

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER __, 2018

NEW ISSUE – BOOK-ENTRY ONLY**RATINGS**

S&P: “—”

Fitch: “—”

See “RATINGS” herein

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

\$ _____ *

**CALIFORNIA MUNICIPAL FINANCE AUTHORITY
LEASE REVENUE BONDS, SERIES 2018A
(ORANGE COUNTY CIVIC CENTER
INFRASTRUCTURE IMPROVEMENT PROGRAM – PHASE II)**

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

The \$ _____ * aggregate principal amount of California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program – Phase II) (the “Bonds”) are being issued by the California Municipal Finance Authority (the “Authority”) pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “JPA Act”), and an Indenture, dated as of November 1, 2018 (the “Indenture”), by and between the Authority and ZB, National Association dba Zions Bank, as trustee (the “Trustee”).

The Authority will loan the proceeds of the Bonds to the Capital Facilities Development Corporation (the “Corporation”) pursuant to a Loan Agreement, dated as of November 1, 2018 (the “Loan Agreement”), by and between the Authority and the Corporation, which the Corporation will use to (i) finance the acquisition, construction and equipping of a new office building that includes administrative offices of the County of Orange (the “County”), a room for Board of Supervisors and department meetings, and two levels of below-grade secured employee parking for the County, as Phase II of the County’s Civic Center Infrastructure Improvement Program, all as further described herein (the “Phase II Project”), (ii) fund capitalized interest accruing on the Bonds, and (iii) pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE PHASE II PROJECT” herein.

Payments under the Loan Agreement will be made from amounts received by the Corporation from the County pursuant to the Facility Lease (Phase II), dated November 1, 2018 (the “Facility Lease”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2019. The Bonds are being issued as fully registered bonds and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). The Bonds, if issued, will be issued in denominations of \$5,000 or any integral multiple thereof. DTC will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only. Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. See APPENDIX F – “BOOK-ENTRY SYSTEM” hereto.

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

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

* Preliminary, subject to change.

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

The Bonds will be offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Corporation by Orrick, Herrington & Sutcliffe LLP, for the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, for the County by County Counsel and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery through the book-entry facilities of DTC on or about December __, 2018.

Citigroup

December __, 2018

\$ _____
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
LEASE REVENUE BONDS, SERIES 2018A
(ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE
IMPROVEMENT PROGRAM – PHASE II)

MATURITY SCHEDULE*

<u>Maturity</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	CUSIP[†] <u>(Base No. 13049U)</u>
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
\$ _____ % Term Bonds due June 1, 20__ Yield: ____%; Price: ____ CUSIP [†] :					
\$ _____ % Term Bonds due June 1, 20__ Yield: ____%; Price: ____ CUSIP [†] :					

* Preliminary, subject to change.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2018 CUSIP Global Services. All rights reserved. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Corporation and the County and are included solely for the convenience of the registered owners of the Bonds. None of the Authority, the Corporation, the County, Bond Counsel, Underwriter's Counsel or the Municipal Advisor are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

GENERAL INFORMATION

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

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

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

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

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

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

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

[insert location maps and renderings file]

CAPITAL FACILITIES DEVELOPMENT CORPORATION

Orange County, California

BOARD OF DIRECTORS

Frank Kim - *Board Member/County Executive Officer*

Thomas “Mat” Miller - *Board Member/County Chief Real Estate Officer*

Shane L. Silsby - *Board Member/County Director of OC Public Works*

DEVELOPER

Griffin Structures, Inc.
Irvine, California

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Special Counsel

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

County Municipal Advisor

KNN Public Finance, LLC
Oakland, California

Trustee

ZB, National Association dba Zions Bank
Los Angeles, California

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OFFICIAL STATEMENT

\$ _____ *

**CALIFORNIA MUNICIPAL FINANCE AUTHORITY
LEASE REVENUE BONDS, SERIES 2018A
(ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE
IMPROVEMENT PROGRAM – PHASE II)**

INTRODUCTION

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

General

The \$ _____ * aggregate principal amount of California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program – Phase II) (the “Bonds”) are being issued by the California Municipal Finance Authority (the “Authority”) pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “JPA Act”), and an Indenture, dated as of November 1, 2018 (the “Indenture”), by and between the Authority and ZB, National Association dba Zions Bank, as trustee (the “Trustee”). The Board of Directors of the Authority approved the issuance of the Bonds pursuant to Resolution No. 18-____, adopted on _____, 2018.

The Authority will loan the proceeds of the Bonds to the Capital Facilities Development Corporation (the “Corporation”) pursuant to a Loan Agreement, dated as of November 1, 2018 (the “Loan Agreement”), by and between the Authority and the Corporation, which the Corporation will use to (i) finance the acquisition, construction and equipping of a new office building that includes administrative offices of the County of Orange (the “County”), a room for Board of Supervisors and department meetings, and two levels of below-grade secured employee parking for the County, as Phase II of the County’s Civic Center Infrastructure Improvement Program, all as further described herein (the “Phase II Project”), (ii) fund capitalized interest accruing on the Bonds through _____, 20____, and (iii) pay costs of issuance of the Bonds. Interest on the Bonds is expected to be paid from capitalized interest amounts prior to the delivery of a Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE PHASE II PROJECT” herein.

Payments under the Loan Agreement will be made from amounts received by the Corporation from the County pursuant to the Facility Lease (Phase II), dated November 1, 2018, by and between the Corporation and County (the “Facility Lease”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

* Preliminary, subject to change.

The Authority

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

The Corporation

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

The County

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

Additional information with respect to the County, including financial information and certain economic and demographic information relating to the County is provided in APPENDIX A – “THE COUNTY” hereto. A copy of the County’s “Comprehensive Annual Financial Report for the Year Ended June 30, 2017” is attached hereto as APPENDIX B.

The Phase II Project

The project to be financed with the proceeds of the Bonds is Phase II of the County’s Civic Center Infrastructure Improvement Program. The Phase II Project will consist of the acquisition, construction and equipping of a new office building that includes administrative offices of the County, ”), a room for Board of Supervisors and department meetings, and two levels of below-grade secured employee parking for the County. For a more detailed description of the Phase II Project, see “THE PHASE II PROJECT” herein.

Security for the Bonds

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

Under the Ground Lease (Phase II), dated as of November 1, 2018 (the “Ground Lease”), by and between the County and the Corporation, the Corporation has agreed to lease the Leased Property from the County. “Leased Property” means the real property on which the Phase II Project will be constructed and the Phase II Project itself. Under the Facility Lease, the County has agreed to lease the Leased Property from the Corporation. Payments to be made under the Loan Agreement primarily consist of Base Rental Payments to be made by the County to the Corporation under the Facility Lease for the County’s beneficial use and occupancy of the Phase II Project. Base Rental Payments are due under the Facility Lease on the 15th day of the month proceeding each debt service payment on the Bonds, scheduled for each June 1 and December 1, commencing on June 1, 2019 (each an “Interest Payment Date”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

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

Availability of Legal Documents

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

PLAN OF FINANCE

The Bonds are being issued to (i) finance the costs of the Phase II Project, which consists of the acquisition, construction and equipping of a new office building that includes administrative offices of the County, ”), a room for Board of Supervisors and department meetings, and two levels of below-grade secured employee parking for the County as Phase II of the County’s Civic Center Infrastructure Improvement Program, all as further described further under the caption “THE PHASE II PROJECT,” (ii) fund capitalized interest accruing on the Bonds through _____, 20__, and (iii) pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources:

Principal Amount	\$
[Net] Premium/Discount	
Total Sources	\$

Uses:

Project Fund	\$
Capitalized Interest Account ⁽¹⁾	
Costs of Issuance Fund ⁽²⁾	
Total Uses	\$

⁽¹⁾ Represents capitalized interest accruing on the Bonds through _____, 20___. Interest on the Bonds is expected to be paid from capitalized interest amounts for that period prior to the delivery of a Certificate of Substantial Completion pursuant to the Development Agreement and the Loan Agreement.

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

[Remainder of page intentionally left blank.]

DEBT SERVICE REQUIREMENTS

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

Fiscal Year Ending (June 30)	Principal	Interest	Total
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
TOTAL			

⁽¹⁾ Represents capitalized interest accruing on the Bonds through _____, 20__.

THE BONDS

General

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

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

Redemption*

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

Optional Redemption. At the option of the Corporation, the Bonds are subject to optional redemption prior to their respective stated maturities, from any amounts in the Redemption Fund, in whole or in part on any date on or after June 1, 2028, at a redemption price of par plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The Bonds maturing on June 1, 20__ are also subject to redemption prior to their respective stated maturities in part, by lot, from Mandatory Sinking Account Payments in the following amounts and on the following dates:

* Preliminary, subject to change.

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
--------------------------------------	-----------------------------

*

* Final maturity.

The Bonds maturing on June 1, 20__ are also subject to redemption prior to their respective stated maturities in part, by lot, from Mandatory Sinking Account Payments in the following amounts and on the following dates:

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
--------------------------------------	-----------------------------

*

* Final maturity.

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

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

Selection of Bonds for Redemption. When any redemption is made pursuant to any of the provisions of the Indenture and less than all of the Outstanding Bonds are to be redeemed, the Trustee shall select the Bonds to be redeemed from the Outstanding Bonds not previously called for redemption,

by lot within a maturity and, if from more than one maturity, in such other order of maturity as shall be specified in a Request of the Corporation. In no event shall Bonds be redeemed in amounts other than whole multiples of Authorized Denominations. The Trustee shall promptly notify the Authority and the Corporation in writing of the numbers of the Bonds selected for redemption.

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

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

Additional Bonds

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are limited obligations of the Authority secured and payable from all of the Payments and any other amounts (excluding proceeds of the sale of Bonds) held in any fund or account (other than the Rebate Fund) established pursuant to the Indenture. “Payments” means (i) all moneys, if any, received by the Trustee directly from, or on behalf of, the Corporation, pursuant to the Loan Agreement (excluding Additional Payments), and (ii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture. The Payments primarily consist of Base Rental Payments to be made by the County to the Corporation under the Facility Lease. See “– Facility Lease; Annual Appropriation” below. Information with respect to the County, including financial information and certain economic and demographic information relating to the County is provided in APPENDIX A – “THE COUNTY” hereto. A copy of the County’s “Comprehensive Annual Financial Report for the Year Ended June 30, 2017” is attached hereto as APPENDIX B.

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

Agreement reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Corporation under the Loan Agreement.

Limited Obligation

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

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

Facility Lease; Annual Appropriation

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

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

Additional Payments. In addition to Base Rental Payments, the County has agreed under the Facility Lease to pay Additional Payments in such amounts in each year as are required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Facility Lease, including, but not limited to, all taxes and assessments of any type or character charged to the Corporation, the Authority or to the Trustee affecting the amount available to the Corporation, the

Authority or the Trustee from payments to be received or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding any taxes based upon the capital and/or income of the Trustee, the Corporation or any other person other than the County; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority, the Corporation or the Trustee, as the case may be, at the County's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Authority, the Corporation or the Trustee.

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

Flow of Funds Under Indenture

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

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

(1) The Trustee, on each Interest Payment Date, shall transfer to the Interest Account, the aggregate amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding; provided, however, that on each Interest Payment Date occurring on or before the later of _____, 20__ or the delivery to the Trustee of the Certificate of Substantial Completion, before making said deposit, if and to the extent available in the Capitalized Interest Account within the Interest Account, an amount equal to the aggregate amount of interest coming due on such Interest Payment Date, shall be transferred from the Capitalized Interest Account within the Interest Account to the Interest Account. Upon the later of _____, 20__ or the delivery to the Trustee of the Certificate of Substantial Completion, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Account to the Interest Account; and

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

No Reserve

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

Insurance

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

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

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

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

paragraph (1) may provide that amounts payable as coverage under this paragraph (1) may be reduced by amounts payable under paragraph (2) for the same occurrence, and vice versa.

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

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

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

(3) Rental Interruption Insurance. The County shall maintain insurance issued by a responsible carrier against rental interruption or loss of use and possession of the Leased Property or, as an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance shall be maintained by the County in an amount sufficient to pay the maximum annual Base Rental Payments for any two-year period, except that

such insurance may be subject to a deductible clause of not to exceed \$500,000 (or a comparable deductible adjusted for inflation as determined by the County in its reasonable discretion) and such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (1) or (2) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (3) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (1) or (2) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (3) may provide that amounts payable as coverage under this paragraph (3) may be reduced by amounts payable under paragraph (1) or (2), as the case may be, for the same occurrence, and vice versa.

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

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

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

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

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

Earthquake Insurance. The County currently maintains \$125 million of earthquake insurance on certain County properties, subject to a deductible of 2% of the total insured value for the building with a minimum deductible of \$100,000 per insured unit. Such insurance is expected to cover the Phase II Project once a Certificate of Substantial Completion signed by the Architect. Earthquake insurance is required to be obtained and maintained, however, under the Facility Lease only if determined by the County in its discretion to be available at a commercially reasonable price. No assurance can be provided that the County will maintain any earthquake insurance for the Leased Property or any part of the Phase II Project. See “RISK FACTORS – Risk of Uninsured Loss” herein.

Rental Abatement

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

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

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

Re-letting of the Leased Property

Upon an Event of Default under the Facility Lease, and in the event the Authority, the Corporation or the Trustee elects not to terminate the Facility Lease, the Corporation will have the right and the County irrevocably appoints the Corporation as its agent and attorney-in-fact under the Facility

Lease for such purpose to attempt to re-let the Leased Property at such rent, upon such conditions and for such term, and to do all other acts to maintain or preserve the Leased Property, including the removal of persons or property therefrom or taking possession thereof, as the Corporation or the Authority deems desirable or necessary, and the County hereby waives any and all claims for any damages that may result to the Leased Property thereby; provided, that no such actions shall be deemed to terminate the Facility Lease and the County will continue to remain liable for any deficiency that may arise out of such re-letting, taking into account expenses incurred by the Corporation or the Authority due to such re-letting, payable at the same time and manner as provided for Base Rental in the Facility Lease.

Substitution or Removal of Leased Property

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

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

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

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

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

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

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

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

Encumbrances

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

CIVIC CENTER FACILITIES STRATEGIC PLAN AND THE PHASE II PROJECT

Civic Center Facilities Strategic Plan

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

Phase I

Phase I of the Civic Center Plan consists the acquisition, construction and equipping of an office building, public serving counter, and events center containing approximately 254,000 gross square feet and a 350 stall subterranean parking structure. The development of Phase I is currently proceeding on schedule and under budget and is expected to be substantially completed by January 2020. Proceeds of the Bonds are not expected to be applied to any portion of Phase I.

Phase II - Project Summary

The Phase II Project to be financed with the proceeds of the Bonds is located at 645 Ross Street in Santa Ana, California, in the Civic Center Plaza. The Phase II Project is being constructed to “essential facility standards” and consists of the acquisition, construction and equipping of a new office building that includes administrative offices of the County, a room for Board of Supervisors and department meetings, and two levels of below-grade secured employee parking for the County. The board room is sized for approximately 300 people in the public seating area as well as staff in the support area and officials at the dais. See “THE PHASE II PROJECT – Phase II Project Description” below.

The County Departments scheduled to occupy the Phase II Project are County Administrative Departments. The Phase II Project will be constructed for a guaranteed maximum price of \$_____. Substantial completion of the Phase II Project and beneficial use and occupancy by the County is expected to occur by _____ 20__, subject to unexpected delays. Upon substantial completion, the County will maintain and operate the Phase II Project.

The site is fully entitled and all environmental requirements for the Phase II Project will be satisfied by the mitigation measures identified in the Certified EIR (described below). No hazardous substances that would impair the Phase II Project have been identified on the site. The Construction Manager (described below) is installing cross-bracing on each floor to mitigate against any seismic activity that may occur during the construction period.

See “RISK FACTORS – Construction and Completion Risk” herein.

Phase II Project Description

Office Building. The Phase II Project consists of approximately 254,234 Gross Square Feet (“GSF”) over 6 floors, and two levels of below-grade secured employee parking (approximately 152,346 GSF) for up to 350 vehicles. Approximately 80% of the floor plan for the building is open space. The building is being structurally and seismically designed enhanced to meet 150% of building code requirements and will satisfy “essential facility standards.”

Hearing Room. The Hearing Room is designed for the Board of Supervisors hearings, as well as other departmental meetings. It will include the dais, room for staff and seating for up to 300 members of the public. The hearing room will be designed for audio visual display and streaming capabilities for those viewing from the overflow rooms and/or off-site.

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

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

Phase II Project Team

The Phase II Project will be designed and constructed by the Phase II Project Team comprised of Griffin Structures Inc. (the “Developer”), LPA, Inc. (the “Architect”) and Swinerton Builders (the “Construction Manager”). See APPENDIX G – “DEVELOPMENT AGREEMENT” hereto.

The Phase II Project Team is currently working together on Phase I of the County of Orange Civic Center Facilities Strategic Plan, which consists the acquisition, construction and equipping of an office building, public serving counter, and events center containing approximately 254,000 gross square feet and a 350 stall subterranean parking structure. The development of Phase I is currently proceeding on schedule and under budget and is expected to be substantially completed by January 2020. Proceeds of the Bonds are not expected to be applied to any portion of Phase I. Building 14 is essentially a “twin” structure to Building 16, and is the second Phase of the County’s Civic Center “super block” of governmental services to the community.

In addition, the Developer and the Architect have successfully collaborated on 25 public-sector projects over the past 19 years. The Developer and the Construction Manager have successfully collaborated on 9 projects over the past 12 years, including delivery of the Quartz Hill Library public private partnership project for the County of Los Angeles.

Following are brief descriptions of the Phase II Project Team.

Developer. Griffin Structures, Inc. is the developer for the Phase II Project. The Developer’s website is: www.griffinholdings.net. Information set forth on such website is not incorporated herein by reference. The Developer is a California-based, award-winning, development, program, design and construction management organization providing strategic project delivery solutions to public, non-profit,

and private sector clients since 1981. Headquartered in Irvine, California, the Developer also maintains a Northern California office in Santa Clara. For more than three decades Griffin has worked with counties and cities to plan, design, build, and finance facilities needed to serve their communities. The Developer provides a team of experienced professionals in the design, development, and construction fields. The firm's professionals deliver complex projects-managing projects from planning, design, development, and construction, to entitlements through post-occupancy. Several of the firm's professionals are certified construction managers and/or LEED certified. The Developer has provided services in connection with a wide range of project delivery methods, including: public-private partnerships, design-build, and project financing.

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

In addition to its current portfolio of public projects (e.g. San Bernardino County Civic Center, Lake Gregory Dam Restoration, Buena Park main police facility, \$180 million Anaheim convention center expansion) the Developer recently completed the Quartz Hill Library, the first public private partnership project delivered for the County of Los Angeles. The Developer is engaged to deliver new police headquarters and library projects to the City of Salinas, California. These two projects, with a combined value of \$75 million, are being developed as a public private partnership. Construction for the projects began in August 2018, with occupancy scheduled for 2020. The Developer is also serving as development manager and owner's representative for the Anaheim NHL Ducks for a new \$103 million facility, presently under construction at the Great Park in Irvine, California. LPA, Inc., the architect for the Phase II Project, is serving as the architect for the Anaheim NHL Ducks project and Swinerton Builders, the construction manager for the Phase II Project, is the construction manager for the Anaheim NHL Ducks project.

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

Construction Manager. Swinerton Builders, the construction manager for the Phase II Project, was founded in 1888 and undertakes construction projects throughout California and other states. The Construction Manager's website is: www.swinerton.com. Information set forth on such website is not incorporated herein by reference. Swinerton currently has the oldest active California General Contractor's License, #92. For the last three years the Construction Manager has been ranked as the largest general contractor in California by the Engineering News Record. The Construction Manager completed approximately \$4.3 billion "put in place" construction in 2016 and 2017. The firm currently employs approximately 2,400 professionals throughout 18 offices across the nation including Irvine, Los Angeles, San Diego, San Francisco, Sacramento, Santa Clara, Denver, Austin, Hawaii, Portland, Bend, Seattle, and Atlanta. The Construction Manager has an aggregate bonding limit of over \$2.5 billion, available bonding capacity of \$1.6 billion, and a maximum bonding limit of \$500 million per project. For a description of the payment and performance bond requirements applicable to the Phase II Project under the Development Agreement, see "- Payment and Performance Bonds" below.

Representative Southern California projects completed by the Construction Manager include the following: LAX Terminal 5 improvements for Delta Airlines, , John Wayne Airport Terminal A&B improvements, High Desert Health System Multi-Service Ambulatory Care Center, Turner Riverwalk, UCSD Charles David Keeling Apartments, the Carlyle, Sunroad Centrum, a LEED certified office structure, and NASA Jet Propulsion Laboratory Flight Projects Center. The Construction Manager has completed more than 200 LEED projects, valued at more than \$4.2 billion. The firm's experience includes civic infrastructure projects, many of them in collaboration with the Developer, including Buildings 16 and 14 for the County and the City of Salinas police headquarters and library.

Architect. LPA, Inc. (the "Architect"), the architect for the Phase II Project has been in business for more than fifty years. Architect's website is: www.lpainc.com. Information set forth on such website is not incorporated herein by reference. The Architect has approximately 425 employees: 70% LEED Accredited Professionals and 47% licensed professionals (Architect, PE, CID, etc.). As one of the largest integrated design firms in California and Texas, the Architect provides architecture, planning, landscape architecture, interior design, engineering, and graphic/signage services from early program development to project closeout. Representative projects completed by the Architect include the following: Building 16 as part of Phase I, NASA Jet Propulsion Laboratory Flight Projects Center, Capital Group Companies, Premier Automotive Group, 200 Spectrum Center, 520 Newport Center, Santa Clara Gateway, Edwards Lifescience, Brentwood Civic Center, Hesperia Civic Center and San Bernardino County Public Safety Operations Center. The Architect has won more than 700 major design awards and completed over 50 LEED certified projects in California. The Developer and the Architect have successfully collaborated over the past 20 years on numerous projects in the public sector, including Buildings 16 and 14 and the City of Salinas police headquarters.

Phase II Project Development

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

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

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

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

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

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

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

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

Environmental Review. A Geotechnical Exploration Report, Orange County Building 14, dated _____, 201__, was prepared by Leighton Consulting, Inc. and a Phase I Environmental Site Assessment and Subsurface Baseline Screening Report, Building 14, dated _____, 201__, was Prepared by Leighton Consulting Inc. Various other reports were prepared in connection with the environment review for the Phase II Project. No report recommended significant mitigation measures in connection with the Phase II Project that would potentially delay construction or impair occupancy by the County. No hazardous substances that would impair the Phase II Project have been identified on the site. Further, the final certified Environmental Impact Report, dated _____, 201__, prepared by PlaceWorks (the "Certified EIR") identified no environmental impacts that would impair the construction of the Phase II Project or occupancy by the County following substantial completion of the Phase II Project.

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

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

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

RISK FACTORS

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

Construction and Completion Risk

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

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

Abatement

In the event of the loss of, damage to or destruction or condemnation of, or title defect with respect to the Leased Property that causes substantial interference with the use by the County of the Leased Property or any portion thereof, the County's obligation to make the Base Rental Payments due under the Facility Lease will be abated and, notwithstanding: (i) the provisions of the Facility Lease specifying the extent of such abatement and (ii) rental interruption insurance covering loss of use of the

Leased Property in an amount adequate to cover 24 months of Base Rental Payments, the resulting Base Rental Payments (and such other funds) may not be sufficient to pay all of the remaining principal and interest due with respect to the Bonds. A delay in completion of the Phase II Project could result in an event of abatement under the Facility Lease. No reserve fund or account is established for the Bonds under the Indenture.

Substitution or Removal of Leased Property

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

Limited Obligation

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

Risk of Uninsured Loss

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

No Limitation on Incurring Additional Obligations

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

Hazardous Substances

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

Earthquake and Seismic Conditions

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

The County currently maintains \$125 million of earthquake insurance on certain County properties, subject to a deductible of 2% of the total insured value for the building with a minimum deductible of \$100,000 per insured unit. This insurance is expected to cover the Phase II Project once a Certificate of Substantial Completion is signed by the Architect. However, earthquake insurance is required to be obtained and maintained under the Facility Lease only if determined by the County in its discretion to be available at a commercially reasonable price. No assurance can be provided that the County will maintain any earthquake insurance for the Leased Property or any part of the Phase II Project.

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

Limited Recourse on Default

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

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture, the Loan Agreement, the Facility Lease or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with

the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture, the Loan Agreement and the Facility Lease are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally. See “– Bankruptcy” below.

Bankruptcy

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

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

The Authority is a public agency and, like the County, cannot be the subject of an involuntary case under the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. If the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence

of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a Plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

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

In December, 1994, the County filed for bankruptcy protection under Chapter 9 of the U.S. Bankruptcy Code, following certain collateral calls in connection with County investments. Legislation enacted by the State in 1995 as part of the County's recovery plan (Chapters 745, 746, 747, and 748 of the 1995 Statutes) diverted certain revenue to the County from other public agencies or from funds within the County, and dedicated such revenue to the payment of obligations arising out of the County's bankruptcy plan of adjustment. In connection with the bankruptcy plan, in 1996 the County issued certain recovery bonds, which were refunded in 2005 and matured on July 1, 2017.

Loss of Tax Exemption

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

No Liability of Authority to the Owners

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

STATE OF CALIFORNIA FINANCIAL INFORMATION

The State is a significant source of revenue for the County, comprising approximately 38% of the County's budgeted General Fund revenues in fiscal year 2018-19. See APPENDIX A – "THE COUNTY" hereto. A copy of the County's "Comprehensive Annual Financial Report for the Year Ended June 30, 2017" is attached hereto as APPENDIX B.

The following information concerning the State's budget for fiscal year 2018-19 has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance at <http://www.dof.ca.gov>, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office ("LAO") at <http://www.lao.ca.gov>. Many State official statements contain a summary of the current and past State budgets. In addition, the California State Association of Counties ("CSAC") Budget Action Bulletin may be found at the website http://www.counties.org/sites/main/files/file-attachments/legislatures_2018-19_budget_-_june_2018.pdf. The information referred to is prepared by the respective agency maintaining each website and not by Authority, the Corporation, the County or the Underwriter, and none of the Authority, the Corporation, the County or the Underwriter take any responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Final 2018-19 State Budget. On June 27, 2018, Governor Brown approved the final 2018-19 State Budget (the "2018-19 State Budget"), a \$201.4 billion plan (total funds) that reflects an increase in General Fund resources available to the State of \$6.672 billion over the 2018-19 proposed State budget and reflects an overall improvement in the State revenue forecast from Fiscal Year 2016-17 through Fiscal Year 2018-19. The 2018-19 State Budget projects a beginning fund balance surplus from Fiscal Year 2017-18 of \$8.483 billion, total revenues and transfers of \$133.332 billion, total expenditures of \$138.688 billion, and a year-end surplus of \$3.127 billion for the Fiscal Year ending June 30, 2019.

The 2018-19 State Budget includes funding of \$97.2 billion (\$56.1 billion General Fund and \$41.1 billion other funds) for K-12 education programs. The 2018-19 State Budget anticipates fully funding the Rainy Day Fund by June 2019 in accordance with Proposition 2 and uses surplus revenues to provide one-time funding for initiatives such as homelessness, mental health, and infrastructure projects, and pay for increased costs for programs of County interest, such as Medi-Cal, child care, In-Home Support Services ("IHSS"), and foster care reform. Altogether, the 2018-19 State Budget includes \$5 billion related to affordable housing and homelessness, across multiple State departments and programs and increases the value of welfare grants through the CalWORKS program with General Fund costs of \$90.1 million in 2018-19 and \$359.9 million annually thereafter. The 2018-19 State Budget also includes \$79 million for programs to help those in the United States illegally by funding legal services programs and assistance for young adults who signed up with the Deferred Action for Childhood Arrivals program.

Certain features of the 2018-19 State Budget affecting counties include the following:

- *Homelessness.* \$609.0 million of one-time General Funds for various programs in Fiscal Year 2018-19 to assist local governments in their immediate efforts to address homelessness.
- *No Place Like Home.* a proposal to place a measure on the November 2018 ballot to validate the No Place Like Home Program to help address the State's housing shortage and expand housing opportunities for individuals with mental illness.

- *Children's Mental Health.* a repayment of \$280.5 million owed to counties as a result of costs incurred from 2004 to 2011 for three AB 3632 (SB 90) mandates associated with providing mental health services for severely emotionally disturbed children. Although the State's May Revise proposed funding for 14 outstanding mandates, the proposal was amended to exclude eleven mandates totaling \$31.7 million. The total amount of reimbursement identified for Orange County is approximately \$26 million.
- *In-Home Support Services.* an increase of \$38.0 million in one-time State General Fund expenditures in Fiscal Year 2018-19 to partially fund the shortfall in the county administration allocation.
- *Medi-Cal.* a statewide increase of \$56.6 million in Fiscal Year 2018-19 based on an adjustment to the existing funding level using the increase in the California Consumer Price Index. The increase is based on an interim methodology that will be used until a new budgeting methodology is developed for calculating base costs related to county Medi-Cal administration. The 2018-19 State Budget also assumes an increase in statewide savings of \$242.7 million in 1991-92 Realignment Program funding redirected from counties to the State in Fiscal Year 2018-19.
- *CalWORKs.* an additional allocation of \$23.5 million in one-time State General Fund expenditures to the employment services portion of the CalWORKs Single Allocation.
- *Voting Systems Upgrade and Replacement.* a one-time expenditure from the State General Fund of \$134.3 million to support voting systems upgrade and replacement. This funding would be made available to all 58 counties. There is a 50 percent match funding requirement.
- *Emergency Child Care Bridge Program for Foster Children.* \$31.0 million of statewide funding in Fiscal Year 2018-19 for the Emergency Child Care Bridge Program for Foster Children. This program will provide emergency child care vouchers for foster youth caregivers, access to a child care navigator, and trauma-informed care training for foster youth child care providers.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING COUNTY REVENUES AND EXPENDITURES

Property Tax Rate Limitations – Article XIII A

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

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

Legislation Implementing Article XIII A

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

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

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

Appropriations Limitations – Article XIII B

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

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

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

The appropriations limit for the County in each year is based on the County’s limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County’s option, either (1) the percentage change in State per capita personal income, or (2) the percentage change in the local assessment roll on

nonresidential property. Either test is likely to be greater than the change in the cost of living index, which was used prior to Proposition 111.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by a County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. As originally enacted in 1979, the County’s appropriations limit was based on 1978-79 authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111). Starting with Fiscal Year 1990-91, the County’s appropriations limit was recalculated by taking the actual Fiscal Year 1986-87 limit, and applying the annual adjustments as if Proposition 111 had been in effect. The County’s appropriations limit for Fiscal Year 2018-19 is \$12,288,836,159, an increase of 4.59% compared with Fiscal Year 2017-18. The estimated appropriations for Fiscal Year 2018-19 subject to the limitations total \$1,034,482,474.

Articles XIIC and XIID of California Constitution – Proposition 218

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

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

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

area. In addition to the provisions described above, Proposition 218 removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge.

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

Proposition 1A

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

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

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

Proposition 22

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

Proposition 26

On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or

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

Proposition 30

The passage of the Governor’s November Tax Initiative (“Proposition 30”) placed on the November 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first \$250,000 in income and on couples after their first \$500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and will be in effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The quarter-cent sales-tax component expired on December 31, 2016. The passage of the Tax Extension to Fund Education and Healthcare (“Proposition 55”) in November 2016 extends the income tax increase on high-income taxpayers for an additional 12 years through 2030. The LAO estimates that, as a result of Proposition 55, increased state tax revenues of about \$4 billion to \$9 billion annually from fiscal years 2019 through 2030 depending on the economy and stock market.

Future Initiatives

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

TAX MATTERS

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

taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

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

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

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

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

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

THE AUTHORITY

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

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

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

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

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

CONTINUING DISCLOSURE

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

The County has covenanted for the benefit of the holders and beneficial owners of the Bonds pursuant to a Continuing Disclosure Certificate, dated the date of delivery of the Bonds (the “Continuing Disclosure Certificate”) to provide certain financial information and operating data relating to the County (the “Annual Report”) no later than February 25 after the end of each fiscal year, commencing with the report for Fiscal Year 2017-18, and to provide notices of the occurrence of certain enumerated events through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”). The specific nature of the information to be contained in the Annual Report and the enumerated events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto.

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

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

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

FINANCIAL STATEMENTS

The basic financial statements of the County for the Fiscal Year ended June 30, 2017, included in APPENDIX B of this Official Statement, have been audited by Macias Gini & O'Connell LLP, certified public accountants, as stated in their report therein dated December 14, 2017. The County has not requested nor obtained permission from Macias Gini & O'Connell LLP to include its report in APPENDIX B. Macias Gini & O'Connell LLP has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias Gini & O'Connell LLP with respect to any event subsequent to the date of its report. See APPENDIX B – “Comprehensive Annual Financial Report for the Year Ended June 30, 2017” attached hereto.

RATINGS

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

NO LITIGATION

The Authority

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

The Corporation and the County

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

Other than as otherwise addressed in this Official Statement, the aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments of judgments which may

result from suits and claims will not materially affect the County's ability to repay the Bonds. See APPENDIX A – "COUNTY FINANCIAL INFORMATION – Litigation Management" hereto.

UNDERWRITING

Citigroup Global Markets Inc. (the "Underwriter") has agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds from the Authority a price equal to \$_____, which represents the principal amount of the Bonds of \$_____, [plus/minus] a [net] [premium/discount] of \$_____, and less an underwriting discount of \$_____. The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

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

The Underwriter has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, the Underwriter may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, the Underwriter will compensate Fidelity for its selling efforts.

LEGAL MATTERS

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

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

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

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

CAPITAL FACILITIES DEVELOPMENT CORPORATION

By: _____
Board Member

APPENDIX A
THE COUNTY

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

FORM OF BOND COUNSEL OPINION

[Closing Date]

California Municipal Finance Authority
Carlsbad, California

California Municipal Finance Authority
Lease Revenue Bonds, Series 2018A
(Orange County Civic Center Infrastructure Improvement Program – Phase II)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Municipal Finance Authority (the “Authority”) in connection with issuance by the Authority of \$_____ aggregate principal amount of California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program – Phase II) (the “Series 2018A Bonds”), issued pursuant to the provisions of the Joint Exercise of Powers Act (constituting Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, and an Indenture, dated as of November 1, 2018 (the “Indenture”), by and between the Authority and ZB, National Association dba Zions Bank, as trustee (the “Trustee”). The Indenture provides that the Series 2018A Bonds are issued for the stated purpose of making a loan of the proceeds thereof to the Capital Facilities Development Corporation, a California nonprofit public benefit corporation (the “Corporation”), pursuant to a loan agreement, dated as of November 1, 2018 (the “Loan Agreement”), by and between the Authority and the Corporation. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Facility Lease, the Ground Lease, the Tax Certificate, opinions of counsel to the Authority, the County, the Trustee and the Corporation, certificates of the Authority, the County, the Trustee, the Corporation and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2018A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority, the Corporation and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the

opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement, the Facility Lease, the Ground Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2018A Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Series 2018A Bonds, the Indenture, the Loan Agreement, the Facility Lease, the Ground Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities of and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Indenture, the Loan Agreement, the Facility Lease or the Ground Lease or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2018A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2018A Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2018A Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.
4. Interest on the Series 2018A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2018A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2018A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

BOOK-ENTRY SYSTEM

The following description of DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the Authority, the Corporation or the County, and none of the Authority, the Corporation or the County shall have any liability with respect thereto. None of the Authority, the Corporation or the County shall have any responsibility or liability for any aspects of the records maintained by DTC relating to or payments made on account of beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Bonds.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on this website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

APPENDIX G
DEVELOPMENT AGREEMENT