capistrano Unified School District SFID 1 Series 2001		0.00335	24.46
Capistrano Unified School District SFID 1 Series 2022		0.00298	21.75
Total General Property Taxes and Overrides		1.00983%	$ 7,371.76
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
Mosquito & Fire Ant Assessment [(4)]			$ 8.54
Vector Control Charge [(5)]			1.92
Metropolitan Water District West Standby Charge [(6)]			10.08
County of Orange CFD No. 2023-1 [(7)]			7,207.00
Total Assessments and Parcel Charges			$ 7,227.54
PROJECTED TOTAL PROPERTY TAXES			$ 14,599.30
Projected Total Effective Tax Rate (as % of Base Price)			**2.000%**

(1) Based on expected base sale price for units in Tax Class 1 of Zone 1, provided by the Market Absorption Consultant as of August 9, 2023. Total Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.
(2) Based on expected unit size for units in Tax Class 1 of Zone 1, provided by the Market Absorption Consultant as of August 9, 2023.
(3) Based on the Fiscal Year 2023-24 *ad valorem* rates.
(4) Based on the Fiscal Year 2023-24 rate of $8.54 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(5) Based on the Fiscal Year 2023-24 rate of $1.92 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(6) Based on the Fiscal Year 2023-24 rate of $10.08 per parcel or per acre, whichever is greater.
(7) Amount based on the Fiscal Year 2023-24 Assigned Special Tax of $7,207.00 per unit for Tax Class 1 property of Zone 1, which is 100.00% of the Fiscal Year 2023-24 Assigned Special Tax of $7,207.00 per unit. The Assigned Special Tax will escalate by 2.00% per year commencing July 1, 2024.

Source: DTA, Inc.

TABLE I-2
COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 2023-1 (RIENDA PHASE 2B)
ESTIMATED FISCAL YEAR 2023-2024 SAMPLE TAX BILL
DEVELOPED PROPERTY - ATTACHED ROW TOWNHOMES
ZONE 2 - TAX CLASS 3 (< 1,101 SF)

Assessed Valuation and Property Taxes		***Percent of Total AV***	***Expected Amount***
BASE PRICE [1]	$557,682		
NET ASSESSED VALUE [1]	$550,682		
Unit Size [2]	923 Square Feet		
AD VALOREM PROPERTY TAXES [3]			
Basic Levy		1.00000%	$ 5,576.82
Metropolitan Water District G.O. Bonds		0.00350	19.52
Capistrano Unified School District SFID 1 Series 2001		0.00335	18.68
Capistrano Unified School District SFID 1 Series 2022		0.00298	16.62
Total General Property Taxes and Overrides		1.00983%	$ 5,631.64
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
Mosquito & Fire Ant Assessment [4]			$ 8.54
Vector Control Charge [5]			1.92
Metropolitan Water District West Standby Charge [6]			10.08
County of Orange CFD No. 2023-1 [7]			5,502.00
Total Assessments and Parcel Charges			$ 5,522.54
PROJECTED TOTAL PROPERTY TAXES			$ 11,154.18
Projected Total Effective Tax Rate (as % of Base Price)			**2.000%**

(1) Based on expected base sale price for units in Tax Class 3 of Zone 2, provided by the Market Absorption Consultant as of August 9, 2023. Total Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.
(2) Based on expected unit size for units in Tax Class 3 of Zone 2, provided by the Market Absorption Consultant as of August 9, 2023.
(3) Based on the Fiscal Year 2023-24 *ad valorem* rates.
(4) Based on the Fiscal Year 2023-24 rate of $8.54 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(5) Based on the Fiscal Year 2023-24 rate of $1.92 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(6) Based on the Fiscal Year 2023-24 rate of $10.08 per parcel or per acre, whichever is greater.
(7) Amount based on the Fiscal Year 2023-24 Assigned Special Tax of $5,502.00 per unit for Tax Class 3 property of Zone 2, which is 100.00% of the Fiscal Year 2023-24 Assigned Special Tax of $5,502.00 per unit. The Assigned Special Tax will escalate by 2.00% per year commencing July 1, 2024.

Source: DTA, Inc.

TABLE I-3
COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 2023-1 (RIENDA PHASE 2B)
ESTIMATED FISCAL YEAR 2023-2024 SAMPLE TAX BILL
DEVELOPED PROPERTY - ATTACHED DUPLEX
ZONE 3 - TAX CLASS 2 (1,401 - 1,600 SF)

Assessed Valuation and Property Taxes		***Percent of Total AV***	***Expected Amount***
BASE PRICE (1)	$750,000		
NET ASSESSED VALUE (1)	$743,000		
Unit Size (2)	1,525 Square Feet		
AD VALOREM PROPERTY TAXES (3)			
Basic Levy		1.00000%	$ 7,500.00
Metropolitan Water District G.O. Bonds		0.00350	26.25
Capistrano Unified School District SFID 1 Series 2001		0.00335	25.13
Capistrano Unified School District SFID 1 Series 2022		0.00298	22.35
Total General Property Taxes and Overrides		1.00983%	$ 7,573.73
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
Mosquito & Fire Ant Assessment (4)			$ 8.54
Vector Control Charge (5)			1.92
Metropolitan Water District West Standby Charge (6)			10.08
County of Orange CFD No. 2023-1 (7)			7,405.00
Total Assessments and Parcel Charges			$ 7,422.02
PROJECTED TOTAL PROPERTY TAXES			$ 14,999.27
Projected Total Effective Tax Rate (as % of Base Price)			**2.000%**

(1) Based on expected base sale price for units in Tax Class 2 of Zone 3, provided by the Market Absorption Consultant as of August 9, 2023. Total Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.
(2) Based on expected unit size for units in Tax Class 2 of Zone 3, provided by the Market Absorption Consultant as of August 9, 2023.
(3) Based on the Fiscal Year 2023-24 *ad valorem* rates.
(4) Based on the Fiscal Year 2023-24 rate of $8.54 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(5) Based on the Fiscal Year 2023-24 rate of $1.92 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(6) Based on the Fiscal Year 2023-24 rate of $10.08 per parcel or per acre, whichever is greater.
(7) Amount based on the Fiscal Year 2023-24 Assigned Special Tax of $7,405.00 per unit for Tax Class 2 of Zone 3, which is 100.00% of the Fiscal Year 2023-24 Assigned Special Tax of $7,405.00 per unit. The Assigned Special Tax will escalate by 2.00% per year commencing July 1, 2024.
Source: DTA, Inc.

TABLE I-4
COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 2023-1 (RIENDA PHASE 2B)
ESTIMATED FISCAL YEAR 2023-2024 SAMPLE TAX BILL
DEVELOPED PROPERTY - DETACHED STUB ALLEY SMALL LOT
ZONE 4 - TAX CLASS 1 (> 1,700 SF)

Assessed Valuation and Property Taxes		***Percent of Total AV***	***Expected Amount***
BASE PRICE [(1)]	$924,782		
NET ASSESSED VALUE [(1)]	$917,782		
Unit Size [(2)]	1,818 Square Feet		
AD VALOREM PROPERTY TAXES [(3)]			
Basic Levy		1.00000%	$ 9,247.82
Metropolitan Water District G.O. Bonds		0.00350	32.37
Capistrano Unified School District SFID 1 Series 2001		0.00335	30.98
Capistrano Unified School District SFID 1 Series 2022		0.00298	27.56
Total General Property Taxes and Overrides		1.00983%	$ 9,338.73
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
Mosquito & Fire Ant Assessment [(4)]			$ 8.54
Vector Control Charge [(5)]			1.92
Metropolitan Water District West Standby Charge [(6)]			10.08
County of Orange CFD No. 2023-1 [(7)]			9,135.00
Total Assessments and Parcel Charges			$ 9,155.54
PROJECTED TOTAL PROPERTY TAXES			$ 18,494.27
Projected Total Effective Tax Rate (as % of Base Price)			**2.000%**

(1) Based on expected base sale price for units in Tax Class 1 of Zone 4, provided by the Market Absorption Consultant as of August 9, 2023. Total Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.
(2) Based on expected unit size for units in Tax Class 1 of Zone 4, provided by the Market Absorption Consultant as of August 9, 2023.
(3) Based on the Fiscal Year 2023-24 *ad valorem* rates.
(4) Based on the Fiscal Year 2023-24 rate of $8.54 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(5) Based on the Fiscal Year 2023-24 rate of $1.92 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(6) Based on the Fiscal Year 2023-24 rate of $10.08 per parcel or per acre, whichever is greater.
(7) Amount based on the Fiscal Year 2023-24 Assigned Special Tax of $9,135.00 per unit for Tax Class 1 of Zone 4, which is 100.00% of the Fiscal Year 2023-24 Assigned Special Tax of $9,135.00 per unit. The Assigned Special Tax will escalate by 2.00% per year commencing July 1, 2024.
Source: DTA, Inc.

TABLE I-5
COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 2023-1 (RIENDA PHASE 2B)
ESTIMATED FISCAL YEAR 2023-2024 SAMPLE TAX BILL
DEVELOPED PROPERTY - DETACHED STUB ALLEY LARGE LOT
ZONE 5 - TAX CLASS 2 (1,701 - 1,900 SF)

Assessed Valuation and Property Taxes		***Percent of Total AV***	***Expected Amount***
BASE PRICE [1]	$899,405		
NET ASSESSED VALUE [1]	$892,405		
Unit Size [2]	1,753 Square Feet		
AD VALOREM PROPERTY TAXES [3]			
Basic Levy		1.00000%	$ 8,994.05
Metropolitan Water District G.O. Bonds		0.00350	31.48
Capistrano Unified School District SFID 1 Series 2001		0.00335	30.13
Capistrano Unified School District SFID 1 Series 2022		0.00298	26.80
Total General Property Taxes and Overrides		1.00983%	$ 9,082.46
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
Mosquito & Fire Ant Assessment [4]			$ 8.54
Vector Control Charge [5]			1.92
Metropolitan Water District West Standby Charge [6]			10.08
County of Orange CFD No. 2023-1 [7]			8,883.00
Total Assessments and Parcel Charges			$ 8,903.54
PROJECTED TOTAL PROPERTY TAXES			$ 17,986.00
Projected Total Effective Tax Rate (as % of Base Price)			**2.000%**

(1) Based on expected base sale price for units in Tax Class 2 of Zone 5, provided by the Market Absorption Consultant as of August 9, 2023. Total Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.
(2) Based on expected unit size for units in Tax Class 2 of Zone 5, provided by the Market Absorption Consultant as of August 9, 2023.
(3) Based on the Fiscal Year 2023-24 *ad valorem* rates.
(4) Based on the Fiscal Year 2023-24 rate of $8.54 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(5) Based on the Fiscal Year 2023-24 rate of $1.92 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(6) Based on the Fiscal Year 2023-24 rate of $10.08 per parcel or per acre, whichever is greater.
(7) Amount based on the Fiscal Year 2023-24 Assigned Special Tax of $8,883.00 per unit for Tax Class 2 of Zone 5, which is 100.00% of the Fiscal Year 2023-24 Assigned Special Tax of $8,883.00 per unit. The Assigned Special Tax will escalate by 2.00% per year commencing July 1, 2024.

Source: DTA, Inc.

TABLE I-6
COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 2023-1 (RIENDA PHASE 2B)
ESTIMATED FISCAL YEAR 2023-2024 SAMPLE TAX BILL
DEVELOPED PROPERTY - DETACHED TRADITIONAL
ZONE 6 - TAX CLASS 1 (> 2,000 SF)

Assessed Valuation and Property Taxes		***Percent of Total AV***	***Expected Amount***
BASE PRICE (1)	$975,000		
NET ASSESSED VALUE (1)	$968,000		
Unit Size (2)	2,003 Square Feet		
AD VALOREM PROPERTY TAXES (3)			
Basic Levy		1.00000%	$ 9,750.00
Metropolitan Water District G.O. Bonds		0.00350	34.13
Capistrano Unified School District SFID 1 Series 2001		0.00335	32.66
Capistrano Unified School District SFID 1 Series 2022		0.00298	29.06
Total General Property Taxes and Overrides		1.00983%	$ 9,845.84
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
Mosquito & Fire Ant Assessment (4)			$ 8.54
Vector Control Charge (5)			1.92
Metropolitan Water District West Standby Charge (6)			10.08
County of Orange CFD No. 2023-1 (7)			9,631.00
Total Assessments and Parcel Charges			$ 9,651.54
PROJECTED TOTAL PROPERTY TAXES			$ 19,497.38
Projected Total Effective Tax Rate (as % of Base Price)			**2.000%**

(1) Based on expected base sale price for units in Tax Class 1 of Zone 6, provided by the Market Absorption Consultant as of August 9, 2023. Total Assessed Value includes $7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.
(2) Based on expected unit size for units in Tax Class 1 of Zone 6, provided by the Market Absorption Consultant as of August 9, 2023.
(3) Based on the Fiscal Year 2023-24 *ad valorem* rates.
(4) Based on the Fiscal Year 2023-24 rate of $8.54 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(5) Based on the Fiscal Year 2023-24 rate of $1.92 per benefit unit. Residential parcels are assessed at 1 benefit unit.
(6) Based on the Fiscal Year 2023-24 rate of $10.08 per parcel or per acre, whichever is greater.
(7) Amount based on the Fiscal Year 2023-24 Assigned Special Tax of $9,631.00 per unit for Tax Class 1 of Zone 6, which is 100.00% of the Fiscal Year 2023-24 Assigned Special Tax of $9,631.00 per unit. The Assigned Special Tax will escalate by 2.00% per year commencing July 1, 2024.
Source: DTA, Inc.

APPENDIX J

MARKET ABSORPTION STUDY

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COMMUNITY FACILITIES DISTRICT NO. 2023-1
RIENDA PHASE 2B
(PLANNING AREA 3.2B)

MARKET ABSORPTION STUDY

PREPARED FOR:
COUNTY OF ORANGE
ORANGE COUNTY, CALIFORNIA

PREPARED BY:
EMPIRE ECONOMICS, INC.
JOSEPH T. JANCZYK, PH.D

AUGUST 9, 2023

(OCTOBER 3, 2023: GRAMMATICAL REVISIONS ONLY
NO CHANGES IN ABSORPTION SCHEDULES.)

OVERVIEW OF THE MARKET ABSORPTION STUDY

Introduction

- Rancho Mission Viejo requested the County of Orange to form Community Facilities District No. 2023-1 Rienda Phase 2B (CFD No. 2023-1 Rienda 2B) to assist with the financing of the public infrastructure that is required to support the development of the forthcoming residential projects in the Planned Community of Rienda Planning Area 3.2B.
- CFD No. 2023-1 Rienda 2B is expected to have 514 for-sale homes in six all-age residential projects (two attached, four detached) with five different builders and each of these will have a model complex.

Section I: Expected Residential Product Mix Characteristics of CFD No. 2023-1 Rienda 2B

- For all of the projects, as a whole, the base prices amount to some $834,804, on the average, and they have a range of $520,000 to $1,100,000.
- While their living areas amount to some 1,587 sq.ft., on the average, and they have a range of 922 to 2,182 sq.ft. Their overall value ratio (price/living area) amounts to $527 sq.ft., on the average.
- The total tax burdens are expected to be 2.00%; a base tax rate of 1.07% and the remaining 0.93% for special taxes as well as other assessments.

Section II: Economic and Real-Estate Forecasting Model Underlying the Market Absorption Study

- Total employment for Orange County (OC) and California (CA) are only slightly above pre-covid levels. However, OC's unemployment rate was 3.2%, lower than both the U.S. (3.6%) and CA (4.5%).
- Mortgage rates have risen significantly, from 2.9% in August 2021 to ~6.9% through mid-July 2023 while key inflation measures fell to ~4% in May 2023, well below their mid-2022 peak levels of 7%+.
- After mid-2022 peak, Los Angeles area home prices fell before rising slightly month-by-month in 2023, and OC has the highest prices compared to other SCAL counties and lowest price drop vs. peak levels.
- Both home demand and supply in 2022-2023 have been below 2018-2021 historical averages while the annual OC housing payment remains ~50% above levels two and a half years ago.

Section III: Overview of Development Trends/Patterns and Socioeconomic Factors

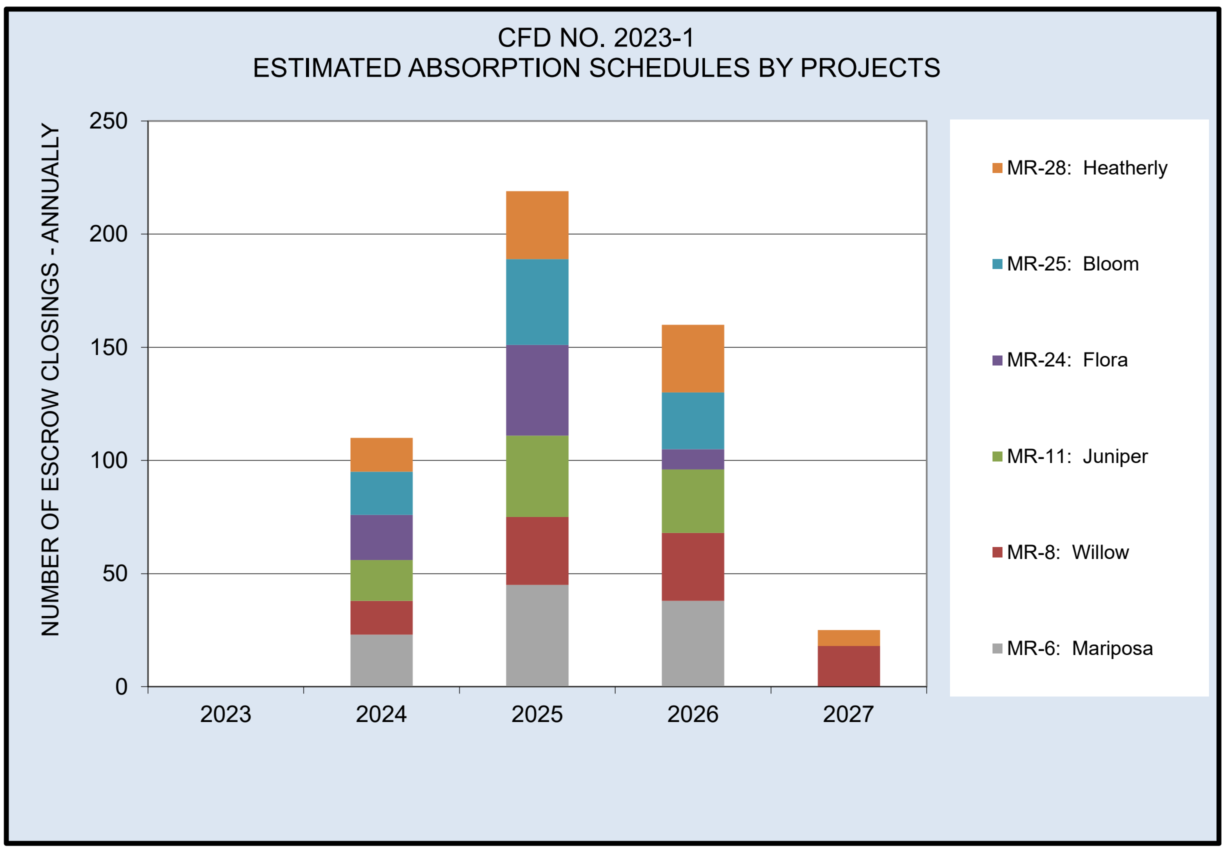
- From a socioeconomic perspective, CFD No. 2023-1 (Rienda 2B), has a relatively low crime rate and a relatively high graduation rate, and this will be beneficial for marketing its forthcoming homes.

Section IV: Competitive Market Analysis of the Residential Projects in CFD No. 2023-1 Rienda 2B

- For Market Comparables, Empire selected CFD No. 2021-1 Rienda 2A which is in close proximity and has currently active projects that offer similar product types. The market comparable projects are expected to have a total of 805 homes; of these, 252 are attached and 553 are detached.
- CFD No. 2023-1 attached homes have prices of $685,995/avg. with 1,327 ft.^{2}/avg. while detached homes have prices of $909,208 with 1,718 ft.^{2}. While Market Comparables attached homes have prices of $656,990/avg. with 1,156 ft.^{2}/avg. while detached homes have prices of $960,640 with 1,847 ft.^{2}.
- CFD No. 2023-1 attached homes have value ratios of $519/avg. while detached homes have value ratios of $531/avg. While Market Comparables attached homes have value ratios of $567/avg. while detached homes have value ratios of $525/avg.

Section V: Estimated Absorption Schedules for the Projects in CFD No. 2023-1 Rienda 2B

- The housing market, especially for new homes, will be significantly impacted by the FRB's policies until the rate of inflation systematically approaches the target rate of 2%, and then the market will start to return to its normal level of sales and price appreciation.
- Therefore, in the near term, the housing market is expected to continue to be challenged by higher mortgage rates and higher unemployment which will result in lower sales and also price declines, especially for new move-up homes, in particular.
- Accordingly, Empire builds in various safeguards to its forecast of the estimated absorption schedules for the forthcoming homes in CFD No. 2023-1, with regards to potential price reductions as well as slower absorption until the FRB 's goal of 2% inflation is achieved.
- With Grand Openings with model complexes projected in 4th Quarter of 2023 and escrow closings commencing in the 2nd Qtr. 2024, absorption is projected to be as follows: 110 homes in 2024, 219 homes in 2025, 160 homes in 2026, and the remaining 25 homes 2027 with a CFD No. 2023-1 Rienda 2B Close Out in Spring 2027.



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INTRODUCTION

A. OVERVIEW OF THE BOND FINANCING PROGRAM

Rancho Mission Viejo requested the County of Orange to form Community Facilities District No. 2023-1 Rienda Phase 2B (CFD No. 2023-1 Rienda 2B) to assist with the financing of the public infrastructure that is required to support the development of the forthcoming residential projects in the Planned Community of Rienda Planning Area 3.2B.

CFD No. 2023-1 Rienda 2B is hereafter referred to as CFD No. 2023-1 and/or Rienda 2B.

The Planned Community of Rienda represents a newly developing area in the southerly portion of the County of Orange, easterly of the City of San Juan Capistrano. Rienda follows a sequential development pattern of Planned Communities that have previously been developed/built-out in this area, including Ladera Ranch with about 8,000 homes, Sendero with about 900 homes and most recently Esencia with about 3,000 homes.

CFD No. 2023-1 Rienda 2B is expected to have 514 for-sale homes in six residential projects with five different builders and each of these will have a model complex. Accordingly, these projects have been categorized into two product types, attached and detached.

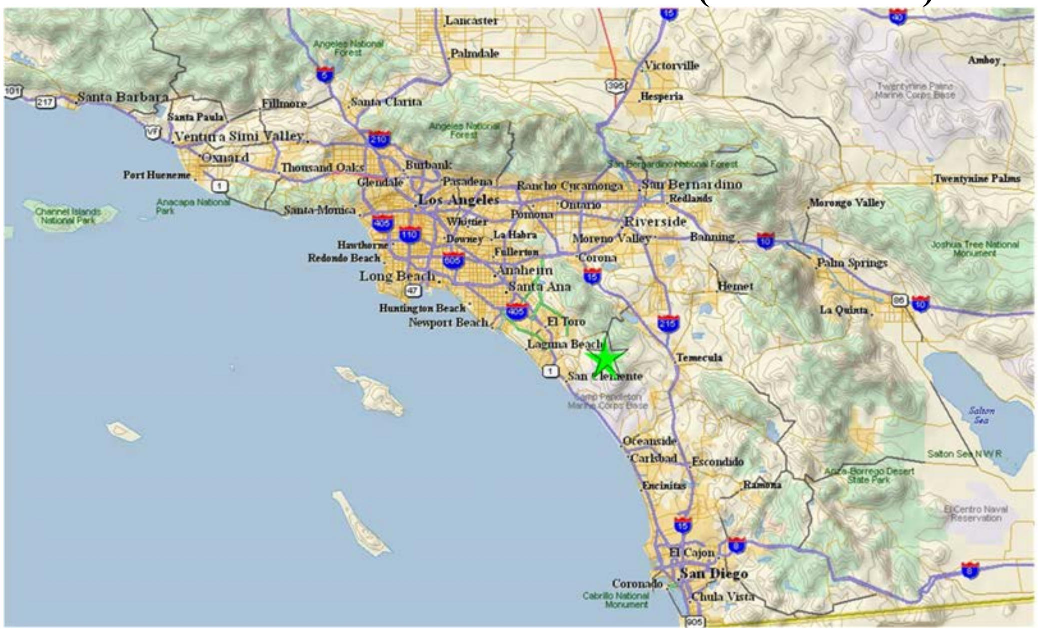
- Attached: All Ages
    - MR-6 Lennar, Condos
    - MR-8 Trumark, Row Townhomes
- Detached: All-Ages:
    - MR-11 Pulte, SFD-Duplex
    - MR-24 Lennar, SFD 30 x 42
    - MR-25 Shea, CFD 43x50
    - MR-28 TriPointe, Detached

The County of Orange retained Empire Economics (Empire), an economic and real estate consulting firm, to perform a Market Absorption Study for the forthcoming projects in CFD No. 2023-1. The Market Absorption Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors that are expected to influence the absorption of the forthcoming homes in CFD No. 2023-1, in order to arrive at conclusions regarding the following:

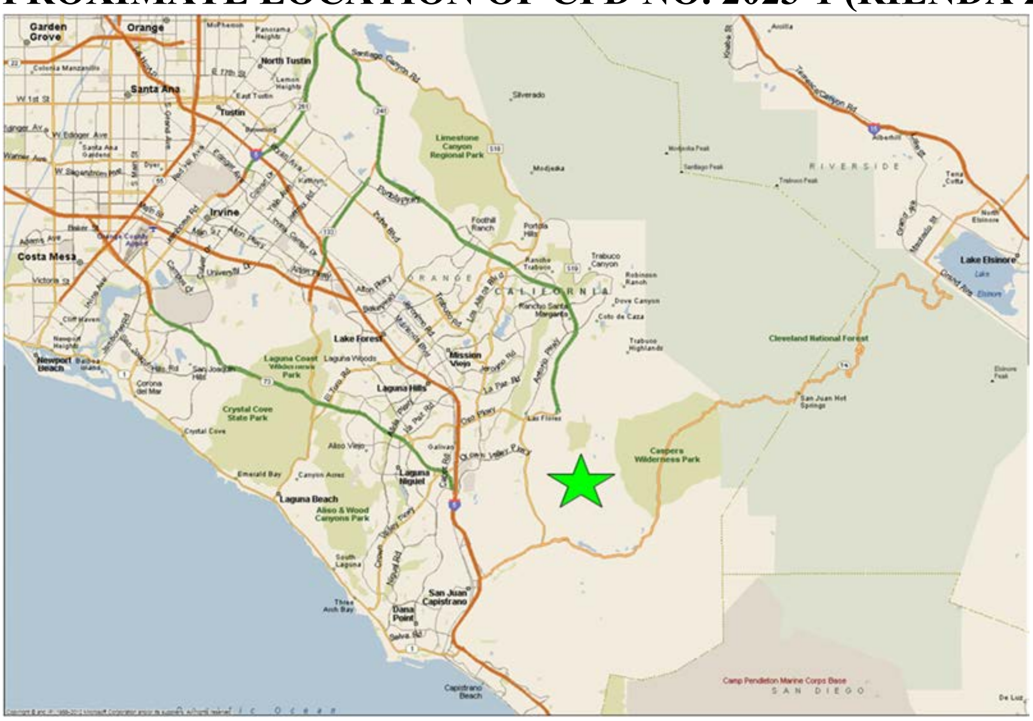
- Estimated absorption schedules for the homes in each of the six residential projects, from market-entry to build-out, on an annualized basis.
- Discussion of potential economic, financial and real estate risk factors that may adversely impact their marketability.

For information on the general location of CFD No. 2023-1 (Rienda 2B), please refer to the maps on the following page.

SOUTHERN CALIFORNIA MARKET REGION: LOCATION OF CFD NO. 2023-1 (RIENDA 2B)



SOUTH ORANGE COUNTY APPROXIMATE LOCATION OF CFD NO. 2023-1 (RIENDA 2B)



B. ROLES OF THE MARKET ABSORPTION STUDY FOR THE BOND FINANCING

The Market Absorption Study for CFD No. 2023-1 (Rienda 2B) has a multiplicity of roles with regards to the Bond Financing; accordingly, these are set-forth below:

Marketing Prospects for the Residential Products

Estimated Absorption Schedules:
Escrow Closings of Homes to Homeowners,
from Market-Entry to Build-Out for
each of the Six Projects

Potential Risk Factors that may Adversely Impact
the Marketability of the Projects

Relationship of the Market Study to the Special Tax Payments

Special Taxes for the Residential Projects/Products

Aggregate Levels of Special Tax Revenues for Bond Sizing

Absorption Rate Determines Shares of Payments:
Developer/Builders vs. Final-Users/Homeowners

Relationship of the Market Absorption Study to the Appraisal/Valuation

Appraisal of Property
Appraiser Considers Absorption Schedules for
Discounted Cash Flow – Present Value

(The Longer the Absorption Time, the Lower the Present Value)

C. METHODOLOGY UNDERLYING THE MARKET ABSORPTION STUDY FOR CFD NO. 2023-1

The Market Absorption Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors as well as the potential risk factors that are expected to influence the absorption of the projects/homes in CFD No. 2023-1 (Rienda 2B); the primary components of the Study are as follows:

I. Expected For-Sale Residential Product Mix Characteristics

II. Economic and Real Estate Model Underlying the Market Absorption Study

III. Overview of the Development Trends/Patterns and Socioeconomic Factors

IV. Competitive Market Analysis of the Residential Projects

V. Estimated Absorption Schedules for the Projects/Products

Assumptions and Limiting Conditions

D. CERTIFICATION OF INDEPENDENCE

EMPIRE ECONOMICS PROVIDES CONSULTING SERVICES ONLY FOR PUBLIC ENTITIES

The Securities & Exchange Commission has taken action against firms that have utilized their research analysts to promote companies with whom they conduct business, citing this as a potential conflict of interest. Accordingly, Empire Economics (Empire), in order to ensure that its clients, including the County of Orange, are not placed in a situation that could cause such conflicts of interest, provides a Certification of Independence.

This Certificate states that Empire performs consulting services only for public entities such as the County of Orange, in order to avoid potential conflicts of interest that could occur if it also provided consulting services for developers/builders.

For example, if a research firm for a specific Community Facilities District were to provide consulting services to both the public entity as well as the property owner/developer/builders, then a potential conflict of interest could be created, given the different objectives of the public entity versus the property owner/developer/builders.

Accordingly, Empire Economics certifies that the Market Absorption Study for the CFD No. 2023-1 (Rienda 2B) of the County of Orange was performed in an independent professional manner, as represented by the following statements:

- Empire was retained to perform the Market Absorption Study by the County of Orange, not the CFD's developer/builders.
- Empire has not performed any consulting services for the CFD's property owner or the developer/builders during the past thirty years.
- Empire will not perform any consulting services for the CFD's property owner or the developer/builders during the next five years.
- Empire's compensation for performing the Market Absorption Study for the CFD is not contingent upon the issuance of bonds; Empire's fees are paid on a non-contingency basis.

Therefore, based upon the statements set-forth above, Empire hereby certifies that the Market Absorption Study for CFD No. 2023-1 (Rienda 2B) of the County of Orange was performed in an independent professional manner.

SECTION I
EXPECTED FOR-SALE RESIDENTIAL PRODUCT MIX CHARACTERISTICS
(Source of Data: Merchant Builders)

CFD No. 2023-1 (Rienda 2B) encompasses the community of Rienda Planning Area 3.2B which is expected to have a total of 514 for-sale attached and detached homes in six projects by five different builders.

- For all the projects, as a whole, the base prices amount to some $834,804, on the average, and they have a range of $520,000 to $1,100,000.
- While their living areas amount to some 1,587 sq.ft., on the average, and they have a range of 922 to 2,182 sq.ft. Their overall value ratio (price/living area) amounts to $527 sq.ft., on the average.
- The total tax burdens are expected to be 2.00%; a base tax rate of 1.07% and the remaining 0.93% for special taxes as well as other assessments.

Attached Housing Products:

MR-6 Mariposa by Lennar has 106 Condos
Prices range from $520,000-$765,000 for 922 to 1663 ft.^{2}

MR-8 Willow by Trumark has 93 Row Townhomes
Prices range from $579,990-$788,990 for 923 to 1540 ft.^{2}

Detached Housing Products:

MR-11 Juniper by Pulte has 82 SFD-Duplex
Prices range from $690,000-$800,000 for 1142 to 1608 ft.^{2}

MR-24 Flora by Lennar has 69 SFD 30x42 Lot Size
Prices range from $822,000-$945,000 for 1397 to 1818 ft.^{2}

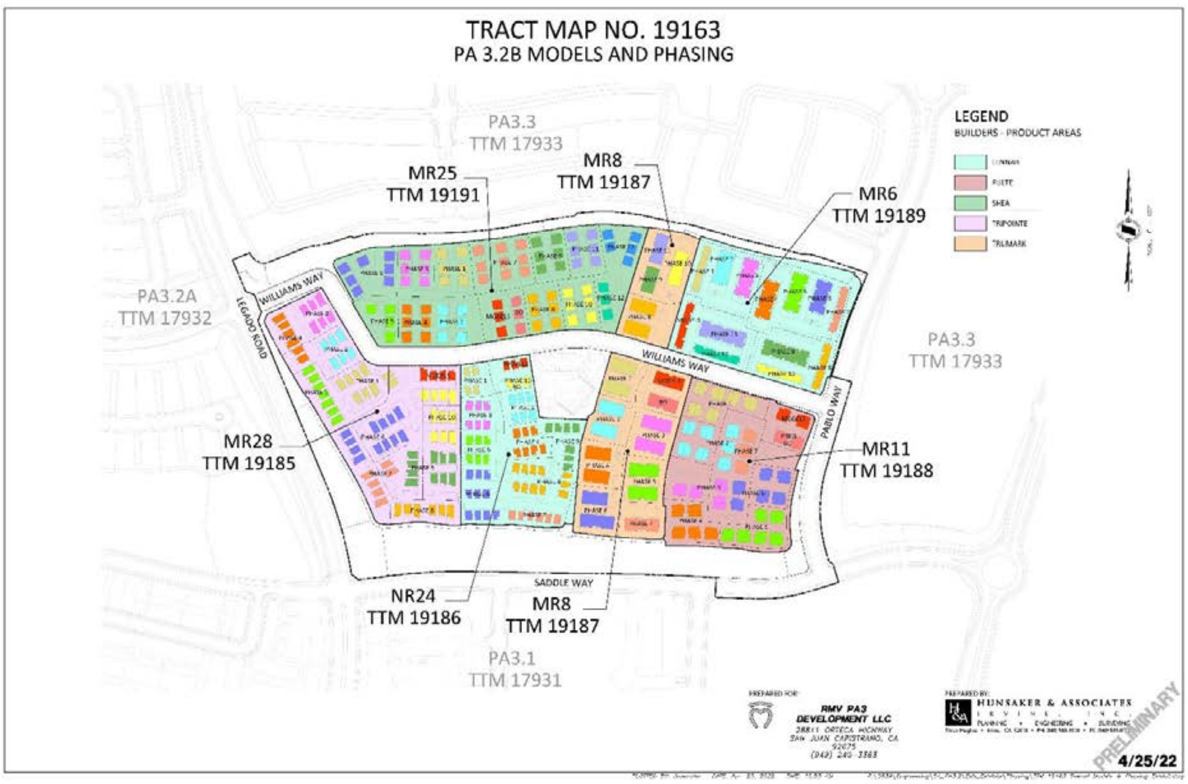
MR-25 Bloom by Shea has 82 SFD 43x50 Lot Size
Prices range from $990,000-$1,100,000 for 1753 to 2150 ft.^{2}

MR-28 Heatherly by TriPointe has 82 Detached
Prices range from $893,000 - $1,043,000 for 1691 to 2182 ft.^{2}

For more information on these projects, please refer to the following exhibit, graphs and table.

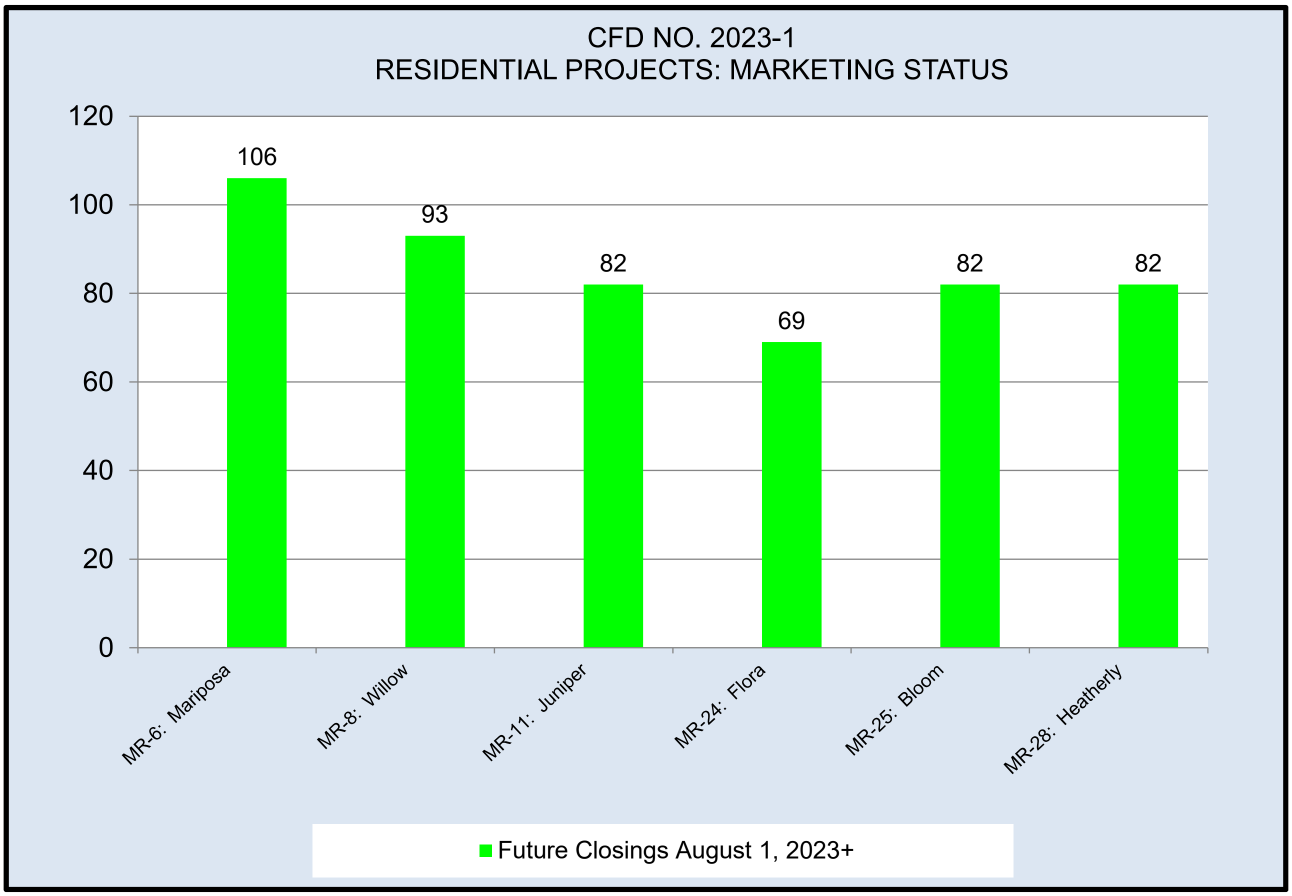
CFD NO. 2023-1 PLANNING AREAS 2B PROJECT MAP

SOURCE: RANCHO MISSION VIEJO; JULY 31, 2023



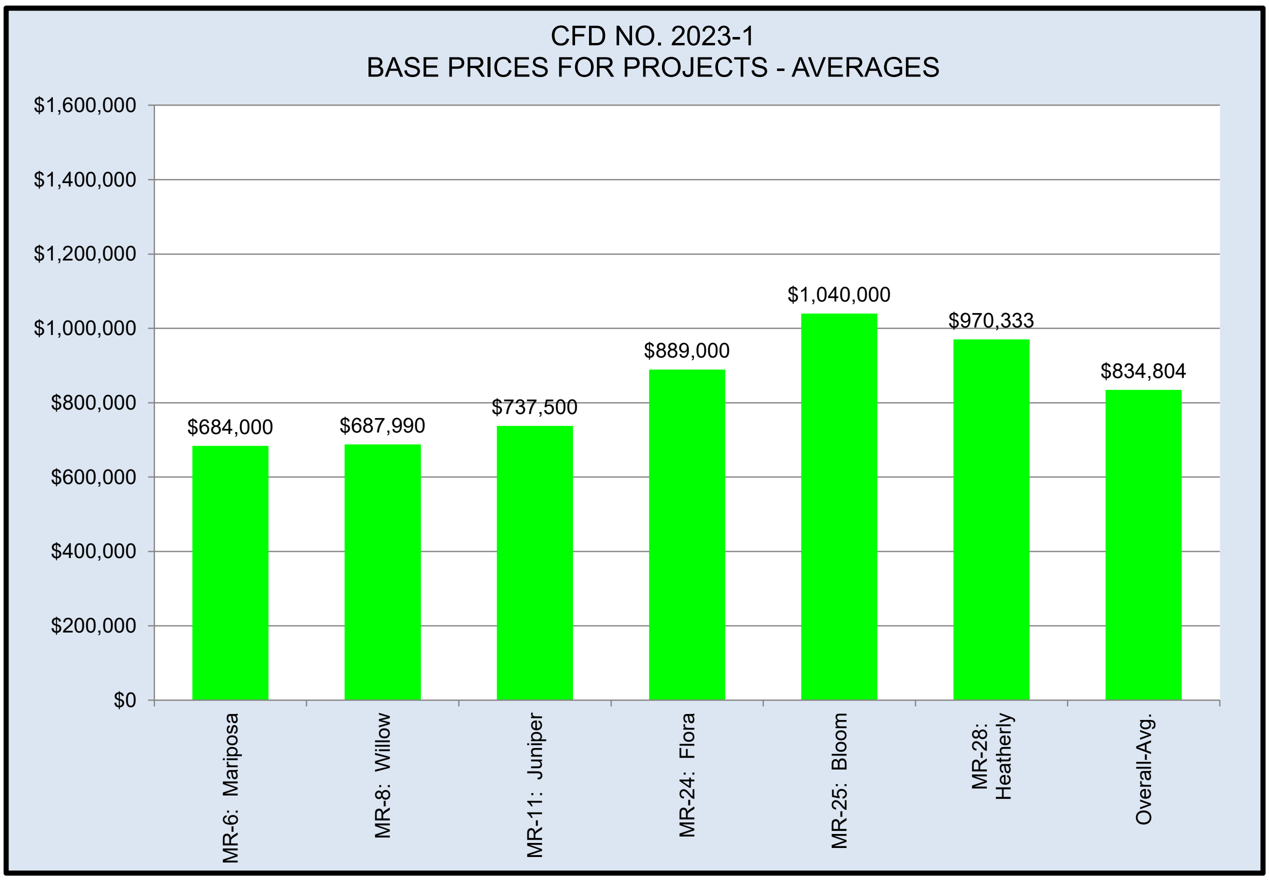
CFD NO. 2023-1 (RIENDA 2B)

RESIDENTIAL PROJECTS: MARKETING STATUS



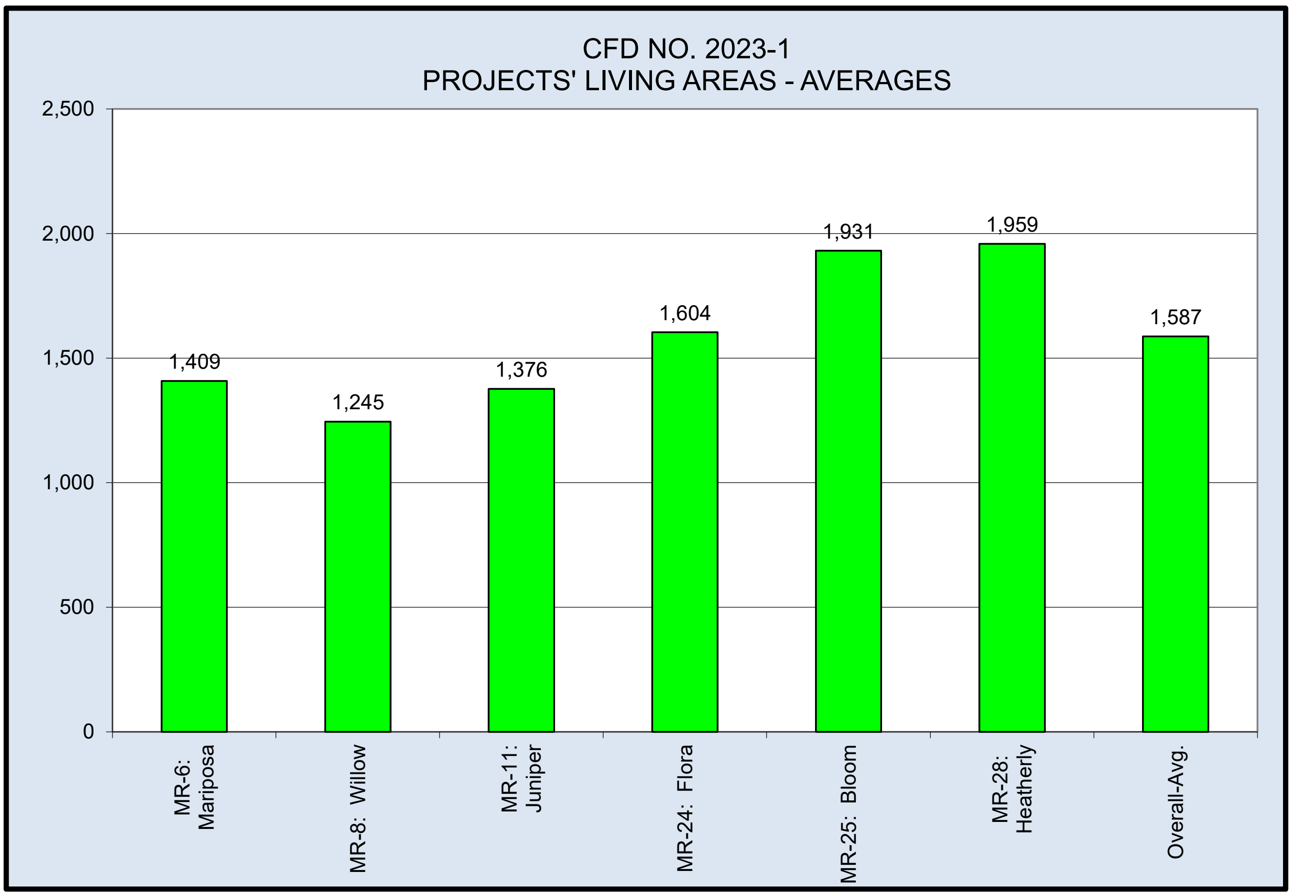
CFD NO. 2023-1 (RIENDA 2B)

BASE PRICES FOR PROJECTS - AVERAGES



CFD NO. 2023-1 (RIENDA 2B)

PROJECTS' LIVING AREAS – AVERAGE



CHARACTERISTICS OF THE EXPECTED PRODUCT MIX
CFD NO. 2023-1 (RIENDA 2B)

Planning Area Code	MR-6	MR-8	MR-11	MR-24	MR-25	MR-28
Planning Area	Planning Area 3.2B	Planning Area 3.2B	Planning Area 3.2B	Planning Area 3.2B	Planning Area 3.2B	Planning Area 3.2B
Market Segment	All Ages	All Ages	All Ages	All Ages	All Ages	All Ages
Expected Product Type	Condos	Row Townhomes	SFD - Duplex	SFD 30 x 42	SFD 43x50	Detached
Project Name	Mariposa	Willow	Juniper	Flora	Bloom	Heatherly
Builder	Lennar	Trumark	Pulte	Lennar	Shea	TriPointe
Total Homes	106	93	82	69	82	82
Escrows Closed; July 30, 2023	0	0	0	0	0	0
Future Closings August 1, 2023+	106	93	82	69	82	82
Market-Entry - Models Open	Q4-2023	Q4-2023	Q4-2023	Q4-2023	Q4-2023	Q4-2023
Commence Escrow Closings	Q2-2024	Q2-2024	Q2-2024	Q2-2024	Q2-2024	Q2-2024
Estimated Number of Homes						
Plan #1	16	13	20	26	26	27
Plan #2	20	40	21	22	28	27
Plan #3	30	40	21	21	12	28
Plan #4	26		20		16	
Plan #5	14					
LIVING AREA						
Plan #1	922	923	1,142	1,397	1,753	1,691
Plan #2	1,371	1,272	1,230	1,597	1,805	2,003
Plan #3	1,482	1,540	1,525	1,818	2,017	2,182
Plan #4	1,605		1,608		2,150	
Plan #5	1,663					
Average	1,409	1,245	1,376	1,604	1,931	1,959
Minimum	922	923	1,142	1,397	1,753	1,691
Maximum	1,663	1,540	1,608	1,818	2,150	2,182
BASE PRICES						
Plan #1	$520,000	$579,990	$690,000	$822,000	$990,000	$893,000
Plan #2	$695,000	$694,990	$710,000	$900,000	$1,010,000	$975,000
Plan #3	$710,000	$788,990	$750,000	$945,000	$1,060,000	$1,043,000
Plan #4	$730,000		$800,000		$1,100,000	
Plan #5	$765,000					
Average	$684,000	$687,990	$737,500	$889,000	$1,040,000	$970,333
Minimum	$520,000	$579,990	$690,000	$822,000	$990,000	$893,000
Maximum	$765,000	$788,990	$800,000	$945,000	$1,100,000	$1,043,000
Value Ratios; (Price/Sq.Ft.)	$486	$553	$536	$554	$539	$495

SECTION II

MACROECONOMIC ANALYSIS
RECENT ECONOMIC AND REAL ESTATE CONDITIONS

This section describes the Economic and Real Estate Model underlying the forecasts for the absorption of the residential products in CFD No. 2023-1 (Rienda 2B) during the foreseeable future; accordingly, the primary components are as follows:

A. Overview of Recent Economic/Housing Market Conditions
- Aggregate Employment: California (CA) and Orange County (OC)
- Unemployment Rates: United States (US), CA and OC
- Employment Changes by Sector since Pre-Covid – CA and OC
- Recent Trends for 30-Year Fixed Mortgage Rates
- California Gas Prices

B. Federal Reserve Board Target: Inflation Rate of 2%
- Recent U.S. inflation rate trends
- Federal Reserve Board (FRB) projections of federal funds rate
- FRB projections unemployment rates
- FRB portfolio of treasury and mortgage bonds
- Federal Government Budget Deficits

C. Recent Housing Trends/Patterns
- Historical annual housing price changes - Los Angeles region (LAR)
- Recent monthly housing price changes - LAR
- Recent home prices and growth - Southern California counties
- Residential building permits – CA and OC
- Market demand and supply – OC
- Annual housing payments for home sales - OC

Accordingly, each of these topics are now discussed, in order to provide a background on the economic and real estate factors underlying Empire's forecasts for the active projects in CFD No. 2023-1 (Rienda 2B).

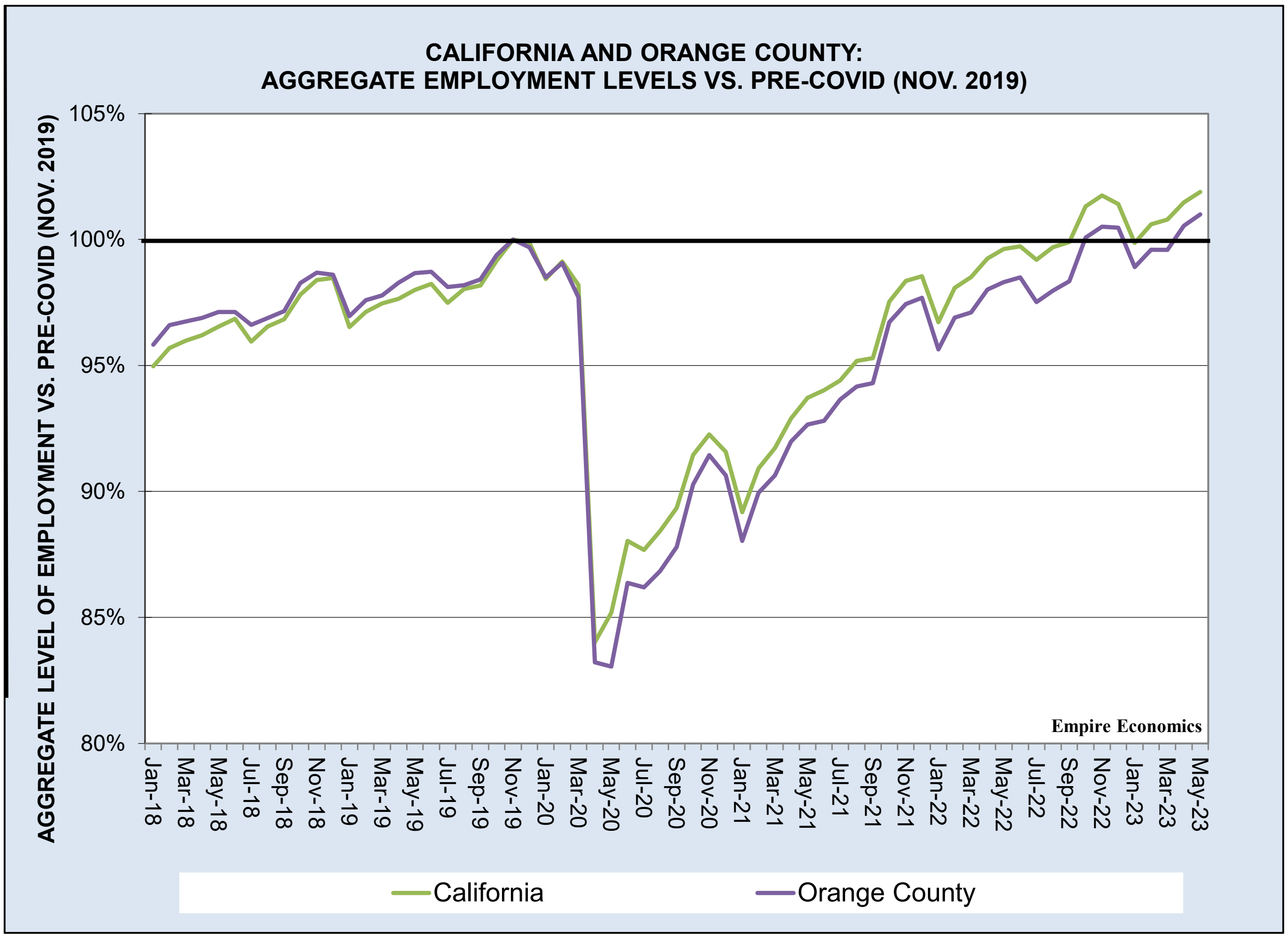
A. OVERVIEW OF RECENT ECONOMIC/HOUSING MARKET CONDITIONS

AGGREGATE EMPLOYMENT RECOVERY BY GEOGRAPHY

Levels of employment previously reached peak levels in November 2019 before COVID significantly adversely impacted employment levels in Spring 2020.

Orange County, where CFD No. 2023-1 (Rienda 2B) is situated, reached new aggregate employment highs by Fall 2022, slightly lagging behind California, which first reached a new high several months before.

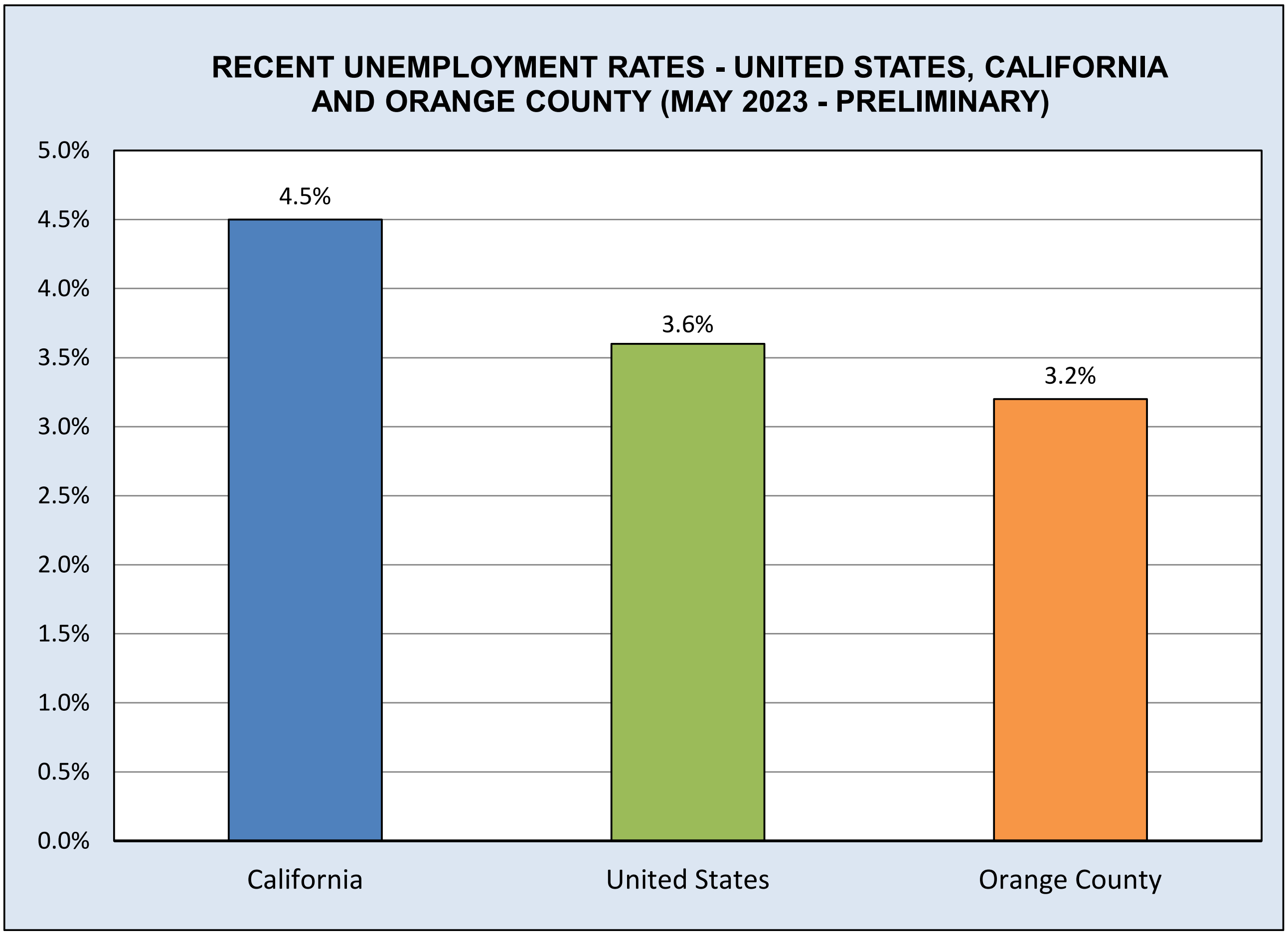
So, aggregate employment levels for both Orange County and California are only slightly above pre-covid levels.



UNEMPLOYMENT RATES - SELECT GEOGRAPHIES

California's preliminary May 2023 unemployment rate amounted to 4.5%. For Orange County, the unemployment rate was lower at 3.2%, and also below the U.S. rate of 3.6%.

Unemployment rate measures the percentage of people currently seeking employment. Consequently, it does not include a significant number of people who have recently left the labor force.

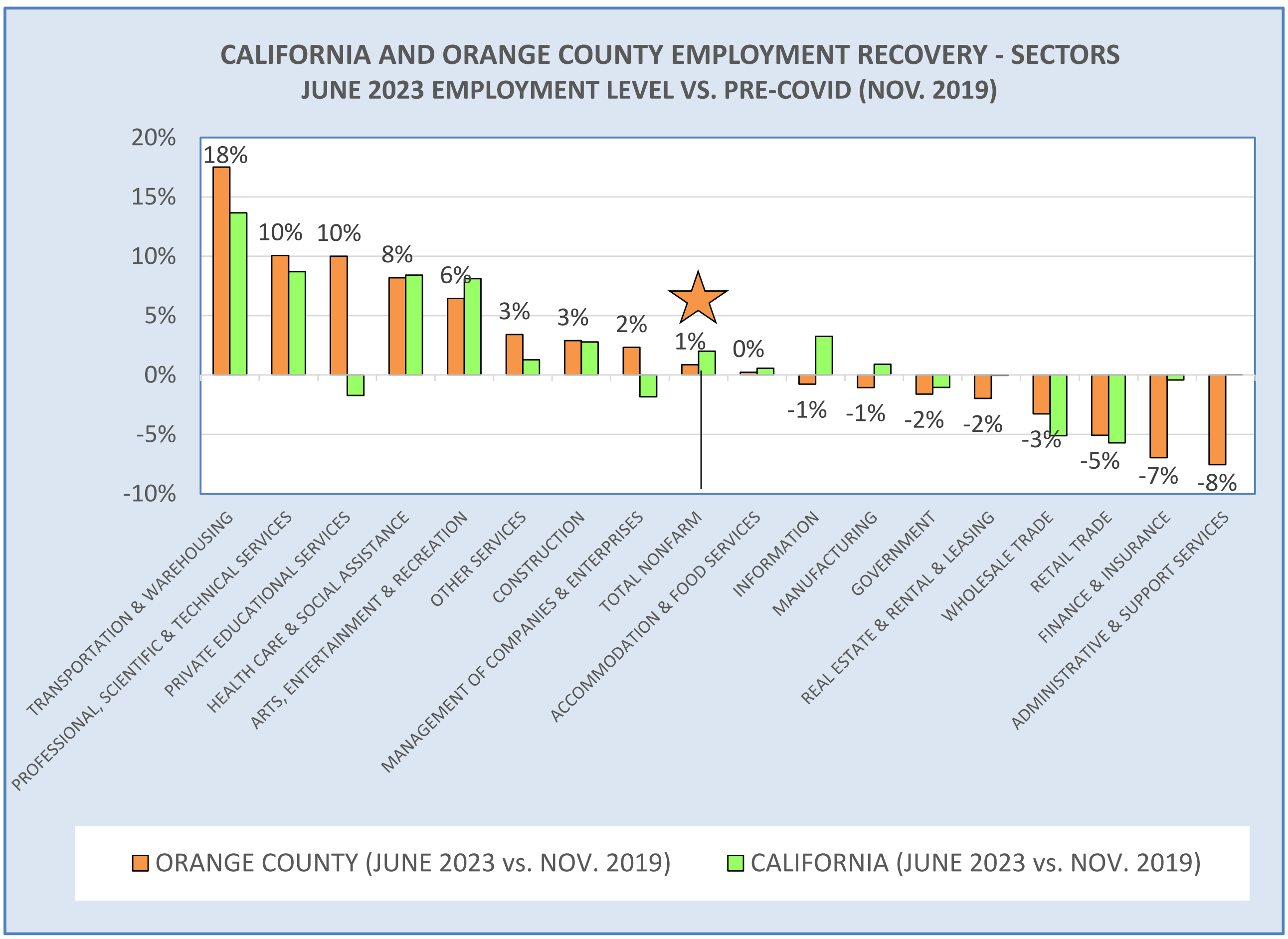


RECENT EMPLOYMENT RECOVERY BY SECTORS
ORANGE COUNTY AND CALIFORNIA

Although the CFD's Market Region (Orange County) employment increased from its COVID trough, some employment sectors continue to be below pre-Covid 2019 peak levels achieved in November 2019; those that remain the furthest below are administrative and support services, finance and insurance, and retail as well as wholesale trade.

Orange County sectors that have fully recovered and surpassed the prior highs are transportation/warehousing, professional services, private educational services, healthcare and social assistance, arts, entertainment and recreation, other services, construction, and management.

Sectors where Orange County's recovery has significantly outperformed California's recovery include transportation/warehousing, professional services and private educational services.



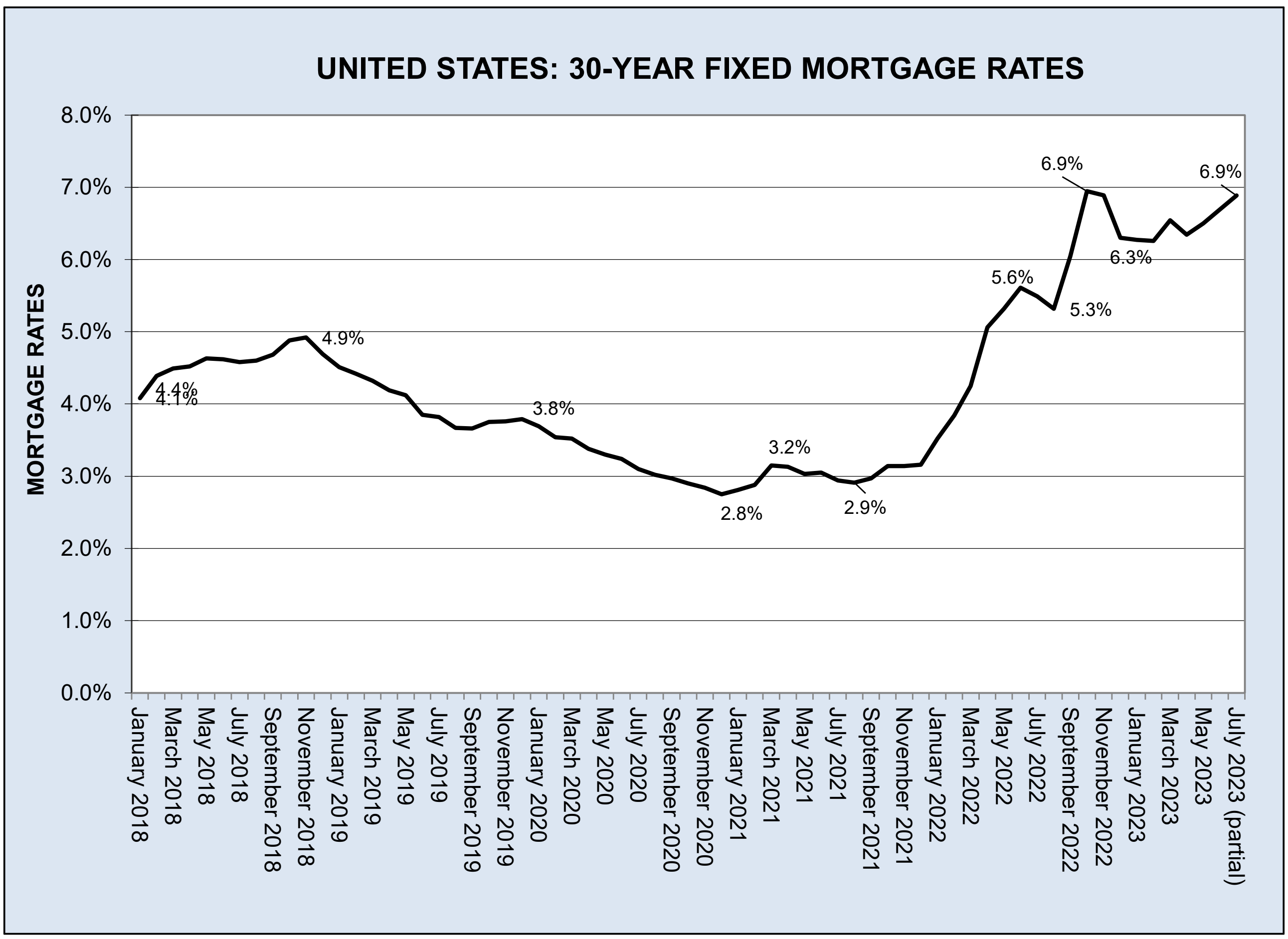
RECENT TRENDS FOR MORTGAGE RATES

Mortgage rates have risen significantly, from a recent low of 2.9% in September 2021 to between 6.3% to 6.9% during January- July 2023.

Mortgage rates rose to higher levels after the FRB's September 2021 meeting, reaching a recent peak level of 6.9% in October 2022, before moderating somewhat and then rising recently back to about 6.9%.

For example, on a $400,000 purchase with a 30 year fixed rate mortgage loan:

> At a 2.9% mortgage rate, the mortgage interest on the loan would be about $200,000.
>
> At a mortgage rate of 6.5%, mortgage interest on the loan would be about $500,000.

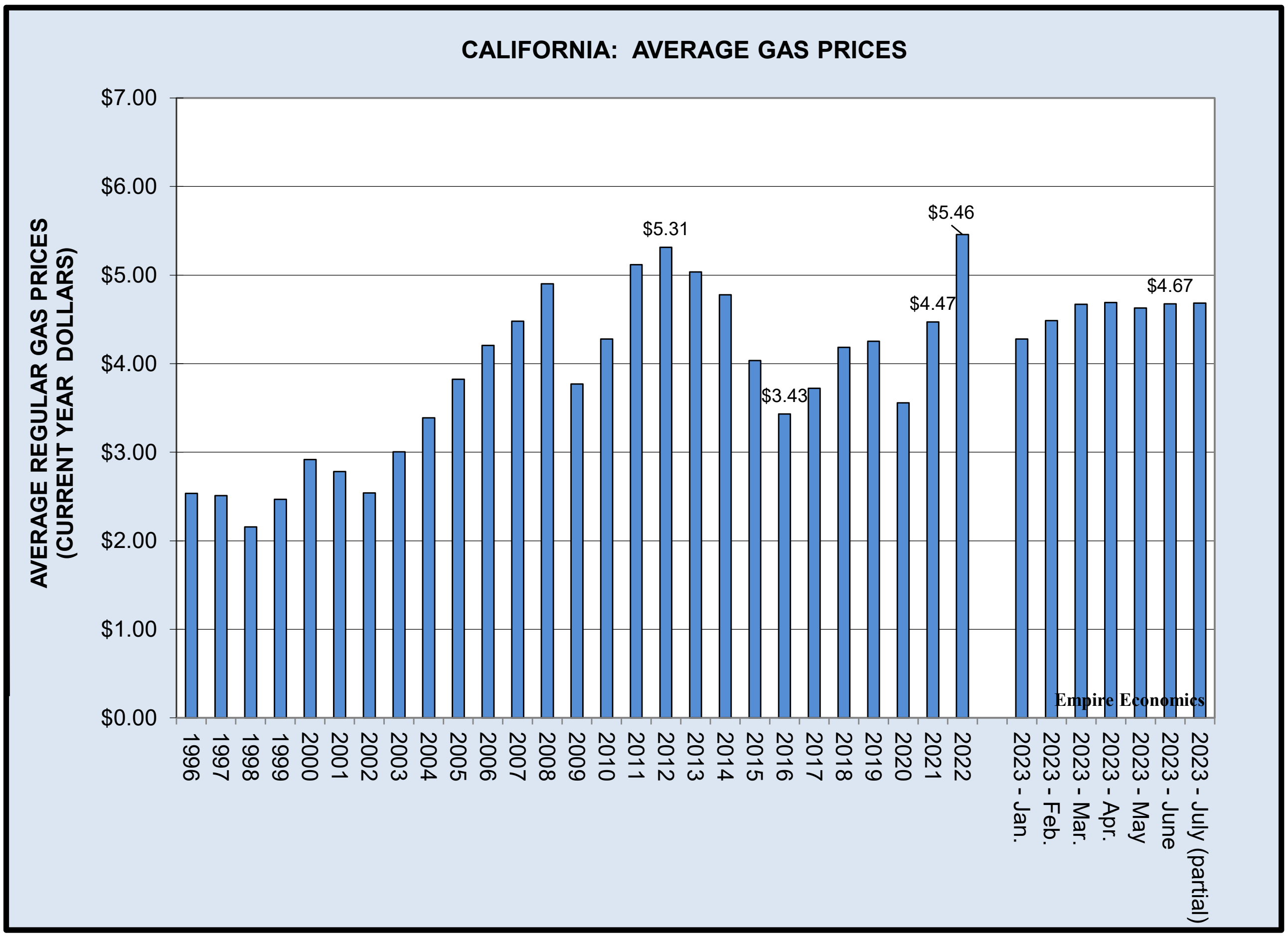


CALIFORNIA GAS PRICES - YEARLY SINCE 1996 AND MONTHLY FOR 2023

A contributing factor to housing demand, especially for households commuting to the suburbs for moderately priced single-family homes, is the price of gas, since this impacts commuting costs.

After reaching a peak level in 2012, gas prices declined to a low in 2016 but then increased in 2017-2019.

In 2022, gas prices rose to their highest levels in 25+ years (inflation adjusted) before having somewhat lower levels in the first half of 2023.



B. FEDERAL RESERVE BOARD (FRB/FED) TARGET: INFLATION RATE OF 2%

Starting with the FED/FRB's September 21, 2022 Federal Open Market Committee (FOMC) policy statement, the FRB's primary focus is to reduce the inflation rate to 2%, and so this will be the primary driver of near-term economic/housing market conditions.

The FRB will utilize various tools to reduce inflation to 2% including the following:

The FRB has recently made significant increases in the federal funds rate.
During the past two years, the FRB 's balance sheet increased by $5 trillion but now it is expected to decline by $0.5-$1.0 trillion annually.

Part of this includes mortgage-backed securities that if sold would likely push mortgage rates higher.

Furthermore, once the FRB achieves an inflation rate of 2%, the FRB policy will be cautious, to ensure that inflation does not recur.

Role of housing in the consumer price index (CPI):

The ownership of a home is regarded as being an asset, so the CPI utilizes the imputed home rent.

Consequently, changes in housing prices and mortgage interest rates do not directly impact the CPI.

However, due to recent strong increases in rental properties, the housing component is becoming more significant.

The secondary impacts of the FRB policies upon the housing market:

Mortgage rates remaining relatively high, both for fixed as well as adjustable rates.

Economic slowdown resulting in slower/reduced employment levels and higher unemployment rates.

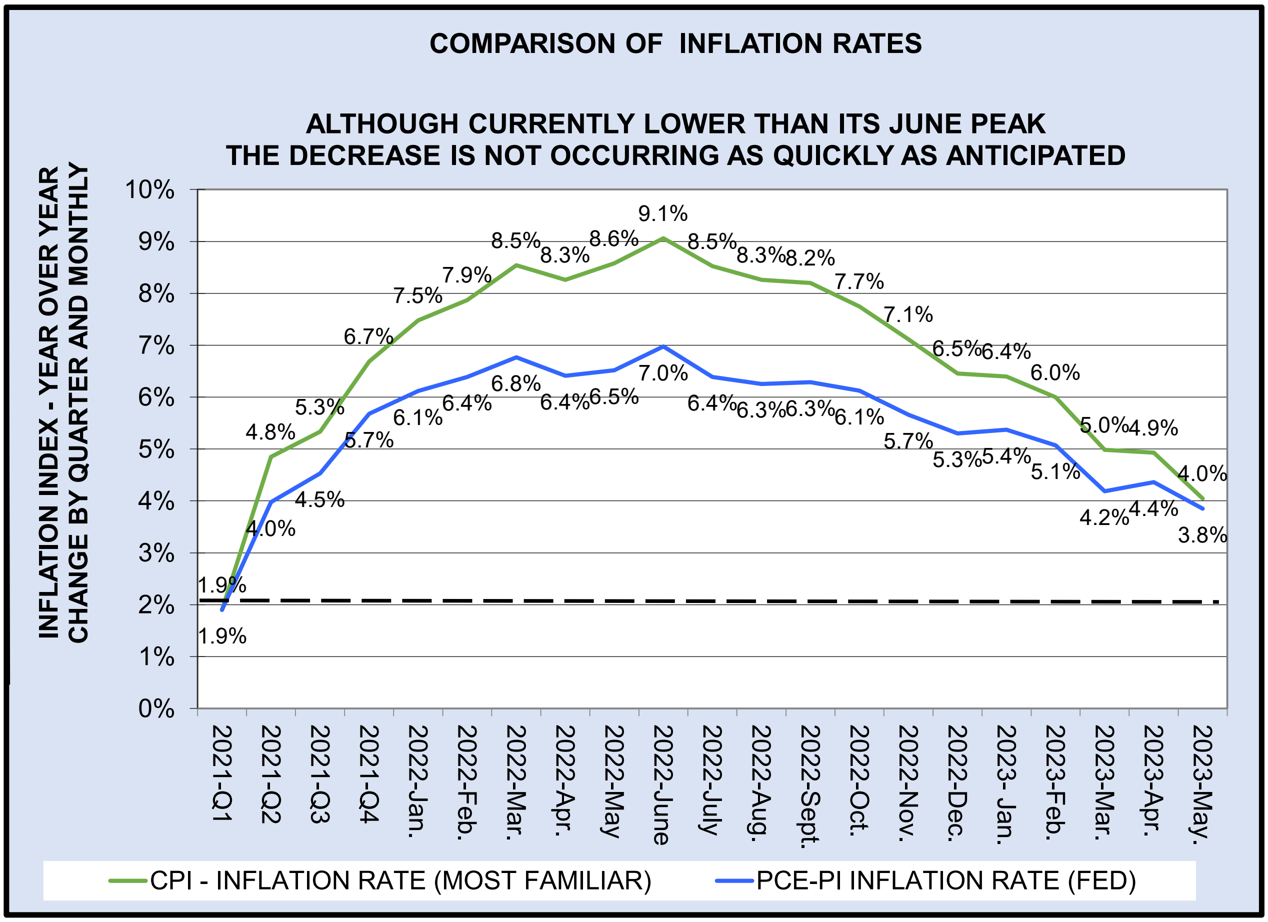
DISCUSSION OF INFLATION PRICE INDICES

The most well-known indicator of inflation is the Consumer Price Index (CPI), which measures the percentage change in the price of a fixed basket of goods and services consumed by households.

However, the FRB target of 2.0% inflation utilizes the Personal Consumption Expenditure (PCE) price index which captures inflation (or deflation) across a wide range of consumer expenses, reflecting a changing basket of consumer behavior.

An example would be consumers, due to higher meat prices, shifting from filet to sirloin steak.

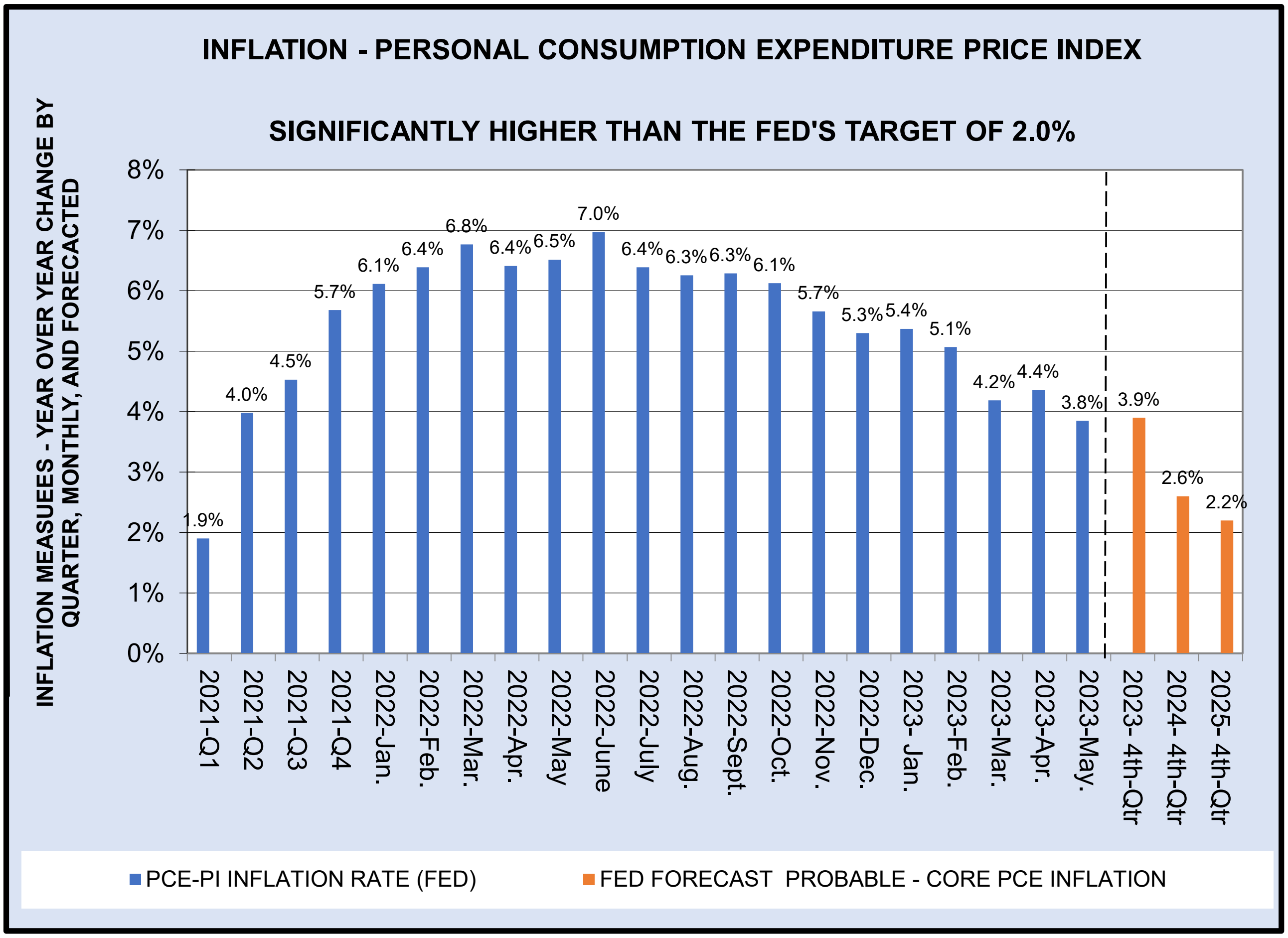
Since these two indices are similar when their respective inflation rates are relatively low, around 2%, this study typically refers to CPI since it is the most well-known.



INFLATION RECENT/EXPECTED CHANGES FOR TWO SCENARIOS

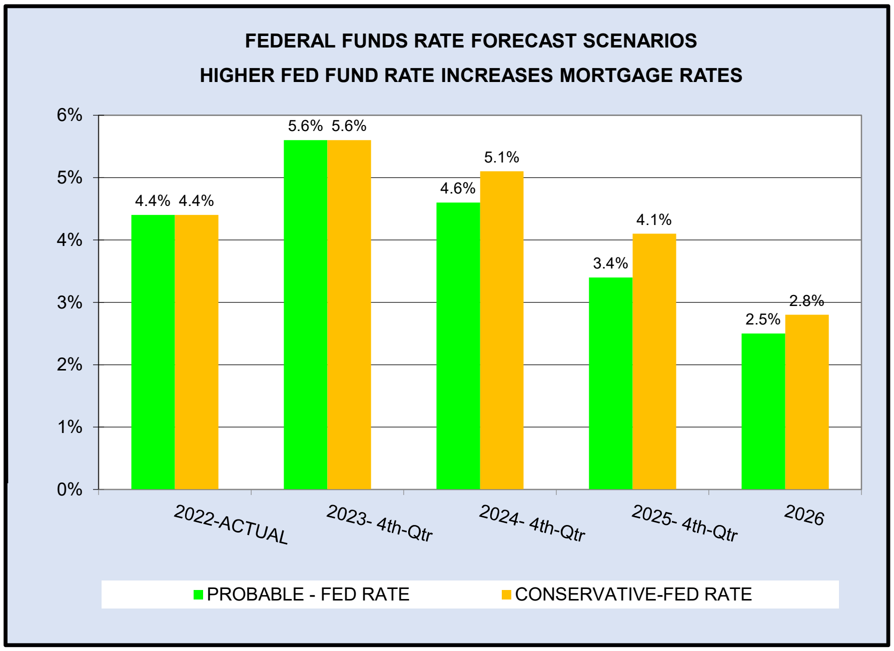
Probable: the median core PCE inflation forecast of the FED participants as of June 14, 2023.

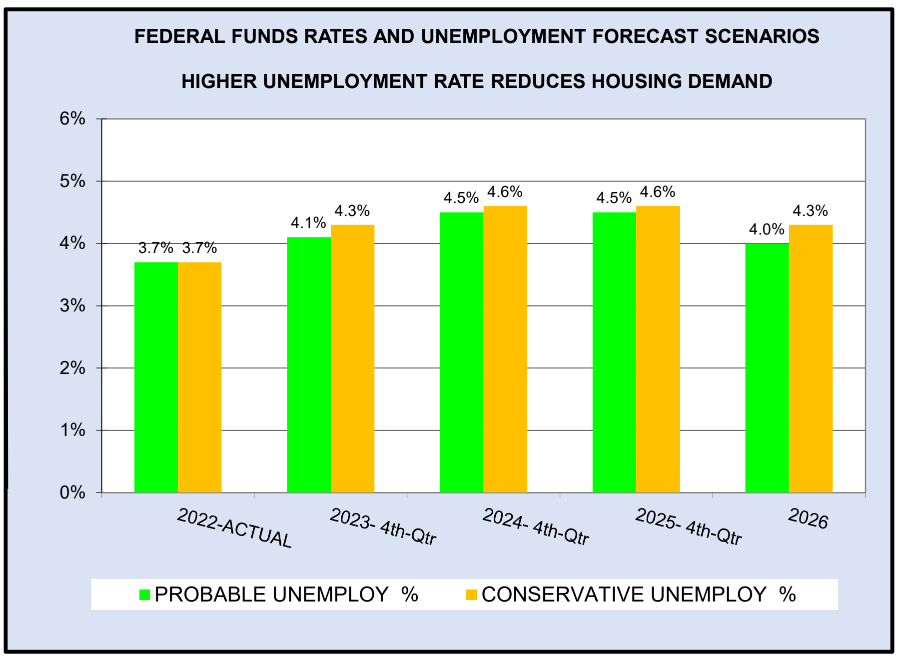
Conservative: the higher end core PCE inflation forecast of the FED participants as of June 14, 2023.



Source: Federal Open Market Committee, Economic Projections, June 14, 2023
Table 1 Median and Central Tendency (upper)

EXPECTED CHANGES IN THE FEDERAL FUNDS RATE AND UNEMPLOYMENT RATES FOR TWO SCENARIOS





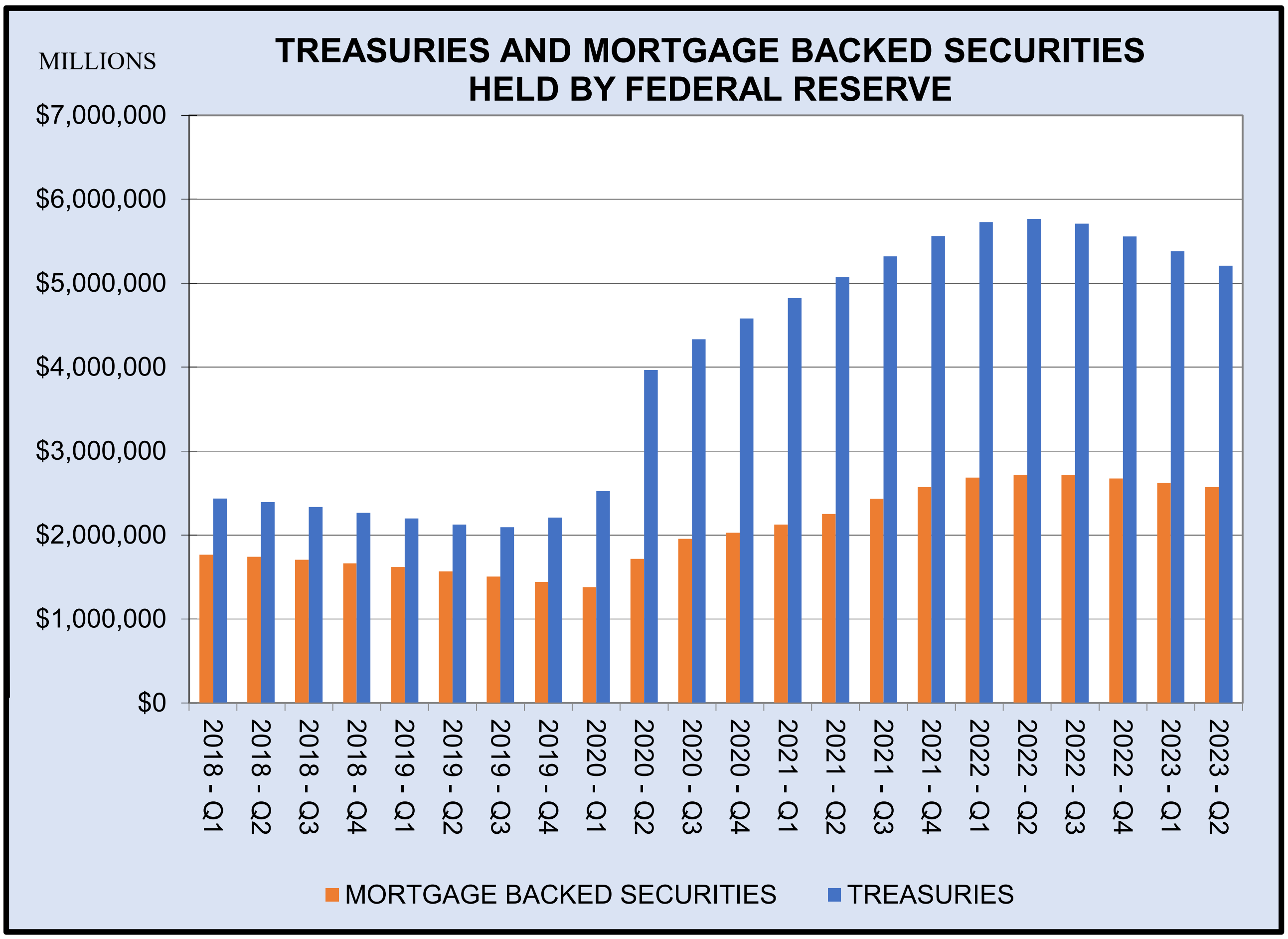
Source: Federal Open Market Committee, Economic Projections, June 14, 2023
Table 1 Median and Central Tendency (upper)

TREASURY ASSETS HELD BY THE FRB

The FRB's asset portfolio recently increased by ~$5T (T=Trillion), from $4T in 2019 to $9T in early 2022.

Mortgage backed securities rose from about $1.4T in 2020-Q1 to $2.5T in June 2023.

The FRB is now selling assets: since the 2022-Q2 peak, the portfolio has declined by ~$0.6T, and such sales are expected to continue.

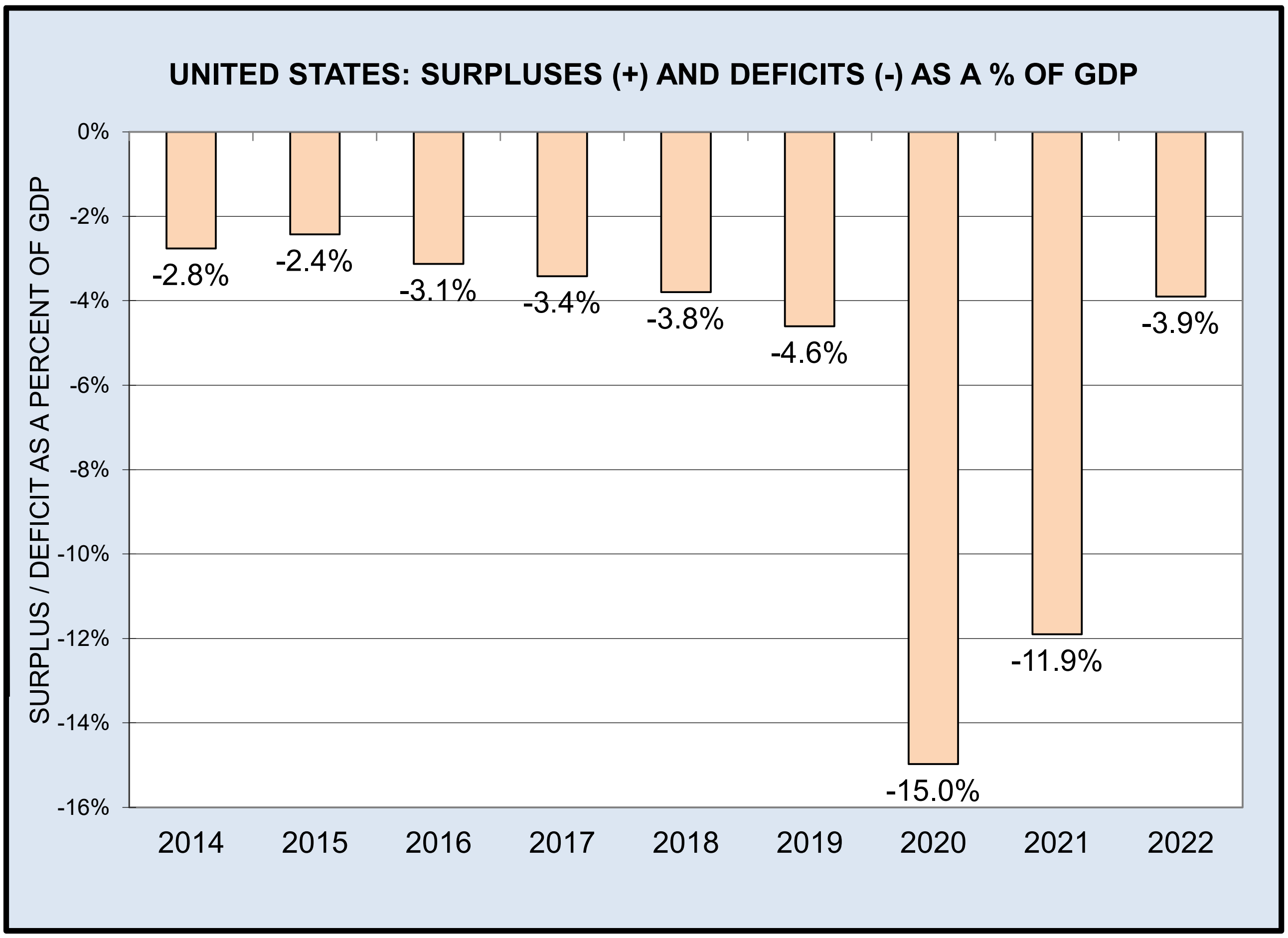


FEDERAL GOVERNMENT BUDGET DEFICITS

From 2014 to 2019, the federal government deficits increased from -2.4% to-4.6% of GDP.

Then, due to COVID, federal spending rose dramatically while tax revenues declined, resulting in significantly higher deficits of -15.0% in 2020 and -11.9% in 2021.

For 2022, the federal deficits declined to -3.9%.



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C. RECENT HOUSING TRENDS/PATTERNS

OVERVIEW OF RECENT/EXPECTED HOUSING PRICE PATTERNS

January 2021 – December 2021: Robust appreciation, historically low mortgage rates and low supply

Early 2022: Inflation rate surges - Federal Reserve Board (FRB/FED) raises interest rates (March 2022)
Mortgage rates for homes begin to rise

January 2022– June 2022: Higher mortgage rates reduce home sales
Significant proportion of listed homes reduced their offering prices
Prices experienced peak values

July 2022: Actual price declines reflect that the housing market transitions went from strong to soft

August/September 2022: inflation remains high - FRB reaffirms goal of 2% inflation
FRB Policies will increase interest rates, including mortgage rates
FRB Policies will increase the unemployment rate, diminish consumer confidence

October 2022 – Mid-2023:
Los Angeles Region prices declined significantly relative to their recent peak values.

Empire Provides Forecasts for Two Scenarios
Probable: The median forecasts for the CPI and other economic metrics by FRB participants
Conservative: The higher-end forecasts for the CPI and other metrics by the FRB participants

Forecast of housing prices: Two phases: (A) Reducing and then (B) Stabilizing Inflation

Phase A: Reducing the Inflation Rate
Housing market has shifted to price softness phase - but not as serious as prior 2003-2006 bubble
Housing prices will further correct during 2023 due to high financial rates.

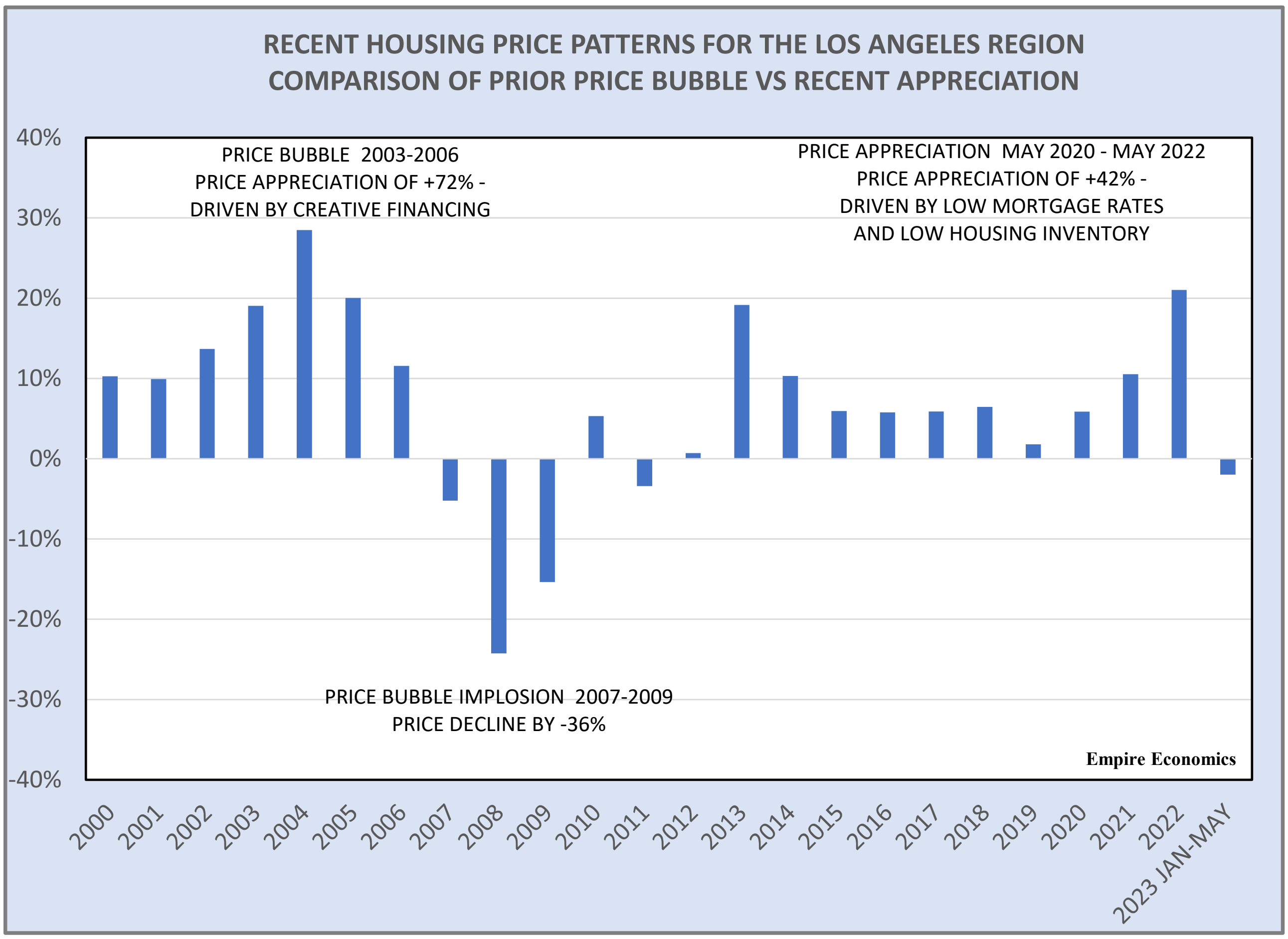
Phase B: Inflation stabilized at about 2%
Housing market stabilizes in 2024 and 2025
With the 2% inflation rate attained, housing market returns to normal conditions in 2026+

OVERALL PATTERNS OF PRICE APPRECIATION - LOS ANGELES REGION

Since mid-2020 price appreciation was supported by historically low mortgage rates and low housing inventory, *not* creative financing like 2003-2006.

Most current homeowners have locked in relatively low mortgage rates, so many may be reluctant to purchase homes until mortgage rates decline.

After peaking in mid-2022, prices declined through January 2023. Prices through the 1st five months of 2023 vs. 2022 decreased at a rate of about -2%.

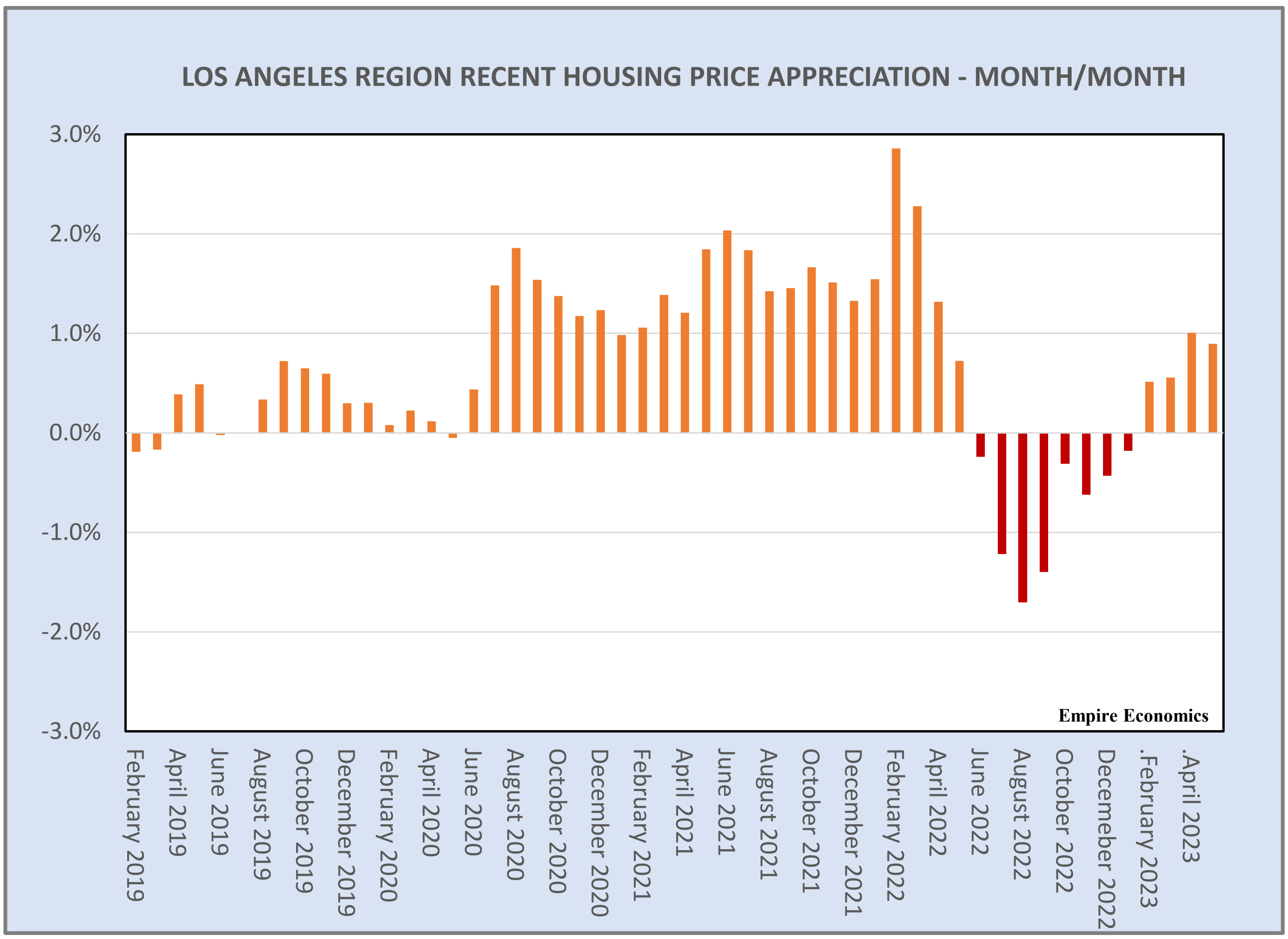


RECENT HOUSING SALES PATTERNS - LOS ANGELES REGION

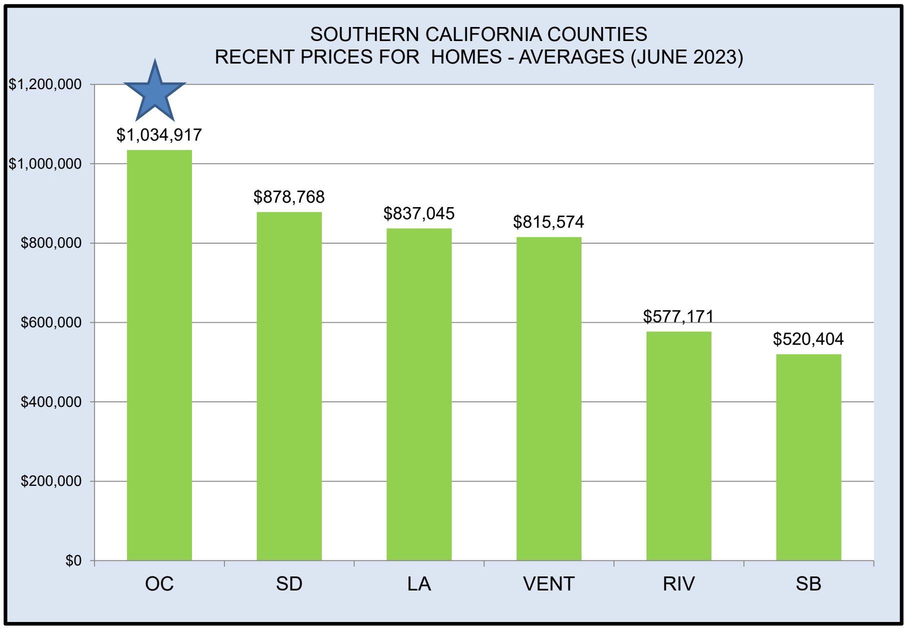
From July 2020 - May 2022, Los Angeles Region's price appreciation, as measured month to month, was positive and robust.

Starting in June 2022, appreciation turned negative and continued to be negative through January 2023; over this time period, prices fell a total of -6%.

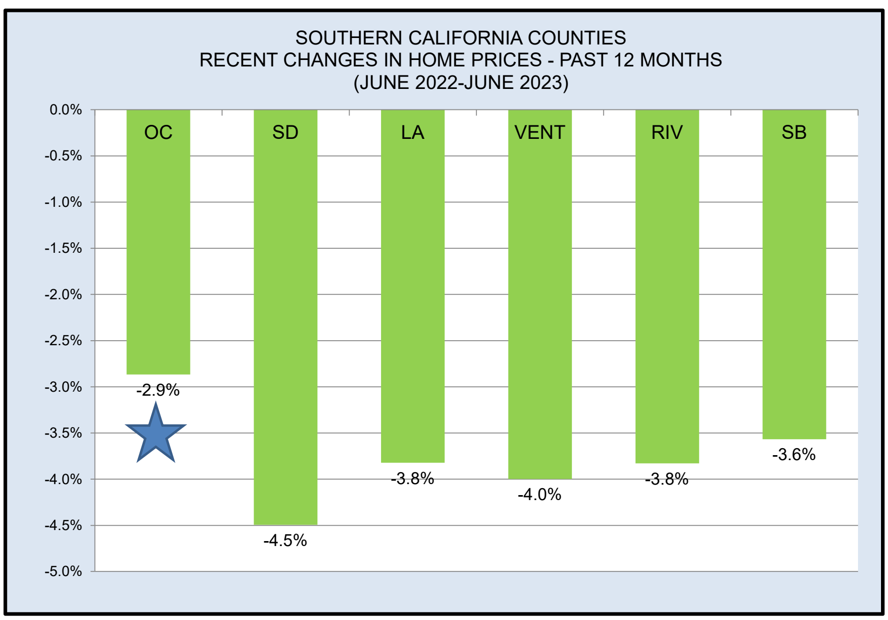
However, from January 2023-May 2023, home prices rose slightly due to abnormally low levels of homes for-sale.



RECENT HOME PRICES/GROWTH - SOUTHERN CALIFORNA COUNTIES

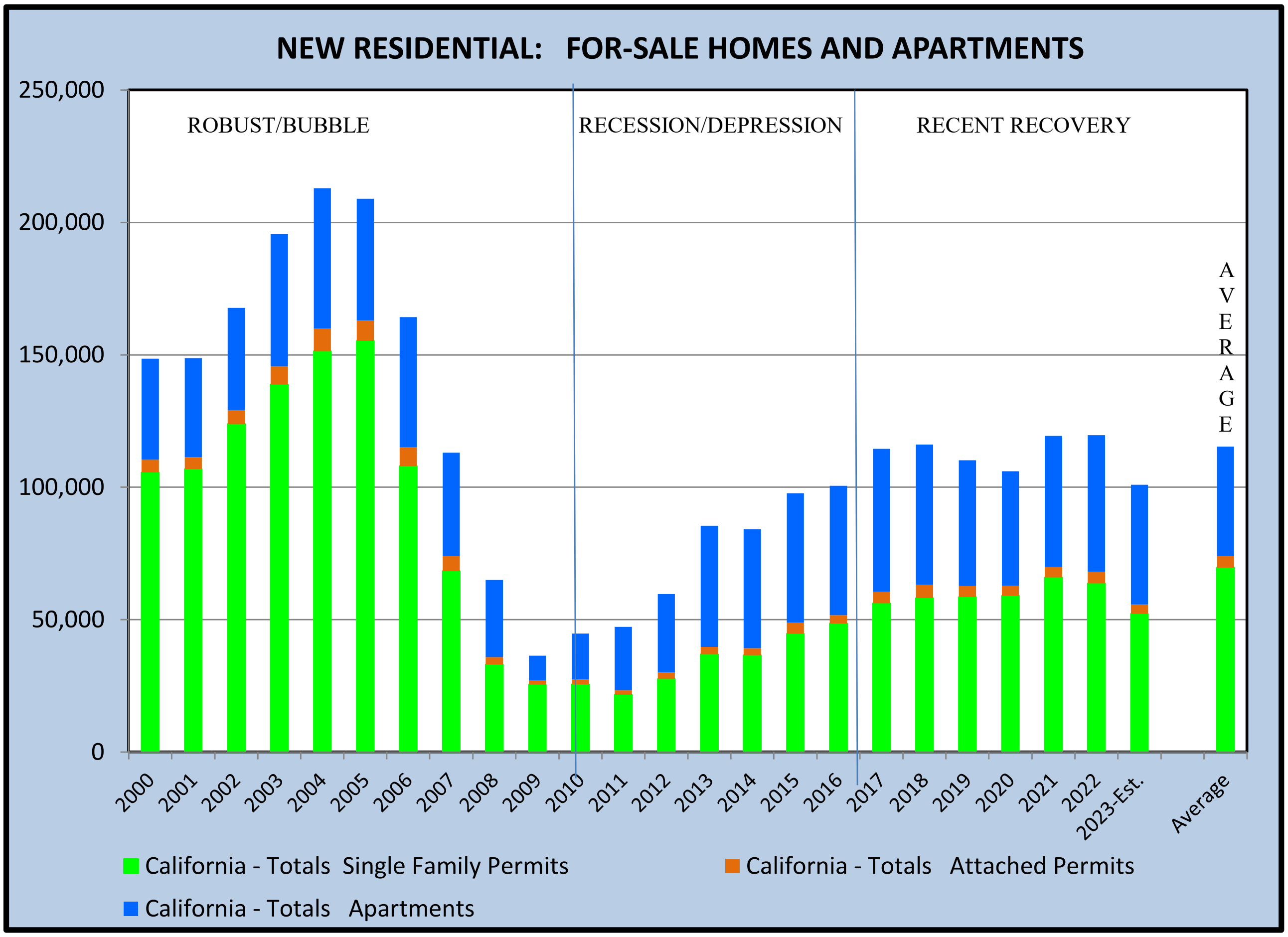


Orange County has the highest prices compared to other Southern California counties while San Bernardino and Riverside counties are the lowest



Housing price changes have been slightly negative across Southern California counties during the past 12 months. Even though Orange County has the highest average price, it also had a slightly lower drop in prices from June 2022 to June 2023 than the other counties.

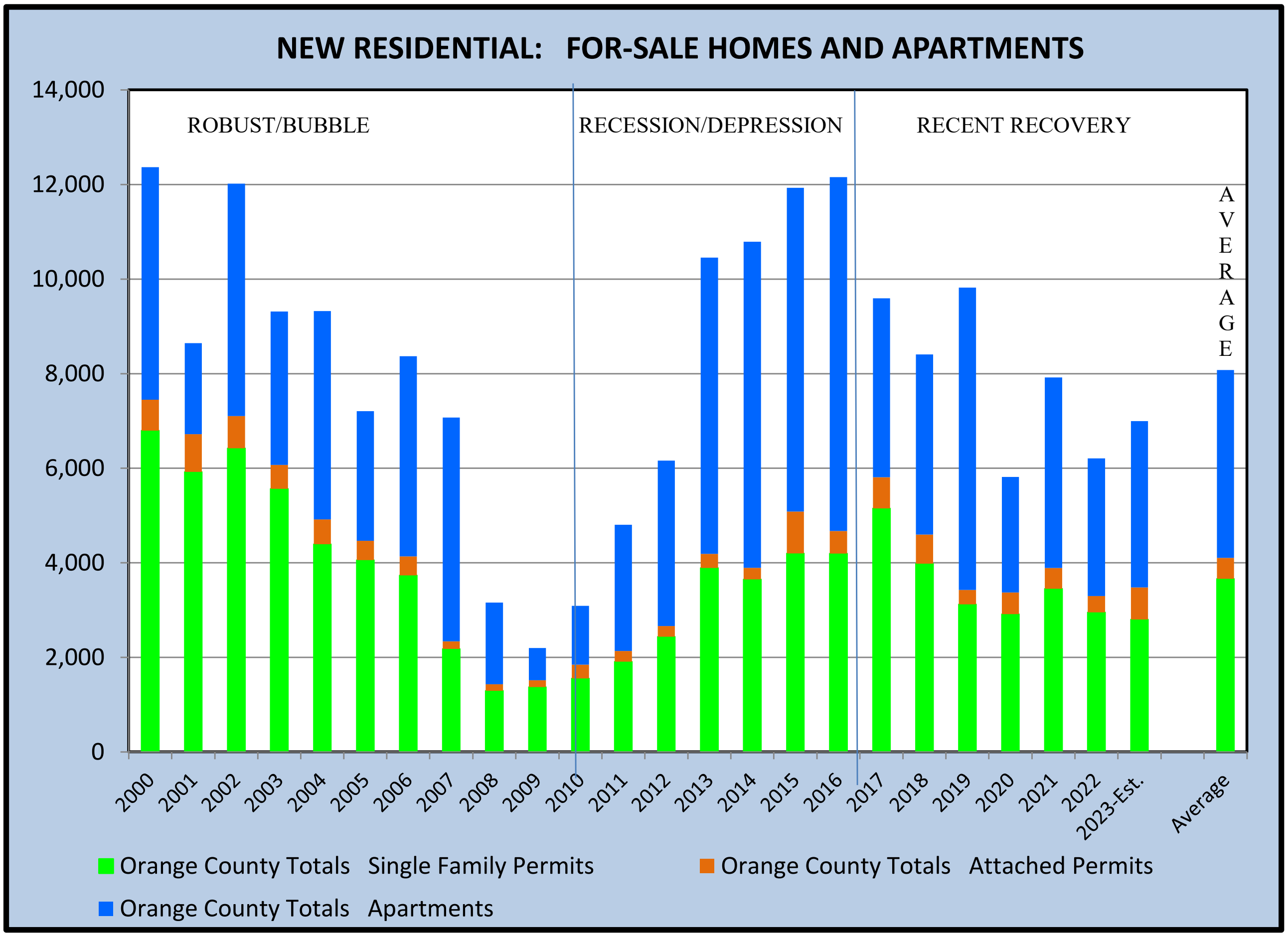
RESIDENTIAL CONSTRUCTION ACTIVITY – CALIFORNIA



New residential development has been cyclical with highs in 2003-2005 and 2017-2018. However, the 2017-2018 high was much lower due to reduced levels of single-family permits.

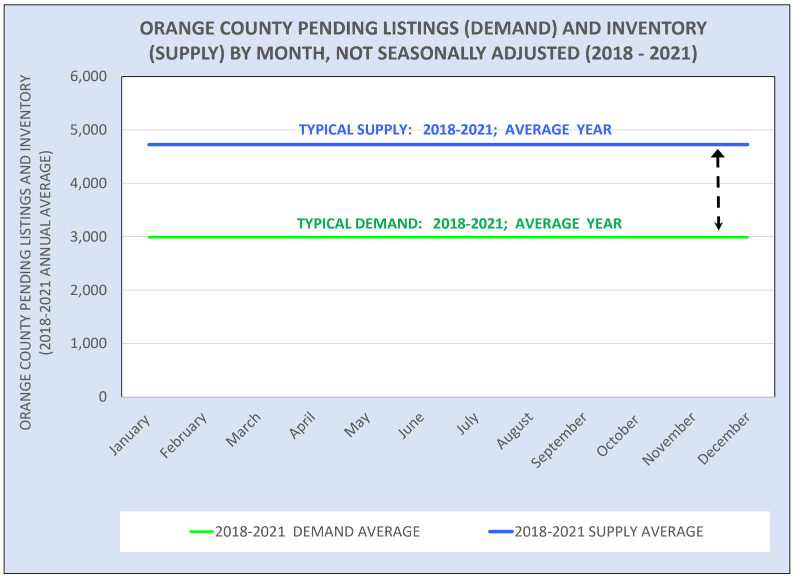
In 2021-2022, single family increased to its highest level since 2017-2018. Total permits for 2023, based on the Jan.-May 2023 pace, are expected to be slightly below 2021-2022.

RESIDENTIAL CONSTRUCTION ACTIVITY - ORANGE COUNTY

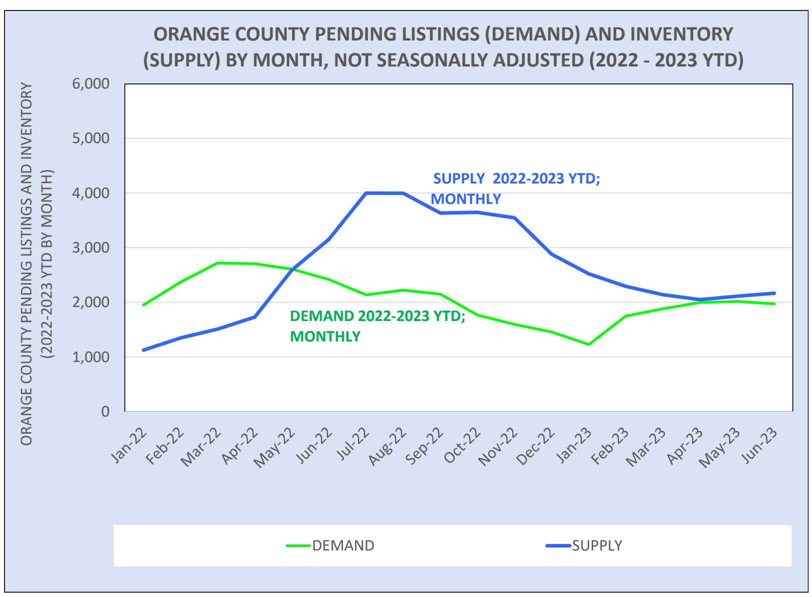


New residential development had prior peak levels in 2000 and 2002. Strong levels occurred during 2015-2016, driven primarily by higher levels of new apartments. Since 2016, levels have moderated.

RECENT HOUSING MARKET DEMAND/SUPPLY - ORANGE COUNTY



For the County of Orange for 2018-2021, on average, inventory/supply (blue solid line) was well above pending sales/demand (green solid line) and so home prices appreciated at a normal rate.



However, during January 2022-June 2023, demand was similar to supply a few times, and demand was even higher than supply in early 2022.

Both demand and supply have been lower than their 2018-2021 average levels.

D. ANNUAL HOUSING PAYMENTS (AHP) FOR HOMES - ORANGE COUNTY

AHP = mortgage principal, mortgage interest and property taxes; with wage increase adjustment

A. 2019-2020: Lower rates more than offset housing appreciation with overall average of $50K

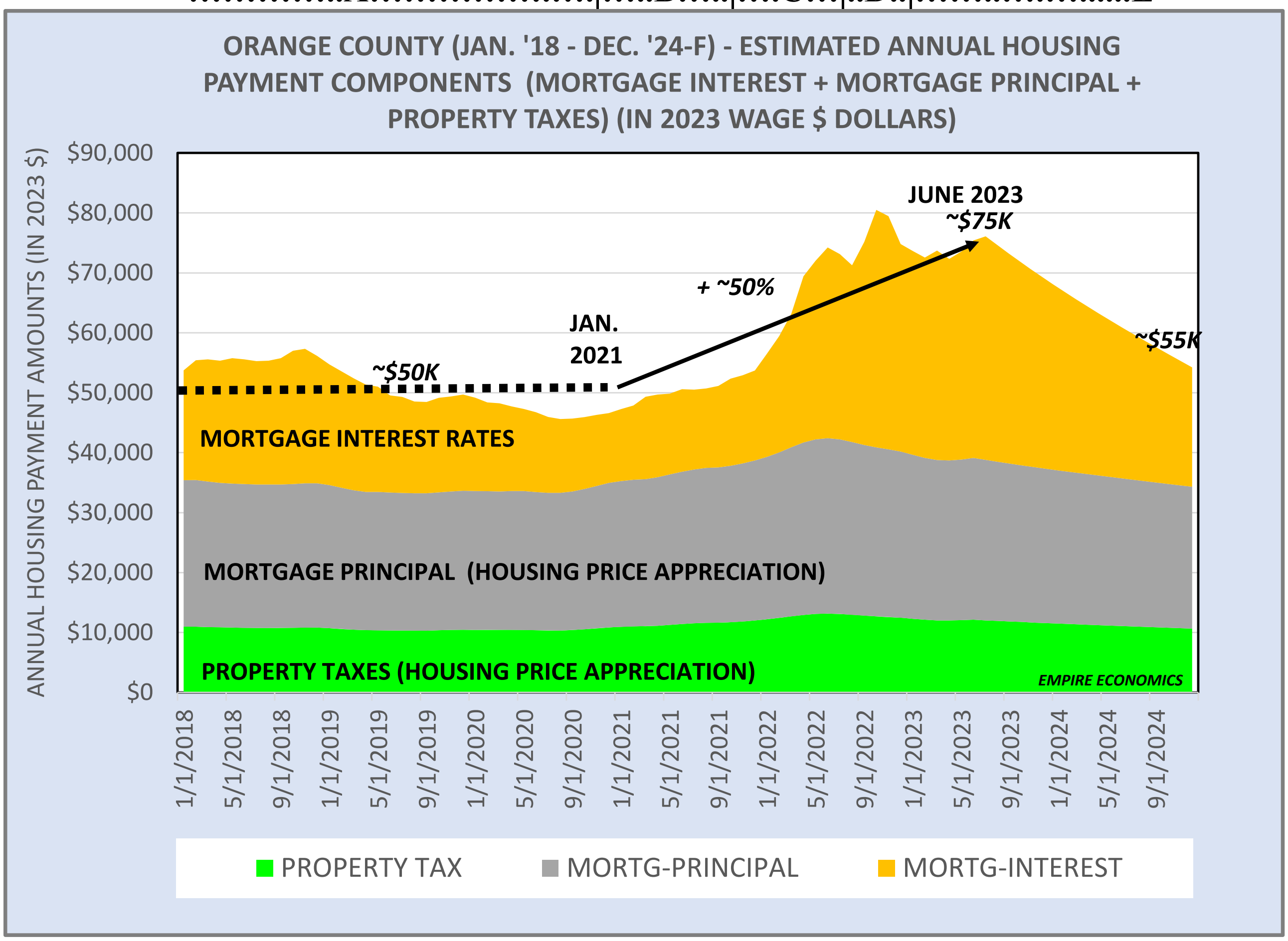
B. 2021: Rising prices and stable rates drove payments higher especially at end of year

C. Early 2022: Higher prices and mortgage rates drove payments even higher

D. Mid-Later 2022: Falling prices offset by rising mortgage rates as payments go even higher, peaking at around $80K to $75K in June 2023

E. December 2024:If current housing prices declined by -8% and mortgage rates declined to 4.5% by December 2024, the payment would fall to $55K, similar to 2018 levels

…………..A………………..|…..B…..|….C…|..D..|……..………......E



SECTION III

OVERVIEW OF DEVELOPMENT TRENDS/PATTERNS AND SOCIOECONOMIC FACTORS

This section discusses the employment and residential development trends/patterns in the general vicinity of CFD No. 2023-1 as well as the County of Orange, and also the socioeconomic factors that households consider when purchasing a home, such as personal safety as well as educational quality.

A. DEVELOPMENT TRENDS/PATTERNS IN SOUTH ORANGE COUNTY

From a geographical regional perspective, the marketing potential of the forthcoming products in CFD No. 2023-1 involves an analysis of the existing/forthcoming Planned Communities, Retail Centers and Business Parks, in conjunction with the transportation system in south Orange County.

South Orange County includes the southern portion of Orange County that is generally southerly of Route 55, spanning from Newport-Tustin-Irvine at the northern portion, Aliso Viejo in the central area and to San Clemente at the southern portion.

Business Parks generate employment through their industrial-office development while Planned Communities generate residential development which, in turn, generates a demand for Retail Centers; additionally, the flow of traffic between them is facilitated by the freeways and transportation corridors between them.

➢ **Primary Employment Center and Business Parks**

The currently established major employment center in south Orange County is the City of Irvine. For example, the City of Irvine has a robust economic base that has created about 90,000 net new jobs since 2003. There are also some secondary employment centers, such as Newport Beach and Aliso Viejo, among others.

➢ **Commuting Patterns: Employment Centers to Residential Areas**

The employment growth in the primary as well as the secondary employment centers, in turn, generate a substantial demand for housing in CFD No. 2023-1 Market Area. Some of the households employed in the City of Irvine, due to its high housing prices, will seek moderately priced housing in other areas. Their commuting patterns are based upon the available transportation corridors, including the Interstate 5 freeway that links the City of Irvine to CFD No. 2023-1.

Therefore, CFD No. 2023-1 is situated in the south portion of Orange County, and it offers more moderately priced housing opportunities for households that are employed in the Irvine-Tustin-Newport Beach and Aliso Viejo employment centers.

For additional information on the regional development patterns, please refer to the following exhibit.

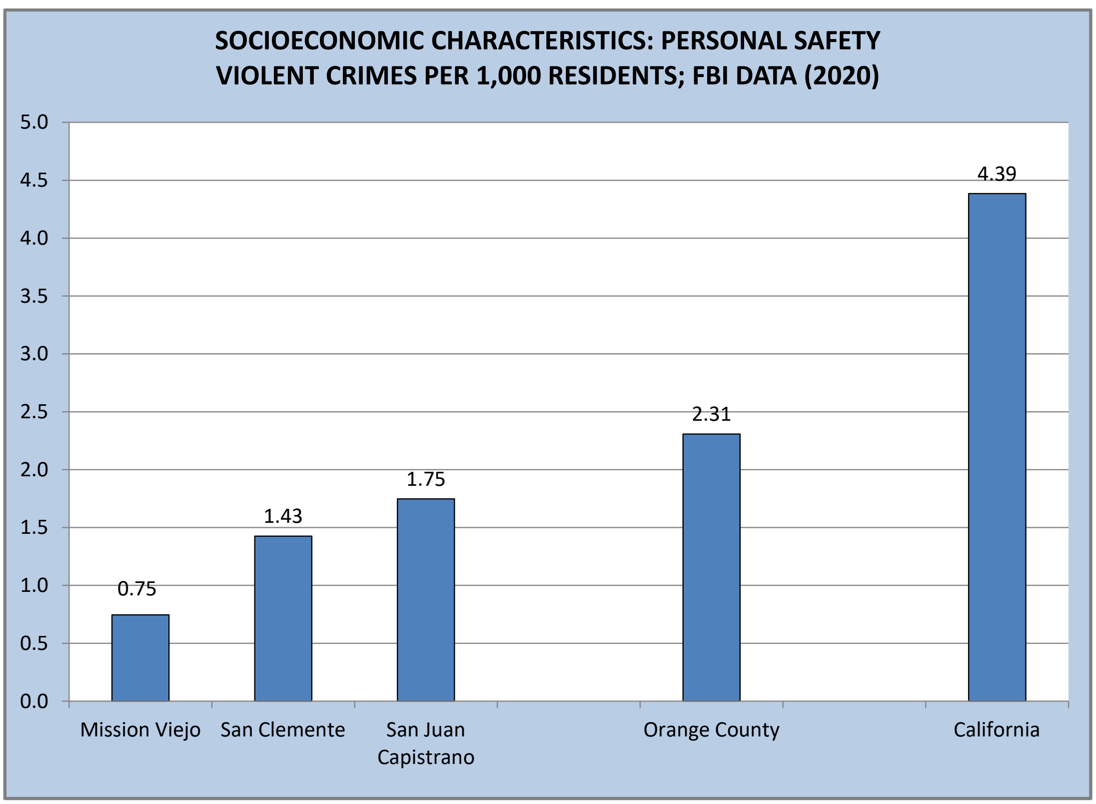
ECONOMIC BASES IN SOUTH ORANGE COUNTY THAT GENERATE A DEMAND FOR HOUSING FOR CFD NO. 2023-1

B. SOCIOECONOMIC CHARACTERISTICS:
CRIME LEVELS AND QUALITY OF SCHOOLS

When households consider the purchase of a home, the primary factors are the location of the residence relative to their place of employment along with the prices that they can afford. Furthermore, secondary socioeconomic factors that are significant include the neighborhood safety as well as the educational quality of the schools; accordingly, these are now discussed.

Crime Levels and Safety in the County of Orange

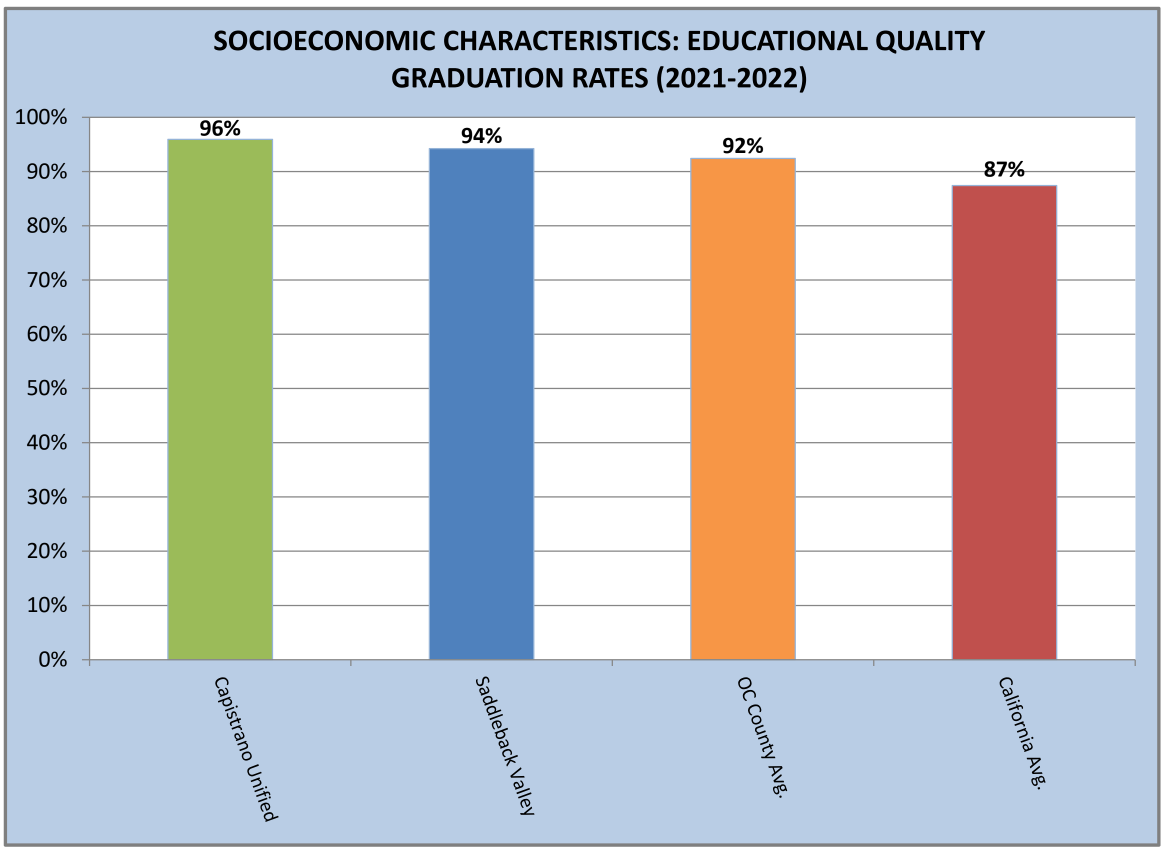
To gauge the safety of the cities in the vicinity of CFD No. 2023-1 (Rienda 2B), information on crime levels was obtained utilizing the most recent data available (the 2020 calendar year) from the Federal Bureau of Investigation (FBI) Index, with a focus on "Violent Crimes." Accordingly, Orange County had a violent crime rate of 2.31, lower than California which amounted to 4.39. Furthermore, the cities in the vicinity of CFD No. 2023-1 (Rienda 2B) all had lower crime rates than Orange County, and these ranged from 0.75 for Mission Viejo to 1.75 for San Juan Capistrano.



Quality of Schools and Education

To gauge the quality of schools in the vicinity of CFD No. 2023-1 (Rienda 2B), information was compiled on educational achievement for Capistrano Unified School District utilizing the California Department of Education graduation rates. The educational quality comparison leveraged graduation rates for 2021-2022.

The Orange County's average for all school districts was a graduation rate of 92%. The Capistrano Unified School District (96%) exceeded the Orange County as well as nearby Saddleback Valley Unified (94%); additionally, it was also well above the California (87%).



Conclusions

From a socioeconomic perspective, CFD No. 2023-1 (Rienda 2B), has a relatively low crime rate and a relatively high graduation rate, and this will be beneficial for marketing its forthcoming homes.

SECTION IV

COMPETITIVE MARKET ANALYSIS OF THE RESIDENTIAL PROJECTS IN CFD NO. 2023-1 (RIENDA 2B)

The purpose of this section is to perform an analysis of the characteristics of the CFD No. 2023-1 (Rienda 2B) forthcoming projects with regards to their product types, prices, living areas and special taxes with the comparable projects in the nearby Planned Community of Rienda 2A to evaluate their competitiveness in the marketplace.

A. IDENTIFICATION OF THE ACTIVE COMPARABLE PROJECTS

Market surveys were performed to identify currently active projects in newly developing Planned Communities in south Orange County and then select the market comparables based upon a consideration of the following factors:.

Currently active comparable projects offering “attached as well as single-family detached” homes.

- ✓ Currently active projects that are situated in active Planned Communities (PCs)
- ✓ Projects in the vicinity of CFD No. 2023-1
- ✓ Projects that offer attached and detached product types.
- ✓ Projects that have special taxes.

Compilation of information on the projects:

- ✓ Market Segments by Product Types: All-Ages Attached and All-Ages detached
- ✓ Number of homes planned
- ✓ Current base prices
- ✓ Living Areas
- ✓ Special Taxes/Assessments

Based upon a consideration of the geographical location and product types of the various newly developing Planned Communities, Empire selected CFD No. 2021-1 Rienda 2A which is in close proximity and has currently active projects that offer similar product types. Accordingly the specific projects and their characteristics are as follows:

Attached Housing Products:

Portico by Lennar has 132 homes that are attached flats
Prices range from \$512,990-\$664,990 for 727 to 1390 ft.²

Oasis by Lennar has 120 homes that are row townhomes
Prices range from \$614,990-\$834,990 for 961 to 1546 ft.²

Detached Housing Products:

Paisley by Tri Pointe has 110 homes that are detached duplexes
Prices range from \$719,000-\$839,000 for 1366 to 1737 ft.²

Harvest by Meritage has 67 homes that are detached duplexes.
Prices range from \$790,000-\$905,000 for 1510 to 1893 ft.²

Wildrose by Tri Pointe has 83 homes that are detached stub-alley
Prices range from \$719,000-\$820,000 for 1329 to 1387 ft.²

Serenity by Lennar has 86 homes that are detached stub- alley
Prices range from \$849,990-\$999,990 for 1418 to 1773 ft.²

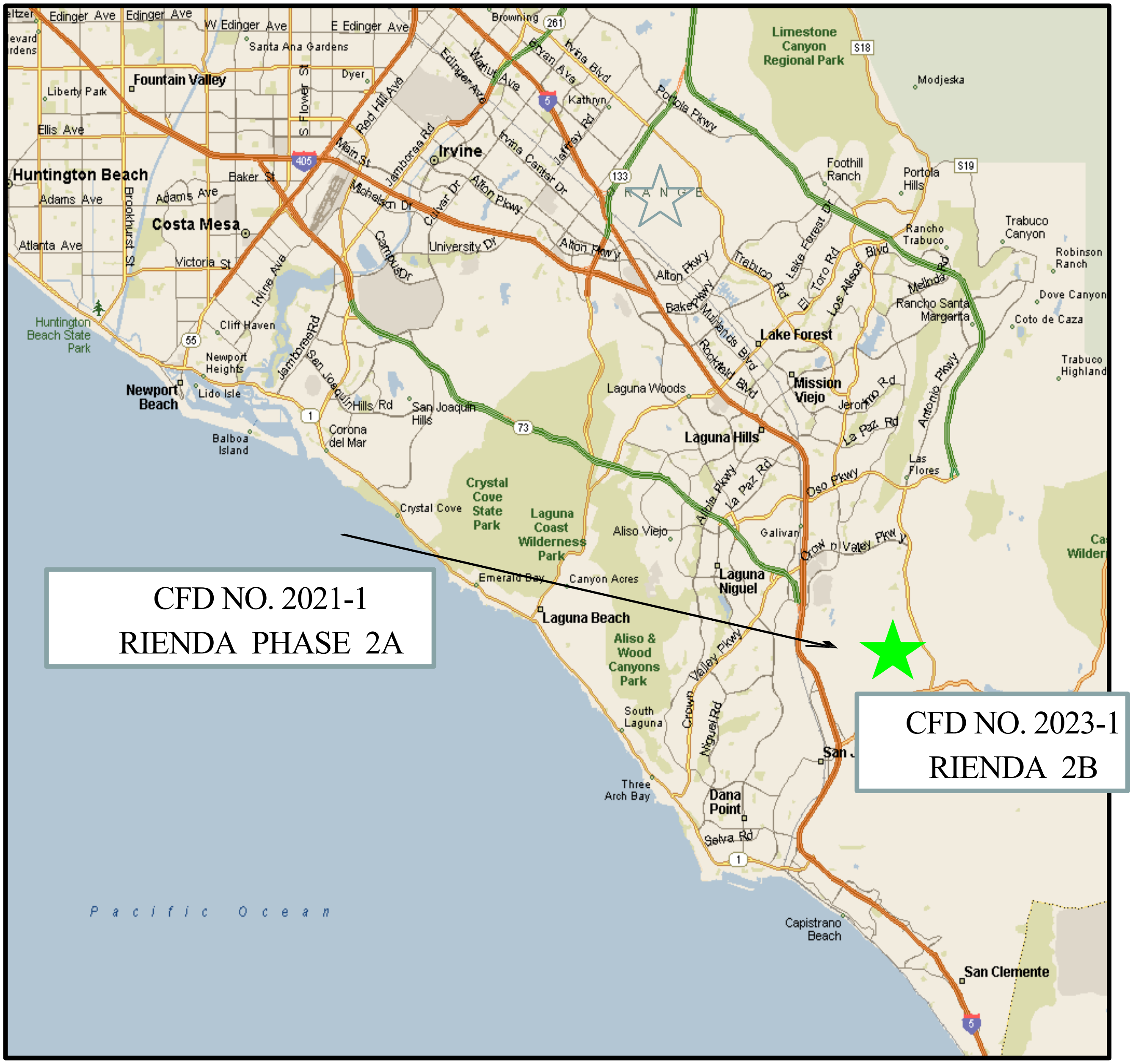
Evolve by Pulte has 73 homes that are detached stub-alley
Prices range from \$999,990-\$1,069,990 for 1760 to 2124 ft.²

Botanica by Tri Pointe has 61 homes that are single-family detached
Prices range from \$1,060,000-\$1,187,000 for 1982 to 2303 ft.²

Dahlia by Trumark has 73 homes that are single-family detached
Prices range from \$1,206,000-\$1,284,000 for 2451 to 2822 ft.²

Please refer to the map on the following page for locations of these Planned Community Areas.

CFD NO. 2023-1 COMPETITIVE MARKET ANALYSIS
COMPARABLE PLANNED COMMUNITY: RIENDA PHASE 2A

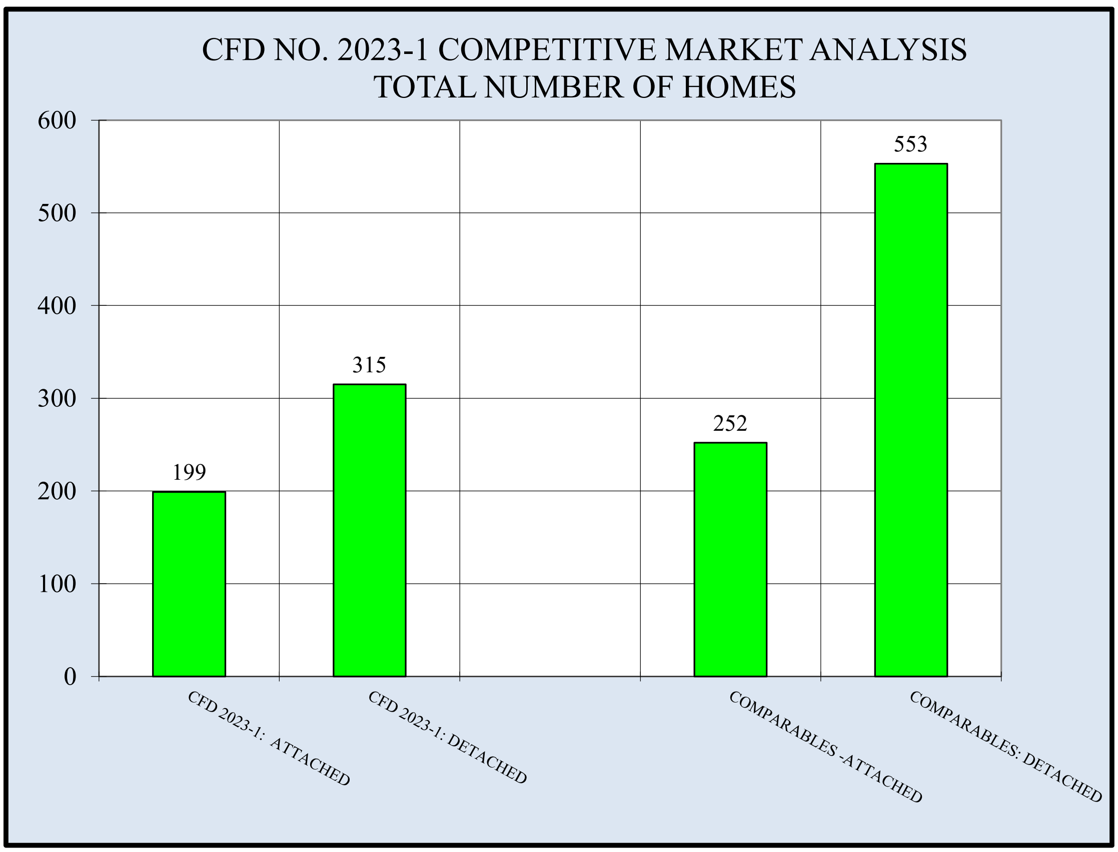


B. COMPETITIVE MARKET ANALYSIS FOR THE FORTHCOMING PROJECTS IN THE CFD NO. 2023-1 (RIENDA 2B)

A Competitive Market Analysis of the forthcoming projects in CFD No. 2023-1 is now performed, by comparing their expected characteristics to the currently active comparable projects in the Competitive Market Area (CMA), projects in the active Planned Community of Rienda 2A.

The total number of homes for CFD No. 2023-1 as well as the market comparables amounts to 1,319.

- ✓ CFD No. 2023-1 is expected to have a total of 514 home; of these, 199 are attached and 315 or detached.
- ✓ The market comparable projects are expected to have a total of 805 homes; of these, 252 are attached and 553 are detached.



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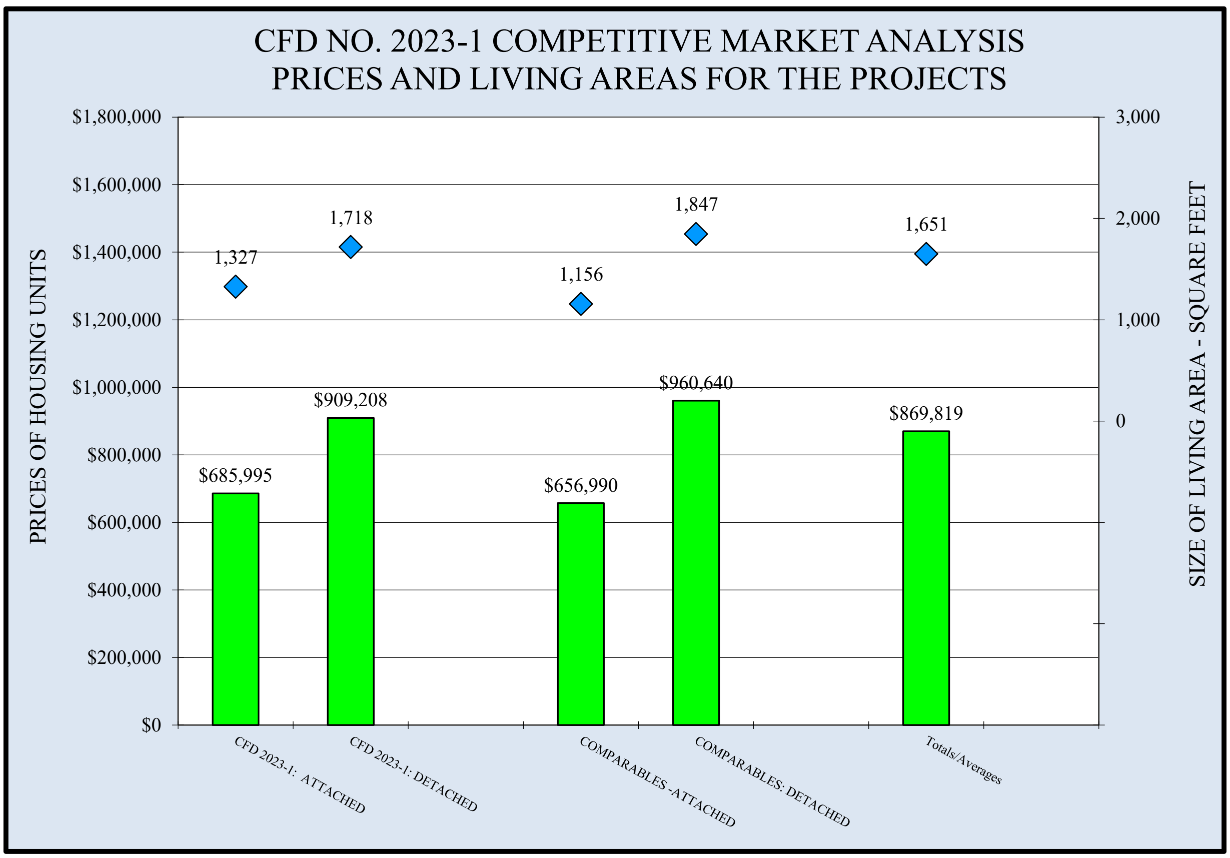
For all of the projects as a whole, their prices amounts to $869,819, on the average, and they have 1,651 ft.^{2} of living area, on the average

CFD No. 2023-1 attached homes have prices of $685,995/avg. with 1,327 ft.^{2}/avg. while detached homes have prices of $909,208 with 1,718 ft.^{2}.

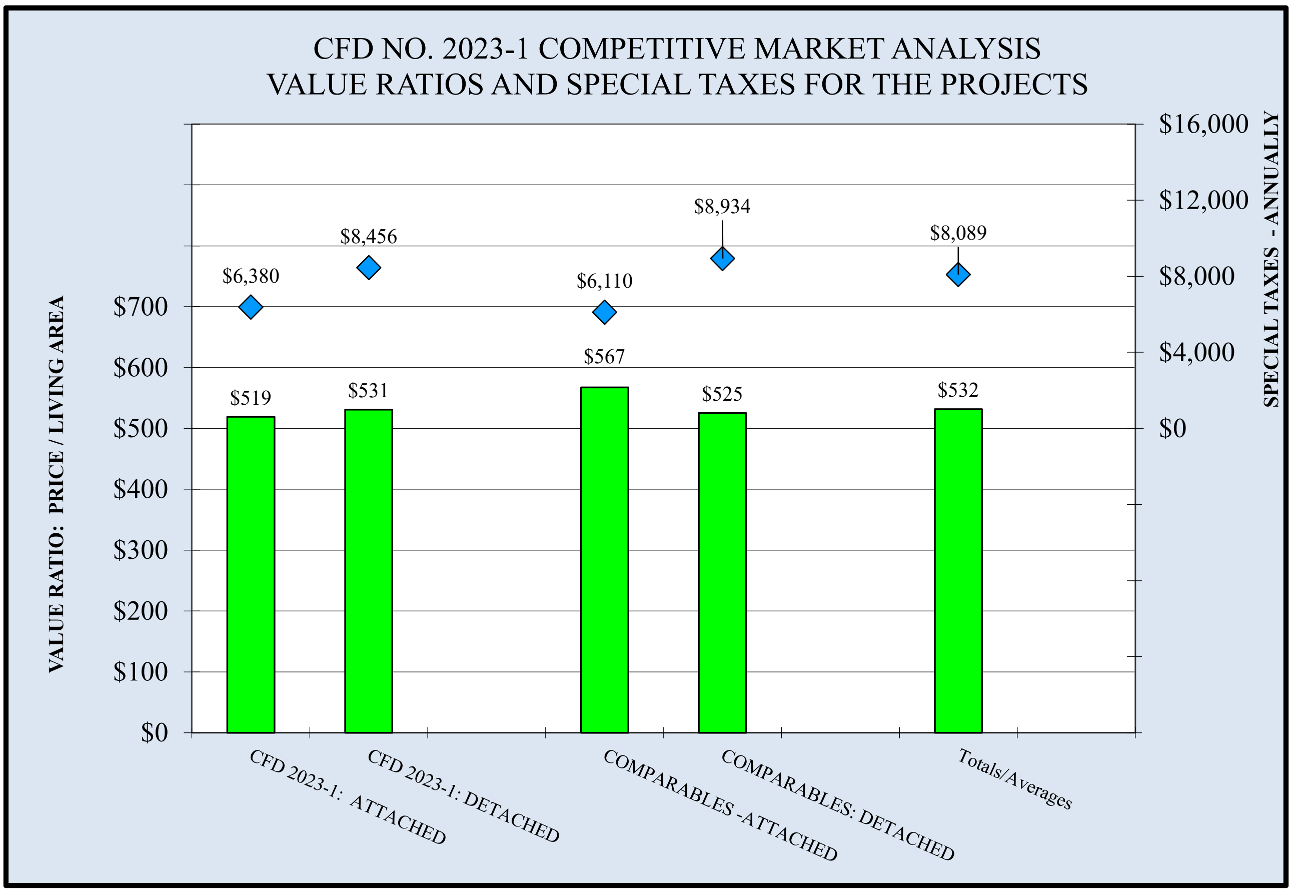
Market Comparables attached homes have prices of $656,990/avg. with 1,156 ft.^{2}/avg. while detached homes have prices of $960,640 with 1,847 ft.^{2}.



For all of the projects as a whole, their value ratios amount to $532/avg. and they have special taxes of $8,089 (0.93%)/avg.

CFD No. 2023-1 attached homes have value ratios of $519/avg. while detached homes have value ratios of $531/avg.

Market Comparables attached homes have value ratios of $567/avg. while detached homes have value ratios of $525/avg.



CHARACTERISTICS OF THE PROJECTS IN CFD NO. 2023-1 (RIENDA 2B) AND ALSO THE ACTIVE COMPARABLE PROJECTS (RIENDA 2A)

Planned Community & Product Type	Planning Area	Builder	Proejct Name	Commence Sales	Commence Closings	Total Units	Housing Prices			Size of Living Area			Value Ratio	Special Taxes (Above Base Rate)	
							Lower	Average	Upper	Lower	Average	Upper		Amount/ Year	Ratio/ Price
RIENDA 2B															
CFD 2023-1: ATTACHED	MR-6	Lennar	Mariposa	Q4-2023	Q2-2024	106	$520,000	$684,000	$765,000	922	1,409	1,663	$486	$6,361	0.93%
CFD 2023-1: ATTACHED	MR-8	Trumark	Willow	Q4-2023	Q2-2024	93	$579,990	$687,990	$788,990	923	1,245	1,540	$553	$6,398	0.93%
CFD 2023-1: DETACHED	MR-11	Pulte	Juniper	Q4-2023	Q2-2024	82	$690,000	$737,500	$800,000	1,142	1,376	1,608	$536	$6,859	0.93%
CFD 2023-1: DETACHED	MR-24	Lennar	Flora	Q4-2023	Q2-2024	69	$822,000	$889,000	$945,000	1,397	1,604	1,818	$554	$8,268	0.93%
CFD 2023-1: DETACHED	MR-25	Shea	Bloom	Q4-2023	Q2-2024	82	$990,000	$1,040,000	$1,100,000	1,753	1,931	2,150	$539	$9,672	0.93%
CFD 2023-1: DETACHED	MR-28	TriPointe	Heatherly	Q4-2023	Q2-2024	82	$893,000	$970,333	$1,043,000	1,691	1,959	2,182	$495	$9,024	0.93%
RIENDA 2A															
COMPARABLE -ATTACHED	Portico	Lennar	Attached Flats	Active	2022	132	$512,990	$588,990	$664,990	727	1,059	1,390	$556	$5,478	0.93%
COMPARABLE -ATTACHED	Oasis	Lennar	Row Townhomes	Active	2022	120	$614,990	$724,990	$834,990	961	1,254	1,546	$578	$6,742	0.93%
			(SFD= Single-family)												
COMPARABLE -DETACHED	Paisley	TriPointe	SFD-Duplex	Active	2022	110	$719,000	$779,000	$839,000	1,366	1,552	1,737	$502	$7,245	0.93%
COMPARABLE -DETACHED	Harvest	Meritage	SFD-Duplex	Active	2022	67	$790,000	$847,500	$905,000	1,510	1,702	1,893	$498	$7,882	0.93%
COMPARABLE -DETACHED	Wildrose	TriPointe	SFD Stub Alley	Active	2022	83	$719,000	$769,500	$820,000	1,329	1,358	1,387	$567	$7,156	0.93%
COMPARABLE -DETACHED	Serenity	Lennar	SFD Stub Alley	Active	2022	86	$849,990	$924,990	$999,990	1,418	1,596	1,773	$580	$8,602	0.93%
COMPARABLE -DETACHED	Evolve	Pulte	SFD Stub Alley	Active	2022	73	$999,990	$1,034,990	$1,069,990	1,760	1,942	2,124	$533	$9,625	0.93%
COMPARABLE -DETACHED	Botanica	TriPointe	SFD	Active	2023	61	$1,060,000	$1,123,500	$1,187,000	1,982	2,143	2,303	$524	$10,449	0.93%
COMPARABLE -DETACHED	Dahlia	Trumark	SFD	Active	2023	73	$1,206,000	$1,245,000	$1,284,000	2,451	2,637	2,822	$472	$11,579	0.93%
Statistical Summary															
	Projects														
CFD 2023-1: ATTACHED	2					199	$549,995	$685,995	$776,995	923	1,327	1,602	$519	$6,380	0.93%
CFD 2023-1: DETACHED	4					315	$848,750	$909,208	$972,000	1,496	1,718	1,940	$531	$8,456	0.93%
COMPARABLES -ATTACHED	2					252	$563,990	$656,990	$749,990	844	1,156	1,468	$567	$6,110	0.93%
COMPARABLES: DETACHED	7					553	$906,283	$960,640	$1,014,997	1,688	1,847	2,006	$525	$8,934	0.93%
Totals/Averages	15					1,319	$797,797	$869,819	$936,463	1,422	1,651	1,862	$532	$8,089	0.93%

SECTION V

ESTIMATED ABSORPTION SCHEDULES FOR PROJECTS IN CFD NO. 2023-1 (RIENDA 2B)

The estimated market absorption schedules for CFD No. 2023-1 take into consideration the significant uncertainty regarding the economic/employment impacts of the FRB's policy of attaining a 2% inflation rate, so Empire has built-in safeguards into its forecasting paradigm.

A. SYNOPSIS OF ECONOMIC/FINANCIAL/HOUSING MARKET CONDITIONS

Favorable Economic and Housing Market Conditions

Orange County's employment recovered from the COVID-19 recession around September 2022 and recently attained a new peak level in May 2023. Orange County's employment growth rate has been slightly below that of California.

The recent unemployment rate for Orange County was 3.2% which is considered to be full employment. Furthermore, this was lower than California's 4.5% and also United States's 3.6%.

Orange County sectors that have fully recovered and surpassed the prior highs are transportation/warehousing, professional services, private educational services, healthcare and social assistance, arts, entertainment and recreation, other services, construction, and management.

For Rienda 2A (CFD No. 2021-1), most of its projects entered the marketplace in April 2022, and 368 of its 950 homes (including the 145 age-qualified) had closed escrows as of the end of June 2023.

The Competitive Market Analysis compared the characteristics of the projects in CFD No. 2023-1 Rienda 2B with the active comparable projects in Rienda 2A and found that the CFD No. 2023-1 projects are competitive in the marketplace, with regards to their prices, living areas and special taxes.

Federal Reserve Board (FRB) Policies – Reduce the Inflation Rate to 2.0%

The FRB is utilizing various tools to reduce inflation:

- Federal Funds Rate target was around 5.25% June 2023.
- During the past two years, the FRB's balance sheet increased by $5 trillion, but now it is expected to decline by $0.5-$1.0 trillion/yr.

The secondary impacts of the FRB policies upon the housing market:

- Mortgage rates remaining relatively high, both for fixed as well as adjustable rates.
- Economic slowdown resulting in slower/reduced employment levels and higher unemployment rates.

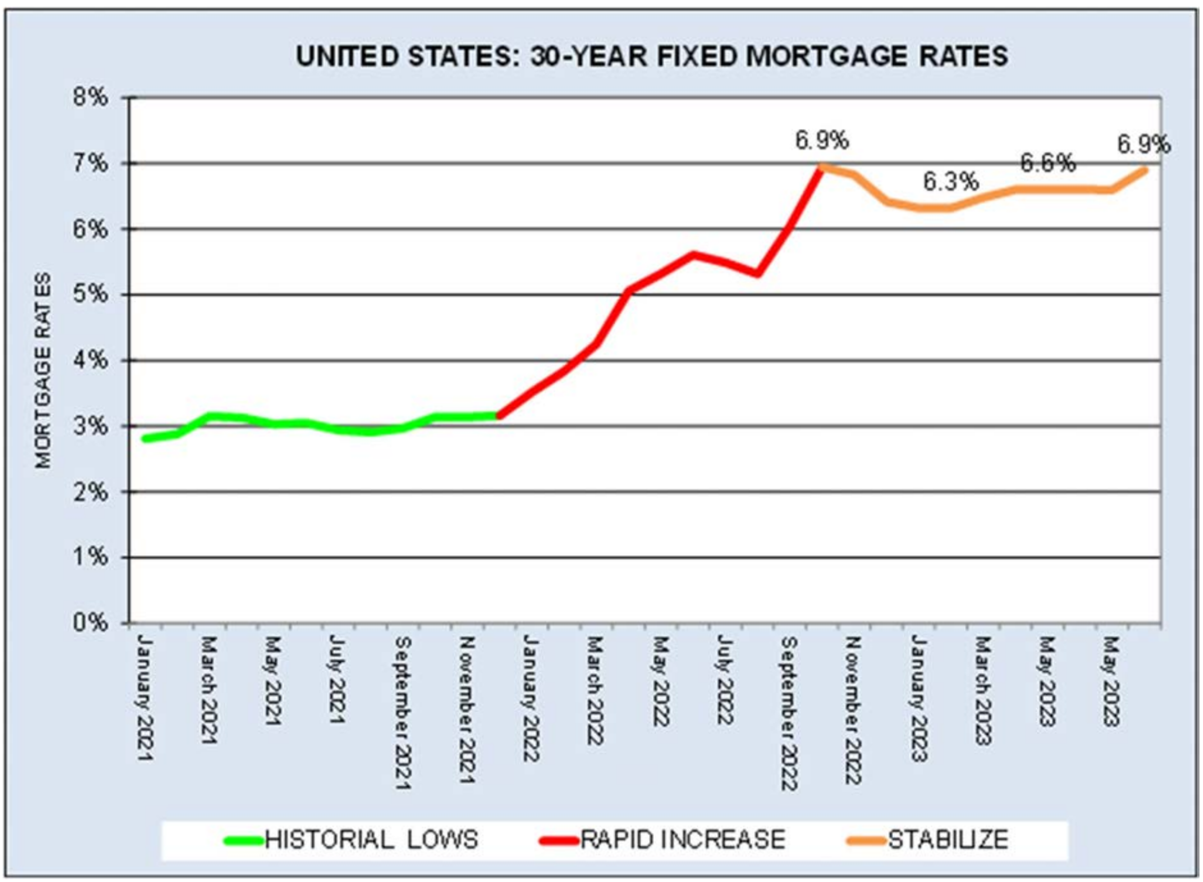
Empire considers two potential scenarios: June 14, 2023, Meeting; FRB Projections for 4th Qtr. 2025.

Probable: The median inflation forecast of the FRB participants.
Inflation at 2.2%.
Federal funds rate at 3.4%.
Unemployment rate at 4.5%

Conservative: The higher end of the inflation forecast of the FRB participants.
Inflation at 2.4%
Federal funds rate at 4.1%.
Unemployment rate at 4.6%

Recent Housing Market Conditions and their Impacts on the Projects in CFD No. 2023-1

The FRB's goal of reducing the inflation rate to 2% has resulted in higher interest rates in general, including higher mortgage rates that have significantly impacted the housing market:



January-October 2022: Dynamic Market Adjustment Phase

Mortgage rates increased rapidly and significantly from about 3.0% to 6.9%
Furthermore, there was uncertainty about when the rate increases would peak.

October 2022 – July 2023:

Mortgage rates were generally stable, ranging from about 6.3% to 6.9%.

Consequently, the stability of the rates enabled builders/purchasers to strategize accordingly.

With regards to the market for existing home sales, due to the high mortgage rates:
Demand declined due to higher mortgage rates, with higher monthly payments.
Supply declined further as existing homeowners wanted to keep their low rate loans.

However, the decline in demand has been less than the decline in supply.
This has resulted in even tighter market conditions in the market for existing homes.
Consequently, there has been a stabilization, rather than a decline in prices, even though mortgage rates are high.
However, these conditions are regarded as being a temporary abnormality in the market.

Therefore, the stabilization of the mortgage rates and the tight conditions in the resale market currently provide favorable conditions for newly developing housing projects, with regards to price stability and sales rates.

B. Safeguards Underling the Market Absorption Study

The housing market, especially for new homes, will be significantly impacted by the FRB's policies until the rate of inflation systematically approaches the target rate of 2%, and then the market will start to return to its normal level of sales and price appreciation.

Therefore, in the near term, the housing market is expected to continue to be challenged by higher mortgage rates and higher unemployment which will result in lower sales and also price declines, especially for new move-up homes, in particular.

Accordingly, Empire builds in various safeguards to its forecast of the estimated absorption schedules for the forthcoming homes in CFD No. 2023-1, with regards to potential price reductions as well as slower absorption until the FRB 's goal of 2% inflation is achieved.

C. ESTIMATED ABSORPTION SCHEDULES FOR THE FORTHCOMING RESIDENTIAL PROJECTS IN CFD NO. 2023-1 RIENDA 2B

Accordingly, based upon a consideration of the economic/housing factors discussed above, Empire has estimated the absorption schedules (escrow closings) for the forthcoming projects in CFD No. 2023-1 from their market-entry to their close-outs, as follows:

Estimated Absorption Schedules for CFD No. 2023-1 Projects

Grand Openings with model complexes in 4th Qtr 2023 --- Escrow closings commencing in the 2nd Qtr. 2024.

Expected Closings – Annually

2024: 110 homes with closings starting in 2nd Qtr. 2024
All 6 projects on the marketplace commencing escrow closings/move-ins

2025: 219 homes with closings, with all of the projects on the market for the entire year
All 6 projects on the marketplace with escrow closings for the entire year

2026: 160 homes with closings, with most projects approaching their close-outs
All 6 projects on the marketplace with escrow closings

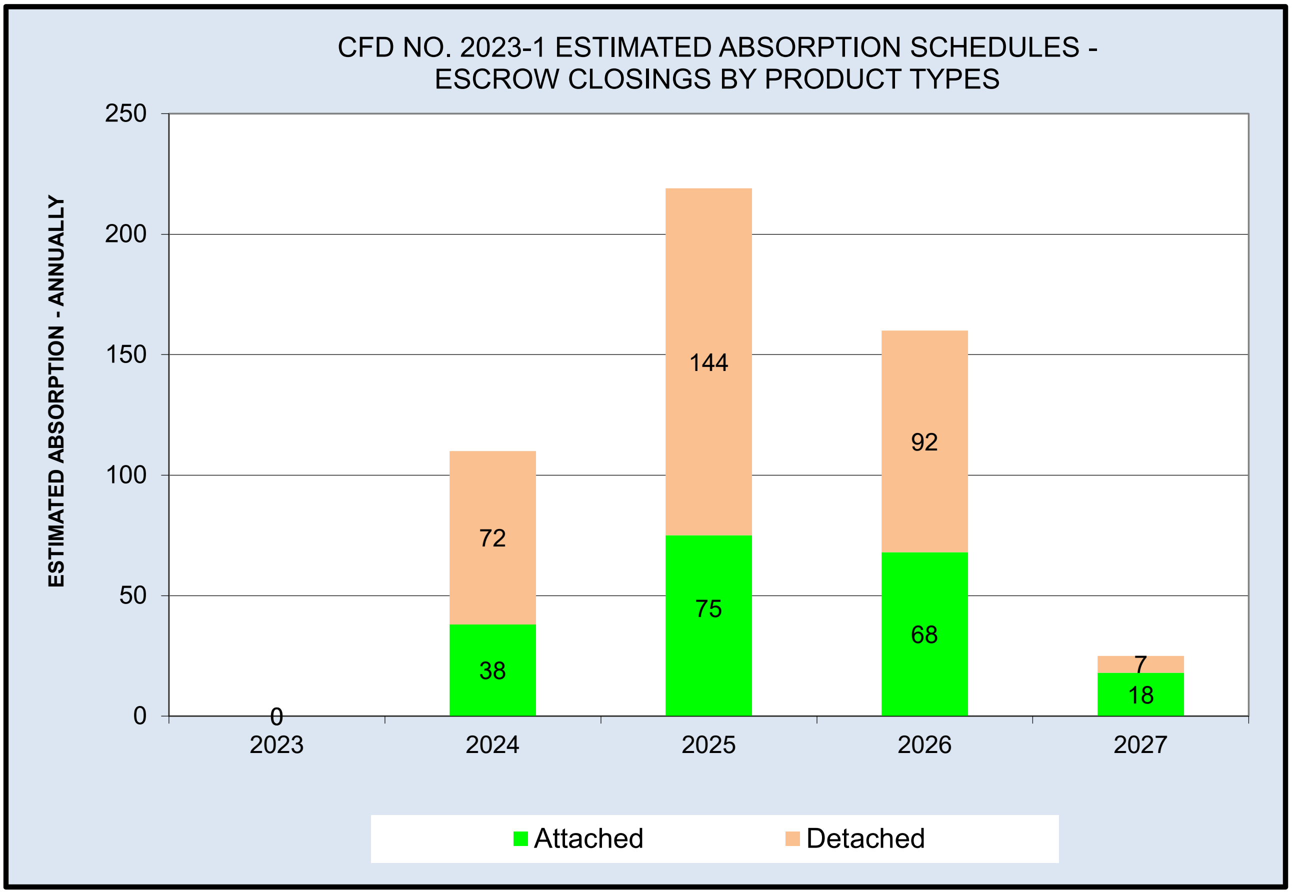
2027: The two projects close their remaining 25 homes

CFD No 2023-1 Rienda 2B Close-out: Spring 2027

Finally, the estimated absorption schedules are subject to the additional Assumptions and Qualifications set-forth in the next section.

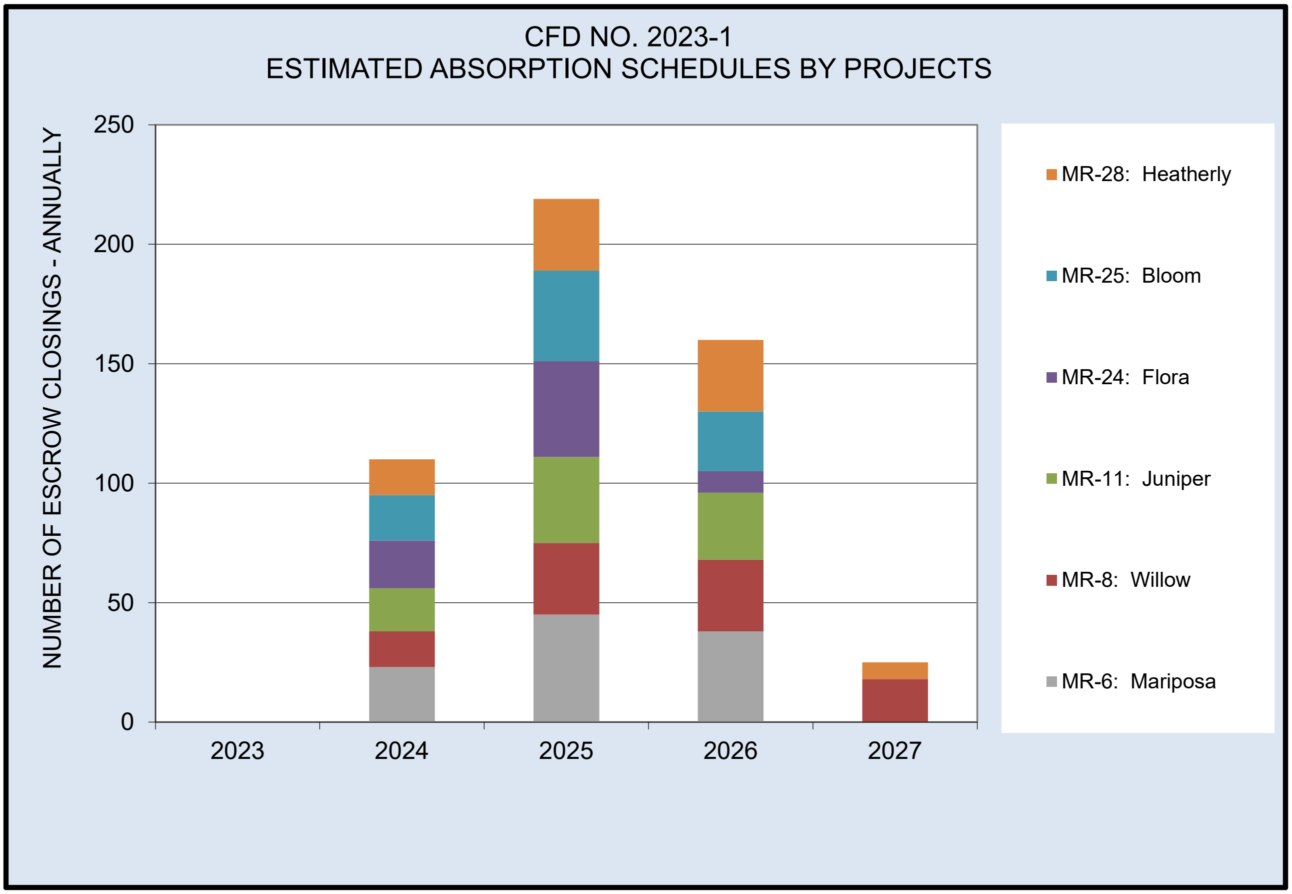
Please refer to the graphs and table on the following pages for additional information on the estimated absorption schedules.

2023-1 (RIENDA 2B) ESTIMATED MARKET ABSORPTION SCHEDULES ESCROW CLOSINGS BY PRODUCT TYPES



CFD NO 2023-1 (RIENDA 2B)

ESTIMATED ABSORPTION SCHEDULES BY PROJECTS



ESTIMATED ABSORPTION SCHEDULES FOR CFD NO. 2023-1 RIENDA 2B

Planning Area Code	MR-6	MR-8	MR-11	MR-24	MR-25	MR-28	**Totals**	**Averages**
Planning Area	Planning Area 3.2B	Planning Area 3.2B	Planning Area 3.2B	Planning Area 3.2B	Planning Area 3.2B	Planning Area 3.2B		
Market Segment	All Ages	All Ages	All Ages	All Ages	All Ages	All Ages		
Expected Product Type	Condos	Row Townhomes	SFD - Duplex	SFD 30 x 42	SFD 43x50	Detached		
Project Name	Mariposa	Willow	Juniper	Flora	Bloom	Heatherly		
Builder	Lennar	Trumark	Pulte	Lennar	Shea	TriPointe		
Total Homes	106	93	82	69	82	82	514	
Escrows Closed; July 30, 2023	0	0	0	0	0	0	0	
Future Closings August 1, 2023+	106	93	82	69	82	82	514	
Market-Entry - Models Open	Q4-2023	Q4-2023	Q4-2023	Q4-2023	Q4-2023	Q4-2023		
Commence Escrow Closings	Q2-2024	Q2-2024	Q2-2024	Q2-2024	Q2-2024	Q2-2024		
Empire's Absorption Schedules -Cumulatively							CUMULATIVELY	
2023	0	0	0	0	0	0	0	
2024	23	15	18	20	19	15	110	
2025	68	45	54	60	57	45	329	
2026	106	75	82	69	82	75	489	
2027	106	93	82	69	82	82	514	
Empire's Absorption Schedules - Annually								ANNUALLY
2023	0	0	0	0	0	0		0
2024	23	15	18	20	19	15		110
2025	45	30	36	40	38	30		219
2026	38	30	28	9	25	30		160
2027	0	18	0	0	0	7		25
Totals	**106**	**93**	**82**	**69**	**82**	**82**		**514**

ASSUMPTIONS AND LIMITING CONDITIONS

The Market Absorption Study is based upon various assumptions and limiting conditions; accordingly, these are as follows:

Property Boundaries

No survey or engineering analysis of CFD No. 2023-1 property has been made by the market analyst; the District Engineer's report utilized for the Bond is deemed to be reliable. The market analyst assumes the existing boundaries to be correct, that no encroachments exist and assumes no responsibility for any condition not readily observable from customary investigation and inspection of the premises, which might affect the valuation, excepting those items which were specifically mentioned in the report.

Maps and Exhibits

Maps and exhibits included in this report are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys, or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report.

Title to Property

No opinion as to title is rendered. Data related to ownership and legal description, obtained from governmental records related to the formation of the District that forms the basis for identifying the boundaries of CFD No. 2023-1 are considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically discussed in the report. The property is evaluated assuming to be under responsible ownership and competent management and available for development to highest and best use.

Earthquakes and Seismic Hazards

The property which is the subject of this market analysis is within a geographic area prone to earthquakes and seismic disturbances. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the market analyst concerning the geologic and/or seismic condition of the subject property. The market analyst assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

Soil and Geological Studies

No detailed soil studies or geological studies or reports were made available to the market analyst. Assumptions employed in this report regarding soils and geologic qualities of the subject property have been provided to the client. However, such assumptions are not conclusive and the market analyst assumes no responsibility for soils or geologic conditions discovered to be different from the conditions assumed unless otherwise stated in this report.

Presence and Impact of Hazardous Material

Unless otherwise stated in the report, the market analyst did not become aware of the presence of any hazardous material or substance during the market analyst's general inspection of the subject property. However, the market analyst is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the evaluation of the subject property. The market analyst assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material.

Structural Deficiencies of Improvements

The market analyst has not performed a thorough inspection of the subject property, and except as noted in this report has not found obvious evidence of structural deficiencies in any improvements located on the subject property. Consequently, the market analyst assumes no responsibility for hidden defects or nonconformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professions or governmental agencies were provided to the market analyst. Further, the market analyst is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the market analyst at the time of their inspection.

Environmental and Other Regulations

The property is evaluated assuming it to be in full compliance with all applicable federal, state and local environmental regulations and laws, unless otherwise stated, and that there are no lawsuits that may adversely impact the rate of development.

Required Permits and Other Governmental Authority

Unless otherwise stated, the property evaluated is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization that have been or can be obtained or renewed for any use on which the evaluation analysis contained in this report is based upon.

Designated Economic Scenario

The Market Absorption Study focuses upon the expected absorption schedule for the products in CFD No. 2023-1 according to the designated economic scenario. Specifically, this scenario represents the economic and real estate conditions for the Market Region and also the Market Area during the foreseeable future according to the most probable conditions, and this is regarded as being appropriate for the Bond Financing. However, the economic and market conditions which actually materialize on a year by year basis may differ from those presented according to the designated economic scenario, as a result of exogenous factors which are difficult to forecast/quantify. Accordingly, the designated scenario should be utilized as an economic framework for evaluating the marketing prospects of the properties within CFD No. 2023-1 rather than a "literal" representation of what is expected to occur on a year/year basis during the foreseeable future.

Provision of the Infrastructure

The Market Absorption Study assumes that the governmental agencies that supply public facilities and services, including water, provide these in a timely manner so that the proposed products/projects in CFD No. 2023-1 can respond to the expected market demand for their products. Otherwise, if the required infrastructure is not available in a timely manner, then the absorption of the products/projects could be adversely impacted.

Developer/Builders Responsiveness to Market Conditions

The Market Absorption Study assumes that the developer/builders in CFD No. 2023-1 Rienda 2B respond to the market conditions with products that are competitively priced and have the features/amenities that are desired by the purchasers. Specifically, since the projects in CFD No. 2023-1 Rienda 2B have not yet entered the marketplace, their specific characteristics of their product types cannot be identified until they actually offer products on the marketplace. Consequently, to the extent that future products/projects have prices/features that differ from the competitive market standards, then their absorption schedule would need to be modified from those presented according to the designated economic scenario.

Financial Strength of the Projects' Developer/Builders

The Market Absorption Study assumes that the developer/builders in CFD No. 2023-1 (and also their lenders) have sufficient financial strength to adequately fund their projects, including paying their Special Taxes/Assessments, and that they have sufficient financial reserves which could be utilized to supplement their cash flow positions, in the event that adverse economic or market conditions occur.

Accuracy of Information from Others

In preparing this report, the market analyst was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed or implied, is given by the market analyst for the accuracy of such information and the market analyst assumes no responsibility for information relied upon and later found to have been inaccurate. The market analyst reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Liability of Market Analyst

The liability of Empire Economics, the market analyst responsible for this report, is limited to the client only and to the fee actually received by the market analyst. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussion. The market analyst is in no way to be responsible for any costs incurred to discover or correct any deficiencies or any type present in the property--physical, financial, and/or legal.

Testimony or Court Attendance

Testimony or attendance in court or at any other hearing is not required by reason of rendering this market analysis, unless such arrangements are made a reasonable time in advance of said hearing. Separate arrangements would need to be made concerning compensation for the market analyst's time to prepare for and attend any such hearing.

Right of Publication of Report

Possession of this report, or a copy of it, does not carry with it the right of publication except for the party to whom it is addressed. Without the written consent of the market analyst, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose which is being published in the Official Statement.

Timeliness of the Market Absorption Study

The Market Absorption Study performs a comprehensive analysis of the relevant land-use, economic, residential and commercial market conditions that are expected to influence the marketing success of the products/projects in CFD No. 2023-1. Nevertheless, the Study should be dated within six-months of the Bond Sale, or even sooner, should these land-use and/or economic market as well as real estate conditions change significantly.

APPENDIX: CREDENTIALS/QUALIFICATIONS OF EMPIRE ECONOMICS

RESUME: JOSEPH T. JANCZYK, Ph.D.

Education: University of California, Riverside, Ph.D. in Economics, Completed in 1976
Specializations in Urban Economics, Mathematical Modeling and Econometric Analysis
State University of New York at Buffalo, Bachelors, Completed in 1970
Dual Majors: Economics and Psychology

Prior Employment: California State University, Tenured Economics Professor: 1976-1985
Courses Taught: Microeconomics, Macroeconomics, Urban Economics, Regional, Computer Modeling, Econometrics, among others

Empire Economics: Chairman and President: 1986-Present

- Perform Independent Real Estate Consulting Services Primarily for Land Secured Financings
- Work for Public Entities including Counties, Cities, School Districts and Water Districts
- Long-term Relationships with Many Clients, 25+ years
- Well Established Relationships with Numerous Professionals in the Municipal Finance Industry
- Performed 500+ Studies on behalf of Public Entities for $15B+ in municipal financing
    - Land Secured Financings for Planned Communities, Business Parks and Retail Centers – for 400+ CFDs/Ads for $7.5B bonds
        - Price Point Study – Establish Special Taxes that conform to public entities' policies
        - Market Absorption Studies – Provide timelines for phasing infrastructure
        - Homeowner Equity Studies and Forecasts of Assessed Values
- Economic Forecasting Studies: Forecast Employment and Housing Demand
- Socioeconomic Studies Orange County Transportation Corridors: 2 studies $2.75B bonds
    - Designated as Municipal Bond Issue of the Year for 1999
    - Rating Agency and Bond Insurer Presentations – Trips to New York City
- Mortgage Revenue Bond Issues: Lower Mortgage Rates 50+ studies for $1.7B bonds
- Other Municipal Bond Issues: 35+ studies $2B+ bonds; Certificates of Participation, others
- Forthcoming Bond Issues: 30+ studies for $500M+ future bond sales

Industry Contributions – Regular Speaker/Panelist at Following Events:

- State Treasurer, Mr. John Chiang: Council of Economic Advisors:
- January 2015 – December 2018 (Bi-annual meetings and published articles in the Treasurer's Newsletter, Intersections)
- UCLA Municipal Bond Financing Seminars (10+ times, as Featured Speaker)
- Bond Buyer Conference, League of Cities, Municipal Bond Industry Association
- Best Practices for Continuing Disclosure, Meetings with Municipal Bond Funds
- Appraisal Standards for Land Secured Financing by CDIAC,

Dedicated to Public Sector: Certifications Provided in each Study:

Empire has not performed any consulting services for the CFD/AD property owners nor the developers/builders, during the past thirty years.

Empire will not perform any consulting services for the CFD/AD property owners nor the developers/builders, during the next five years.

APPENDIX K

RMV PA3 DEVELOPMENT, LLC UNAUDITED FINANCIAL INFORMATION

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RMV PA3 Development, LLC
Balance Sheets
(Unaudited)

ASSETS

			June 30, 2023		December 31, 2022
Cash and Cash Equivalents	Note 1	$	83,443,513	$	136,252,810
Accounts Receivable from Builders	Note 2		28,231,102		134,624,906
Accounts Receivable from Affiliates			304,443		253,456
Land and Land Improvements	Note 3		296,700,613		318,638,329
Total Assets		$	408,679,672	$	589,769,501

LIABILITIES AND MEMBERS' EQUITY

			June 30, 2023		December 31, 2022
Accounts Payable & Accrued Liabilities	Note 4	$	4,734,441	$	7,232,703
Option Payments			529,445		24,533,408
Builder Sales Deferred Income			29,238,769		49,452,319
Costs to Complete			190,885,384		178,165,126
		$	225,388,039	$	259,383,556
Member's Equity					
RMV Community Development, LLC		$	217,523,804	$	268,416,115
Retained Earnings			(34,232,171)		61,969,830
			183,291,633		330,385,945
Total Liabilities & Members' Equity		$	408,679,672	$	589,769,501

Statements of Operations
For the Current Month and Year to Date Period Ended June 30, 2023

		Current Month		Year to Date
Revenue				
Land Sales	$	12,309,542	$	26,093,607
Total Income		12,309,542		26,093,607
Cost of Sales				
Land Cost of Sales		8,845,619		16,638,970
Total Cost of Sales		8,845,619		16,638,970
Other Income:				
Interest and Other Income		892,400		4,236,968
Total Other Income		892,400		4,236,968
Other Expenses:				
Marketing Expenses		121,709		419,718
Other G&A		100,843		437,669
Total Other Expenses		222,552		856,781
Net Other		669,848		3,380,187
Net Income/(Loss)	$	4,133,771	$	12,834,824

RMV PA3 Development, LLC
Notes to Financial Statements
June 30, 2023
(Unaudited)

Note 1 Cash and Cash Equivalents

U.S. Bank Checking	$	11,658,595
U.S. Bank Money Market		6,035,175
U.S. Bank Library Fund Money Market		1,221,334
County of Orange Trust PA3		213,895
Temporary Investments*		64,314,515
Total	$	83,443,513

* Temporary Investments represent Commercial Paper with maturities ranging from 1 day to 80 days.

Note 2 Accounts Receivable from Builders

		6/30/2023		12/31/2022
Accounts Receivable-PA3.1	$	2,647,273	$	12,499,847
Accounts Receivable-PA3.2A		25,583,829		10,197,840
Accounts Receivable-PA3.2B		-		111,927,219
	$	28,231,102	$	134,624,906

Note 3 Land and Land Improvements

Land and Land Improvements are carried at cost which, in management's opinion, is not in excess of that which will be realized from the orderly development and disposition of the Project.

Land and Land Improvements includes direct and indirect land costs, offsite and onsite improvement costs, as well as carrying charges during such time as a portion of the Project is under active development.

Selling and marketing costs are generally expensed as incurred unless future benefit from such expenditures can be demonstrated.

The allocation of Land and Land Improvements to Cost of Sales is determined based on the relative sales value.

Land and Land Improvements at June 30, 2023 consist of:

Land	$	116,625,000
Land improvements		326,113,814
Cost of Sales		(336,923,585)
Total Inventory	$	105,815,229
Costs to Complete		190,885,384
Net Land and Land Improvements	$	296,700,613

Note 4 Accounts Payable & Accrued Liabilities

		6/30/2023		12/31/2022
Accounts Payable and Accrued Liabilities	$	3,464,521	$	6,056,707
Accrued Library Fees		1,269,920		1,175,996
	$	4,734,441	$	7,232,703

COMMUNITY FACILITIES DISTRICT NO. 2023-1 OF THE COUNTY OF ORANGE (RIENDA PHASE 2B)
2023 SERIES A SPECIAL TAX BONDS

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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