PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER __, 2015

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS:
S&P: ___
FITCH: ___

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, under existing law, interest on the 2016 Series A Bonds is exempt from State of California personal income taxes. Interest on the 2016 Series A Bonds is not excludable from gross income for federal income tax purposes. 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 2016 Series A Bonds. See "TAX MATTERS" herein.

$___________*
COUNTY OF ORANGE
TAXABLE PENSION OBLIGATION BONDS, 2016 SERIES A
[SEAL]

Dated: Date of Delivery **Due: as shown on inside cover page**

The County of Orange (the "County") is issuing its Taxable Pension Obligation Bonds, 2016 Series A (the "2016 Series A Bonds") under a Trust Agreement dated as of January 1, 2007, as heretofore supplemented and as further supplemented by the Sixth Supplemental Trust Agreement, dated as of January 1, 2016 (collectively, the "Trust Agreement"), by and between the County and U.S. Bank National Association, as successor trustee (the "Trustee"), to refund a debenture evidencing a portion of the County's annual contribution for the 2016-17 fiscal year to the Orange County Employees Retirement System and to pay the costs of the financing.

The 2016 Series A Bonds are being issued in fully registered form, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2016 Series A Bonds. Individual purchases will be made in book-entry form only in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial ownership interest in the 2016 Series A Bonds purchased. See "APPENDIX C – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the 2016 Series A Bonds is payable on dates shown on the inside cover page. Principal of and interest on the 2016 Series A Bonds are payable by the Trustee to DTC, which will be responsible for remitting such principal and interest to its Participants, which will be responsible for remitting such principal and interest to the Beneficial Owners of such 2016 Series A Bonds.

The 2016 Series A Bonds are not subject to redemption prior to maturity.

THE 2016 SERIES A BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2016 SERIES A BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE 2016 SERIES A BONDS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

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*Preliminary, subject to change

The 2016 Series A Bonds are offered when, as and if issued by the County and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County. Certain other legal matters will be passed upon for the County by the Office of the County Counsel and by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the County. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP. It is expected that the 2016 Series A Bonds will be available through the facilities of DTC in New York, New York for delivery on or about January __, 2016.

STIFEL **J.P. MORGAN**

Dated: January __, 2016

$__________*
COUNTY OF ORANGE
TAXABLE PENSION OBLIGATION BONDS, 2016 SERIES A

Maturity Schedule

Maturity Date*	Principal Amount	Interest Payment Dates*	Interest Rate	Price	CUSIP† Nos.
August 1, 2016		Maturity		%	68428L___
November 1, 2016		August 1, 2016 and Maturity			68428L___
February 1, 2017		August 1, 2016 and Maturity			68428L___
May 1, 2017		August 1, 2016, February 1, 2017 and Maturity			68428L___
June 30, 2017		August 1, 2016, February 1, 2017 and Maturity			68428L___

† Copyright, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the County nor the Underwriters takes any responsibility for the accuracy of such numbers.

*Preliminary, subject to change

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 2016 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters.

This Official Statement is not to be construed as a contract with the purchasers of the 2016 Series A Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

Certain of the information set forth herein has been obtained from official sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. 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 County since the date hereof. This Official Statement is submitted with respect to the sale of the 2016 Series A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

In connection with the offering of the 2016 Series A Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2016 Series A Bonds to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements in this Official Statement, which may be identified by the use of such terms as "plan," "project," "expect," "estimate," "budget" or other similar words, constitute forward-looking statements. Such forward-looking statements refer to the achievement of certain results or other expectation or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The County does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The 2016 Series A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act.

The County maintains a website at www.ocgov.com. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the 2016 Series A Bonds.

COUNTY OF ORANGE

BOARD OF SUPERVISORS

Todd Spitzer, Board Chair	Third District
Lisa Bartlett, Vice Chair	Fifth District
Andrew Do	First District
Michelle Steel	Second District
Shawn Nelson	Fourth District

COUNTY OFFICIALS

Frank Kim, County Executive Officer
Shari L. Freidenrich, County Treasurer-Tax Collector
Eric H. Woolery, Auditor-Controller
Michelle Aguirre, Chief Financial Officer
Suzanne Luster, Public Finance Director
Leon J. Page, County Counsel

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Bond Counsel and Disclosure Counsel

KNN Public Finance,
A Division of Zions First National Bank
Oakland, California
Financial Advisor

U.S. Bank National Association
Los Angeles, California
Trustee

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OFFICIAL STATEMENT

$____________*
COUNTY OF ORANGE
TAXABLE PENSION OBLIGATION BONDS, 2016 SERIES A

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the 2016 Series A Bonds to potential investors is made only by means of the entire Official Statement. Terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement.

Purpose

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the County of Orange (the "County") of its Taxable Pension Obligation Bonds, 2016 Series A in the aggregate principal amount of $__________* (the "2016 Series A Bonds"). The 2016 Series A Bonds are being issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "State") and a Trust Agreement, dated as of January 1, 2007, as heretofore supplemented and as further supplemented by the Sixth Supplemental Trust Agreement, dated as of January 1, 2016 (collectively, the "Trust Agreement"), by and between the County and U.S. Bank National Association, as successor trustee (the "Trustee").

Pursuant to Section 31584 of the County Employees Retirement Law of 1937, as amended (the "Retirement Law"), the Board of Supervisors of the County (the "Board of Supervisors") is obligated to appropriate and make payments to the Orange County Employees Retirement System ("OCERS") to fund the present value of pension benefits being earned by current employees and to amortize the unfunded accrued actuarial liability with respect to pension benefits already earned by current and former employees. In respect of such statutory obligation of the County to make such payments, the County will issue a debenture dated the date of delivery of the 2016 Series A Bonds (the "2016 Debenture") in favor of OCERS evidencing a portion of the County's obligation to pay its annual contribution to OCERS for Fiscal Year 2016-17. The 2016 Series A Bonds are to be issued pursuant to the Trust Agreement and the proceeds from the sale of the 2016 Series A Bonds will be used to refund the obligation of the County to OCERS evidenced by the 2016 Debenture and to pay costs of issuance of the 2016 Series A Bonds.

Security and Sources of Payment for the 2016 Series A Bonds

The obligation of the County to make payments with respect to the 2016 Series A Bonds is an absolute and unconditional obligation of the County, payable from lawfully available funds of the County including, but not limited to, general purpose revenue of the County. Payment of principal of and interest on the 2016 Series A Bonds is not limited to any special source of funds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Pursuant to the Trust Agreement, the County issued $339,625,000 aggregate principal amount of Taxable Pension Obligation Bonds, 2015 Series A (the "2015 Series A Bonds" and, together with the 2016 Series A Bonds and any additional bonds to be issued under the Trust Agreement from time to time, the "Bonds") on January 13, 2015. The 2015 Series A Bonds are currently outstanding in the principal amount of $234,625,000 and mature on February 1, 2016, May 2, 2016 and June 30, 2016.

THE 2016 SERIES A BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2016 SERIES A BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE 2016 SERIES A BONDS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE

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*Preliminary, subject to change

STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Validation

The Trust Agreement and the Bonds were validated pursuant to a judicial validation action. See “VALIDATION PROCEEDINGS.”

Summaries Not Definitive

Brief descriptions of the 2016 Series A Bonds and the Trust Agreement are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the 2016 Series A Bonds and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the 2016 Series A Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection at the offices of the County.

THE COUNTY

The County, incorporated in 1889 and located in the southern part of the State of California, is one of the major metropolitan areas in the State and nation. 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. A County Executive Officer directly oversees 18 County departments and elected department heads oversee seven County departments.

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” attached hereto. A copy of the basic financial statements of the County for the fiscal year ended June 30, 2015 is attached hereto as APPENDIX B.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

The County contributes to OCERS, established in 1945 pursuant to the Retirement Law. OCERS is an independent, defined-benefit retirement plan in which member employees of the County and others within the County participate. Participating entities, including the County, share proportionally in all risks and costs, including benefit costs. OCERS is governed by the Board of Retirement (the “Retirement Board”), which is independent of the Board of Supervisors, although the Board of Supervisors appoints four members of the nine-member Retirement Board. In addition, the County Treasurer-Tax Collector sits as an ex officio member of the Retirement Board, as required by the Retirement Law. The California Constitution vests the Retirement Board with sole and exclusive responsibility over OCERS, including without limitation, the assets of OCERS, the administration of OCERS and the actuarial services provided to OCERS.

Additional information with respect to OCERS is provided in “APPENDIX A – COUNTY RETIREMENT SYSTEM” attached hereto.

THE 2016 SERIES A BONDS

General

The 2016 Series A Bonds will be dated the date of their initial delivery, will bear interest at the rates and mature on the dates set forth on the inside cover of this Official Statement and will be issued as fully registered 2016 Series A Bonds in authorized denominations of $5,000 or any integral multiple thereof. Interest on the 2016 Series A Bonds is payable on the dates set forth on the inside cover page (each an “Interest Payment Date”). Such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The principal of the 2016 Series A Bonds will be payable in accordance with their terms in lawful moneys of the United States of America at the Trustee’s Principal Office.

The 2016 Series A Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC," and together with any successor securities depository, the "Securities Depository"). DTC will act as Securities Depository for the 2016 Series A Bonds. Individual purchases of the 2016 Series A Bonds will be made in book-entry form. Purchasers will not receive certificated 2016 Series A Bonds.

So long as Cede & Co. is the registered owner of the 2016 Series A Bonds, principal of and interest on the 2016 Series A Bonds is payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Payments of principal of 2016 Series A Bonds shall be made only upon the surrender of such 2016 Series A Bonds to the Trustee. See "APPENDIX C – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Not Subject to Redemption

The 2016 Series A Bonds are not subject to redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The obligation of the County to make payments with respect to the 2016 Series A Bonds is an absolute and unconditional obligation of the County, payable from lawfully available funds of the County including, but not limited to, general purpose revenue of the County. Payment of principal of and interest on the 2016 Series A Bonds is not limited to any special source of funds. The Trust Agreement provides that the County is obligated to deposit or cause to be deposited with the Trustee the amount of the County's obligations on the 2016 Series A Bonds prior to each Interest Payment Date. See "APPENDIX A – COUNTY FINANCIAL INFORMATION" for a discussion of revenues of the County.

Pursuant to the Trust Agreement, the County issued $339,625,000 aggregate principal amount of 2015 Series A Bonds on January 13, 2015. The 2015 Series A Bonds are currently outstanding in the principal amount of $234,625,000 and mature on February 1, 2016, May 2, 2016 and June 30, 2016.

The County may from time to time issue Additional Bonds to defease, retire or refund all or any portion of the 2016 Series A Bonds or to refund any other evidences of indebtedness of the County arising pursuant to the Retirement Law. Such Additional Bonds may be issued without the consent of any Bondowner. The County is currently liable on other obligations payable from lawfully available funds and may incur additional obligations in the future payable from lawfully available funds. See "APPENDIX A – THE COUNTY."

THE 2016 SERIES A BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2016 SERIES A BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE 2016 SERIES A BONDS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

PLAN OF FINANCING

Pursuant to Section 31584 of the Retirement Law, the Board of Supervisors is required to appropriate and pay amounts determined to be owing to OCERS. To evidence a portion of its statutory obligation to pay the annual contribution to OCERS in Fiscal Year 2016-17, the County will execute the 2016 Debenture in favor of OCERS. The 2016 Series A Bonds are being issued to refund the 2016 Debenture. See "ESTIMATED SOURCES AND USES OF FUNDS." The 2016 Debenture is an absolute and unconditional obligation of the County, payable from lawfully available funds, and payment is not limited to any special source of funds. Upon the refunding of the 2016 Debenture with the proceeds of the 2016 Series A Bonds, the County's obligation with respect to the 2016 Series A Bonds will be an absolute and unconditional obligation of the County, payable from any lawfully available funds, and payment will not be limited to any special source of funds of the County.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated proceeds to be received from the sale of the 2016 Series A Bonds are expected to be applied as follows:

Sources	
Principal Amount of 2016 Series A Bonds	$___________
Uses	
Refunding of 2016 Debenture[1]	$___________
Costs of Issuance[2]	___________
Total Uses	$___________

(1) See "PLAN OF FINANCING."

(2) Includes underwriter's discount, rating agency fees, legal fees, financial advisory and other costs of issuance.

RISK FACTORS

The following information should be considered by potential investors in evaluating the 2016 Series A Bonds. However, it does not purport to be an exhaustive list of the risks or other considerations which may be relevant to an investment in the 2016 Series A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limitations on Sources of County Revenues

There are limitations on the ability of the County to increase revenues. The ability of the County to increase the ad valorem property taxes (which has historically been a primary source of revenues for counties in California) is limited pursuant to Article XIIIA of the State Constitution, which was enacted in 1978. California voters in 1986 approved Proposition 62, an initiative statute that attempts to limit the imposition of new or higher taxes by local agencies, including the County. Moreover, voters on November 5, 1996 approved Proposition 218 – the "Right to Vote on Taxes Act," which further affects the ability of local agencies to levy and collect existing and future taxes, assessments, fees and charges. Further, on November 3, 2010, California voters approved Proposition 26, which generally expands the definition of "taxes" that are subject to voter approval requirements imposed by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below. While limitations have been imposed on the ability of the County to raise revenues, State and federally mandated expenditures for justice, health and welfare have increased. It is possible that in any given year the annual increase in mandated expenditures may exceed the annual increase in County revenues.

State Funding of Counties

The County receives a significant portion of its funding from the State. As a result, decreases in the revenues received by the State can affect funding by the State to the County and other counties in the State. See "APPENDIX A – THE COUNTY." The potential impact of State budget actions on the County in particular, and other counties in the State generally, in future fiscal years is uncertain at this time. See "STATE OF CALIFORNIA FINANCIAL INFORMATION."

Limitation on Remedies; Bankruptcy

The rights of the Bondowners are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Additionally, enforceability of the rights and remedies of the Bondowners, and the obligations incurred by the County, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Bondowners to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to enforceability by limitations imposed by State and federal laws and by bankruptcy, reorganization and other laws affecting creditors' rights, including equitable principles.

Changes in Law

There can be no assurance that the State Legislature will not at some future time enact legislation that will amend or create laws resulting in a reduction of moneys available to the County to pay debt service on the 2016 Series A Bonds. Similarly, the State electorate could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution which could have the effect of reducing moneys available to the County to pay debt service on the 2016 Series A Bonds.

No Pledge of Taxes

The obligation of the County to pay debt service on the 2016 Series A Bonds does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Although the County's obligation with respect to the 2016 Series A Bonds will be an absolute and unconditional obligation, such obligation will be payable from lawfully available funds without any pledge or special allocation of funds. The County is currently liable on other obligations payable from lawfully available funds and may incur additional obligations in the future payable from lawfully available funds. See "APPENDIX A – THE COUNTY."

Litigation

There are a number of lawsuits pending against the County which, depending on their outcome, may have significant financial impacts on the County. The County believes, however, that the aggregate liability it might incur as a result of adverse decisions in such cases, after giving effect to the County's self-insurance program and its excess insurance coverage, will not have a material adverse effect on the County's ability to make payments on or respect to the 2016 Series A Bonds. See "APPENDIX A – LITIGATION MANAGEMENT.

STATE OF CALIFORNIA FINANCIAL INFORMATION

The following information concerning the State's budget for fiscal year 2015-16 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 (the "DOF"), http://www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office (the "LAO") at http://www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on counties in the State, may be found at the website of the State Treasurer, http://www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County, and the County can take no 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.

Budget for State Fiscal Year 2015-16 In recent years, when there have been anticipated State budget shortfalls, the State Governor has proposed, and the State Legislature has approved, the shift of property tax revenues from cities, counties and special districts to schools. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A."

2015-16 Budget. On June 24, 2015, the Governor signed into law the State budget for fiscal year 2015-16 (the "2015-16 Budget"). The following information is drawn from the DOF's summary of the 2015-16 Budget, as well as a summary prepared by the LAO. The County takes no responsibility for the accuracy, completeness or timeliness of information in such summaries.

For fiscal year 2014-15, the 2015-16 Budget projects total State general fund revenues of approximately $111.3 billion and total State general fund expenditures of approximately $114.5 billion. The 2015-16 Budget projects that the State will end fiscal year 2014-15 with a general fund ending balance of approximately $2.4 billion and total reserves of approximately $3 billion (including approximately $1.5 billion in the traditional general reserve and approximately $1.6 billion in the Budget Stabilization Account (the "BSA"), the State's basic reserve fund). For fiscal year 2015-16, the 2015-16 Budget projects total State general fund revenues of approximately $115 billion and total expenditures of approximately $115.4 billion, leaving the State with a year-end general fund balance of approximately $2 billion. The 2015-16 Budget projects total year-end reserves of approximately $4.6 billion, including approximately $1.1 billion in the traditional general fund reserve and approximately $3.5 billion in the BSA.

As a result of higher than anticipated State revenues, the 2015-16 Budget includes revised estimates to the Proposition 98 minimum funding guarantees for schools for fiscal years 2013-14 and 2014-15. The fiscal year 2013-14 minimum guarantee is revised upward to approximately $58.9 billion, an increase of approximately $612 million over the estimate included in the fiscal year 2014-15 State budget. For fiscal year 2014-15, the 2015-16 Budget revises the minimum guarantee upward to approximately $66.3 billion, an increase of approximately $5.4 billion over the estimate included in the fiscal year 2014-15 State budget.

The 2015-16 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at approximately $68.4 billion, including approximately $49.4 billion of support from the State general fund. This represents a year-to-year increase of approximately $2.1 billion over the revised level for fiscal year 2014-15. For K-12 education, the 2015-16 Budget provides total Proposition 98 funding of approximately $59.5 billion, including approximately $43.2 billion from the State general fund. Under the 2015-16 Budget, K-12 per-pupil spending in fiscal year 2015-16 is $9,942, an increase of $1,011 (or approximately 11%) from the prior year.

Significant proposals or adjustments set forth in the 2015-16 Budget affecting public agencies in the State include the following:

- Law Enforcement. The 2015-16 Budget continues a $40 million general fund allocation to "front line" law enforcement activities. The Board of State and Community Corrections allocates funds to individual cities acting as the fiduciary agent within each county receiving the funds.

- Transportation. The 2015-16 Budget includes total funding of approximately $15.9 billion (approximately $261 million from the general fund and $15.7 billion from other funds) for all programs administered within the State Transportation Agency. In addition, the shared revenues budget allocates over $1.4 billion in fuel excise tax to cities and counties for local streets and roads.

- Elimination of Redevelopment Agencies. The 2015-16 Budget anticipates that in State fiscal years 2014 15 and 2015 16 combined, cities will receive approximately $580 million, counties approximately $660 million, and special districts approximately $200 million.

- Property Taxes. The 2015-16 Budget anticipates ongoing property tax revenues of more than $900 million annually to be distributed to cities, counties, and special districts that can be used by local governments to fund police, fire, and other critical public services.

• State Mandate Reimbursements. The 2015-16 Budget continues the suspension of most mandates not related to law enforcement or property taxes. After satisfying the State Constitutional funding guarantee, additional revenues of up to $800 million are proposed to pay down the remainder of the State's pre 2004 mandate debt. The 2015-16 Budget estimates that a trigger mechanism will result in a $533 million payment toward this mandate debt. These funds will provide counties, cities, and special districts with general purpose revenue.

• Deferred Maintenance. The 2015-16 Budget includes approximately $478 million (approximately $125 million from the general fund) for critical deferred maintenance at universities, community colleges and in State parks, prisons, State hospitals and other State facilities.

• Education. The 2015-16 Budget provides over $1.2 billion in funding to support a coordinated framework for adult education, career technical education, workforce investment, and apprenticeships intended to provide training and education to workers in California.

• Drought Response. The State has experienced four consecutive years of below-average rain and snow, and is currently facing severe drought conditions in all 58 counties. The 2015-16 Budget includes the amount of approximately $1.8 billion (in addition to approximately $1.9 billion that was previously appropriated) of one-time resources to continue the State's response to drought impacts. The funds will protect and expand local water supplies, conserve water and respond to emergency conditions.

The Governor's Budget Summary for the Proposed Budget (the "2015-16 Proposed Budget Summary"), which was released in January 2015, cautioned that, since 2000, the State's short periods of balanced budgets have been followed by massive budget shortfalls. The 2015-16 Proposed Budget Summary also noted that commitments made by the State in the past two years are already straining the State's finances. Under a projection of current policies, the 2015-16 Proposed Budget Summary anticipated that the State would begin to spend more than it receives in annual revenues by State fiscal year 2018-19, by an amount of approximately $1 billion. The County cannot predict whether the State will take steps, in response to a future budget shortfall, which would reduce the amount of tax revenue available to the County. The State budget will be affected by national and State economic conditions and other factors over which the County will have no control. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the County.

The 2015-16 Budget also includes an update of the trigger mechanism payment discussed in the bullet point "State Mandate Reimbursements." The 2015-16 Budget estimates that the trigger mechanism calculation will result in a $765 million payment toward pre 2004 mandate debt (an increase of approximately $232 million from the proposed fiscal year 2015-16 budget) owed by the State to cities, counties and special districts.

For additional information regarding the 2015-16 Budget, see the DOF website at www.dof.ca.gov. The information presented on such website is not incorporated herein by reference.

Other Proposals. With respect to redevelopment, the Governor proposed the following amendments to the dissolution legislation discussed under the caption "—Redevelopment Dissolution" when the fiscal year 2015-16 budget was proposed: (1) redevelopment successor agencies that enter into a written agreement with the DOF to remit unencumbered cash to the county auditor controller will receive a finding of completion, which provides successor agencies with additional fiscal tools and reduced State oversight; (2) successor agencies that receive a finding of completion may expend a portion of proceeds of bonds issued in 2011, which proceeds are currently frozen; (3) pension or State Water Project override revenues that are not pledged to or not needed for redevelopment bond debt service will be returned to the entity that levies the override; (4) agreements relating to State highway improvements and money loaned to successor agencies to pay costs associated with redevelopment dissolution litigation will be considered enforceable obligations; and (5) reentered agreements entered into after the passage of AB 1484 (as described under the caption "—Redevelopment Dissolution—General") are unenforceable unless entered into for the purpose of providing administrative support. Such proposals are subject to approval by the State Legislature and there can be no assurance that any of such proposals will be adopted.

Potential Impact of State of California Financial Condition on the County

The State has experienced significant financial stress in recent years, with budget shortfalls in the several billions of dollars. There can be no assurance that, as a result of such State financial stress, the State will not significantly reduce revenues to local governments (including the County) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. No prediction can be made by the County as to what measures the State will adopt to respond to the current or potential future financial difficulties. There can be no assurance that State actions to respond to State financial difficulties will not adversely affect the financial condition of the County.

Redevelopment Dissolution

General. On December 29, 2011, the State Supreme Court upheld Assembly Bill 1x26 ("AB 1x26"), which dissolved redevelopment agencies in the State. The effect of AB 1x26 upon the County is the termination of the former redevelopment agencies' functions and the transfer of such functions to a successor agency (the County, referred to in this context as the "Successor Agency") tasked with winding down the redevelopment activities of the former redevelopment agencies formed by the County. Under AB 1x26, the Successor Agency cannot enter into new redevelopment projects or obligations and its assets can be used only to pay enforceable obligations in existence in mid-2011, when AB 1x26 was signed by the Governor. In addition, the Successor Agency will receive tax increment revenues in amounts that are sufficient to pay 100% (but no greater amount) of such enforceable obligations until such obligations are paid in full, at which time the Successor Agency will be dissolved. Certain tax revenues formerly allocable to the County will continue to be available to the Successor Agency to pay certain obligations, and a portion of such revenues may be redirected to other taxing agencies, such as school districts and cities. The Successor Agency's activities are subject to review by an oversight board established under AB 1x26. Under AB 1x26, liabilities of the Successor Agency are not liabilities of the City.

On June 27, 2012, the Governor signed Assembly Bill 1484 ("AB 1484"), which made certain amendments to AB 1x26. Under AB 1484, the County Auditor-Controller, the DOF and the State Controller may require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of the Community Redevelopment Law, as amended by AB 1x26 and AB 1484, and if such funds are not returned within 60 days, they may be recovered through an offset of sales and use tax or property tax allocations to the local agency, which, in the case of the Successor Agency, is the County.

Impact on the County. Significant provisions of AB 1x26 and AB 1484 and implementing actions of affected parties, including the Successor Agency, the oversight board and the DOF, may be subject to legal challenge, statutory or administrative changes and other clarifications which could affect the impact of the dissolution of redevelopment on the County and its General Fund. The DOF has proposed additional legislation which would modify statutes affecting redevelopment dissolution; it is not known whether such proposed legislation will be enacted in the form proposed as of May 14, 2015 or in any form. The full extent of the impact of the implementation of AB 1x26 and AB 1484 on the County's General Fund is unknown at this time. While certain administrative costs previously charged to the County by the General Fund will no longer be supported, certain property tax revenues formerly allocated to the former redevelopment agencies formed by the County will now be received by the County's General Fund.

The County, as the Successor Agency, does not believe that it has received material amounts which may be asserted to be in violation of AB 1x26 or AB 1484.

Future State Budgets

The Governor's Proposed Budget for Fiscal Year 2016-17 is expected to be released on or before January 10, 2016. Information relating to the Governor's Proposed Budget will be available at the State Department of Finance web site referenced in the first paragraph under "STATE OF CALIFORNIA FINANCIAL INFORMATION." The Governor's Proposed Budget begins a lengthy process of negotiations with the State Legislature, and the adopted State Budget for Fiscal Year 2016-17 could differ significantly from the Governor's Proposed Budget.

The County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on County finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. The County receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County and other counties in the State. There can be no assurances that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the County. Current and future State budgets will be affected by national and State economic conditions and other factors over which the County has no control.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to (1) ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978, or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (3) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, voting on the proposition. Section 2 of 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 has occurred after the 1975 assessment” (“Full Cash Value”). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Taxpayers in the County may appeal the determination of the County Assessor of the Full Cash Value of their property. At any given point in time, thousands of appeals are pending in the County. If the assessed value of a property is reduced as a result of an assessment appeal or because the property is sold at a price less than the current assessed value, the reduction is borne by relevant taxing agencies, including the County. The number of assessment appeals during the current fiscal year has decreased over the same period in the prior fiscal year.

Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or “severely disabled homeowners” who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended 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.

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Article XIII B of the State Constitution

State and local government agencies in the State are each subject to annual "appropriations limits" imposed by Article XIII B of the State Constitution ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service" (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not "proceeds of taxes," appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, a county's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If county revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

Section 7900, et seq. of the California Government Code defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. Relying on these definitions, and Chapter 60, Statutes of 1990 effective August 1, 1990, which implemented Proposition 111, the County has determined that its appropriations limit for "proceeds of taxes" for Fiscal Year 2015-2016 is $__________. Estimated appropriations for Fiscal Year 2015-2016 subject to the limitation total $__________.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges. On November 3, 2010, California voters approved Proposition 26, which generally expands the definition of "taxes" that are subject to voter approval requirements imposed by Proposition 218. Proposition 26 will most likely be subject to numerous court challenges, and the County is currently unable to predict how Proposition 26 will be interpreted, or to what extent this measure will affect the revenues in the County's General Fund.

Article XIII C requires that all new 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 general fund, require a two-thirds vote. Article XIII C defines "tax" as any levy, charge or exaction of any kind imposed by a local government, except for (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; (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D. In addition, he 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 fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

The voter approval requirements of Article XIII C reduce the County's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the County will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIII D contains several provisions making it generally more difficult for local agencies to 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. The County has several County service areas in discrete unincorporated communities that pay for services that otherwise would have to be funded, if they are funded at all, through the General Fund. If the County is unable to continue to collect assessment revenues for these programs, the programs might have to be curtailed and/or funded by amounts in the General Fund. The County is unable to predict whether it will be able to continue to collect assessment revenues for these programs in light of Article XIII D. If such assessment revenues cannot be collected, the County is unable to predict whether or to what extent it would use any General Fund moneys to maintain which affected programs. The provisions of Article XIII D will also make it more difficult for the County to establish assessment-based programs in the future.

Article XIII D also contains several new provisions affecting a "fee" or "charge," defined for purposes of Article XIII D 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 user fees or charges 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) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) 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. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D), no property related fee or charge may 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. The County has two enterprise funds that are self supporting from fees and charges, which could, depending upon judicial interpretation of Proposition 218, ultimately be determined to be property related for purposes of Article XIII D. In the event that fees and charges cannot be appropriately increased, or are reduced pursuant to exercise of the initiative power (described in the following paragraph), the County may have to decide whether to support any deficiencies in these enterprise funds with moneys from the general fund or to curtail service, or both.

In addition to the provisions described above, Article XIII C removes prohibitions and limitations on the initiative power in matters of any "local tax, assessment, fee or charge." Consequently, the voters of the County could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. "Assessment," "fee" and "charge," are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIII C. If the Article XIII D definitions are not held to limit the scope of Article XIII C initiative powers, then the Article XIII C initiative power could potentially apply to revenue sources that currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the County will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

Statutory Limitations

A statutory initiative ("Proposition 62") was adopted by State voters at the November 4, 1986 General Election, which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity voting in such election, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction voting in such election, (3) restricts the use of revenues from a special tax to the purpose or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate voting in such election within two years of the adoption of the initiative or be terminated by November 15, 1988. Proposition 62 requirements are generally not applicable to general taxes and special taxes levied prior to its November 4, 1986 effective date.

On September 28, 1995, the California Supreme Court, in the case of Santa Clara County Local Transportation Authority v. Guardino, upheld the constitutionality of Proposition 62. In this case, the court held that a countywide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, Howard Jarvis Taxpayers Association v. City of La Habra, et al. ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 1A

Proposition 1A was approved by the voters at the November 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2008–09, the State may borrow up to eight percent of local property tax revenues, but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two–thirds of both houses of the Legislature approves the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of 10 fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the statewide local sales tax.

The 2009-10 State budget included a Proposition 1A diversion of $1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State general fund spending. As part of the State budget package, local governments were given the opportunity to receive the monies being borrowed by the State upfront through a securitization financing offered by the California Statewide Communities Development Authority ("CSCDA"). CSCDA issued bonds securitizing the future payments by the State and remitted the proceeds of the bonds to the local governments which opted to participate in the securitization. The County participated in the Proposition 1A Securitization Program, and received installments on January 15, 2010 and May 3, 2010.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the California Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues. The County cannot predict whether Proposition 22 will have a beneficial effect on the County's financial condition.

Future Initiatives

Article XIII A, Article XIII B and Propositions 62, 218, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other 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 to the County, under existing law, interest on the 2016 Series A Bonds is exempt from State of California personal income taxes. Interest on the 2016 Series A Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the 2016 Series A Bonds.

Prospective investors that are not individuals or regular C corporations who are United States persons purchasing the 2016 Series A Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the 2016 Series A Bonds.

Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the County), defeasance or other disposition of a 2016 Series A Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, an owner of a 2016 Series A Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2016 Series A Bond which will be taxed in the manner described above) and (ii) the owner's adjusted tax basis in the 2016 Series A Bond (generally, the purchase price paid by the owner for the 2016 Series A Bond, decreased by any amortized premium). Any such gain or loss generally will be capitals gain or loss. In the case of a noncorporate owner of the 2016 Series A Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such owner's holding period for the 2016 Series A Bonds exceeds one year. The deductibility of capital losses is subject to limitation.

VALIDATION PROCEEDINGS

On November 1, 2006, the County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Orange (County of Orange vs. All Persons Interested, etc., Case No. 06CC11581) seeking judicial validation of the Trust Agreement, the 2007 Debenture and additional debentures, the 2007 Series A Bonds and additional bonds and certain other matters. On December 14, 2006, the court entered a default judgment to the effect, among other things, that the 2007 Debenture and the 2007 Series A Bonds were and are in conformity with applicable provisions of all laws and any additional debentures, additional bonds and supplemental trust agreements are valid and binding obligations of the County under the California Constitution and laws of the State. Bond Counsel and County Counsel will rely on the validation action in rendering their legal opinions.

LEGAL MATTERS

Certain legal matters incident to the issuance of the 2016 Series A Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County. See "APPENDIX E – PROPOSED FORM OF OPINION OF BOND COUNSEL." Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the County by the Office of the County Counsel ("County Counsel") and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP.

FINANCIAL ADVISOR

The County has retained KNN Public Finance, a Division of Zions First National Bank, Oakland, California, as Financial Advisor (the "Financial Advisor") in connection with the execution and delivery of the 2016 Series A Bonds. The Financial Advisor is not obligated to undertake and has not undertaken an independent verification of the accuracy, completeness or fairness of the information in the Official Statement. Compensation paid to the Financial Advisor is contingent on the delivery of the 2016 Series A Bonds.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of 2016 Series A Bond Owners and beneficial owners of the 2016 Series A Bonds to provide notices of the occurrence of certain enumerated events. The specific nature of the terms of the continuing disclosure obligation is described in "APPENDIX F -- FORM OF CONTINUING DISCLOSURE CERTIFICATE."

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 four 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; (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, in some cases by only a day and in other cases by a longer period of time; (iii) failure to file audited financial statements as a part of certain annual reports, although copies of the County's audited financial statements were available to investors from other sources and (iv) failure to file annual reports with respect to certain bonds after they were economically (but not legally) defeased.

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 a consultant, in order to enforce compliance with its continuing disclosure undertakings.

INDEPENDENT AUDITORS

The audited basic financial statements of the County for the fiscal year ended June 30, 2015 are included as Appendix B attached hereto. The basic financial statements referred to in the preceding sentence have been audited by Macias Gini & O'Connell LLP, independent auditors, as stated in their Independent Auditor's Report included in Appendix B. Macias Gini & O'Connell LLP, has consented to the inclusion of the basic financial statements and their Independent Auditor's Report in Appendix B attached hereto.

LITIGATION

No litigation is pending or threatened against the County seeking to restrain or enjoin the sale or issuance of the 2016 Series A Bonds or contesting the power of the County to issue the 2016 Series A Bonds or the validity of the Trust Agreement or the 2016 Series A Bonds. 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 2016 Series A Bonds. See "APPENDIX A – COUNTY FINANCIAL INFORMATION Litigation Management" attached hereto.

RATINGS

The County has received ratings of "___" and "____" on the 2016 Series A Bonds from Standard & Poor's Ratings Services, a division of Standard & Poor's Financial Services LLC ("S&P") and Fitch Ratings ("Fitch"), respectively. Certain information was supplied by the County to S&P and Fitch to be considered in evaluating the 2016 Series A Bonds. The ratings issued reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from S&P and Fitch, respectively. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agencies if in their judgment, circumstances so warrant. Other than as provided in the Continuing Disclosure Certificate, the County undertakes no responsibility either to bring to the attention of the owners of any 2016 Series A Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of and the ability to trade the 2016 Series A Bonds.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In addition, each fiduciary of a Plan must give appropriate consideration to the facts and circumstances that are relevant to an investment in the 2016 Series A Bonds, including the role that such an investment in the 2016 Series A Bonds would play in the Plan's overall investment portfolio. Each fiduciary of a Plan, before deciding to invest in the 2016 Series A Bonds, must be satisfied that such investment in the 2016 Series A Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the 2016 Series A Bonds, are diversified so as to minimize the risk of large losses and that an investment in the 2016 Series A Bonds complies with the documents of the Plan and related trust, to the extent that such documents are consistent with ERISA. The fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Bond and consider whether the purchase and holding of the 2016 Series A Bonds might result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

UNDERWRITING

The 2016 Series A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated and J.P. Morgan Securities LLC (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the 2016 Series A Bonds at a price of $__________ (which consists of the principal amount of the 2016 Series A Bonds of $__________, less underwriter's discount of $__________). The Bond Purchase Agreement relating to the 2016 Series A Bonds (the "Purchase Contract") provides that the Underwriters will purchase all of the 2016 Series A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the 2016 Series A Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriters.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2016 Series A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings, including the 2016 Series A Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of

CS&Co. and LPL will purchase 2016 Series A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2016 Series A Bonds that such firm sells.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the 2016 Series A Bonds.

The execution and delivery of this Official Statement has been duly authorized by the County.

COUNTY OF ORANGE

By: ____
Public Finance Director

APPENDIX A

THE COUNTY

General

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

County Government

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

County administration consists of eighteen County officers. Six County officers are elected by a countywide vote to four-year terms: the Assessor; Auditor-Controller; Clerk-Recorder; District Attorney-Public Administrator; Sheriff-Coroner and the Treasurer-Tax Collector (the "Treasurer"). The County Executive Officer ("CEO"), County Counsel, Public Defender, Performance Auditor, Office of Independent Review, Clerk of the Board, Social Services Agency Director, Airport Director, Child Support Services Director, and Health Care Agency Director are County officers that are appointed by the Board of Supervisors. Effective August 2015, the Board of Supervisors approved consolidating the internal audit responsibilities under the office of the Auditor-Controller. The Board of Supervisors no longer appoints the Internal Auditor. The County's current CEO, Frank Kim, has served in that position since May 2015 and his employment began in 1995. He previously served as the Chief Financial Officer ("CFO"). The CFO is appointed by and reports to the CEO. Michelle Aguirre has served as CFO since June 2015 and her employment began in 1989. The Chief Probation Officer is appointed by the Board of Supervisors with the concurrence of the Presiding Judge of the Orange County Superior Court. The County management team includes department heads appointed by the CEO.

County Services

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

California counties administer numerous health and social service programs as the administrative agent of the State and pursuant to State law. Many of these programs have been either wholly or partially funded with State and Federal funds. Under State law, the County is required to administer State and federal health programs and to provide for a portion of their costs with local revenues. The County is also responsible for all indigent medical care in the County pursuant to State law. The County does not operate its own hospital, but contracts for such services with private facilities.

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

Certain municipal services are provided by the County to unincorporated communities and, on a contract basis, to some of the 34 incorporated cities within its boundaries. This arrangement is designed to allow cities to contract with the County for municipal services without incurring the cost of creating numerous city departments and facilities. Under the plan, the County provides any or all services to a city at the same level as provided in the unincorporated areas, or at any higher level the city may contract for. Services are generally provided at cost.

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

County Employment

As of October 1, 2015, the number of permanent filled employee positions was 16,203. The following table sets forth the total number of County employees for each of the last ten years:

TABLE A-1

COUNTY OF ORANGE
Employment Positions(1)

2006	16,623
2007	17,199
2008	17,482
2009	16,855
2010	16,239
2011	15,965
2012	15,771
2013	15,852
2014	16,108
2015	16,203

(1) Employment Positions represent the number of filled positions at fiscal year-end except for 2015, which is as of October 1, 2015.

Source: County of Orange, County Budget Office.

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Most County employees are represented by 16 bargaining units within eight labor organizations, the principal labor organization being the Orange County Employees Association ("OCEA"), which consists of the Community Services, County General, Office Services, Probation Services, Probation Supervisory Management, Sheriff Special Officers & Deputy Coroner, Supervisory Management, and Health Care Professional Units, representing approximately 12,059 employees. Represented County employees and their appropriate bargaining agents are shown in the following table. Agreements with four major bargaining units expired at the end of Fiscal Year 2014-15. These four bargaining units are currently in the process of negotiations. County employees in bargaining units currently in the process of negotiations continue to work under the terms of their previous contract with no interruption.

TABLE A-2

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

Bargaining Agents	Number of Positions	Contract Term
Orange County Employees Association	12,059	March 25, 2014 to June 25, 2015[(2)]
Association of Orange County Deputy Sheriffs	2,020	October 5, 2012 to June 30, 2016
American Federation of State, County and Municipal Employees	1,561	June 15, 2012 to June 23, 2016
Orange County Managers Association	1,145	January 4, 2011 to January 9, 2014[(2)]
Orange County Attorneys Association	514	May 15, 2015 to June 30, 2019
Alliance of Orange County Workers	477	December 17, 2013 to June 11, 2015[(2)]
International Union of Operating Engineers	139	June 19, 2009 to June 14, 2012[(2)]
Association of County Law Enforcement Managers	82	June 23, 2015 to June 21, 2018

(1) Position data includes filled and vacant positions as of February 6, 2015.
(2) Contract negotiations currently in process.

Source: County of Orange, County Budget Office.

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COUNTY FINANCIAL INFORMATION

Financial Statements

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

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

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

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

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

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

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

- The Teeter Plan Notes Fund accounts for the financing of the County's purchase of delinquent taxes receivable pursuant to the County's Teeter Plan. The Teeter Plan is an alternative secured property tax distribution plan, whereby the County distributes the full share of the local secured levy to the taxing agencies participating in the Teeter Plan and in exchange receives the right to keep the delinquent taxes, penalties and interest. For discussion of the Teeter Plan Notes, see "*Teeter Plan Notes*" herein.

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net changes in fund balances for the governmental funds for the Fiscal Years ended June 30, 2012 through 2015.

TABLE A-3

COUNTY OF ORANGE
GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years Ending June 30, 2012 through June 30, 2015
(In Thousands)

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2014	**2015**	**2014**	**2015**	**2014**	**2015**
General Fund	$2,879,856		$2,808,016		$71,840	
Roads	109,937		107,694		2,243	
Flood Control District	169,260		154,993		14,267	
Other Public Protection	49,261		48,203		1,058	
Teeter Plan Notes	50,786		43,959		6,827	
Other Governmental	600,011		615,209		(15,198)	
TOTAL	$3,859,111		$3,778,074		$81,037	

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2012	**2013**	**2012**	**2013**	**2012**	**2013**
General Fund	$2,695,951	$2,865,893	$2,621,311	$2,744,670	$74,640	$121,223
Roads	89,098	59,444	124,043	80,652	(34,945)	(21,208)
Flood Control District	175,414	134,978	119,594	160,101	55,820	(25,123)
Other Public Protection	51,856	63,559	46,064	44,059	5,792	19,500
Teeter Plan Commercial Paper Program Note	17,094	73,641	12,036	15,808	5,058	57,833
Other Governmental	676,891	621,950	856,260	592,923	(179,369)	29,027
TOTAL	$3,706,304	$3,819,465	$3,779,308	$3,638,213	$(73,004)	$181,252

Source: Orange County Comprehensive Annual Financial Reports dated June 30, 2013 and June 30, 2015.

The following table sets forth the audited General Fund Balance Sheet as of June 30, 2012 through June 30, 2015.

TABLE A-4

COUNTY OF ORANGE
GENERAL FUND BALANCE SHEET[1]
June 30, 2012 through June 30, 2015
(In Thousands)

	2012	2013	2014	2015
ASSETS				
Pooled Cash/Investments	$315,476	$351,100	$425,057	
Imprest Cash Funds	1,885	1,864	1,864	
Restricted Cash and Investments with Trustee	1,536	1,574	1,536	
Receivables				
Accounts	10,138	9,747	18,909	
Taxes	11,483	8,942	11,900	
Interest/Dividends	568	431	533	
Deposits	480	491	492	
Advances	30	30	30	
Allowance for Uncollectible Receivables	(189)	(4,036)	(4,399)	
Due from Other Funds	46,551	50,495	63,956	
Due from Component Unit	283	366	455	
Due from Other Governmental Agencies	335,658	335,970	350,784	
Inventory of Materials and Supplies	546	655	902	
Prepaid Costs	222,414	260,291	316,320	
Advances to Other Funds	2,500	2,500	3,800	
Total Assets	$949,359	$1,020,420	$1,192,139	
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	45,544	$36,223	$65,154	
Salaries and Employee Benefits Payable	65,414	66,906	57,182	
Retainage Payable	1,290	1,696	2,044	
Interest Payable	893	--	1,135	
Deposits from Others	1,188	1,335	1,553	
Due to Other Funds	21,618	43,601	35,780	
Due to Other Governmental Agencies	22,779	10,903	27,847	
Estimated Litigation and Claims	629	--	--	
Deferred Revenue	176,424	123,290	--	
Unearned Revenue	30,466	19,642	19,410	
Bonds Payable	229,880	268,360	325,405	
Advances from Other Funds	--	3,918	3,134	
Total Liabilities	$596,125	$575,874	$538,644	
DEFERRED INFLOWS OF RESOURCES[2]				
Unavailable Revenue- Intergovernmental Revenues	--	--	73,769	
Unavailable Revenue- SB 90 Mandated Claims, Net	--	--	47,926	
Unavailable Revenue- Property Taxes	--	--	9,485	
Unavailable Revenue- Others	--	--	5,929	
Total Deferred Inflows of Resources	--	--	137,109	
FUND BALANCES				
Nonspendable[3]	225,460	263,446	321,022	
Restricted	26,336	34,679	42,028	
Assigned	100,448	68,157	153,336	
Unassigned	990	78,264	--	
Total Fund Balances	$353,234	$444,546	$516,386	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$949,359	$1,020,420	$1,192,139	

(1) The Notes to the County's Basic Financial Statements are an integral part of this table and can be found in the County's Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2015 in Appendix B of this Official Statement.
(2) See Note 1 in the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2015" in Appendix B of this Official Statement.
(3) Includes an amount equal to pension obligation bonds sold to prepay the subsequent year's pension obligations, which are reserved as nonspendable as a "prepaid cost". Pension prepayments represent $221.7 million for Fiscal Year 2012, $260 million for Fiscal Year 2013, $316 million for Fiscal Year 2014, and [$XXX] million for Fiscal Year 2015. As a result, GASB 54 presentation does not represent the County's budgetary and financial planning allocation of fund balance. See "County General Fund Budget—Strategic Financial Plan and Reserves," herein.

Sources: Orange County Comprehensive Annual Financial Reports June 30, 2012, 2013, 2014 and 2015.

The following table presents a more detailed summary of revenues, expenditures and changes in fund balances for the General Fund for Fiscal Years 2010-11 through 2014-15.

TABLE A-5

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

	2011	2012	2013	2014	2015
REVENUES					
Taxes[1]	$ 555,229	$ 610,493	$ 668,819	$ 599,366	
Licenses, Permits & Franchises	15,121	16,481	13,190	22,595	
Fines, Forfeitures & Penalties	42,442	41,986	35,562	33,039	
Use of Money and Property	6,404	5,394	3,510	5,260	
Intergovernmental Revenues	1,346,710	1,419,777	1,551,407	1,593,107	
Charges for Services	418,768	369,167	389,367	410,108	
Other Revenues	19,075	19,364	18,147	13,124	
TOTAL REVENUES	$2,403,749	$2,482,662	$2,681,002	$2,676,599	
EXPENDITURES					
General Government	$ 155,629	$ 142,577	$ 169,625	$ 140,816	
Public Protection	975,366	1,004,669	1,047,148	1,082,961	
Public Ways and Facilities	41,687	37,654	36,614	35,570	
Health and Sanitation	573,531	578,584	609,572	620,256	
Public Assistance	753,177	735,713	749,128	795,582	
Capital Outlay	10,142	16,713	12,459	12,454	
Principal Retirement	18,619	19,484	20,252	21,622	
Interest	14,220	15,228	9,204	9,844	
Debt Issuance Costs	--	--	--	200	
TOTAL EXPENDITURES	$2,542,371	$2,550,622	$2,654,002	$2,719,305	
Excess (Deficit) of Revenues Over Expenditures	$ (138,622)	$ (67,960)	$ 27,000	(42,706)	
Other Financing Sources (Uses)					
Transfers In[2]	231,664	213,289	184,891	203,257	
Transfers Out[2]	(115,029)	(70,689)	(90,668)	(88,711)	
Capital Lease Proceeds	133	--	--	--	
Total Other Fin. Sources (Uses)	116,768	142,600	94,223	114,546	
Net Change in Fund Balances	$ (21,854)	$ 74,640	$ 121,223	$ 71,840	
Fund Balances – Beginning of Year	268,284	278,594	353,234	444,546	
Adjustments[3]	32,164	--	(29,911)	--	
Fund Balances – Beginning of Year as Restated	300,448	--	323,323	--	
FUND BALANCES – End of Year	$ 278,594	$ 353,234	$ 444,546	$ 516,386	

[1] Primarily property taxes, as well as local sales and other taxes.

[2] Interfund transfers reflect the flow of assets between funds and component units of the County. See Note [9] in the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2015" in Appendix B of this Official Statement.

[3] 2011 adjustment to fund balances due to the implementation of Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". 2013 adjustment due to a prior period adjustment.

Sources: Orange County Comprehensive Annual Financial Reports.

County General Fund Budget

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

The main focus of the budget is the "Discretionary General Fund," a component of the General Fund, which represents the County programs that are funded by General Purpose Revenue. General Purpose Revenue is revenue received in the General Fund that is not specific to a program or service, and consists primarily of property taxes. General Purpose Revenue is available to meet lease revenue and pension bond debt service requirements, match or maintain requirements in State and federal programs and can otherwise be allocated at the discretion of the Board of Supervisors. General Purpose Revenue totals $723.1 million or about 11.91% of the total Fiscal Year 2015-16 Modified Budget and approximately 21.88% of the General Fund Budget. In comparison, General Purpose Revenue totaled $670.7 million or about 11.2% of the total Fiscal Year 2014-15 final Modified Budget and approximately 19.2% of the General Fund Budget.

The Board of Supervisors annually holds budget hearings and adopts a final budget for the County in June. The Board of Supervisors adopted a final budget for Fiscal Year 2015-16 on June 23, 2015. On November 17, 2015, the Board of Supervisors approved various adjustments to the budget as part of the First Quarter Budget Report.

Strategic Financial Plan. In 1997, the County initiated a strategic financial planning process to establish strategic priorities. The process is a management tool and provides a structure to help the County face both short-term and long-term operational decisions. The most recent Strategic Financial Plan was released in December 2015 and will be used in the development of the Fiscal Year 2016-17 Budget.

The baseline revenue and expense forecast, which is prepared by the County Budget Office, has a five-year horizon. A ten-year horizon is used to estimate the ability of the County to fund new initiatives, programs or facilities, which are reported as strategic priorities.

Reserves. The County has established budgetary reserves within the General Fund which had the following balances as of September 30, 2015: strategic priority reserve $502.1 million (which includes $130 million allocated for future repayment to the State of Vehicle License Fee Adjustment Amounts; see "General Fund Revenues—Vehicle License Fee Revenue Reallocation and Repayment" herein and also includes $46.7 million Teeter loss reserves fund excess**),** capital project reserve $6 million, and a contingency reserve of $61.3 million. These reserve balances are not legally restricted for any specific purpose; however, they are reserved by Board action and require a four-fifths vote to appropriate.

Certain other funds held outside the County General Fund have also been established including program reserves in the amount of approximately $70.2 million as of September 30, 2015 for sheriff and law enforcement, child support, social services and the health care agency.

In addition, the County maintains an account (the "Investment Account"), originally funded with proceeds of the County's 1994 Pension Obligation Bonds in the Orange County Employees Retirement System ("OCERS") which is commingled with the OCERS pool for investment purposes. Pursuant to an agreement between the County and OCERS, the County may direct the expenditure of any portion of the Investment Account to offset County contributions to OCERS. The monies in the Investment Account may not be withdrawn by the County or used for expenditures other than OCERS contributions. The balance in the Investment Account as of June 30, 2015 was $112.5 million. For recent expenditures from the Investment Account, see "COUNTY RETIREMENT SYSTEM" and Table A-17 herein.

Comparative Budgets for Fiscal Years 2012-13 through 2015-16

The following table sets forth the County's Final Budgets (which include all mid-year adjustments made during the fiscal year) for Fiscal Year 2012-13 through Fiscal Year 2014-15 and the Modified Budget (which includes mid-year adjustments through November 17, 2015) for Fiscal Year 2015-16.

TABLE A-6

COMPARISON OF GENERAL FUND FINAL OR MODIFIED BUDGETS FOR FISCAL YEARS 2012-13 TO 2015-16

	2012-13(1) Final Budget	2013-14(1) Final Budget	2014-15(1) Final Budget	2015-16 (1) Modified Budget
REQUIREMENTS:				
Public Protection	$1,023,065,226	$1,051,475,536	$1,095,457,994	$1,143,765,650
Health & Community & Social Services	1,601,302,690	1,606,193,281	1,603,879,802	1,621,960,932
Infrastructure & Environmental Resources	104,212,709	98,466,437	97,689,963	94,463,227
General Government & Services	147,546,030	147,269,213	159,856,258	171,099,084
Capital Improvements(2)	68,705,534	29,945,072	49,278,986	54,576,076
Debt Service(3)	561,950,943	413,678,412	435,142,002	49,574,689
Insurance, Reserves & Miscellaneous(4)	34,677,217	13,214,741	17,815,868	39,009,776
Increases to Reserves(5)	45,425,005	0	0	13,000,000
Total Requirements	**$3,586,885,354**	**$3,360,242,692**	**$3,459,120,873**	**$3,187,449,434**
AVAILABLE FUNDS:				
Fund Balance Available	45,425,005	$0	$0	$0
Property Taxes(6)	601,122,362	569,100,585	604,033,335	645,114,419
Sales Tax(7)	7,921,000	8,426,000	8,482,000	7,642,000
Licenses, Permits & Franchises	19,277,343	20,216,426	21,174,181	23,775,916
Fines, Forfeitures & Penalties(8)	39,755,872	35,153,448	35,630,513	33,973,817
Use of Money & Property(9)	6,252,889	4,800,217	4,730,568	5,768,004
Intergovernmental Revenues(10)	1,585,831,268	1,607,436,052	1,587,478,976	1,633,557,719
Charges for Services(11)	415,036,900	422,395,830	438,726,367	438,783,657
Miscellaneous Revenues(12)	253,550,178	31,874,007	22,901,548	24,057,729
Other Financing Sources(13)	550,096,898	646,354,668	714,351,859	334,823,560
Decreases to Reserves(5)	62,615,639	14,485,459	21,611,526	39,952,613
Total Available Funds	**$3,586,885,354**	**$3,360,242,692**	**$3,459,120,873**	**$3,187,449,434**

(1) Final & Modified Budgets include all mid-year budget adjustments.
(2) Fiscal Year 2012-13 re-appropriated carryover funds of $39.9 million for one-time deferred maintenance of critical public safety facilities. Fiscal Year 2014-15 includes one-time additional funding of $10.6 million for the Health Care Agency facility acquisition, $5.4 million for one homeless shelter acquisition, and $1.9 million for El Toro land development project. Fiscal Year 2015-16 capital projects also include one-time additional funding of $12.5 million for two homeless shelter acquisitions, $6 million for Health Care Agency capital projects, and $1.4 million for El Toro land development project.
(3) Fiscal Year 2015-16 excludes appropriations for the 2005 Refunding Recovery Bonds which were paid off in Fiscal Year 2014-15 and a change to record the Taxable Pension Obligation Bonds as a balance sheet transaction.
(4) Increase in Fiscal Year 2012-13 includes $16.7 million one-time settlement payment to cities for the Property Tax Administrative Fees and $5 million to fund the construction of U.S Immigration and Customs Enforcement (ICE) Court Modular project. Fiscal Year 2014-15 Budget includes $5 million AB 701 Vehicle License Fee Revenue Allocation (VLFAA) settlement payment to the State and $3.6 million ongoing funding for the homeless shelter. Fiscal Year 2015-16 includes $15 million AB 701 VLFAA settlement payment to the State, $6.5 million funding for the homeless shelter, and $8.7 million contingency funds. See "Vehicle License Fee Revenue Reallocation and Repayment" herein.
(5) Fiscal Year 2012-13 includes $45.4 million increase to reserves, which was due to an increase in budget for VLFAA revenue. The net reserves decrease each year represents funding for new programs, carryover items and year end budget adjustments. Fiscal Years 2013-14 and 2014-15 Beginning "Budgeted" Fund Balance Available is zero, which is consistent with GASB 54 classification requirements. GASB 54 requires all year-end Fund Balance Available be reclassified and transferred to reserves. Fiscal Years 2012-13, 2013-14, and 2014-15 actual year-end Fund Balance reclassified and transferred to reserves were $129,691,929, $67,054,388, and $128,135,436 respectively. Table A-5 shows the net increase in Fund Balance including GASB 54 reclassifications and other adjustments.
(6) See "Vehicle License Fee Revenue Reallocation and Repayment" herein for the loss of VLFAA revenue starting in Fiscal Year 2013-14. Due to a recovering housing market and additional allocation of residual property taxes from the dissolution of Redevelopment Agencies, Fiscal Years 2013-14, 2014-15, and 2015-16 property tax revenues increased, but the increase is offset by the ongoing $73.5 million loss of VLFAA revenue.
(7) Fiscal Year 2015-16 Sales tax revenue decline is due to reduced sales taxes on airplane gasoline.
(8) Fiscal Year 2013-14 Fines, Forfeitures & Penalties revenue decrease is due to a decline in penalty revenue on delinquent taxes and trial court revenue from court fines, fees, and penalties.
(9) Changes in Use of Money & Property is due to changes in interest earnings.
(10) This funding is comprised of Federal and State grants and reimbursements, matching funds and State-distributed revenues. The overall changes are due to changes in caseload and additional revenues from the State for the 2011 Realignment of various public safety, social services, and health programs.

(11) Increase in Fiscal Year 2014-15 is due to an increase in cost of services to cities which contract for Sheriff security services and charges from Health Care Agency for Mental Health Services.
(12) Fiscal Year 2012-13 includes $232 million in revenue from departments for debt service of the Taxable Pension Obligation Bonds, 2012 Series A. Fiscal Years 2013-14, 2014-15, 2015-16 exclude revenues from departments as it is recorded as a Balance Sheet transaction.
(13) Includes operating transfers from other funds within the County including transfers from the Teeter Program and departmental transfers from Non-General Funds for the reimbursement of program expenditures. Fiscal Years 2012-13, 2013-14, and 2014-15 Budgets include $270 million, $347 million, and $364 million respectively to account for the proceeds of the Taxable Pension Obligation Bonds. Fiscal Year 2015-16 excludes appropriations for Taxable Pension Obligation Bonds due to a change in recording the transaction to the balance sheet.

Source: County of Orange, County Budget Office.

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Comparative General Purpose Revenue and Net County Cost for Fiscal Years 2012-13 through 2015-16

The following table sets forth the County's Final Budgets (which include all mid-year adjustments made during the fiscal year) for Fiscal Year 2012-13 through Fiscal Year 2014-15 and the Modified Budget (which includes mid-year adjustments through November 17, 2015) for Fiscal Year 2015-16.

TABLE A-7

COMPARISON OF GENERAL PURPOSE REVENUE AND NET COUNTY COST FINAL OR MODIFIED BUDGETS FOR FISCAL YEARS 2012-13 TO 2015-16

	2012-13[1] Final Budget	2013-14[1] Final Budget	2014-15[1] Final Budget	2015-16[1] Modified Budget
NET COUNTY COST:				
Public Protection [2]	$347,189,501	$338,857,548	$359,646,791	$404,432,619
Health & Community & Social Services	136,156,238	133,055,050	123,866,847	125,556,054
Infrastructure & Environmental Resources [3]	34,169,767	32,334,176	32,392,090	20,978,173
General Government & Services [4]	102,186,552	106,635,659	112,895,040	126,297,876
Capital Improvements [5]	56,951,546	19,944,880	37,218,199	22,982,775
Debt Service [6]	19,478,666	19,289,301	19,293,479	872,229
Insurance, Reserves & Miscellaneous [7]	16,232,055	(17,860,491)	(5,227,683)	18,074,041
Total Requirements	**$712,364,325**	**$632,256,123**	**$680,084,763**	**$719,193,767**
AVAILABLE FUNDS/ GENERAL PURPOSE REVENUE (GPR):				
Property Taxes	$579,033,000	$547,184,709	$580,466,000	$620,231,000
Sales Tax	10,840,000	10,471,000	10,162,000	10,029,000
Licenses, Permits & Franchises	2,705,921	2,657,434	2,631,293	2,758,368
Fines, Forfeitures & Penalties [8]	20,423,000	17,471,000	17,906,000	18,571,000
Use of Money & Property [9]	2,827,000	1,400,000	1,388,000	1,600,000
Intergovernmental Revenues [10]	10,445,765	3,200,000	2,990,000	2,808,000
Charges for Services	19,190,000	17,412,000	21,378,115	21,783,000
Miscellaneous Revenues [11]	2,234,000	2,474,000	2,006,000	2,486,000
Other Financing Sources [12]	2,050,000	15,500,521	23,415,800	11,974,786
Decreases to Reserves [13]	62,615,639	14,485,459	17,741,555	26,952,613
Total Available Funds	**$712,364,325**	**$632,256,123**	**$680,084,763**	**$719,193,767**

(1) Final & Modified Budgets include all mid-year budget adjustments.
(2) Fiscal Year 2015-16 Net County Cost increase for Public Safety for: (a) additional $33 million funding to maintain the current level of service for District Attorney, Sheriff-Coroner, Public Defender, and Public Administrator and (b) reallocation of $14 million Net County Cost from Infrastructure & Environmental Resources.
(3) Fiscal Year 2015-16 Net County Cost decrease for Infrastructure & Environmental Resources is due to a change in billing practice for utilities, parking and custodial services. Departments will reimburse for these services. Therefore, appropriations were reallocated to Public Safety programs, $14 million and General Government Services, $3 million. Also, in Fiscal Year 2015-16 $4.6 million in appropriations was transferred to pay costs associated with the potential Central Utility Facility financing.
(4) Fiscal Year 2015-16 Net County Cost increase in General Government Services is mainly for a $6.5 million financial system upgrade, $5 million for 2016 election and $3 million to maintain the current level of service for Treasurer-Tax Collector, Human Resources, Assessor, Auditor-Controller, and County Executive Office.
(5) Fiscal Year 2012-13 includes re-appropriated carryover funds of $39.9 million for one-time deferred maintenance of critical public safety facilities. Fiscal Year 2014-15 includes one-time additional funding of $10.6 million for the Health Care Agency facility acquisition cost and $1.9 million for El Toro land development project.
(6) Fiscal Years 2012-13, 2013-14, and 2014-15 include $18 million annual debt service for the 2005 Refunding Recovery Bonds which were paid off in Fiscal Year 2014-15.
(7) Fiscal Year 2012-13 Budget included $17 million one-time settlement payment to cities for the Property Tax Administrative Fees. Fiscal Year 2013-14 reduction in Net County Cost was mainly from Miscellaneous Fund budget to address the Vehicle License Fee Adjustment Amount reductions; it included $10 million additional revenue from Orange County Employees Retirement System (OCERS) investment account and $2.7 reduction in contingency funds. Fiscal Year 2014-15 reduction in Net County Cost was mainly from Miscellaneous Fund budget decrease of $10 million due to not drawing down from OCERS investment account. Fiscal Year 2015-16 increase in Net County Cost is mainly from Miscellaneous Fund budget for $18 million increase in appropriations for contingencies.
(8) Fiscal Year 2013-14 Fines, Forfeitures & Penalties revenue decrease is due to a decline in penalty revenue on delinquent taxes.
(9) Changes in Use of Money & Property is due to changes in interest earnings.
(10) Changes in Intergovernmental Revenues is due to reclassification of Redevelopment Property Taxes Revenue to Property Tax category.
(11) Changes in Miscellaneous Revenues is due to increases and decreases in excess revenue distribution from the Bankruptcy Plan of Adjustment Fund.

(12) Fiscal Years 2013-14 and 2014-15 increase in Other Financing Sources is due to an increase of a one-time transfer amount from the Teeter Fund. Fiscal Year 2015-16 Budget includes a decrease in the Teeter Fund transfer amount.
(13) Decrease in General Fund reserves is for balancing purpose as a result of GASB 54. The draw from reserves is primarily related to the use of prior year fund balance for one-time planned capital projects and changes approved by the Board.

Source: County of Orange, County Budget Office.

Revenue Assumptions Incorporated into the Fiscal Year 2015-16 Budget

The following additional assumptions were incorporated into the Fiscal Year 2015-16 County Budget:

- Revenue from property taxes is assumed to grow in Fiscal Year 2015-16 based on a conservative projection of 4.0% growth.

- Public Safety Sales Tax (Proposition 172) is assumed to increase by 4.2%.

- Health & Welfare Realignment revenue from the State allocated to Health, Mental Health, Social Services and Probation is projected to be $190.6 million, which is a $3.7 million decrease from Fiscal Year 2014-15 due to realignment of Health services from the Health & Welfare Realignment.

- State Realignment revenue includes $80.6 million to support public safety responsibilities under the 2011 Realignment legislation, AB 109, which is a $12 million increase from Fiscal Year 2014-15 due to $5.2 million growth revenue for Orange County and $6.8 million additional one-time funding for transition and stabilization

General Fund Revenues

The largest single source of funding in the General Fund portion of the County Budget is intergovernmental revenue. Intergovernmental revenue accounted for 48%, 46.2% and 51.9% of all General Fund revenue sources for Fiscal Years, 2013-14, 2014-15 and 2015-16, respectively. Intergovernmental revenue is comprised primarily of state and federal funds, and is dedicated to mandated programs in the public safety, health and welfare areas. Approximately 38.5% of the County's Fiscal Year 2015-16 adopted total budgeted revenues are from the State. See "STATE OF CALIFORNIA FINANCIAL INFORMATION" in the forepart of this Official Statement.

Ad Valorem **Property Taxation**

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

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

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

Teeter Plan Notes. The County issued its Teeter Plan Series B Notes (the "Teeter Notes") in 2013 for the purpose of financing its current Teeter Plan distribution to taxing agencies participating in the Teeter Plan (the "Participating Agencies"). The Teeter Notes were purchased by Wells Fargo Bank, National Association through a direct placement pursuant to a Note Purchase and Reimbursement Agreement and replaced a commercial paper program. In July of each year, the County issues additional Teeter Notes to fund the distribution to Participating Agencies under the Teeter Plan. Throughout the year, the County retires portions of the Teeter Notes using delinquent tax revenues associated with the Teeter Plan. [The Teeter Notes mature in January 2016].

On December 30, 2015, a prepayment of [$XX] million was made using tax revenues associated with Teeter Plan collections after which [$XX] million of Teeter Notes is outstanding. The County expects to apply all of the above referenced Teeter Plan collections for the remainder of the fiscal year to pay down a portion of the Teeter Notes by June 30, 2016 and plans to issue additional Teeter Notes in July 2016 to make the Teeter Plan distribution to Participating Agencies.

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

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

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

Assessed Valuation

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

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

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The following table shows a history of assessed valuations in the County since Fiscal Year 2006-07.

TABLE A-8

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

Fiscal Year	Secured	Unsecured	Total	% Change
2006-07	$361,161,415,703	$19,845,975,295	$381,007,390,998	11.22%
2007-08	393,203,962,346	19,465,816,713	412,669,779,059	8.31
2008-09	408,491,848,742	20,317,375,534	428,809,224,276	3.91
2009-10	402,572,097,312	20,393,498,698	422,965,596,010	-1.36
2010-11	400,814,188,871	19,937,386,517	420,751,575,388	-0.52
2011-12	405,588,977,572	19,180,663,956	424,769,641,528	0.95
2012-13	414,121,659,108	18,780,614,687	432,902,273,795	1.92
2013-14	429,070,697,346	18,678,458,709	447,749,156,055	3.43
2014-15	455,733,167,806	20,570,122,070	476,303,289,876	6.38
2015-16	485,007,445,623	19,642,914,061	504,650,359,684	5.95

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

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

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Secured and Unsecured Taxes

Table A-9 provides a list of the twenty largest secured taxpayers in the County for Fiscal Year 2015-16. For purposes of this table, multiple properties may be consolidated into a single entry.

TABLE A-9

COUNTY OF ORANGE
LARGEST 2015-16 LOCAL SECURED TAXPAYERS

	Property Owner	Primary Land Use	2015-16 Assessed Valuation	% of Total[1]
1.				
2.				
3.		**TO COME**		
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
16.				
17.				
18.				
19.				
20.				
		TOTAL		

Source: *California Municipal Statistics, Inc.*

(1) 2015-16 Local Secured Assessed Valuation of $[XXX] excludes State Assessed Valuation of $[XXX] included in Table A-8.

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Table A-10 provides a list of the ten largest unsecured taxpayers in the County for Fiscal Year 2015-16.

TABLE A-10

COUNTY OF ORANGE
TOP TEN UNSECURED TAXPAYERS
FISCAL YEAR 2015-16

	Taxpayers	Unsecured Tax Charge
1.	Time Warner Inc.	$3,694,566
2.	Cox Communications, Inc.	2,584,889
3.	The Boeing Company	2,490,743
4.	Broadcom Corp.	1,963,819
5.	Allergan USA, Inc.	1,621,856
6.	Southwest Airlines Company	1,486,010
7.	Kimberly-Clark Worldwide, Inc.	1,279,188
8.	Panasonic Avionics Corp.	1,206,398
9.	Western Digital Technologies, Inc.	1,146,344
10.	Applied Medical Resources Corp.	1,084,033
	TOTAL	$18,557,846

Source: Orange County Treasurer.

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

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

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

TABLE A-11

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

2015-16	2016-17	2017-18	2018-19	Total
$15,000,000	$25,000,000	$50,000,000	$55,000,000	$145,000,000

2011 Realignment. The FY 2011-12 State Budget Act included a Realignment Plan which transferred authority and funding responsibility for certain State programs to local governments including: court security, adult offender and parolees, public safety grants, mental health services, substance abuse treatment, child welfare programs, adult protective programs, and California Work Opportunity and Responsibility to Kids (CalWORKs). The realignment of these Public Safety and Health and Human Services programs went into effect July 1, 2011, with the exception of the funding for the realignment of adult offender and parolee populations, which went into effect October 1, 2011. The Schools and Local Public Safety Protection Act ("Proposition 30") approved by voters on November 7, 2012, among other things, guarantees the ongoing revenues redirected to counties in 2011 to fully fund public safety programs transferred as part of the Realignment Plan. The realignment of these programs was expected to have a minimal financial impact on the County as long as the programs remained fully funded by the State.

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

The Fiscal Year 2013-14 AB 109 allocation to the County was $73.3 million. The Fiscal Year 2014-15 AB 109 allocation was reduced by $4.4 million to $68.9 million, which is due to the Statewide reduction of the AB 109 program allocation from $998.9 million to $934.1 million. The Fiscal Year 2015-16 AB 109 allocation is projected to be $80.4 million, which includes one-time growth funding.

Dissolution of Redevelopment Agencies. Pursuant to Assembly Bill x1 26 ("AB x1 26") (a companion bill to the Fiscal Year 2011-12 State Budget Act), redevelopment agencies were dissolved, and any net tax increment revenues remaining after payment of redevelopment bonds debt service, other enforceable obligations and administrative costs will be distributed to cities, counties, special districts and school districts. Another companion bill, Assembly Bill x1 27 ("AB x1 27"), authorized redevelopment agencies to continue operations provided their establishing cities or counties agreed to make a specified payment to school districts and county offices of education, totaling $1.7 billion statewide. As a result, the County Development Agency was dissolved effective February 1, 2012 and the County became the successor agency to the County Development Agency. The County is in the process of winding down the operations of the County Development Agency in accordance with the requirements of AB x1 26. The County estimates that it will receive approximately $20 million in additional property tax revenue in Fiscal Year 2015-16 from the dissolution of redevelopment agencies.

Sales Tax

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

Currently the total state and local sales tax rate of 8 percent is imposed in the County. The breakdown of the state and local sales tax rate is as follows:

- 4.1875 percent imposed as a State General Fund tax;
- 0.5 percent dedicated to local governments (including the County) for health and welfare program realignment;
- 0.5 percent dedicated to local governments (including the County) for public safety services ("Proposition 172 Funds");
- 1.0 percent local tax imposed under the Uniform Local Sales and Use Tax Law (known as the "Bradley-Burns Act"), with 0.25 percent dedicated to county transportation purposes and 0.75 percent for city and county general purpose use;
- 0.25 percent deposited into the Fiscal Recovery Fund to repay the State's economic recovery bonds. Upon payment of the States' Economic Recovery Bonds, this amount become available for County general purpose use;
- 0.5 percent Optional Local Sales Tax for transportation improvements ("Measure M Sales Tax"); and
- 1.0625 percent to fund the 2011 Public Safety Realignment as approved by Proposition 30 at the November election.

Additional Revenue to the County from Recovery Statutes

In December, 1994, the County filed for bankruptcy protection under Chapter 9 of the US Bankruptcy Code, following certain collateral calls in connection with County investments. Legislation enacted by the State in 1995 as part of the County's recovery plan (Chapters 745, 746, 747, and 748 of the 1995 Statutes, collectively the "Recovery Statutes") diverted certain revenue to the County from other public agencies or from funds within the County, and dedicated such revenue to the payment of obligations arising out of the County's bankruptcy plan of adjustment, as described below.

1. Transfer from the County of Orange (as Successor Agency to the Orange County Development Agency) to the County General Fund of $4 million per year (in two installments on February 15 and June 15) for a period of 20 years commencing on July 1, 1996. The transfer will end in Fiscal Year 2015-16.

2. Reduction in the amount of property tax revenue allocated to the Orange County Flood District and the OC Parks Fund, initially by $4 million for each fund, subject to increase based on increasing assessed valuations (estimated at $11.2 million for each fund for Fiscal Year 2015-16), thereby increasing the amount of property tax allocated to the County for deposit to the County General Fund for each Fiscal Year from 1997-98 to 2015-16.

In accordance with the requirements of the County's bankruptcy plan of adjustment, the excess (if any) of the aforementioned revenues, and certain net revenues paid into the County General Fund on account of importation of solid waste (estimated at $17 million for Fiscal Year 2015-16), over the debt service and other costs payable on a fiscal year basis on the 2005 Lease Revenue Bonds (which were issued to refund the 1996 Bankruptcy Recovery Bonds) will be applied no later than 90 days following the end of each Fiscal Year, to restore losses in certain County administered accounts under the County's bankruptcy plan of adjustment.

Outstanding Long Term Debt and Lease Obligations

The County's outstanding long-term debt as of June 30, 2015 is shown in the following table.

TABLE A-12

COUNTY OF ORANGE
OUTSTANDING LONG-TERM DEBT AND LEASE OBLIGATIONS

Description	Source of Repayment	Outstanding Principal Balance (June 30, 2015)	Final Maturity Date
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	General Fund	$1,743,427	2018
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005	General Fund	64,805,000	2017
County of Orange Taxable Pension Refunding Obligation Bonds, Series 1996 A[(1)]	General Fund	11,015,278	2016
County of Orange Taxable Pension Refunding, Obligation Bonds, Series 1997 A[(1)]	General Fund	16,214,345	2021
Orange County Public Financing Authority Lease Revenue Bond, Series 2006 (Cogeneration Project)	General Fund	11,440,000	2018
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	General Fund	20,400,000	2019
SUBTOTAL- GENERAL FUND OBLIGATIONS		**$125,618,050**	
Airport Revenue Bonds, Series 2009A	Airport Revenues	$62,290,000	2039
Airport Revenue Bonds, Series 2009B	Airport Revenues	141,985,000	2039
Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Series 2014 (Neighborhood Development and Preservation Project)	Redevelopment Property Tax Trust Fund	13,275,000	2022
Successor Agency to the Orange County Development Agency Santa Ana Heights Project Area Tax Allocation Refunding Bonds of 2014	Redevelopment Property Tax Trust Fund	18,600,000	2023
TOTAL		**$361,768,050**	

(1) The outstanding Taxable Refunding Pension Obligation Bonds, Series 1996A and Series 1997A were economically defeased on June 22, 2000, through the deposit with the trustee of $175.492 million principal amount of AAA-rated debt securities issued by Fannie Mae, together with irrevocable instructions that these securities and other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature.

Source: County of Orange, CEO Public Finance Unit.

The County's General Fund debt service payments (excluding the economically defeased Pension Obligation Bonds, Series 1996 and Series 1997) for Fiscal Years 2015-16 through 2019-20 is shown in the following table.

TABLE A-13

COUNTY OF ORANGE
GENERAL FUND DEBT SERVICE

Description	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	$2,603,383	$2,607,339	$2,598,461	$2,600,000	$0
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005	24,453,094	38,621,844	5,725,391	0	0
Orange County Public Financing Authority Lease Revenue Bond, Series 2006 (Cogeneration Project)	4,202,000	4,200,500	4,200,000	0	0
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	5,825,763	5,823,963	5,826,575	5,281,500	0
TOTAL GENERAL FUND DEBT SERVICE	**$37,084,240**	**$51,253,646**	**$18,350,427**	**$7,881,500**	**$0**

Source: County of Orange, CEO Public Finance Unit.

Short Term Debt

On January 14, 2015, the County issued its Taxable Pension Obligation Bonds, 2015 Series A (the "2015 Series A Bonds") in the amount of $339.625 million. The outstanding balance as of December 1, 2015 was $234.625 million. The 2015 Series A Bonds will mature on June 30, 2016. The 2015 Series A Bond proceeds were combined with $23.958 million in contributions from County departments to prepay the County's Fiscal Year 2015-16 pension obligation. The OCERS Board of Retirement approved a discount rate of 5.8% for the pension prepayment in connection with the issuance of the 2015 Series A Bonds. The discount, combined with the interest and issuance costs, resulted in a net savings of $17.9 million to the County. The 2016 Series A Pension Obligation Bonds will prepay the County's Fiscal Year 2016-17 pension obligation and are projected to result in net savings of approximately $17 million to the County.

On February 1, 2013, the County issued its Teeter Plan Series B Notes to finance the County's Teeter Program. See "*Teeter Plan Notes*" herein for more information.

In Fiscal Year 2012-13, $3.9 million was borrowed from the OC Waste & Recycling Department's solid waste enterprise fund for costs associated with the upgrade of various information technology projects. The amount borrowed is being repaid over five years in equal principal installments including interest at the Treasurer-Tax Collector commingled pool rate. The amount outstanding as of June 30, 2015 is $2.3 million The Fiscal Year 2015-16 County budget includes $31.8 million in additional borrowing for an information technology, road, and jail project. The repayment of these projects is planned to be over a three year period.

The County has not issued Tax and Revenue Anticipation Notes since 2011.

Capital and Operating Lease Obligations

The County is the lessee under a number of capital leases in effect with respect to real property and equipment used by the County. For additional information, see Note 13 in the Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2015 in Appendix B of this Official Statement.

Future Debt Issues

The County is considering issuing additional lease revenue obligations in Fiscal Year 2015-16 to finance an 800 MHz public safety communication system upgrade ($22 million, of which $11 million would be County debt and $11 million would be other public safety partner's debt) and a central utility facility upgrade ($68 million).

Overlapping Debt and Debt Ratios

The County contains numerous municipalities, school districts, and special purpose districts such as water and sanitation districts, which have issued indebtedness that is repaid out of tax revenues. Set forth in the following table is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of December 1, 2015. The Debt Report is included for general information purposes only. Neither the County nor the underwriter makes any representations as to its completeness or accuracy. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property and other taxes.

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TABLE A-14

COUNTY OF ORANGE
DIRECT AND OVERLAPPING DEBT
As of December 1, 2015

TO COME

COUNTY RETIREMENT SYSTEM

General

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

OCERS practice has been to determine contribution rates by conducting an actuarial valuation on an annual basis as of each December 31. The County and other participating entities begin making contributions attributable to each annual valuation eighteen months after the respective valuation date. County payments represent approximately 54% of the payments into OCERS. The Retirement Law requires the Board of Supervisors to annually make budgetary appropriations for the purpose of making required County contributions to OCERS.

OCERS provides a "defined benefit" pension to eligible members (all regular full-time employees or part-time employees scheduled to work 20 hours or more per week) upon retirement (OCERS also provides certain disability and death benefits). Benefits formulas authorized under the Retirement Law are typically adopted through labor contracts negotiated between the County and employee bargaining units. Members' annual benefits are determined by multiplying a specified percentage of pay times years of service. The product constitutes the member's retirement benefit. In addition, benefit formulas include an age at which the member can retire and begin to receive the full amount of his benefit. Current County benefit formulas are as follows:

- 3% at age 50 – Deputy Sheriffs, County Probation Officers, District Attorney Investigators and law enforcement management and executive management hired prior to April 9, 2010.
- 3% at age 55 – Employees represented by the Association of Orange County Deputy Sheriffs, law enforcement management and executives in the Sheriff and District Attorney Departments. Effective for employees hired after April 9, 2010 but before January 1, 2013.
- 2.7% at age 57 – Safety PEPRA for those hired after January 1, 2013.
- 2.7% at age 55 – General employees hired prior to January 1, 2013.
- 1.62% at age 65 – New employees beginning May 7, 2010 must select, within 45 days of employment, either 2.7% at age 55 or 1.62% at age 65. If the new employee fails to make an election, he is deemed to elect the 1.62% at age 65 formula. The 1.62% at age 65 formula includes a voluntary defined contribution component with an employer match which generally results in a higher annual net pay to the employee. This option is available to employees represented by the Orange County Employees Association, Alliance of Orange County Workers, the International Union of Operating Engineers, Orange County Managers

Association and non-represented employees such as Executive Management. New employees hired on or after January 1, 2013 and who belong to certain bargaining units or are elected officials, executive management, executive assistants or executive aides will only have the option of 1.62% at age 65. The bargaining units required to enroll in the 1.62% at age 65 formula after January 1, 2013 are Administrative Management, Office Services, Community Services, County General, Healthcare Professional, Supervisory Management, Sheriff Special Officer & Deputy Coroner, Operations & Service Maintenance, and Craft & Plant Engineer.

- 2% at age 62 – On September 12, 2012, Governor Brown signed the Public Employees' Pension Reform Act of 2013 that created a new pension retirement formula for all new non-safety employees hired on or after January 1, 2013. New employees hired on or after January 1, 2013 represented by the American Federation of State, County and Municipal Employees and the Attorney unit will be enrolled in the 2% at age 62 formula.

- 1.6667% at age 57.5 and 2.0% at age 57 – General members of the American Federation of State, County and Municipal Employees hired prior to January 1, 2013.

Actuarial Valuation and Funding Methodology

OCERS' actuarial valuations determine, as of the date of the calculation (e.g., December 31, 2014), the funding (contributions) required for the Fiscal Year commencing eighteen months from the valuation date, based substantially upon analysis of the prior year's plan experience. OCERS uses the Entry Age Normal Actuarial Costs Method for funding. The actuary employs a series of economic and demographic assumptions including expected return on invested assets, the assumed future pay increases for current employees, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries, contributions to OCERS, inflation, and other factors. All OCERS actuarial assumptions are subject to change at the direction of the Retirement Board. See "Recent Changes to Actuarial Assumptions" below. Assumptions used in the December 31, 2014 actuarial valuation include:

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

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

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

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

December 31, 2014 Actuarial Valuation

OCERS' December 31, 2014 actuarial valuation (the "2014 Valuation") calculated UAAL as of December 31, 2014 as $4.963 billion (County's portion is $3.899 billion), a decrease of $404.7 million from OCERS' December 31, 2013 valuation (the "2013 Valuation"). The UAAL decrease was mainly due to higher than expected investment returns (which continue to be recognized through the five year smoothing method) and lower than expected salary increases. Also, there were additional UAAL payments by certain plan sponsors, lower than expected salary growth, lower than expected cost of living increases, and changes in actuarial assumptions which included a net decrease in mortality rates. The ratio of the Valuation Value of Assets (the Actuarial Value of Assets less certain non-valuation reserves) to Actuarial Accrued Liabilities in the 2014 Valuation increased to 69.8% from 66.0% in the 2013 Valuation. The aggregate employer contribution rate has changed from 38.13% of payroll to 37.41% of payroll in the 2014 Valuation. For more information regarding the funding progress of OCERS, see table A-16 herein. The County begins making contribution payments attributable to the 2014 Valuation on July 1, 2016. The proceeds of the 2016 Series A Bonds, less costs of issuance, together with other County monies, will prepay a portion of the County's contribution to OCERS for the period of July 1, 2016 to June 30, 2017.

Recent Changes to Actuarial Assumptions

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

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TABLE A-15

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM INVESTMENT RETURNS

Year Ended December 31	Actuarial Value Investment Return	Market Value Investment Return
2005	8.72%	8.11%
2006	9.71	13.17
2007	10.49	11.18
2008	4.23	(20.76)
2009	3.60	17.32
2010	5.02	10.47
2011	3.28	0.04
2012	3.49	11.92
2013	9.11	10.73
2014	7.34	4.52
5-Year Average Return	5.62%	7.44%
10-Year Average Return	6.46%	6.11%

Source: Orange County Retirement System Actuarial Valuation and Review December 31, 2014.

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

TABLE A-16

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

Actuarial Valuation December 31	Actuarial Value of Assets[1]	Market Value of Assets	Actuarial Accrued Liability (AAL)	Total Unfunded Actuarial Accrued Liability (UAAL)[2]	Actuarial Funded Ratio[3]	Market Funded Ratio[4]	Covered Payroll[5]	UAAL as a Percentage of Covered Payroll[6]
2005	$5,786,617	$6,078,000	$8,089,627	$2,303,010	71.53%	75.13%	$1,276,764	180.38%
2006	6,466,085	6,987,000	8,765,045	2,298,960	73.77	79.71	1,322,952	173.78
2007	7,288,900	7,894,000	9,838,686	2,549,786	74.08	80.23	1,457,159	174.98
2008	7,748,380	6,457,000	10,860,715	3,112,335	71.34	59.45	1,569,764	198.27
2009	8,154,687	7,615,000	11,858,578	3,703,891	68.77	64.22	1,618,491	228.85
2010	8,672,592	8,564,000	12,425,873	3,753,281	69.79	68.92	1,579,239	237.66
2011	9,064,355	8,693,000	13,522,978	4,458,623	67.03	64.28	1,619,474	275.31
2012	9,469,208	9,750,989	15,144,888	5,675,680	62.52	64.38	1,609,600	352.55
2013	10,417,125	11,011,261	15,785,042	5,367,917	65.99	69.76	1,604,496	334.55
2014	11,449,911	11,428,133	16,413,124	4,963,213	69.76	69.63	1,648,160	301.14

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

Source: The Orange County Employees' Retirement System Comprehensive Annual Financial Reports.

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TABLE A-17

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

	Years Ended December 31		
	2012	**2013**	**2014**
Contributions Received[1]	$ 629,005	$ 720,802	$ 925,695
Net Investment Income (Loss)	1,014,807	1,166,858	506,717
Net Securities Lending Income	2,031	1,478	1,465
Participant's Benefits	(560,950)	(607,263)	(651,385)
Withdrawals and Refunds	(10,097)	(9,864)	(11,730)
Administrative Expenses	(14,237)	(11,739)	(11,947)
Increases in Net Position Restricted for Pension and OPEB	$ 1,060,559	$ 1,260,272	$ 758,815

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

Sources: OCERS Comprehensive Annual Financial Reports.

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Table A-18 below shows the County's required contributions and the percentage contributed for Fiscal Years 2005-06 to 2014-15.

TABLE A-18

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

Year Ended June 30	County Cash Contribution	Investment Account Contribution[1]	Total Annual Required Contribution	Percentage Contributed
2006	$201,251	$11,596	$212,847	100%
2007	223,505	11,000	234,505	100
2008	253,620	11,000	264,620	100
2009	256,531	36,500	293,031	100
2010	279,574	11,000	290,574	100
2011	296,084	11,000	307,084	100
2012	310,736	11,000	321,736	100
2013	328,953	0	328,953	100
2014	348,597	10,000	358,597	100
2015	371,810	0	371,810	100

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

Sources: Orange County Comprehensive Annual Financial Reports.

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

For additional information, see Note 18 in the "Notes to the Basic Financial Statements Fiscal Year Ended June 30, 2015," which appears in Appendix B of this Official Statement. Various reports for OCERS including the OCERS Comprehensive Annual Financial Report are posted from time to time on the OCERS's website, www.ocers.org. Such reports are not incorporated as part of this Official Statement.

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Post Employment Health Care Benefits

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

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

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2015 is $21.13 per year of County service, and the maximum monthly Grant is $528.25. The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. Any grant in excess of the monthly health plan and/or Medicare premium payable is forfeited.

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

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

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

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

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

Grant for new (employed after October 12, 2007) AOCDS employees, and to supplement the frozen grants for current AOCDS employees.

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

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

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

Actuarial Methods and Assumptions. The County contracts with an outside actuarial consultant, Bartel Associates, LLC ("Bartel") to prepare the bi-annual actuarial valuation in conformance with GASB Statements No. 43 and 45. The County received a June 30, 2013 valuation for Fiscal Years 2013-14 and 2014-15 for the Retiree Medical Plan. Among the actuarial methods and assumptions used in the 2013 valuation are:

- The entry age normal actuarial cost method.
- Closed period amortization of the UAAL over 30 years as a level percentage of payroll (23 years remaining as of June 30, 2014).
- A 7.25% long-term expected rate of return on funds held in the Trust.
- A 3.75% per annum payroll increase assumption.
- The assumed annual increases in the monthly grant of 5% for American Federation of State, County and Municipal Employees ("AFSCME") employees and 3% for non-AFSCME employees. The healthcare trend (the growth in healthcare costs) was assumed to be greater than or equal to the Grant through 2021 and beyond. Therefore, it is the Grant annual increase rather than the healthcare trend that affects the projected benefits and the UAAL.
- There are an estimated 25,682 participants in the plan of which 17,705 are employees, 38 are deferred retirees, and 7,939 are retirees.

The 2013 valuation reports a UAAL of $411.8 million for the Retiree Medical Plan for the Fiscal Year ending June 30, 2011. This is a reduction from the $1.4 billion UAAL reported in the 2005 valuation. The reduction in UAAL is due to the restructuring of the Retiree Medical Plan benefits, including but not limited to splitting of active employees and retirees into separate pools for premium rate setting purposes and the establishment of the 401(h) Trust to achieve a higher rate of return on assets.

TABLE A-19

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

Actuarial Valuation as of June 30[(1)]	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
2009	$94,110	$456,005	$361,895	20.6%	$1,267,427	28.6%
2011	116,804	528,639	411,835	22.1	1,273,636	32.3
2013	155,702	573,763	418,061	27.1	1,173,062	35.6

(1) Valuation reports are received every other year.

Source: Orange County Comprehensive Annual Financial Report June 30, 2015.

Annual OPEB Cost and Net OPEB Obligation/Asset. The Annual OPEB cost is the OPEB expense that the County reports in its annual financial statements. It equals the ARC with certain adjustments if the County's actual contributions differ from the ARC in prior years. The net OPEB obligation/asset is the cumulative sum of the difference between Annual OPEB cost and the amounts actually contributed to the plan. The following table shows the calculation of the net OPEB asset for Fiscal Years 2011-12 through 2014-15 (in thousands).

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TABLE A-20

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

	2011-12	2012-13	2013-14	2014-15
Annual Required Contribution	$ 41,169	$ 42,713	$ 43,298	
Interest on Net OPEB Obligation	(3,017)	(2,608)	(3,030)	
Amortization of Net OPEB Obligation	2,688	2,392	2,868	
Annual OPEB Cost	40,840	42,497	43,136	
Contributions Made	(35,197)	(48,336)	(50,060)	
Decrease/(Increase) in Net OPEB Asset	5,643	(5,839)	(6,924)	
Net OPEB Obligation/(Asset), Beginning of year	(41,609)	(35,966)	(41,805)	
Net OPEB Obligation/(Asset), End of year	$ (35,966)	$ (41,805)	$ (48,729)	

Sources: Orange County Comprehensive Annual Financial Reports.

Certain changes to the Retiree Medical Plan and the methodology by which a retiree and current employee health plan premiums are determined are being judicially challenged by a retiree association. See "*Retired Employees Association of Orange County, Inc. v. County of Orange*" herein.

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Insurance

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

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

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

Litigation Management

The Office of County Counsel generally represents the County's interests in lawsuits involving actions of the Board of Supervisors, County employees or agents of the County. These actions include employment, environmental and land use, contractual obligations, inverse condemnation and property tax refunds. Legal matters controlled by the CEO's Office of Risk Management are assigned to a panel of lawyers and law firms selected by the Board of Supervisors following a recommendation by the Office of Risk Management. There are a number of lawsuits pending against the County which, depending on their outcome, may have significant financial impacts on the County. The County believes however, that the aggregate liability it might incur as a result of adverse decisions in such cases, after giving effect to the County's self-insurance program and its excess insurance coverage, will not have a material adverse effect on the County's ability to make payments on or with respect to the 2016 Series A Bonds.

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

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

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

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

Gaylan Harris, et al. v. County of Orange

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

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

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

On May 31, 2013, the County was notified that the Court granted the County's motion to dismiss the Plaintiff's Fourth Amended Complaint and denied the Plaintiffs' motion for reconsideration of the prior order. On June 12, 2013, the Court entered a judgment in the County's favor. Plaintiffs again appealed the Court's decision to the Ninth Circuit. Briefing and oral argument have been presented. The Ninth Circuit panel was holding its decision until the REAOC ruling became final. Now that REAOC is final, as noted above, the decision in Harris should be issued soon.

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

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

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

COUNTY INVESTMENT POLICY

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

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

The Treasurer established three Money Market Funds, the Orange County Money Market Fund, the Orange County Educational Money Market Fund, and the John Wayne Airport Investment Pool, which all are invested in cash-equivalent securities and provide liquidity for immediate cash needs. On August 11, 2015, S&P reaffirmed AAAm Principal Stability Fund Ratings for the County Money Market Fund and Educational Money Market Fund. The pools are not registered with the SEC. The County Treasurer also established the Extended Fund that is for cash needs between one and five years. The County Pool is comprised of the Orange County Money Market Fund and portions of the Extended Fund. The Educational Pool is comprised of the Orange County Educational Money Market Fund and portions of the Extended Fund. The Board of Supervisors approved the 2015 Investment Policy on December 16, 2014. A copy of the 2015 Investment Policy is located at ocgov.com/ocinvestments.

The maximum maturity of any investment in the three money market funds is 13 months, with a maximum weighted average maturity of 60 days. The maximum maturity of the Extended Fund is 5 years, with duration not to exceed that of a leading 1-3 year U.S. Treasury index +25%. The investments in the pools are marked to market daily to determine the value of the pools. To further maintain safety, adherence to an investment strategy of purchasing only top-rated securities and diversification in regard to instruments and maturities, as well as maintenance of internal controls for proper accounting and reporting, compliance, document safekeeping, collateralization and qualified financial broker-dealers is required.

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TABLE A-21

AUTHORIZED INVESTMENTS

Type of Investment	CA Gov Code % of Funds Permitted	Orange County IPS (%)	CA Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (Long-Term Fund)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% Total, no more than 33% in one issuer	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10% County of Orange	5 Years	5 Years	397 Days
Medium Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Bankers Acceptances	40%, 30% in a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% in a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% Total	N/A	N/A	N/A
Investment Pools	100%	20% Total, no more than 10% in one pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

The Investment Policy expressly prohibits leverage, reverse repurchase agreements, structured notes and structured investment vehicles or any investment commonly considered a derivative instrument. Examples of structured notes include inverse floaters, leveraged floaters, structured certificates of deposit and equity-linked securities. This includes all floating rate, adjustable rate or variable rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

Rating Restrictions

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

- All long-term debt purchased within the money market funds and Extended Fund must be rated no less than "A" and "AA" respectively by at least two NRSROs. If any issuer of long-term debt has a short-term rating, then it may not be less than A-1/SP-1 or P-1/MIG1 or F1 and should be rated by two NRSROs.

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

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

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

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

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

On December 19, 1995, pursuant to the Government Code, the Board of Supervisors established the Treasury Oversight Committee. The County Treasurer nominates and the Board of Supervisors confirms the members of the Treasury Oversight Committee, which is currently comprised of the County Chief Executive Officer, the County Auditor-Controller, the County Superintendent of Schools and four public members.

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

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

As of October 31, 2015, the market value of the County Pool (combined Money Market Fund and Extended Fund) was $3,662,323,410. The diversification of the County Pool's assets as of such date is shown in the following table.

Type of Investment	% of County Pool
U.S. Government Agencies	57.80%
U.S. Treasuries	28.50
Municipal Debt[(1)]	.34
Medium-Term Notes	8.59
Money Market Funds	1.24
Certificates of Deposit	3.53

(1) Includes the County's Taxable Pension Obligation Bonds, 2015 Series A.

The weighted average maturity of the County Pool was 371 days. The current year-to-date gross yield of the County Pool at October 31, 2015 is .55%

Amendments to the County Investment Policy

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

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ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Growth 2005-2014. The County is the third most populous county in the State and the sixth most populous in the nation. During the period 2005 through 2014, the population of the County increased by approximately 7%, compared to 8.1% for the State and 7.9% for the United States.

TABLE A-22

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

Date	County	State	United States
2005	2,941,711	35,827,943	295,516,599
2006	2,940,055	36,021,202	298,379,912
2007	2,932,261	36,250,311	301,231,207
2008	2,931,629	36,604,337	304,093,966
2009	2,957,593	36,961,229	306,771,529
2010	3,010,232	37,349,363	309,349,689
2011	3,053,932	37,668,681	311,721,632
2012	3,085,355	37,999,878	314,112,078
2013	3,114,209	38,357,121	316,497,531
2014	3,147,655	38,714,725	318,857,056

Sources: 2005 to 2010 data for Orange County, California and U.S. are based on U.S. Bureau of the Census. 2011-2014 data for Orange County and California are based on California State Department of Finance statistics. 2011-2014 data for U.S. is based on Bureau of the Census statistics.

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

TABLE A-23

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

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

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

Public Schools (Elementary and Secondary)

Public instruction in the County is provided by twelve elementary school districts, three high school districts and twelve unified (combined elementary and high school) districts. For 2014-15, the largest district, the Santa Ana Unified School District, had 56,815 students enrolled. Public school enrollment for the period 2009-10 through 2014-15 is presented in Table A-24.

TABLE A-24

COUNTY OF ORANGE
PUBLIC SCHOOL ENROLLMENT

Grade Levels	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total Enrollment K-12	502,239	502,895	502,205	501,801	500,487	497,116

Sources: California Department of Education, DataQuest Reports.

Colleges and Universities

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

Employment

The following table summarizes the historical numbers of workers in the County since 2009.

TABLE A-25

COUNTY OF ORANGE
ESTIMATED WAGE AND SALARY WORKERS BY INDUSTRY*

	2009	2010	2011	2012	2013	2014
Agricultural	3,800	3,700	3,200	2,800	3,000	2,800
Mining & Natural Resources	500	500	500	500	500	700
Construction	74,200	68,000	69,200	71,400	77,300	82,000
Manufacturing (Durable & Nondurable)	154,800	150,400	154,200	158,200	157,900	158,800
Trade, Transportation and Utilities	250,200	245,600	247,000	248,800	252,800	257,000
Information (Telecom, Publishing, etc.)	27,300	24,800	23,800	24,300	25,400	24,200
Finance, Insurance & Real Estate	105,100	103,500	104,700	108,200	112,500	114,100
Services (Professional, Health, Ed. Etc.)	613,900	621,000	632,500	658,900	679,700	707,300
Government	156,600	152,300	149,300	147,900	148,300	151,900
Total All Industries	1,386,400	1,369,800	1,384,400	1,421,000	1,457,400	1,498,800

* Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding. March 2015 Benchmark.

Source: California Employment Development Department.

Agriculture

Although representing a small percentage of the jobs in the County, agriculture remains an important sector of the County's economy. The total gross freight on board (f.o.b.) value of County agricultural products decreased by 3% to $132,253,000 in 2014 relative to 2013. The f.o.b. is an indicator of the first point of sale for a farmer and includes cost of production, harvesting and preparation for market. A five-year summary of farm production in the County is provided in Table A-26.

TABLE A-26

COUNTY OF ORANGE
GROSS VALUE OF FARM PRODUCTION

Production Type	2010	2011	2012	2013	2014
Animal Industry	$265,797	$319,052	$375,953	$396,010	$195,000
Field Products	936,230	1,234,321	696,850	425,653	551,000
Nursery	90,042,211	79,116,798	70,630,679	73,567,293	67,242,000
Orchards	42,760,149	46,879,663	44,120,251	40,984,835	45,473,000
Vegetables	16,369,018	18,347,870	20,486,704	21,665,539	18,792,000
Total	$150,373,405	$145,897,704	$136,310,437	$137,039,330	$132,253,000

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

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Labor Force, Employment and Unemployment

The following table summarizes the labor force, employment and unemployment figures over the period 2008 through September 2015 for the County and the State.

TABLE A-27

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

Year and Area	Civilian Labor Force	Civilian Employment	Civilian Unemployment	Civilian Unemployment Rate
2008				
Orange County	1,615,500	1,529,700	85,800	5.3%
California	18,178,100	16,854,500	1,323,600	7.3
2009				
Orange County	1,589,300	1,451,700	137,600	8.7
California	18,215,100	16,182,600	2,032,600	11.2
2010				
Orange County	1,538,600	1,388,900	149,700	9.7
California	18,336,300	16,091,900	2,244,300	12.2
2011				
Orange County	1,548,100	1,408,300	139,800	9.0
California	18,419,500	16,260,100	2,159,400	11.7
2012				
Orange County	1,566,100	1,443,400	122,700	7.8
California	18,554,800	16,630,100	1,924,700	10.4
2013				
Orange County	1,566,800	1,464,900	101,900	6.5
California	18,671,600	17,002,900	1,668,700	8.9
2014				
Orange County	1,575,600	1,489,200	86,400	5.5
California	18,811,400	17,397,100	1,414,300	7.5
2015				
Orange County	1,594,956	1,524,456	70,500	4.4
California	18,980,778	17,775,700	1,205,089	6.3

Note: Figures may not add due to rounding.
Source: California Employment Development Department. 2015 data is the average for January through September 2015 and is not seasonally adjusted.

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Taxable Sales

Table A-28 summarizes the annual volume of taxable transactions since 2011.

TABLE A-28

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

Type of Business	2011	2012	2013	2014	2015[2]
Apparel Group	$3,164.9	$3,510.8	$3,764.1	$3,949.2	$4,169.2
General Merchandise	5,665.1	5,975.1	6,152.1	6,330.4	6,628.0
Specialty Stores	5,077.3	5,409.0	5,431.9	5,636.4	5,939.5
Food Stores	1,990.9	2,056.8	2,111.2	2,193.3	2,283.8
Eating and Drinking	5,449.1	5,853.3	6,186.9	6,596.7	6,961.4
Furniture and Appliances	909.5	965.0	1,050.3	1,140.2	1,225.1
Building Materials	2,267.4	2,335.6	2,582.0	2,751.2	2,907.8
New Motor Vehicles	4,317.3	5,028.0	5,499.4	6,003.6	6,513.6
Other Motor Vehicles	1,460.3	1,523.4	1,648.2	1,752.4	1,860.1
Service Stations	4,826.2	5,063.8	4,706.7	4,608.2	4,500.4
Nonstore Retailers	459.8	635.7	893.3	1,006.4	1,109.2
Total Retail Sales	35,587.8	38,372.5	40,025.9	41,967.9	44,098.2
All Other	16,143.3	16,858.2	17,565.2	18,402.3	19,388.6
Total Taxable Sales	$51,731.1	$55,230.6	$57,591.2	$60,370.2	$63,486.8

Source: The Chapman University Economic & Business Review, June 2015.
(1) May not add due to rounding
(2) 2015 reflects year-end forecasts.

Housing Characteristics

The total number of housing units in the County was estimated by the California State Department of Finance to be 1,069,450 as of January 1, 2015. This compares to 969,484 reported in 2000 and 875,105 in 1990. According to CoreLogic the median home price in the County was $615,000 as compared to the $435,000 for the six Southern California Counties combined.

Building Permits

The total valuation of residential building permits issued in the County exceeded $2.5 billion in 2014 and is forecast to be $2.7 billion in 2015. Table A-29 provides a summary of residential building permit valuations and the number of new dwelling units authorized in the County during the period 2011 through 2015.

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TABLE A-29

COUNTY OF ORANGE
RESIDENTIAL BUILDING PERMIT VALUATIONS AND PERMITS ISSUED

	2011	2012	2013	2014	2015[1]
Permit Valuation					
Residential*	$ 1,236,973	$ 1,560,509	$ 2,653,728	$ 2,559,430	$ 2,699,953
Nonresidential*	1,300,019	1,265,430	1,521,280	1,924,009	2,030,989
Number of Deeds Recorded	102,537	130,317	121,803	100,882	99,099

Source: The Chapman University Economic & Business Review, June 2015.
** Permit valuations are in (ooo's)*

(1) 2015 reflects year-end forecast

Water Supply

Maintaining the County's water supply is the responsibility of the Orange County Water District ("OCWD"), manager of the County's groundwater basin, and the Municipal Water District of Orange County ("MWDOC"), the County's largest manager of imported water. More than 60% of the County's water is from local groundwater sources; the rest is imported. The County's natural underground reservoir is sufficient to carry it through temporary shortfall periods, but local supplies alone cannot sustain the present population.

Recreation and Tourism

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

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

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

Transportation

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

Drivers in the County have access to five toll roads. The 91 Express Lanes is a 10-mile express lanes toll road in the median of the SR 91 connecting Orange County and Riverside County. The San Joaquin Toll

Road (73) runs from Costa Mesa to Mission Viejo connecting to the I-405 and the I-5 freeways. The Foothill Eastern Toll Roads consisting of the 241, 261 and 133 connect to the SR 91 near the Riverside County line and I-5 freeway in the City of Irvine, the Laguna Canyon Road, and other cities in South County.

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

John Wayne Airport is located in the unincorporated area between the cities of Costa Mesa, Irvine and Newport Beach and is owned and operated by the County. The airport is classified as a medium air traffic hub by the Federal Aviation Administration, serving the County and portions of Los Angeles, Riverside, San Bernardino and San Diego counties (its "Trade Area"). The airport is an origination and destination airport, primarily for short-to-medium haul markets in its Trade Area. Presently, ten airlines operate out of the airport, including seven commercial airlines (Alaska, American, Delta, Frontier, Southwest, United, and WestJet), one commuter airline (SkyWest dba United Express and Delta Connection) and two cargo airlines (FedEx and UPS). From January through September 2015, the airport served approximately 7.5 million passengers.

Natural Disasters

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

APPENDIX B

THE COUNTY OF ORANGE AUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

APPENDIX C

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Holders (a) payments of interest, principal or premium, if any, with respect to the 2016 Series A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2016 Series A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2016 Series A Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The DTC will act as securities depository for the 2016 Series A Bonds. The 2016 Series A 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 security certificate will be issued for each maturity of the 2016 Series A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and at www.dtc.org. The information contained in such websites is not incorporated by reference herein.

Purchases of the 2016 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Holder") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Holders will not receive written confirmation from DTC of their purchase. Beneficial Holders 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 Holder entered into the transaction. Transfers of ownership interests in the 2016 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Holders. Beneficial Holders will not receive certificates representing their ownership interests in the 2016 Series A Bonds, except in the event that use of the book-entry system for the 2016 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Series A 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 the 2016 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Holders of the 2016 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Series A Bonds are credited, which may or may not be the Beneficial Holders. 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 Holders will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Holders of the 2016 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Holders of the 2016 Series A Bonds may wish to ascertain that the nominee holding the 2016 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Holders. In the alternative, Beneficial Holders 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. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Holders will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Holder, of any such notice and its content or effect will not affect the validity of the redemption of the 2016 Series A Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the 2016 Series A Bonds by the County will reduce the outstanding principal amount of 2016 Series A Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the 2016 Series A Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the 2016 Series A Bonds for the Beneficial Holders. Any such selection of 2016 Series A Bonds to be redeemed will not be governed by the Trust Agreement and will not be conducted by the County or the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2016 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 the 2016 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the 2016 Series A 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 County or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Holders 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 (nor its nominee), the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the 2016 Series A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the

County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Holders will be the responsibility of Direct and Indirect Participants.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL HOLDERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL HOLDERS OR THE SELECTION OF 2016 Series A BONDS FOR PREPAYMENT.

None of the County or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the 2016 Series A Bonds paid to DTC or its nominee, as the registered Holder, or any redemption or other notice, to the Beneficial Holders or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the 2016 Series A Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

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

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and none of the County or the Trustee take any responsibility for the accuracy thereof.

Neither the County nor the Underwriters can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the 2016 Series A Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Holders, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither of the County nor the Underwriters are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Holder with respect to the 2016 Series A Bonds or an error or delay relating thereto.

APPENDIX D

SUMMARY OF CERTAIN TERMS AND PROVISIONS OF THE TRUST AGREEMENT

The following summary discussion of certain terms and provisions of the Trust Agreement is made subject to all of the provisions of such document and to the discussion of such document contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said terms and provisions and prospective purchasers of the Bonds are referred to the complete text of the Trust Agreement, copies of which are available upon request from U.S. Bank National Association.

Definitions

"Act" means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California.

"Additional Bonds" means all Bonds of the County authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance therewith.

"Aggregate Principal Amount" means, as of any date of calculation, the principal amount or accreted value of the Bonds referred to.

"Bond Fund" means the Bond Fund established pursuant to the Trust Agreement.

"Bonds" means all bonds issued pursuant to the Trust Agreement.

"Business Day" means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

"Certificate of the County" means an instrument in writing signed by any one of the authorized representatives of the County or such officer's designee, or by any other officer of the County duly authorized by the legislative branch of the County in writing to the Trustee for that purpose. If and to the extent required by the provisions of the Trust Agreement each Certificate of the County shall include the statements provided for in the Trust Agreement.

"Closing Date" means the date of issuance of the affected Bonds.

"Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the County, initially being Los Angeles, California. The Trustee may designate in writing to the County and the Holder such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of Bonds.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the County and related to the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter or placement agent, fees and charges for preparation, execution and safekeeping of the Bonds, premiums for bond insurance, if any, and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

"Costs of Issuance Fund" means the Costs of Issuance Fund established in Trust Agreement.

"County" means the County of Orange, California.

"Defeasance Securities" means:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation); and

(2) Obligations of or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including:

- U.S. Treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the County as its Fiscal Year in accordance with applicable law.

"Holder" means any person who shall be the registered owner of any Outstanding Bond.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the County, and who, or each of whom:

(a) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the County;

(b) does not have a substantial financial interest, direct or indirect, in the operations of the County; and

(c) is not connected with the County as a member, officer or employee of the County, but who may be regularly retained to audit the accounting records of and make reports thereon to the County.

"Interest Account" means the account by that name established in the Trust Agreement.

"Interest Payment Date" means each date upon which interest is due on the Bonds.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

"Original Purchaser of the Bonds" means the original purchaser of the Bonds designated in the Trust Agreement.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the County pursuant to the Trust Agreement.

"Permitted Investments" means any of the following:

(1) Defeasance Securities;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and which mature not more than three hundred sixty (360) calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank):

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than two hundred seventy (270) calendar days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(7) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and S&P or any successors thereto; or

(B) (i) which are fully secured as to interest and principal and redemption premiums, if any, by an escrow consisting only of cash or obligations described in paragraph (2) of the definition of Defeasance Securities, which escrow may be applied only to the payment of such interest and principal and redemption premiums, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premiums, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(9) Investment agreements which do not adversely affect the ratings on the Bonds;

(10) The County Investment Fund (as that term is defined in Section 16429.1 of the Government Code of the State, as such Section may be amended or recodified from time to time); and

(11) Other forms of investments approved in writing by the County and which do not adversely affect the ratings on the Bonds.

The value of the above investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include the entities identified in the Trust Agreement;

(b) As to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above, the value thereof established determined by the entity holding such funds, in accordance with its customary practice.

"Principal Account" means the account by that name established in the Trust Agreement.

"Principal Payment Date" means a date on which principal is due on the Bonds as set forth in the Trust Agreement.

"Rating Agencies" means Moody's Investors Service, Inc., Standard & Poor's Corporation and Fitch Investors Service, or, in the event that any such rating agency no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Moody's Investors Service, Inc., Standard & Poor's Corporation, Fitch Investors Service or other nationally recognized rating agency then maintains a rating on the Bonds.

"Record Date" means the fifteenth day of the month preceding each Interest Payment Date, or such other date designated in a Supplemental Trust Agreement.

"Retirement Law" means the County Employees' Retirement Law of 1937 commencing with Section 31450 of the Government Code of the State of California, as amended.

"Serial Bonds" means Bonds for which no sinking fund payments are provided.

"State" means the State of California.

"Surplus Account" means the account by that name established in the Trust Agreement.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the County and the Trustee amendatory thereof or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"System" means the Orange County Employees Retirement System.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trust Agreement" means the Trust Agreement, dated as of January 1, 2007, between the County and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

"Trustee" means U.S. Bank National Association, or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

"Written Request of the County" means an instrument in writing signed by any one of the authorized representatives of the County or such officer's designee, or by any other officer of the County duly authorized by the Board of Supervisors of the County in writing to the Trustee for that purpose.

<u>Bond Fund; Deposits to Bond Fund</u>

The County shall deposit or cause to be deposited with the Trustee on or before each Interest Payment Date the amount which, together with moneys transferred pursuant to the Trust Agreement, is sufficient to pay the County's debt service obligations on the Bonds payable on such Interest Payment Date. All amounts payable by the County under the Trust Agreement shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which fund is created and shall be held in trust by the Trustee.

<u>Allocation of Moneys in Bond Fund</u>

On or before each Interest Payment Date or date fixed for redemption of Bonds, the Trustee shall transfer from the Bond Fund, in immediately available funds, for deposit into the following respective accounts (each of which is created and which the Trustee shall maintain in trust separate and distinct from the other funds and accounts established under the Trust Agreement), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of funds sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) Interest Account,

(b) Principal Account, and

(c) Surplus Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in this section.

(a) Interest Account. On or before each Interest Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each Principal Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such Principal Payment Date into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount or accreted value of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal or accreted value of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each series and maturity, designated as the "____ Sinking Account" (the "Sinking Account"), inserting therein the series and maturity (if more than one such account is established for such series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Trust Agreement; provided that, at any time prior to giving such notice of such redemption, the Trustee may upon the Written Request of the County, apply moneys in such Sinking Account to the purchase for cancellation of Term Bonds of such series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the County, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount or accreted value thereof, as applicable, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or accreted value of the Bonds, as applicable, as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

(c) Surplus Account. On the Business Day following the last Interest Payment Date of each Fiscal Year, or on such other date as provided in a Supplemental Trust Agreement, any moneys remaining in the Bond Fund shall be deposited by the Trustee in the Surplus Account and applied pursuant to the terms of the Trust Agreement.

Deposit and Investments of Money in Accounts and Funds

All money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted Investments at the Written Request of the County. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. All interest, profits and other income received from any money so invested shall be deposited in the Bond Fund. The Trustee shall have no liability or responsibility for any loss resulting from any investment made or sold in accordance with the provisions of the Trust Agreement, except for any loss due to the negligence or willful misconduct of the Trustee. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charge therefor.

Additional Bonds

The County may at any time issue Additional Bonds on a parity with the Bonds, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The County shall be in compliance with all agreements and covenants contained in the Trust Agreement.

(b) The issuance of such Additional Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Trust Agreement which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for (i) the purpose of satisfying any obligation of the County to make payments to the System pursuant to the Retirement Law relating to pension benefits accruing to the System's members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(2) Whether such Bonds are current interest fixed rate bonds, listed securities, index bonds, capital appreciation bonds, convertible capital appreciation bonds, convertible capital appreciation index bonds, commercial paper, auction rate securities, variable rate demand bonds, inflation adjustment bonds, tender option bonds, or bonds bearing interest at such other interest rate modes as may be set forth in a Supplemental Trust Agreement;

(3) The authorized principal amount and designation of such Additional Bonds;

(4) The date and the maturity dates (provided that Bonds shall mature no later than three years for the date of issuance) of and the sinking fund payment dates, if any, for such Additional Bonds;

(5) The interest payment dates for such Additional Bonds;

(6) The denomination or denominations of and method of numbering such Additional Bonds;

(7) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(8) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account and Costs of Issuance Fund; and

(9) Such other provisions (including the requirements of a book-entry Bond registration system, if any) as are necessary or appropriate and not inconsistent with the Trust Agreement.

Procedure for the Issuance of Additional Bonds

At any time after the sale of any Additional Bonds in accordance with the Act, the County shall execute such Additional Bonds for issuance under the Trust Agreement and shall deliver them to the Trustee, and thereupon such Additional Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the County, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

(a) An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

(b) A Written Request of the County as to the delivery of such Additional Bonds;

(c) An Opinion of Counsel to the effect that (1) the County has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the County and (2) such Additional Bonds are valid and binding obligations of the County;

(d) A Certificate of the County stating that all requirements of the Trust Agreement have been complied with and containing any other such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement;

(e) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

Additional Debt

The County expressly reserves the right to enter into one or more other agreements or indentures for any of its purposes, and reserves the right to issue other obligations for such purposes.

The Trustee

U.S. Bank National Association shall serve as the successor Trustee for the Bonds for the purpose of receiving all money which the County is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided therein and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment at the Corporate Trust Office of the Trustee with the rights and obligations provided in the Trust Agreement. The County agrees that it will at all times maintain a Trustee having a corporate trust office in Los Angeles or San Francisco, California.

The County may at any time, unless there exists any event of default as defined in the Trust Agreement, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company doing business and having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars ($50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the County and by mailing to the Holders notice of such resignation. Upon receiving such notice of resignation, the County shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

The Trustee shall, prior to an event of default, and after the curing of all events of default that may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement and no implied duties or obligations shall be read into the Trust Agreement. The Trustee shall, during the existence of any event of default (that has not been cured), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Compensation and Indemnification of Trustee

The County covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties under the Trust Agreement of the Trustee, and the County will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct, including the negligence or willful misconduct of any of its officers, directors, agents or employees.

Amendment of the Trust Agreement

The Trust Agreement and the rights and obligations of the County and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in Aggregate Principal Amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, or extend the time of payment on any Bond without the express written consent of the Holder of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

The Trust Agreement and the rights and obligations of the County and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the County other agreements and covenants thereafter to be performed by the County, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Trust Agreement to or conferred therein on the County;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement and in any Supplemental Trust Agreement or in regard to questions arising thereunder which the County may deem desirable or necessary and not inconsistent therewith;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which shall be deemed not to adversely affect Holders);

(d) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute;

(e) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement pertaining to the terms or operations of interest on the Bonds at a variable rate, as the County may deem necessary or desirable in order to conform to common market practices for such bonds; or

(f) to modify, amend or supplement the Trust Agreement and any Supplemental Trust Agreement in any manner that does not materially adversely affect the interest of Holders of Bonds.

The Trustee shall not be required to enter into or consent to any supplemental trust agreement which, in the sole judgment of the Trustee, may adversely affect the rights, obligations, powers, privileges, indemnities and immunities provided the Trustee in the Trust Agreement.

Amendment by Mutual Consent

The provisions of this article shall not prevent any Holder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Events of Default

If one or more of the following events (called "events of default" in the Trust Agreement) shall happen, that is to say:

(a) if default shall be made by the County in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the County in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the County in the performance of any of the agreements or covenants required in the Trust Agreement to be performed by the County, and such default shall have continued for a period of sixty (60) days after the County shall have been given notice in writing of such default by the Trustee or the Holders of not less than twenty-five (25%) in Aggregate Principal Amount of the Bonds at the time Outstanding, specifying such default and requiring the same to be remedied, provided, however, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Holders shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected; or

(d) if the County shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the County seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the County or of the whole or any substantial part of its property.

Institution of Legal Proceedings by Trustee

If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in Aggregate Principal Amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

Non-Waiver

Nothing in the Trust Agreement or in the Bonds shall affect or impair the obligation of the County, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption as provided in Trust Agreement, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the County, the Trustee and any Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or thereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Discharge of Bonds

(a) If the County shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, and shall pay or provide for the payment of all fees and expenses of the Trustee, then all agreements, covenants and other obligations of the County to the Holders of such Bonds thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the County all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the County all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities which are not subject to redemption prior to maturity (including any such Defeasance Securities issued or held in book-entry form on the books of the County or the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the County shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

County of Orange
Santa Ana, California

County of Orange Taxable Pension Obligation Bonds, 2016 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Orange, California (the "Issuer") in connection with the issuance of $____________ aggregate principal amount of County of Orange Taxable Pension Obligation Bonds, 2016 Series A (the "Bonds") issued pursuant to a Trust Agreement, dated as of January 1, 2007, as supplemented by a First Supplemental Trust Agreement, dated as of March 1, 2011, a Second Supplemental Trust Agreement, dated as of January 1, 2012, a Third Supplemental Trust Agreement, dated as of January 1, 2013, a Fourth Supplemental Trust Agreement, dated as of January 1, 2014, a Fifth Supplemental Trust Agreement, dated as of January 1, 2015 and a Sixth Supplemental Trust Agreement, dated as of January 1, 2016 (collectively, the "Trust Agreement"), between the Issuer and U.S. Bank National Association, as successor trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, an opinion of counsel to the Issuer, certificates of the Issuer, the Trustee 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. 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 Issuer. 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 Trust Agreement. We call attention to the fact that the rights and obligations under the Bonds and the Trust Agreement 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 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 assets described in or as subject to the lien of the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and the default judgment rendered on December 14, 2006 by the Superior Court of California, County of Orange in the action entitled County of Orange v. All Persons Interested, etc. (Case No. 06CC11581), and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the Issuer.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer.

3. Interest on the Bonds is not excluded from gross income for federal income taxes purposes under Section 103 of the Internal Revenue Code of 1986, but is exempt from State of California personal income taxes. 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 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF ORANGE
TAXABLE PENSION OBLIGATION BONDS, 2016 SERIES A

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the County of Orange, California (the "County") in connection with the issuance of $__________ aggregate principal amount of its County of Orange Taxable Pension Obligation Bonds, 2016 Series A (the "Bonds"). The Bonds are being issued pursuant to resolutions authorizing the issuance of pension obligation bonds, including the Bonds, adopted by the Board of Supervisors of the County on October 31, 2006 and December 17, 2015 (collectively, the "Resolution"). The County covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as hereinafter defined).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County or any successor Dissemination Agent designated in writing by the County, which has filed with the County a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 3 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Reporting of Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinion or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) (the Bonds are being issued as taxable obligations under the Code);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 3(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds (the Bonds are being issued as taxable obligations under the Code);

2. Modifications to rights of Bond holders;

3. Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the County shall determine if such event would be material under applicable federal securities laws.

(d) If the County learns of the occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(b) would be material under applicable federal securities laws, the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 4. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 5. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the County shall give notice of such termination in a filing with the MSRB.

SECTION 6. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any notice of occurrence of a

Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, if any, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: __________, 2016

COUNTY OF ORANGE, CALIFORNIA

By ____

Public Finance Director