Agenda

MEETING OF THE
SAN DIEGO REGIONAL BUILDING AUTHORITY (SDRBA)
JOINT POWERS AGENCY OF THE COUNTY OF SAN DIEGO &
THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM (MTS)

January 7, 2016

8:30 a.m.

>>>>>>>>>>>>>>San Diego Metropolitan Transit System<<<<<<<<<<<<<<
1255 Imperial Avenue, 10th Floor
San Diego, CA 92101
Executive Committee Room

		ACTION RECOMMENDED
1.	ROLL CALL	
2.	APPROVAL OF MINUTES - May 7, 2015	Approve
3.	Approval of the Issuance and Related Financing Documents of the San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A Action would adopt the Resolution entitled: A Resolution of the Board of Commissioners of the San Diego Regional Building Authority Authorizing the Issuance of not to Exceed $130,000,000 of San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A, Approving the Execution and Delivery of Various Related Documents in Connection with the Offering and Sale of such Bonds and Other Matters Related Thereto	Approve
4.	PUBLIC COMMENTS Limited to five speakers with three minutes per speaker. If you have a report to present, please give your copies to the Clerk.	
5.	NEXT MEETING DATE: February 4, 2016	
6.	ADJOURNMENT	

SAN DIEGO REGIONAL BUILDING AUTHORITY (SDRBA)
JOINT POWERS AGENCY
OF THE COUNTY OF SAN DIEGO AND
THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM (MTS)

DRAFT MINUTES

May 7, 2015

1. Roll Call

Chairman Ron Roberts called the meeting to order at 8:08 a.m. Authority members present were Mr. Mathis, Mr. D. Roberts and Chairman R. Roberts.

2. Approval of Minutes

Mr. Mathis moved for approval of the minutes of the October 2, 2014, San Diego Regional Building Authority (SDRBA) meeting. Mr. D. Roberts seconded the motion, and the vote was 3 to 0 in favor.

3. Adoption of Operating Budget for FY 2015/2016 - James R. Mills Building

April Heinze, Director of the County of San Diego Department of General Services, discussed the projected operating expenses for the James R. Mills Building. She stated that the projected operating expenses for FY 2015/2016 total $2,122,380. Ms. Heinze also discussed the projected capital expenditures for FY 2015/2016 and said the capital expenses total $1,047,750. She reviewed the various projects that will be completed during the upcoming fiscal year.

Paul Jablonski, MTS Chief Executive Officer, commented that MTS is in the process of planning to remodel and repurpose the bottom floor space of the Mills Building. He said staff is currently looking at relocating the Transit Store to this location as well as opening a small eatery. Mr. Jablonski noted that this project will come directly out of MTS's budget and not the SDRBA budget.

Action Taken

Mr. D. Roberts moved to approve the proposed FY 2015/2016 Operating Budget and Capital Expenditure Account. Mr. Mathis seconded the motion, and the vote was 3 to 0 in favor.

4. Public Comments

There were no public comments.

5. Next Meeting Date

The next SDRBA meeting is scheduled for June 11, 2015 at 8:30 a.m.

6. Adjournment

Chairman R. Roberts adjourned the meeting at 8:16 a.m.

____
Chairman

Attachment: Roll Call Sheet

AGENDA ITEM NO. 3

SAN DIEGO REGIONAL BUILDING AUTHORITY (SDRBA)
JOINT POWERS AGENCY OF THE COUNTY OF SAN DIEGO &
THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM (MTS)

January 7, 2016

SUBJECT:

APPROVAL OF THE ISSUANCE AND RELATED FINANCING DOCUMENTS OF THE SAN DIEGO REGIONAL BUILDING AUTHORITY LEASE REVENUE REFUNDING BONDS (COUNTY OPERATIONS CENTER), SERIES 2016A

INTRODUCTION:

Background

Pursuant to the County of San Diego ("County") Board Policy B-65, Long-term Financial Management Policy, the County continually reviews its outstanding long-term financial obligations and seeks opportunities to refinance these obligations when economically advantageous pursuant to the Refunding Policy of the County Debt Advisory Committee. Current market conditions have created an opportunity to lower annual payments related to the $136,885,000 San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project), Series 2009A ("2009A Bonds").

2009A Bonds. On January 28, 2009 (15) the San Diego Regional Building Authority ("Authority") Board approved the issuance of lease revenue bonds to contribute to the funding of the County Operations Center ("COC") and Annex Redevelopment project. With the Board and the County's approval, the Authority issued $136,885,000 of lease revenue bonds to help fund, along with County cash contributions, improvements at the COC. These improvements included office buildings, a parking structure, power plant, and a campus center housing public hearing chambers and common areas. Currently there are $123,780,000 of the 2009A Bonds outstanding with a coupon rate ranging between 4.000% and 5.375%.

Refunding of 2009A Bonds (2016A Bonds). The County's primary reason to refund outstanding long-term obligations has been to achieve savings by replacing higher cost financial obligations with lower cost obligations, i.e., refinancing an obligation with a particular rate at a lower rate, thereby lowering borrowing costs. Today's interest rates for a long-term obligation that will mature in 2035 are lower than the current rates on the outstanding 2009A Bonds. Refunding the 2009A Bonds would result in a lowering annual lease payments from approximately $9.9 million to $8.7 million, generating savings of approximately $1.1 million per year compared to current annual lease payments. These estimated savings are based on current market conditions and reflect the costs of the refunding, including fees paid to the financing team, the underwriter, and other administrative costs related to the delivery of the 2016A Bonds. Payments on the 2009A Bonds and the proposed refunding 2016A Bonds are made from the County General Fund, so savings generated will benefit the County General Fund.

It is anticipated that if the proposed refunding is executed, the entire amount outstanding of the 2009A Bonds will be refunded on an advanced basis, i.e., more than 90 days when the bonds can be repaid. The first optional call date for the 2009A Bonds, when they can actually be paid off, is February 1, 2019. In light of this, the proceeds of the 2016A Bonds will be used to fund an escrow fund ("Escrow Fund") from which payments on the 2009A Bonds will be made until they can be repaid, at which point, the Escrow Fund will also fund the repayment of any outstanding 2009A Bonds.

The amount outstanding at the issuance of the 2016A Bonds is anticipated to be $120,215,000 following the February 1, 2016 principal payment. Investors of the 2016A Bonds are anticipated to be provided the additional credit enhancement of a reserve fund equal to 50% of maximum annual debt service, a reserve level that the County has used in all of its refundings over the past seven years. The resolution being recommended today authorizes a principal amount not to exceed $130,000,000, with a not-to-exceed true interest cost of 4.5%. The authorization for additional principal over and above the amount of 2009A Bonds outstanding will provide for proceeds to fund the Escrow Fund, the above-mentioned Reserve Fund, and pay for costs associated with delivering the 2016A Bonds. The resolution also provides for a final maturity not to exceed October 15, 2035 and compensation to the underwriting bank not to exceed 0.5% of the principal amount of the 2016A Bonds.

The principal and interest payments will be secured by lease payments from a lease arrangement between the County of San Diego and the Authority. These lease payments will be made on the COC ("Leased Property"), which has been conveyed to the Authority via the Site Lease, and leased back to the County pursuant to the Facility Lease, until final principal and interest payments have been made to bond holders. As previously noted, lease payments from the County to the Authority will be made from the County General Fund.

Document Forms Presented for Approval. The financing documents related to the 2016A Bonds which are being recommended for approval are:

<u>Indenture</u>. By and among the trustee bank, the County and the Authority. This document will provide the legal structure and terms of the financing. Provides direction to the trustee and the County regarding the administration of the 2016A Bonds until final maturity.

<u>Site Lease</u>. By and between the County and the Authority. This document provides the terms by which the County leases the lease premise, the COC, to the Authority.

<u>Facility Lease</u>. By and between the Authority and the County. This document provides the terms by which the Authority leases the COC to the County. It is these lease payments that the County makes to the Authority that will be used to repay the 2016A Bonds.

<u>Assignment Agreement</u>. By and between the Authority and the trustee bank. This agreement assigns to the trustee bank, for the benefit of investors, the lease payments made by the County to the Authority.

<u>Preliminary Official Statement</u>. Signed by the Authority and the County. This is the offering document related to the 2016A Bonds, and together with Appendix A provides key financing and credit information to potential investors.

<u>Purchase Contract</u>. Signed by the underwriting bank, the Authority and the County. This document defines the terms by which the underwriter will purchase the 2016A Bonds in

order to place them with investors. Includes the principal amount of bonds to be sold, the maturity schedule, and the rates of the bonds.

RECOMMENDATION:

Adopt the Resolution entitled:

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE SAN DIEGO REGIONAL BUILDING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $130,000,000 OF SAN DIEGO REGIONAL BUILDING AUTHORITY LEASE REVENUE REFUNDING BONDS (COUNTY OPERATIONS CENTER), SERIES 2016A, APPROVING THE EXECUTION AND DELIVERY OF VARIOUS RELATED DOCUMENTS IN CONNECTION WITH THE OFFERING AND SALE OF SUCH BONDS AND OTHER MATTERS RELATED THERETO

Budget Impact

There is no cost to the Authority from this action; all costs will be borne by the County of San Diego, a JPA constituent member.

ATTACHMENTS:

A. Resolution
B. Indenture
C. Assignment Agreement
D. Site Lease
E. Facility Lease
F. Preliminary Official Statement and Appendix A
G. Purchase Contract

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE SAN DIEGO REGIONAL BUILDING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $130,000,000 OF SAN DIEGO REGIONAL BUILDING AUTHORITY LEASE REVENUE REFUNDING BONDS (COUNTY OPERATIONS CENTER), SERIES 2016A, APPROVING THE EXECUTION AND DELIVERY OF VARIOUS RELATED DOCUMENTS IN CONNECTION WITH THE OFFERING AND SALE OF SUCH BONDS AND OTHER MATTERS RELATED THERETO

WHEREAS, the San Diego Regional Building Authority (the “Authority”) was established for the purpose, among others, of providing for the financing of public capital improvements for its members, which include the County of San Diego (the "County"); and

WHEREAS, the Authority has previously issued its San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project) Series 2009A (the “Series 2009A Bonds”), the proceeds of which were used to finance a portion of the County Operations Center (the “Project”); and

WHEREAS, the Authority and the County have determined, that it is necessary and desirable in order to obtain certain interest rate savings to refinance the Project through the issuance, sale and delivery of not to exceed $130,000,000 aggregate principal amount of San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A (the “Series 2016A Bonds”); and

WHEREAS, in consideration of the Authority's determination to assist with the refinancing of the Project as described above, the County has agreed to indemnify and hold harmless both the Authority and the San Diego Metropolitan Transit System, as a member of the Authority, for any and all actions, claims, lawsuits, indentures or liabilities arising out of or in connection with the issuance of the Bonds and/or entering into the Facility Lease (herein defined) and the Project, as more particularly set forth in the Facility Lease; and

WHEREAS, in connection with the issuance of the Series 2016A Bonds, the Authority also desires to approve the form and distribution of a preliminary official statement (the “Preliminary Official Statement”) and the form of a purchase contract (the “Purchase Contract”) among the Authority, the County and Barclays Capital Inc., on its own behalf and as representative of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Fidelity Capital Markets, a division of National Financial Services LLC (collectively, the “Underwriter”); and

WHEREAS, there have been presented to this meeting the proposed forms of the following documents:

(a) the Indenture, dated as of February 1, 2016 (the "Indenture") among the Authority, the County and Zions First National Bank, as trustee (the “Trustee”);

(b) the Assignment Agreement, dated February 1, 2016 (the “Assignment Agreement”) between the Authority and the Trustee;

(c) the Site Lease, dated February 1, 2016 (the "Site Lease") between the County and the Authority;

(d) the Facility Lease, dated February 1, 2016 (the "Facility Lease") between the County and the Authority;

(e) the Preliminary Official Statement; and

(f) the Purchase Contract.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE SAN DIEGO REGIONAL BUILDING AUTHORITY AS FOLLOWS:

SECTION 1. Issuance of Bonds. The issuance of the Series 2016A Bonds by the Authority on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture and this Resolution, is hereby approved; provided, however, that (i) the aggregate principal amount of Series Series 2016A Bonds shall not exceed $130,000,000, (ii) the maturity of the Series 2016A Bonds shall not exceed October 15, 2035, (iii) the true interest cost with respect to the Series 2016A Bonds shall not exceed 4.5% per annum and (iv) there shall be present value savings with respect to the refunding of the Series 2009A Bonds of at least 4% of the principal amount of the Series 2009A Bonds refunded using the yield on the Series 2016A Bonds as the discount rate.

SECTION 2. Approval of Indenture. The form of Indenture presented at this meeting is hereby approved and the Chairman, the Vice Chairman, the Secretary, the Executive Officer and the Clerk of the Board of the Authority (each an "Authorized Officer") are hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Indenture in substantially the form presented at this meeting with such changes therein as the officers executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 3. Approval of Site Lease. The form of Site Lease presented at this meeting is hereby approved and each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Site Lease in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 4. Approval of Facility Lease. The form of Facility Lease presented at this meeting is hereby approved and each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Facility Lease in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 5. Approval of Assignment Agreement. The form of Assignment Agreement presented at this meeting is hereby approved and each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Assignment Agreement in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 6. Approval of Purchase Contract. The Authority is hereby authorized to enter into the Purchase Contract and each Authorized Officer is hereby authorized and directed to execute and deliver the Purchase Contract on behalf of the Authority, in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer shall approve in consultation with the Authority's financial and legal consultants, which approval shall be conclusively evidenced by the execution and delivery thereof; provided, that the underwriting discount payable pursuant to the Purchase Contract shall not exceed 0.5% of the principal amount of the Series 2016A Bonds.

SECTION 7. Approval of Official Statement. The Preliminary Official Statement is hereby approved and the same may be used and is hereby authorized to be used and distributed in the market by the Underwriter incident to the marketing of the Series 2016A Bonds. Each Authorized Officer is hereby authorized to (a) make such changes in such form of the Series Preliminary Official Statement as such Authorized Officer, in consultation with the Authority's financial and legal consultants and the Underwriter, shall determine to be appropriate, and (b) on behalf of the Authority, to deem such Preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). Each Authorized Officer is authorized and directed to prepare a final Official Statement, with such additional information as may be permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, which final Official Statement shall be executed and delivered in the name and on behalf of the Authority by an Authorized Officer, and such Authorized Officer is authorized and directed to prepare, execute and deliver in the name and on behalf of the Authority any supplemental filings related to such final Official Statement.

SECTION 8. Other Acts. The officers and staff of the Authority are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with Authority Counsel and with Orrick, Herrington & Sutcliffe LLC, bond counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such officers or staff members are hereby ratified and confirmed.

SECTION 9. Effective Date. This Resolution shall take effect upon adoption.

PASSED and ADOPTED this January 7, 2016.

____

Name:
Title:

ATTESTED:

____

Secretary

[Insert Secretary's Certificate Regarding due Adoption of Resolution]

INDENTURE

by and among

ZIONS FIRST NATIONAL BANK
as Trustee,

THE COUNTY OF SAN DIEGO

And

SAN DIEGO REGIONAL BUILDING AUTHORITY
as Lessee and Sublessor

Dated as of February 1, 2016

relating to the
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY OPERATIONS CENTER), SERIES 2016A

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INDENTURE

This INDENTURE, made and entered into as of February 1, 2016, by and among ZIONS FIRST NATIONAL BANK, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Trustee"), the COUNTY OF SAN DIEGO, a political subdivision duly organized and existing under the Constitution and laws of the State of California (the "County"), and SAN DIEGO REGIONAL BUILDING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

W I T N E S S E T H:

WHEREAS, the Authority has previously issued its San Diego County Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project) Series 2009A (the "Series 2009A Bonds"), the proceeds of which were used to finance a portion of the improvements located on the real property more particularly described in Exhibit A attached hereto (the "Real Property"), which together with the improvements thereon is referred to as the "Leased Property";

WHEREAS, in order to obtain certain interest rate savings the County desires to provide funds for the refunding of the Series 2009A Bonds;

WHEREAS, the County and the Authority have executed and entered into a Site Lease (the "Site Lease") dated as of February 1, 2016, whereby the County has agreed to lease to the Authority the Leased Property;

WHEREAS, the County and the Authority have executed and entered into a Facility Lease (the "Facility Lease") dated as of February 1, 2016, whereby the County has agreed to sublease back the Leased Property from the Authority;

WHEREAS, under and pursuant to the Facility Lease, the County is obligated to make rental payments to the Authority;

WHEREAS, the Authority has assigned without recourse all its rights to receive the Base Rental Payments scheduled to be paid by the County under and pursuant to the Facility Lease, and certain other rights to the Trustee pursuant to the Assignment Agreement (the "Assignment Agreement") executed and entered into as of February 1, 2016;

WHEREAS, in consideration of the assignments pursuant to the Assignment Agreement and the execution and delivery of this Indenture, the Authority has agreed to issue its San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A (the "Series 2016A Bonds"), in the aggregate principal amount of $XX,000,000 (as defined herein);

WHEREAS, the proceeds of the sale of the Series 2016A Bonds are to be used to refund the Series 2009A Bonds; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Indenture;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Additional Bonds

The term "Additional Bonds" means the additional bonds authorized by a Supplemental Indenture that are authenticated and delivered by the Trustee under and pursuant to Article II hereof.

Additional Payments

The term "Additional Payments" means the additional payments payable by the County under and pursuant to Section 5.01(b) of the Facility Lease.

Administrative Expense Fund

The term "Administrative Expense Fund" means the fund by that name established in accordance with Section 3.06 hereof.

Annual Debt Service

The term "Annual Debt Service" means, for any Fiscal Year, the sum of (1) the interest payable on all Outstanding Bonds in such Fiscal Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Fiscal Year, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Fiscal Year (together with the redemption premiums, if any, thereon).

Assignment Agreement

The term “Assignment Agreement” means that certain Assignment Agreement, dated as of February 1, 2016, by and between the Authority and the Trustee, as it may from time to time be amended.

Authority

The term “Authority” means San Diego Regional Building Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California.

Authorized Denominations

The term “Authorized Denominations” means $5,000 or any integral multiple thereof.

Average Annual Debt Service

The term “Average Annual Debt Service” means an amount equal to the average of the Annual Debt Service for all Fiscal Years, including the Fiscal Year in which the calculation is made.

Base Rental Payments

The term “Base Rental Payments” means the aggregate base rental payments with interest components and principal components payable by the County under and pursuant to Section 5.01(a) of the Facility Lease in the amounts and at the times set forth in Exhibit B thereof.

Beneficial Owner

The term “Beneficial Owner” shall have the meaning set forth in the Continuing Disclosure Agreement.

Bond Insurance Policy

The term “Bond Insurance Policy” means the Bond Insurance Policy, if any, issued by the applicable Insurer and guaranteeing, in whole or in part, the scheduled payment of principal of and interest on a Series of Bonds when due.

Bond Purchase Contract

The term “Bond Purchase Contract” means that certain Series 2016A Purchase Contract, dated __________, 2016, by and among the Underwriter, the Authority and the County relating to the Series 2016A Bonds.

Bonds; Series 2009A Bonds; Series 2016A Bonds; Serial Bonds; Term Bonds

The term "Bonds" means the Series 2016A Bonds and all Additional Bonds.

The term "Series 2009A Bonds" means the San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project), Series 2009A.

The term "Series 2016A Bonds" means the San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A.

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

The term "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.

Bond Year

The term "Bond Year" means the twelve month period ending on October 15 of each year to which reference is made.

Business Day

The term "Business Day" means a day other than (i) Saturday or Sunday or (ii) a day on which banking institutions in Los Angeles, California, New York, New York, or the city or cities in which the principal corporate trust office of the Trustee are closed or (iii) a day on which the New York Stock Exchange is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Indenture, and, unless otherwise specifically provided in this Indenture, no interest shall accrue for the period from and after such nominal date.

Certificate of Completion

"Certificate of Completion" means a Certificate of the County filed with the Trustee, stating that construction of the Project has been substantially completed and that all Construction Costs have been paid or provided for.

Certificate, Statement, Written Request or Requisition of the Authority or the County

"Certificate," "Statement," "Written Request" and "Requisition" of the Authority or of the County means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its Chair, Vice Chair, Secretary or Assistant Secretary, or any other person designated and authorized to sign for the Authority in writing to the Trustee, and with respect to the County means the DCAO/Auditor and Controller, the Treasurer-Tax

Collector, the Chief Deputy Treasurer, the Chief Investment Officer, the Group Finance Director, the Debt Finance Manager or such other person as may be designated and authorized to sign for the County in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 12.06, each such instrument shall include the statements provided for in Section 12.06.

Closing Date

The term "Closing Date" means ____________, 2016.

Code

The term "Code" means the Internal Revenue Code of 1986, as amended.

Common Reserve Account

The term "Common Reserve Account" means the account of that name established in the Reserve Fund pursuant to Section 3.04 hereof to secure the Common Reserve Bonds.

Common Reserve Bonds

"Common Reserve Bonds" means the Series 2016A Bonds and any Series of Additional Bonds secured by the Common Reserve Account as provided in the Supplemental Indenture providing for the issuance of each such Series of Additional Bonds.

Construction Costs

"Construction Costs" means all costs of constructing the Project, including, but not limited to:

(1) all costs which the Authority or the County shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the construction, installation or improvement of the Project;

(2) obligations of the Authority, the County or others incurred for labor and materials (including obligations payable to the Authority, the County or others for actual out-of-pocket expenses of the Authority, the County or others) in connection with the construction, installation or improvements of the Project, including reimbursement to the Authority, the County or others for all advances and payments made in connection with the Project prior to or after delivery of the Bonds.

(3) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of construction, installation or improvement of the Project;

(4) all costs of engineering and architectural services, including the actual out-of-pocket costs of the Authority or the County for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper construction, installation or improvement of the Project; and

(5) any sums required to reimburse the Authority or the County for advances made by the Authority or the County for any of the above items or for any other costs incurred and for work done by the Authority or the County which are properly chargeable to the construction, installation or improvement of the Project.

Construction Fund

"Construction Fund" means the fund by that name established pursuant to Section 3.03 hereof.

Continuing Disclosure Agreement

The term "Continuing Disclosure Agreement" means collectively, the Continuing Disclosure Agreement executed by the County at he time of the initial issuance of the Series 2016A Bonds, together with any Continuing Disclosure Agreement executed by the County at the time of the execution and delivery of any Additional Bonds, as originally executed and as each such Agreement may be amended from time to time in accordance with the terms thereof.

Cost of Issuance Fund

The term "Cost of Issuance Fund" means the fund by that name established in accordance with Section 3.05 hereof.

Costs of Issuance

The term "Costs of Issuance" means all the costs of executing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Facility Lease, the Site Lease, the Assignment Agreement, the Bonds and the preliminary official statement and final official statement pertaining to the Bonds; rating agency fees; financial advisor fees; verification agent fees; bidding agent fees; title insurance fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the Facility Lease of the Leased Property; any computer and other expenses incurred in connection with the Bonds; the fees and expenses of the Trustee, including fees and expenses of their respective counsel; and other fees and expenses incurred in connection with the execution of the Bonds, to the extent such fees and expenses are approved by the County.

County

The term "County" means the County of San Diego, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

Defeasance Securities

The term “Defeasance Securities” means any of the following:

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

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. 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); and
- State and Local Government Series; and

(3) Obligations described in paragraph (7) of the definition of Permitted Investments.

DTC

The term “DTC” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds including any such successor appointed pursuant to Section 2.07 hereof.

Earnings Fund

The term “Earnings Fund” means the fund by that name established in accordance with Section 3.07 hereof.

Electronic Means

The term “Electronic Means” means telecopy, telegraph, telex, facsimile transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

Escrow Agreement

The term “Escrow Agreement” means that certain Escrow Agreement, dated as of the February 1, 2016, between the County and the Prior Trustee as escrow agent providing for the defeasance and redemption of the Series 2009A Bonds

Event of Default

The term "Event of Default" means any occurrence or event specified in and defined by Section 7.01 hereof.

Facility Lease

The term "Facility Lease" means that certain Facility Lease, dated as of February 1, 2016, with respect to the Leased Property, by and between the County, as sublessee, and the Authority, as sublessor, as originally executed and as it may be amended from time to time.

Financial Newspaper

The term "Financial Newspaper" means The Wall Street Journal or The Bond Buyer or, if neither such newspaper is being regularly published, any other newspaper or journal publishing financial news and selected by the County that is printed in the English language, is customarily published on each Business Day and is circulated in Los Angeles, California and New York, New York.

Fiscal Year

The term "Fiscal Year" means the fiscal year of the County which, as of the date hereof, is the period from July 1 to and including the following June 30.

Fitch

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

Hazardous Substances

The term "Hazardous Substances" means any substances, pollutants, wastes and contaminants now or hereafter included in such (or similar term) term under any federal state or local statute, ordinance, code or regulation now existing or hereafter enacted or amended.

Indenture

The term "Indenture" means this Indenture by and among the Trustee, the County and the Authority, dated as of February 1, 2016, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Insurance Proceeds and Condemnation Awards Fund

The term "Insurance Proceeds and Condemnation Awards Fund" means the fund by that name established in accordance with Section 5.03 hereof.

Insurer

The term “Insurer” means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the County to insure the payment of principal of and interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. All consents, approvals or actions required by the Insurer shall mean the unanimous action of all Insurers if there is more than a single Insurer. There is no Insurer with respect to the Series 2016A Bonds.

Interest Account

The term “Interest Account” means the Series 2016A Interest Account and each additional account established for the payment of interest of a Series of Additional Bonds within the Revenue Fund established in accordance with Section 5.01(a) hereof.

Interest Payment Date

The term “Interest Payment Date” means October 15, 2016 and each April 15, and October 15, thereafter.

Interest Period

The term “Interest Period” means each period from and including one Interest Payment Date to but excluding the next following Interest Payment Date, except that the initial Interest Period will be the period from and including the date of the initial delivery of the Series 2016A Bonds to but excluding October 15, 2016.

Joint Powers Agreement

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement by and between the County and the San Diego Metropolitan Transit Development Board, dated August 25, 1987, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof.

Leased Property

The term “Leased Property” means the real property and all the improvements thereon or to be located thereon described in Exhibit A attached hereto, and Exhibit A in the Site Lease and in the Facility Lease (as the same may be changed from time to time by Removal or Substitution, as defined in the Facility Lease).

Mandatory Sinking Account Payment

The term “Mandatory Sinking Account Payment” means the principal amount of any Bond required to be paid on each Mandatory Sinking Account Payment Date pursuant to the terms of this Indenture or any Supplemental Indenture.

Mandatory Sinking Account Payment Date

The term "Mandatory Sinking Account Payment Date," if applicable, means October 15 of each year set forth in Section 4.01(c) and in any Supplemental Indenture.

Maximum Annual Debt Service

The term "Maximum Annual Debt Service" means an amount equal to the largest Annual Debt Service for all future Fiscal Years beginning in the Fiscal Year in which the calculation is made.

Moody's

"Moody's" means Moody's Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

MSRB

The term "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.

Opinion of Counsel

The term "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.

Outstanding

The term "Outstanding" when used as of any particular time with reference to Bonds, means all Bonds, including, but not limited to, the Bonds as described in Section 10.01(d) hereof, except:

(1) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds which pursuant to Section 9.02 hereof are not deemed outstanding;

(3) Bonds paid or deemed to have been paid within the meaning of Section 10.01 hereof; and

(4) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered by the Trustee pursuant to Section 2.10 hereof.

Owner

The term "Owner" means any person who shall be the registered owner of any Outstanding Bond as indicated in the registration books of the Trustee.

Permitted Investments

The term "Permitted Investments" means any of the following to the extent then permitted by applicable laws and any investment policies of the County:

(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 (PHAs);
— Federal Housing Administration; and
— 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 Federal Home Loan Mortgage Corporation (FHLMC);

— Obligations of the Resolution Funding Corporation (REFCORP);

— Senior debt obligations of the Federal Home Loan Bank System; and

— Senior debt obligations of other Government Sponsored Agencies approved by the Insurer.

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks 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 maturing not more than 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 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.

(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 or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of "Defeasance Securities" contained in this Indenture, which escrow may be applied only to the payment of such principal of and interest and redemption premium, 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 premium, 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 in the top two rating categories or higher by both Moody's and S&P.

(9) Investment Agreements rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel);

(10) Any investment authorized by California Government Code Section 53601;

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept

investments of moneys held in any of the funds or accounts established pursuant to this Indenture;

(12) The San Diego County Investment Pool, managed by the Treasurer-Tax Collector of the County of San Diego, California; and

(13) Other forms of investments rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel).

Any references to long-term rating categories in this definition of "Permitted Investments" shall not take into account any plus or minus sign or numerical modifiers.

Principal Corporate Trust Office

The term "Principal Corporate Trust Office" means the corporate trust office of the Trustee at the address set forth in Section 12.12 hereof, except for purposes of payment, registration, transfer, exchange and surrender of Bonds, means the corporate trust office of the Trustee in Los Angeles, California, or such other office specified by the Trustee.

Principal Ac count

The term "Principal Account" means the Series 2016A Principal Account and each additional account established for the payment of principal of a Series of Additional Bonds within the Revenue Fund established in accordance with Section 5.01(a) hereof.

Principal Payment

The term "Principal Payment" means the principal amount of Bonds required to be paid on each Principal Payment Date.

Principal Payment Date

The term "Principal Payment Date" means October 15 of each year, commencing October 15, 2016.

Prior Indenture

The term "Prior Indenture" means the Indenture by and among the Trustee, the County and the Authority, dated as of February 1, 2009, as amended, providing for the issuance of the Series 2009A Bonds.

Prior Trustee

The term "Prior Trustee" means Zions First National Bank, as trustee under the Prior Indenture.

Project; 2009 Project; Additional Project

The term “Project” means, as appropriate, the 2009 Project and/or any Additional Project.

The term “2009 Project” means the public facilities financed with the proceeds of the Series 2009A Bonds.

The term “Additional Project” means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Bonds.

Rebate Requirement

The term “Rebate Requirement” means the Rebate Requirement as defined in the Tax Certificate.

Record Date

The term “Record Date” means the close of business on the 1st day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

Redemption Fund

The term “Redemption Fund” means the fund by that name established in accordance with Section 5.02(c) hereof.

Rental Payments

The term “Rental Payments” means, collectively, the Base Rental Payments and the Additional Payments.

Representation Letter

The term “Representation Letter” means the Letter of Representations from the County and the Trustee to DTC, or any successor securities depository for the Bonds, in which the County and the Trustee make certain representations with respect to the Bonds, the payment with respect thereto and delivery of notices with respect thereto.

Reserve Account

The term “Reserve Account” means either the Common Reserve Account or any other reserve account established pursuant to Section 3.04 hereof, which account may secure one or more Series of Additional Bonds as provided in the Supplemental Indenture providing for the establishment thereof.

Reserve Fund

The term “Reserve Fund” means the fund by that name established in accordance with Section 3.04(a) hereof.

Reserve Fund Credit Facility

The term "Reserve Fund Credit Facility" shall mean a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in a Reserve Account in lieu of or in partial substitution for cash or securities on deposit therein.

Reserve Fund Requirement

The term "Reserve Fund Requirement" means (a) with respect to Common Reserve Bonds an amount equal to the lesser of (i) 50% of the Maximum Annual Debt Service attributable to the Outstanding Common Reserve Bonds or (ii) 125% of Average Annual Debt Service attributable to the Outstanding Common Reserve Bonds; provided however, that the Reserve Fund Requirement with respect to any Series of Common Reserve Bonds shall be the least of (i) or (ii) above, or an amount equal to 10% of the proceeds from the sale of such Series of Bonds and (b) with respect to any Series of Additional Bonds that are not Common Reserve Bonds, such amount, if any, as shall be specified in the Supplemental Indenture authorizing the issuance of such Series of Additional Bonds; and (c) provided however, that the Reserve Fund Requirement shall in no event exceed an amount permitted by the Code.

Revenue Fund

The term "Revenue Fund" shall have the meaning given to such term in Section 5.01(a).

Revenues

The term "Revenues" means all Base Rental Payments pursuant to the Facility Lease, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund (other than the Excess Earnings Fund) pursuant to Section 12.09.

S&P

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

Series

The term "Series", when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture or a Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

Site Lease

The term "Site Lease" means that certain Site Lease, dated as of February 1, 2016, with respect to the Leased Property, by and between the County, as lessor, and the Authority, as lessee, as originally executed and as it may be amended from time to time.

Supplemental Indenture

The term "Supplemental Indenture" means an agreement amending or supplementing the terms hereof entered into pursuant to the terms hereof.

Surplus Subaccount

The term "Surplus Subaccount" means the account by that name established in accordance with Section 3.03 hereof.

Tax Certificate

The term "Tax Certificate" means that Tax Certificate and Agreement, by and between the County and the Authority, executed at the time of execution and delivery of a Series of Bonds relating to the requirements of Section 148 of the Code, as such Tax Certificate and Agreement may be amended or supplemented.

Trustee

The term "Trustee" means Zions First National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and having a principal corporate trust office located at Los Angeles, California, or any other bank or trust company which may at any time be substituted in its place as provided in Section 8.02 hereof.

Underwriter

The term "Underwriter" means Barclays Capital Inc., on its own behalf and as representative of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Fidelity Capital Markets.

Section 1.02 Interpretation. (a) In this Indenture, unless the context otherwise requires:

(ii) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this Indenture;

(iii) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(iv) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons; and

(v) Any headings preceding the text of the several Articles and Sections of this Indenture, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(b) Whenever in this Indenture the County, the Authority or the Trustee is named or referred to, it shall include, and shall be deemed to include, its respective successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the County, the Authority or the Trustee contained in this Indenture shall bind and inure to the benefit of such respective successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the County or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Indenture.

(c) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the County, the Authority, the Trustee and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof. All of the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the County shall be for the sole benefit of the County, the Authority, the Trustee (including its agents) and the Owners.

Section 1.03 Equal Security. In consideration of the acceptance of the Bonds by the Owners, this Indenture shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the principal of, premium, if any, and interest on the Bonds which may be executed and delivered hereunder, subject to each of the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

TERMS AND CONDITIONS OF SERIES 2016A BONDS

Section 2.01 Authorization of Series 2016A Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Series 2016A Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Series 2016A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized to issue the Series 2016A Bonds in the form and manner provided herein for the purpose of providing funds to finance the costs of acquisition, construction and installation of the Project, and that the Series 2016A Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

Section 2.02 Terms of Series 2016A Bonds. The Series 2016A Bonds shall be designated "San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A," shall be executed and delivered in the form of fully registered Series 2016A Bonds, without coupons, in Authorized Denominations and shall be payable in lawful money of the United States of America.

The Series 2016A Bonds shall be dated their date of delivery. Each Series 2016A Bond shall bear interest from the Interest Payment Date to which interest has been paid or duly provided for next preceding its date of authentication, unless such date of authentication shall be (i) prior to the close of business on October 15, 2016, in which case such Series 2016A Bond shall bear interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Series 2016A Bond shall bear interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Series 2016A Bond shall bear interest from such date of authentication; *provided, however*, that if, as shown by the records of the Trustee, interest shall be in default, each Series 2016A Bond shall bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

Section 2.03 Payment Dates of Series 2016A Bonds; Interest.

(a) Method and Place of Payment. The principal of the Series 2016A Bonds shall be payable, subject to prior redemption, on each Principal Payment Date, as the case may be, in each of the years and in the amounts and with the rate of interest components set forth in the following table:

Payment Date (October 15)	Principal Amount	Rate of Interest
2016		
2017		
2018		
2018		
2019		
2019		
2020		
2020		
2021		
2022		
2022		
2023		
2023		
2024		

2025
2025
2026
2027
2027
2028
2028
2029
2030
2035*

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* Final Maturity

Except as otherwise provided in the Representation Letter, the interest on the Series 2016A Bonds shall be payable on each Interest Payment Date by check sent by first class mail by the Trustee to the respective Owners of the Series 2016A Bonds as of the Record Date for such Interest Payment Date at their addresses shown on the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof. Payments of defaulted interest on any Series 2016A Bond shall be paid by check to the Owner as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owner of the Series 2016A Bond not less than ten days prior thereto. The principal and premium, if any, of the Series 2016A Bonds shall be payable upon presentation and surrender thereof on maturity or on redemption prior thereto at the Principal Corporate Trust Office of the Trustee.

The Owner of $1,000,000 or more in aggregate principal amount of the Series 2016A Bonds may request in writing that the Trustee pay the interest on the Series 2016A Bonds by wire transfer to an account in the United States of America and the Trustee shall comply with such request for all Interest Payment Dates following the 15th day after receipt of such request.

(b) **Principal and Interest Payments.** The principal of the Series 2016A Bonds shall be payable on the Principal Payment Dates indicated in the preceding table and the interest on the Series 2016A Bonds shall be payable on each Interest Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 2.04 **Form of Series 2016A Bonds.** The Series 2016A Bonds and the assignment to appear thereon shall be in substantially the forms, respectively, of Exhibit B hereto, with necessary or appropriate insertions, omissions and variations as permitted or required hereby.

Section 2.05 **Execution of Bonds.** The Chairman of the Authority is hereby authorized and directed to execute each of the Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized and directed to countersign each of the Bonds on behalf of the Authority. The signatures of such Chairman and Secretary may be by printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Bonds shall cease to be such officer before the delivery of the Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Bonds.

Only those Bonds bearing thereon a certificate of authentication and registration in substantially the form set forth in Exhibit B hereto, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 2.06 Transfer and Payment of Bonds; Exchange of Bonds. All Bonds may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof, upon surrender of such Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not such Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability of by such Bond to the extent of the sum or sums so paid.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall execute and deliver a new Bond or Bonds in the same principal amount in Authorized Denominations. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be presented for exchange at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Bond during the period in which the Trustee is selecting Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption thereof.

Section 2.07 Book-Entry Bonds. Notwithstanding any provision of this Indenture to the contrary, the transfer provisions of Section 2.06 hereof do not apply if the ownership of the Bonds is in book-entry form.

(a) Except as provided in subparagraph (d) of this Section 2.07, the registered Owner of all of the Bonds shall be DTC, and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Notwithstanding anything to the contrary contained in this Indenture, payment of interest with respect to any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the Interest Payment Date for the Bonds at the address indicated on the Record Date or special record date for Cede & Co. in the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof or as otherwise provided in the Representation Letter.

(b) The Bonds shall be initially executed and delivered in the form of separate single fully registered Bonds in the amount of each separate stated maturity of the Bonds. Upon initial execution and delivery, the ownership of such Bonds shall be registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof in the name of Cede & Co., as nominee of DTC. The Trustee and the County shall treat DTC (or its nominee) as the sole and exclusive Owner of the Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to the Bonds, selecting the Bonds or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners under this Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and neither the Trustee nor the County shall be affected by any notice to the contrary. Neither the Trustee nor the County shall have any responsibility or obligation to any person claiming a beneficial ownership interest in the Bonds under or through DTC, or any other person which is not shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof as being an Owner, with respect to (i) the accuracy of any records maintained by DTC; (ii) the payment by DTC of any amount of the principal, premium, if any, or interest on the Bonds; (iii) any notice which is permitted or required to be given to Owners under this Indenture or the selection by DTC of any person to receive payment in the event of a partial redemption of the Bonds; or (iv) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the County's obligations with respect to the principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except under the conditions of (d) below, no person other than DTC shall receive an executed Bond representing the right to receive principal, premium, if any and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the term "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) In order to qualify the Bonds for DTC's book-entry system, the County and the Trustee will execute, countersign and deliver to DTC the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this Section 2.07 or in any other way impose upon the Trustee, the County or the Authority any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof.

(d) In the event (i) DTC, including any successor as securities depository for the Bonds, determines not to continue to act as securities depository for the Bonds, or (ii) the County determines that the incumbent securities depository shall no longer so act and delivers a written certificate to the Trustee to that effect, then the County will discontinue the book-entry system with the incumbent securities depository for the Bonds. If the County determines to replace the incumbent securities depository for the Bonds with another qualified securities depository, the County shall prepare or direct the preparation of a new single, separate fully registered Bond for the aggregate outstanding principal amount of Bonds of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the County, the Trustee and the successor securities depository for the Bonds as are not inconsistent with the terms of this Indenture. If the County fails to identify another qualified successor securities depository for the Bonds to replace the incumbent securities depository, then the Bonds shall no longer be restricted to being registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for the Bonds, or its nominee, shall designate. In such event the Trustee shall execute and deliver a sufficient quantity of Bonds as to carry out the transfers and exchanges provided in this Section and Sections 2.06 and 2.10 hereof. All such Bonds shall be in fully registered form in denominations authorized by this Indenture.

(e) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest on such Bond and all notices with respect to such Bonds shall be made and given, respectively, as provided in the Representation Letter.

(f) In connection with any notice or other communication to be provided to Owners pursuant to this Indenture by the County or the Trustee with respect to any consent or other action to be taken by Owner, the County or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Section 2.08 Bond Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Bonds, which books shall be available for inspection by the Authority and the County at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds on such books as hereinabove provided. The Trustee will, upon written request, make copies of the foregoing available to any Owner of at least five percent in aggregate principal amount of Outstanding Bonds or his agent duly authorized in writing.

Section 2.09 Temporary Bonds. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, it will authenticate definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered at the Principal Corporate Trust Office of the Trustee, in exchange for such definitive Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefits hereunder as definitive Bonds executed and delivered hereunder.

Section 2.10 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, payment date in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated

Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee shall require payment of a sum not exceeding the actual cost of preparing each new Bond authenticated and delivered by it under this Section and of the expenses which may be incurred by it under this Section. Any Bond authenticated and delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds secured hereby, and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the amount of Bonds which may be executed and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of authenticating and delivering a new Bond for a Bond which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Bond, the Trustee may make payment of such Bond to the Owner thereof on or after the maturity date.

Section 2.11 <u>Execution and Delivery of Additional Bonds</u>. The County, the Authority and the Trustee may, by execution of a Supplemental Indenture without the consent of the Owners, provide for the execution and delivery of Additional Bonds payable from additional Revenues. The Trustee may authenticate and deliver to or upon the request of the County such Additional Bonds, and the proceeds of such Additional Bonds may be applied to any lawful purposes of the County or the Authority, but such Additional Bonds may only be authenticated and delivered upon compliance by the County with the provisions of Section 2.12 hereof and subject to the following specific conditions, which are hereby made conditions precedent to the execution and delivery of any such Additional Bonds:

(a) Neither of the County nor the Authority shall be in default under the Indenture or any Supplemental Indenture or under the Facility Lease or the Site Lease;

(b) Said Supplemental Indenture shall state whether such Additional Bonds shall (i) constitute Common Reserve Bonds secured by the Common Reserve Account, (ii) be secured by any other Reserve Account, or (iii) not be secured by any Reserve Account;

(c) The dated date and the maturity dates of, and the Mandatory Sinking Account Payment dates, if any, for such Additional Bonds; *provided* that (i) each maturity date shall fall upon October 15, (ii) the final maturity date shall not exceed the remaining useful life of the Leased Property, (iii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination and (iv) serial maturities for Serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective maturity dates;

(d) The interest payment dates for such Additional Bonds shall be Interest Payment Dates;

(e) The aggregate principal amount of Bonds authenticated and delivered and at any time Outstanding hereunder or under any Supplemental Indenture shall not exceed any limit imposed by law, by this Indenture or by any Supplemental Indenture;

(f) The Site Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due *provided, however*, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County, as required by Section 2.12(b) hereof; and

Any Additional Bonds shall be on a parity with the Bonds and each Owner thereof shall have the same rights upon an Event of Default as the Owner of any other Bonds executed and delivered under this Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are executed and delivered.

The County shall cause to be given to each rating agency rating the Bonds, and the Insurer, notice of any execution and delivery of Additional Bonds.

Section 2.12 Proceedings for Authorization of Additional Bonds. Whenever the County and the Authority shall determine to authorize the execution and delivery of any Additional Bonds pursuant to Section 2.11 hereof, the County, the Authority and the Trustee shall enter into a Supplemental Indenture without the consent of the Owners of any Bonds, providing for the execution and delivery of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

Such Supplemental Indenture shall prescribe the form or forms of such Additional Bonds and, subject to the provisions of Section 2.11 hereof, shall provide for the distinctive designation, denominations, method of numbering, dates, Principal Payment Dates, interest rates, Interest Payment Dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be executed and delivered, the County and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel (which may rely upon the Certificate of the County required by Section 2.12(b) and such other opinions and certificates as may be appropriate) setting forth (1) that such Counsel has examined the Supplemental Indenture and the amendment, if any, to the Site Lease and the Facility Lease required by Section 2.11(f) hereof; (2) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the County and the Authority; (3) that said amendments to the Site Lease and the Facility Lease and the Supplemental Indenture, when duly executed by the County and the Authority, will be valid and binding obligations of the County and the Authority; (4) that said amendments to the Site Lease and the Facility Lease have been duly authorized, executed and delivered; and (5) that the amendments to the Site Lease and the Facility Lease do not adversely affect the tax-exempt status of interest on by Outstanding Bonds;

(b) A Certificate of the County that the requirements of Section 2.11 hereof have been met, including a Certificate of the County as to the annual fair rental value of the Leased Property; which Certificate may assume the timely construction and completion of any Additional Project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee (i) in the Construction Fund, in an amount reasonably expected to be sufficient to provide for the Construction Costs of such Additional Project, and (ii) in a capitalized interest account, in an amount sufficient to pay interest on the Additional Bonds for the period of time from their date of issuance until 6 months following the expected delivery date of the Certificate of Completion with respect to such Additional Project;

(c) Certified copies of the resolutions of the County and the Authority, authorizing the execution of the amendments to the Site Lease and Facility Lease required by Section 2.11 hereof;

(d) An executed counterpart or duly authenticated copy of the amendments to the Site Lease and Facility Lease required by Section 2.11(f) hereof;

(e) Certified copies of the policies of insurance required by Article VI of the Facility Lease or certificates thereof, which shall evidence that the amounts of the insurance required under Section 6.03(1) and (2) of the Facility Lease have been increased, if necessary, to cover the amount of such Additional Bonds; and

(f) A CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in Section 6.05 of the Facility Lease.

Upon the delivery to the Trustee of the foregoing instruments so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee, the Trustee shall authenticate and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the request of, the County.

ARTICLE III

PROCEEDS OF BONDS

Section 3.01 Delivery of Series 2016A Bonds. The Trustee is hereby authorized to execute and deliver the Series 2016A Bonds to the Underwriter pursuant to the Bond Purchase Agreement upon receipt of a Written Request of the Authority and upon receipt of the proceeds of sale thereof.

Section 3.02 Deposit of Proceeds of Series 2016A Bonds and Other Moneys. The proceeds received from the sale of the Series 2016A Bonds in the amount of $__________________ (consisting of the par amount of the Series 2016A Bonds of

$XX,000,000, plus original issue premium of $_________________, less an Underwriter's discount of $_______________), together with the amount of $_______________ held in the reserve fund established under the Prior Indenture, shall be transferred for deposit by the Trustee to the following respective funds:

(a) The Trustee shall deposit the amount of $______________, constituting the Reserve Fund Requirement, in the Common Reserve Account; and

(b) The Trustee shall deposit the amount of $______________ in the Cost of Issuance Fund; and

(c) The Trustee shall transfer to the Prior Trustee the amount of $________________ for deposit into the Escrow Account established under the Escrow Agreement.

To facilitate any transfers to or for the benefit of the County required in this Section 3.02, the Trustee may, in its discretion open a temporary fund or account on its records which shall be closed upon completion of such transfers.

Section 3.03 <u>Construction Fund</u>.

(a) The Trustee shall hold the moneys in the Construction Fund and shall disburse such moneys therefrom to pay Construction Costs. Such disbursements shall be made from time to time upon receipt of a Written Request of the County on behalf of the Authority (in the form as set forth in Exhibit C hereto) which:

(ii) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred, is a Construction Cost and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement;

(iii) specifies in reasonable detail the nature of the obligation; and

(iv) is accompanied by a bill or statement of account for each obligation.

(b) If at any time there are insufficient moneys in the Costs of Issuance Fund to disburse moneys in accordance with Section 3.06 hereof, the Trustee shall disburse from the Construction Fund, subject to this Section 3.03, such additional amounts as are necessary to pay such Costs of Issuance.

(c) Upon the delivery to the Trustee of a Certificate of Completion, the Trustee shall transfer any remaining balance of money in the Construction Fund, first, to the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, second, to the related Reserve Account to the extent necessary to make the amount on deposit therein equal to the Reserve Fund Requirement, and third, the remainder to a separate subaccount within the related Principal Account, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Subaccount." The moneys in the Surplus Subaccount shall be applied (unless some other application of such moneys would not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of interest on the Bonds) as directed in writing by the County to pay principal on the Series of Bonds from which such moneys were derived as such principal becomes due and payable, in annual amounts which bear the same ratio to the principal amount of such Series of Bonds maturing in such year that the amount deposited in the Surplus Subaccount bears to the original principal amount of such Series of Bonds. Notwithstanding Section 6.09 hereof, the moneys in the Surplus Subaccount shall be invested at a yield no higher than the yield on such Outstanding Series of Bonds (unless, in the opinion of Bond Counsel, investment at a higher yield would not adversely affect the tax-exempt status of interest on the Bonds), and all such investment income shall be deposited in the Surplus Subaccount and expended or reinvested as provided above.

Section 3.04 Reserve Fund.

(a) There is hereby established in trust a special fund designated as the "Reserve Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. Within the Reserve Fund, the Trustee shall establish and maintain a separate account designated the "Common Reserve Account" and may establish and maintain one or more additional Reserve Accounts, each of which may secure one or more Series of Bonds pursuant hereto and to the Supplemental Indenture authorizing the issuance thereof. On the Closing Date, the Trustee shall deposit in the Common Reserve Account the amount required to be deposited therein pursuant to Section 3.02 hereof. In connection with the issuance of Additional Bonds, there shall additionally be deposited in the Common Reserve Account or any other Reserve Account established and/or maintained for such Additional Bonds, as applicable, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued. Moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purposes set forth in this Section 3.04.

(i) In the event that, on any date on which the Trustee is to transfer money from the Revenue Fund to the Interest Accounts pursuant to subsection (a) of Section 5.02 hereof or to the Principal Accounts pursuant to subsection (b) of Section 5.02 hereof, amounts in the Revenue Fund are insufficient for such purpose, the Trustee shall withdraw from each Reserve Account, to the extent of any funds therein, the amount of the insufficiency of the related Series of Bonds, and shall transfer any amounts so withdrawn first to the related Interest Account and then to the related Principal Account. If the amount on deposit in any Reserve Account is not sufficient to make such transfer, the Trustee shall make a claim under any available Reserve Fund Credit Facility, in accordance with the provisions thereof, in order to obtain an amount sufficient to allow the Trustee to make such transfer as and when required.

(ii) Monies on deposit in each Reserve Account shall be withdrawn and transferred by the Trustee to be applied for the final payment on the related Series of Bonds.

In the event of any withdrawal or transfer from a Reserve Account, the Trustee shall, within five days thereafter, provide written notice to the County of the amount and the date of such transfer. If at any time the balance in any Reserve Account shall be reduced below the Reserve Fund Requirement, the first of Base Rental Payments thereafter payable by the County under the Facility Lease and not needed to pay the interest and principal components of Base Rental Payments payable by the County under the Facility Lease to the Owners on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date shall be used to increase the balance in such Reserve Account to the Reserve Fund Requirement. If after the payment of principal and interest on any Interest Payment Date the balance in the any Reserve Account shall be in excess of the Reserve Fund Requirement the Trustee shall, upon Written Request of the County, transfer such excess first to the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, then to the County for deposit in the Administrative Expense Fund to the extent needed to pay reasonable and necessary operating expenses of the County relating to the Bonds and thereafter to the Revenue Fund. At the termination of both Facility Lease in accordance with their respective terms, any balance remaining in any Reserve Account shall be released and may be transferred to such other fund or account of the County, or otherwise used by the County for any other lawful purposes, as the County may direct in writing. For purposes of determining the amount on deposit in each Reserve Account, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in each Reserve Account shall mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment.

(b) At the option of the County, one or more Reserve Fund Credit Facilities may be substituted for the funds held by the Trustee in any Reserve Account such that the amount available to be drawn under such Reserve Fund Credit Facilities together with funds remaining in such Reserve Account satisfies the Reserve Fund Requirement.

If the County exercises its option to substitute a Reserve Fund Credit Facility for all or a portion of the moneys held by the Trustee in a Reserve Account, then such moneys, on or after the date that the Reserve Fund Credit Facility becomes effective, at the option of the County, shall be transferred (A) to the Redemption Fund for the purpose of redeeming the related Series of Bonds or (B) to a construction fund to be held by the County and used for capital projects of the County in accordance with the Tax Certificate. Neither the County nor the Trustee may invest such amounts transferred so as to produce a yield greater than the yield permitted under the Tax Certificate. In the event any Reserve Fund Credit Facility is scheduled to terminate prior to the final maturity date of the Bonds and such Reserve Fund Credit Facility is not extended, renewed or replaced with another Reserve Fund Credit Facility or with cash or Permitted Investments in the amount of such Reserve Fund Credit Facility, the Trustee shall draw on or make a claim under such Reserve Fund Credit Facility ten days prior to the date of such expiration in an amount equal to the lesser of (i) the maximum amount available thereunder or (ii) the Reserve Fund Requirement, in either case for deposit into the related Reserve Account.

In the event a Reserve Fund Credit Facility is substituted for all or a portion of the moneys held by the Trustee in a Reserve Account pursuant to the terms of this Indenture, then, notwithstanding any other provision hereof, (1) the Trustee shall draw upon the Reserve Fund Credit Facility for amounts which the terms of this Indenture require to be transferred from the related Reserve Account; *provided* that the Trustee shall first draw upon any cash or Permitted Investments on deposit in the related Reserve Account before drawing upon any Reserve Fund

Credit Facility, and thereafter shall draw upon all such Reserve Fund Credit Facilities on a *pro rata* basis, and (2) amounts required by the terms of this Indenture to be deposited or transferred to a Reserve Account (a) in the event the Reserve Fund Credit Facility has been drawn upon, shall be first paid to the provider of such Reserve Fund Credit Facility if the County has an outstanding reimbursement obligation to such provider resulting from such draw, which payment shall result in an increase in the amount then available under the Reserve Fund Credit Facility equal to such payment and (b) to the extent all such draws on Reserve Fund Credit Facilities have been paid, then, second, shall be transferred or deposited to the related Reserve Account in amount such that after giving effect to the deposit the amount on deposit in such Reserve Account is equal to the Reserve Fund Requirement.

The County shall be permitted to make use of a Reserve Fund Credit Facility pursuant to this Indenture at any time.

For purposes of this Section 3.04(b), the term "substitution" shall include such initial funding of the Reserve Fund Requirement by means of a Reserve Fund Credit Facility instead of by deposit of moneys, and shall not be read to mean that the County must first make an initial cash deposit in a Reserve Account before invoking this Section 3.04(b) and satisfying the Reserve Fund Requirement by securing and implementing a Reserve Fund Credit Facility.

Section 3.05 Cost of Issuance Fund. There is hereby established in trust a special fund designated as the "Cost of Issuance Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The moneys in the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the Bonds, upon a Written Request of the County on behalf of the Authority (in the form as set forth in Exhibit D hereto). All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. On or before 6 months after the issuance of any Series of Bonds, the Trustee shall transfer any amounts then remaining in the Cost of Issuance Fund first to the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, then to the Reserve Fund to the extent the amount on deposit therein is less than the Reserve Fund Requirement, then to the County for deposit in the Administrative Expense Fund to the extent that the amount on deposit therein is less than $20,000, and thereafter to the Interest Fund.

Section 3.06 Administrative Expense Fund.

(a) There is hereby established in trust a special fund designated as the "Administrative Expense Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee.

(b) Amounts in the Administrative Expense Fund shall be paid out from time to time by the Trustee at the direction of the County for Administrative Fees and Expenses.

(c) Amounts in the Administrative Expense Fund which are in excess of $20,000 shall be transferred by the Trustee to the Revenue Fund.

Section 3.07 Earnings Fund. There is hereby established in trust a special fund designated as the "Earnings Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The Trustee shall administer the Earnings Fund as provided in this Article III and in Section 6.09 hereof.

The Trustee shall establish and maintain in the Earnings Fund a separate account designated as the "Investment Earnings Account," and a separate account designated as the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and money held by the Trustee. Pursuant to Section 12.09 hereof, all investment earnings on the funds and accounts (other than the Excess Earnings Account, the Construction Fund, and the Surplus Subaccount) established hereunder shall be deposited into the Investment Earnings Account. All investment earnings on the Construction Fund and the Surplus Subaccount shall be retained therein. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account upon receipt by the Trustee of written instructions from the County given in accordance with the provisions of the Tax Certificate.

Upon each transfer, any amount remaining in the Earnings Fund or any amount on deposit in the Excess Earnings Account which the County determines and informs the Trustee in writing exceeds the amount required to be maintained therein pursuant to the provision of the Tax Certificate shall be transferred first, to the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement, and second, to the Revenue Fund. Except as set forth in the proceeding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States in accordance with written instructions of the County.

ARTICLE IV

REDEMPTION OF SERIES 2016A BONDS

Section 4.01 Terms of Redemption. The Series 2016A Bonds shall be subject to redemption prior to their respective maturity dates as set forth in subsections (a) through (c) hereof.

(a) *Extraordinary Redemption*. To the extent permitted or required by Section 5.03 or 5.04 hereof, the Series 2016A Bonds are subject to redemption on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Series 2016A Bonds plus accrued interest thereon to the date fixed for redemption, without premium.

(b) *Optional Redemption*. The Series 2016A Bonds maturing on or after [October 15, 2026] are subject to optional redemption prior to maturity on or after [October 15, 2025] at the option of the County, in whole, or in part, on any date, at a redemption price equal to the principal amount of the Series 2016A Bonds to be redeemed, plus accrued but unpaid interest to the redemption date.

(c) *Mandatory Redemption*. The Series 2016A Bonds maturing on October 15, 20__ are subject to mandatory redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each October 15 specified below, at a redemption price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for redemption, without premium. The principal amount of such term bonds to be so redeemed and the dates therefor shall be as follows:

Redemption Date (October 15)	Redemption Amount

Section 4.02 Notice of Redemption. Notice of redemption shall be mailed by first class mail by the Trustee, on behalf and at the expense of the County, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. The Trustee shall also provide such additional notice of redemption of Bonds at the time and as may be required by the MSRB. Each notice of redemption shall state the date of such notice, the Bonds to be prepaid, the Series and date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be prepaid, the distinctive certificate numbers of the Bonds of such maturity to be prepaid and, in the case of Bonds to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that such redemption may be rescinded by the County and that, unless such redemption is so rescinded, and provided that on said date funds are available for payment in full of the Bonds then called for redemption, on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be prepaid in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to this Section to any one or more of the information services or securities depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

The County shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Section 4.03 Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Trustee shall execute and deliver to the Owner thereof a new Bond or Bonds representing the unpaid principal amount of the Bond surrendered.

Section 4.04 Effect of Redemption. If notice of redemption has been duly given as aforesaid and moneys for the payment of the redemption price of the Bonds to be redeemed are held by the Trustee, then on the redemption date designated in such notice the Bonds so called for redemption shall become payable at the redemption price specified in such notice; and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price represented thereby. The Trustee shall, upon surrender for payment of any of the Bonds to be redeemed, pay such Bonds at the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled by the Trustee and shall not be redelivered.

ARTICLE V

REVENUES

Section 5.01 Pledge of Revenues; Revenue Fund.

(a) There is hereby established a special fund designated as the "Revenue Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. Within the Revenue Fund, the Trustee shall establish and maintain a separate account designated the "Series 2016A Interest Account" and a separate account designated the "Series 2016A Principal Account." Upon the issuance of Additional Bonds, the Trustee shall also establish and maintain, within the Revenue Fund, a separate Interest Account and a separate Principal Account for each Series of Additional Bonds. The County hereby irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established hereunder (other than the Excess Earnings Account), subject to the provisions hereof permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth herein, and in and to the Revenues, which shall be used for the punctual payment of the interest and principal of the Bonds and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. It is the intent of the parties hereto that the Authority shall not have any right, title, in or to the Revenues. In the event, however, that it should be determined that the Authority has any right, title or interest in or to the Revenues, then the Authority hereby irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of such right, title and interest, which shall be used for the punctual payment of the interest and principal of the Bonds. These pledges shall constitute a first and exclusive lien on the funds established hereunder and the Revenues in accordance with the terms hereof subject in all events to the power of the County and the Authority to cause the execution and delivery of Additional Bonds pursuant to Section 2.11 hereof which shall be on a parity with the Bonds Outstanding.

(b) All Revenues shall be paid directly by the County to the Trustee, and if received by the Authority at any time shall be deposited by the Authority, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Revenues, the proceeds of rental interruption insurance and liquidated damages, if any, shall be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein shall be held in trust by the Trustee, which fund the Trustee hereby agrees to establish and maintain for the benefit of the Owners until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding; *provided, however*, and notwithstanding the foregoing, if the Trustee receives Revenues in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose hereunder, and if the amount then in each Reserve Account is at least equal to the Reserve Fund Requirement and there exists no Event of Default hereunder, then amounts in the Revenue Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the County, to make any regular periodic payment due to provider of a Reserve Fund Credit Facility or a Reserve Fund investment which provides for such payments, if any, or for any other purpose.

Section 5.02 [4]**Deposit of Revenues.** Except as otherwise provided in this Section, the Trustee shall deposit the amounts in the Revenue Fund at the time and in the priority and manner hereinafter provided in the following respective accounts, each of which the Trustee hereby agrees to establish and maintain until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding, and the moneys in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized.

(a) Interest Account. The Trustee, on each Interest Payment Date, shall transfer from the Revenue Fund to each Interest Account an amount equal to the interest on the related Series of Bonds coming due on such Interest Payment Date; provided, however, that if and to the extent that such amount is available for such Series of Bonds in any capitalized interest subaccount established pursuant to a Supplemental Indenture on such Interest Payment Date, the Trustee shall, instead, transfer such amount from such capitalized interest subaccount to the related Interest Account on such Interest Payment Date. Moneys in each Interest Account shall be withdrawn and used by the Trustee for the purpose of paying interest on the related Series of Bonds as and when due and payable.

(b) Principal Account. The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall transfer from the Revenue Fund to each Principal Account an amount equal to the principal of the related Series of Bonds, including principal due and payable by reason of a Mandatory Sinking Account Payment coming due on such date. Moneys in each Principal Account shall be withdrawn and used by the Trustee for the purpose of paying principal of the related Series of Bonds, including principal due and payable by reason of a Mandatory Sinking Account Payment, as and when due and payable.

(c) **Redemption Fund.** The Trustee, on the redemption date specified in the Written Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Facility Lease, shall deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Monies in the Redemption Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest of the Bonds to be prepaid.

Section 5.03 **Application of Insurance Proceeds and Condemnation Awards.** The Trustee shall not be responsible for the sufficiency of any insurance required by the Facility Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County or the Authority. Delivery to the Trustee of the schedule of insurance policies under the Facility Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as hereinafter provided, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to Section 6.03 of the Facility Lease, the County and the Authority shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Revenue Fund) to be used in accordance with Section 7.01 of the Facility Lease. The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund." The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Authority, which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Redemption Fund and applied in the manner provided by Section 4.01(a) hereof. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Redemption Fund and used for the redemption of Outstanding Bonds pursuant to Section 4.01(a) hereof; provided, that if the County elects to so prepay the Outstanding Bonds, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision herein, the County shall only prepay less than all of the Outstanding Bonds if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest of the Outstanding Bonds not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Redemption Fund and applied to the redemption of Outstanding Bonds pursuant to Section 4.01(a) hereof.

Section 5.04 <u>Title Insurance</u>. Proceeds of any policy of title insurance received by the County, the Authority or the Trustee in respect of the Leased Property shall be applied and disbursed by the County, the Authority or the Trustee as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Rental Payments payable by the County under the Facility Lease, such proceeds shall be deposited first in the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, then in the Reserve Fund to the extent that the amount therein is less than the Reserve Fund Requirement, then in the Administrative Expense Fund to the extent needed to pay reasonable and necessary operating expenses of the County with respect to the Bonds, and thereafter amounts not required to be so deposited shall be remitted to the County and used for any lawful purpose thereof; or

(b) If any portion of the Leased Property has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Rental Payments payable by the County under the Facility Lease, then the County, the Authority or the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in Section 4.01(a) hereof.

ARTICLE VI

COVENANTS

Section 6.01 <u>Compliance with Indenture</u>. The Trustee will not execute or deliver any Bonds in any manner other than in accordance with the provisions hereof, and neither of the County or the Authority will suffer or permit any default by them to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by them.

Section 6.02 <u>Compliance with Facility Lease and Site Lease</u>. The County and the Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Facility Lease and Site Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Facility Lease and Site Lease against the other party thereto in accordance with their respective terms.

Section 6.03 <u>Observance of Laws and Regulations</u>. The Trustee, the County and the Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 6.04 Other Liens. The County will keep the Leased Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances (with respect to the Leased Property, as such term is defined in the Facility Lease, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Leased Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to take any necessary steps to defend against or to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; *provided, however*, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder to defend the validity hereof and to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, neither the County nor the Authority will create or suffer to be created any pledge of or lien on the Revenues other than as provided or permitted under Section 5.01 hereof.

Section 6.05 Prosecution and Defense of Suits. The County will promptly take such action from time to time as may be necessary or proper, in its reasonable discretion, to remedy or cure any known cloud upon or defect in the title to the Leased Property or any portion thereof, whether now existing or hereafter developing, and will prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

Section 6.06 Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by it relating to the receipt, deposit and disbursement of the Revenues, and such accounting records shall be available for inspection by the County or the Authority at reasonable hours, under reasonable conditions and with reasonable notice. The Trustee shall deliver a monthly accounting to the County; *provided* that the Trustee shall not be obligated to report as to any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Section 6.07 Recordation and Filing. The Authority will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain the Facility Lease, Site Lease, Assignment Agreement and this Indenture at all times as a security interest in the Revenues, all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to perfect, preserve and protect fully the security of the Owners and the rights and security interests of the Trustee, and the Authority will do whatever else may be necessary or be reasonably required in order to perfect and continue the liens of the Facility Lease, Site Lease, Assignment Agreement and this Indenture.

Section 6.08 Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the County and the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them hereby or by the Assignment Agreement, Facility Lease or Site Lease.

Section 6.09 Excess Earnings Account of the Earnings Fund; Tax Covenants. Pursuant to Section 3.07 hereof, the Trustee shall establish and maintain an account separate from any other fund or account established and maintained hereunder designated as the "Excess Earnings Account." There shall be deposited in the Excess Earnings Account such amounts set forth in a written direction from the County to the Trustee as the County determines are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Excess Earnings Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. The Trustee shall disburse such funds upon receipt of written direction from the County. Notwithstanding defeasance of the Bonds pursuant to Article X hereof or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Excess Earnings Account shall be governed exclusively by this Section 6.09 and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall have no duty or obligation to monitor the compliance by the County with the requirements of the Tax Certificate and shall be deemed to have complied with its obligations with respect to the Excess Earnings Account if it follows the written directions of the County.

Any funds remaining in the Excess Earnings Account after payment in full of all of the Bonds and after payment of any amounts described in this Section 6.09, shall be transferred to the County to be used for any lawful purpose.

Section 6.10 Continuing Disclosure. The County hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or 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 Section 6.10; *provided*, that the Trustee shall only be required to take an action under this Section 6.10 to the extent funds have been provided to it or it has been otherwise indemnified to its reasonable satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys.

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01 <u>Events of Default</u>. The following events shall be Events of Default:

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

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) default by the County in the observance of any of the covenants, agreements or conditions on its part in this Indenture contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the County and the Authority by the Trustee, or to the County, the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; *provided, however*, that if such default can be remedied but not within such 30-day period and if the County has taken all action reasonably possible to remedy such default within such 30-day period, such default shall not become an Event of Default for so long as the County shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time reasonably established by the Trustee; or

(d) an event of default shall have occurred and be continuing under the Facility Lease.

Section 7.02 <u>Action on Default</u>. In each and every case during the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (subject to the provisions of Section 7.11 hereof) shall be entitled, upon notice in writing to the County and the Authority to exercise any of the remedies granted to the County under the Facility Lease, to the Authority under the Facility Lease, and in addition, to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by this Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in Section 7.03(a), (b) or (c) hereof.

Section 7.03 <u>Other Remedies of the Trustee</u>. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County, the Authority or any director, officer or employee thereof, and to compel the County or the Authority or any such director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default hereunder to require the County and the Authority to account as the trustee of an express trust.

Section 7.04 Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee 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 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 Trustee by law or by this Article may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner or Owners, then subject to any adverse determination, the Trustee or such Owner or Owners and the County and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 7.05 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee 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 hereunder or now or hereafter 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 any law. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 7.06 No Liability by the Authority to the Owners. Except as expressly provided herein, the Authority shall have no obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of the other agreements and covenants required to be performed by it contained in the Facility Lease or herein, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

Section 7.07 No Liability by the County to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Facility Lease or herein, the County shall not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Revenues by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

Section 7.08 No Liability by the Trustee to the Owners. Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Facility Lease or Site Lease or in this Indenture.

Section 7.09 Application of Amounts After Default. Notwithstanding anything to the contrary contained herein, after a default by the County, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Leased Property after a default by the County pursuant to Section 10.01 of the Facility Lease, and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under Section 10.01 of the Facility Lease, shall be deposited into the Revenue Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under Section 8.03 hereof; and

(b) to the payment of all amounts then due as interest with respect to the Bonds, and thereafter to the payment of all amounts due as principal with respect to the Bonds, in respect of which or for the benefit of which, money has been collected (other than Bonds which have matured or otherwise become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts due and payable with respect to such Bonds.

Section 7.10 Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.

Section 7.11 Limitation on Suits. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Bonds; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Owner of Bonds, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Owners of Bonds. Nothing in this Indenture contained shall, however, affect or impair the right of any Owner to enforce the payment of the principal of or the redemption price of and the interest of any Bond at and after the maturity or earlier redemption.

ARTICLE VIII

THE TRUSTEE

Section 8.01 Employment of the Trustee. The County and the Authority hereby appoint and employ the Trustee to receive, deposit and disburse the Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering the Indenture, the Trustee accepts the appointment and employment hereinabove referred to and accepts the rights and obligations of the Trustee provided herein, subject to the conditions and terms hereof. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Section 8.02 Duties, Removal and Resignation of the Trustee. The County and the Authority may, by an instrument in writing and upon 30 days written notice remove the Trustee initially a party hereto and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party hereto and any successor thereto if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), but any such successor Trustee shall be a bank with trust powers or trust company doing business and having a principal corporate trust office in California or New York, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars ($75,000,000) and subject to supervision or examination by federal or state authorities. 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 purposes 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, the Authority and the Insurer and by mailing notice, first class, postage prepaid, of such resignation to the Owners at their addresses appearing on the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof. Upon receiving such notice of resignation, the County and the Authority shall promptly appoint a successor Trustee by an instrument in writing; *provided, however*, that in the event the County and the Authority do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Section 8.03 Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered hereunder and reimburse the Trustee for all its advances and expenditures hereunder, including but not limited to payments due any provider of a Reserve Fund Credit Facility or Reserve Fund investment which provides for such payments, advances to and fees and expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations hereunder; *provided, however*, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established hereunder or under Facility Lease (except that such compensation or reimbursement may be made from the Cost of Issuance Fund held by the County to the extent provided in Section 3.05 hereof or as provided in Section 7.09 hereof). The Trustee may take whatever legal actions are lawfully available to it directly against the County or the Authority.

Except as otherwise expressly provided herein, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers hereunder.

The County covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs of expenses of defending against any claim of liability including, without limitation, any claim arising out of the use, presence, storage, disposal or lease of any Hazardous Substances on or about the Leased Property, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. Such indemnity shall survive the discharge of this Indenture or the resignation or removal of the Trustee.

Section 8.04 Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, opinion, notice, request, requisition, resolution, direction, instruction, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at the request of any such person unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Owners of the Bonds pursuant to this Indenture, unless such Owners shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee, against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the County or the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith. If requested by the County, counsel to the Trustee shall be of recognized national standing in the field of law relating to municipal bonds.

The Trustee shall not be responsible for the sufficiency or adequacy of the Bonds, the Facility Lease, the Site Lease, or of the assignment made to it by the Assignment Agreement, or for statements made in the preliminary or final official statement relating to the Bonds or of the title to or value of the Leased Property.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder or an Event of Default under Section 7.01 hereof, except failure of any of the payments to be made to the Trustee required to be made hereunder unless the Trustee shall be specifically notified in writing of such default or Event of Default by the County, the Authority or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the County or the Authority, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the County as freely as if it were not the Trustee hereunder.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers hereof and perform any rights and obligations required of it hereunder by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations hereunder, and the Trustee shall not be answerable for the default or misconduct of any such agent, attorney or receiver selected by it with reasonable care. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct or negligence.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority (or other percentage provided for herein) in aggregate principal amount of the Bonds at the time Outstanding relating to the exercise of any right or remedy available to the Trustee hereunder.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Facility Lease, the Site Lease or this Indenture for the existence, furnishing or use of the Property.

Every provision of this Indenture, the Facility Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of this Indenture, including without limitation, this Article VIII.

In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee for the Owners and not in its individual or personal capacity, and all persons, including without limitation, the Owners, the County and the Authority, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise specifically provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The recitals of facts, covenants and agreements herein and in the Bonds shall be taken as statements, covenants and agreements of the County or the Authority, as the case may be, and the Trustee assumes no responsibility for the correctness of the same.

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO INDENTURE

Section 9.01 Amendment or Supplement. The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02 hereof, are filed with the Trustee. No such amendment or supplement shall (1) extend the Principal Payment Date of any Bond or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby or reduce the amount of any Mandatory Sinking Account Payment without the prior written consent of the Owner of each Bond so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment hereof or supplement hereto without the prior written consent of the Owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) modify any provision of this Indenture expressly recognizing or granting rights in or to the Insurer in any manner which affects the rights of the Insurer hereunder without its prior written assent thereto, or (5) amend this Section 9.01 without the prior written consent of the Insurer and the Owners of all Bonds then Outstanding.

The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution, but without the written consents of any Owners, but only to the extent permitted by law and after receipt of an unqualified approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required to be observed or performed herein by the County or the Authority, or to surrender any right or power reserved herein to or conferred herein on the County or the Authority, and which in either case shall not materially adversely affect the interests of the Owners; or

(b) to provide for additional or substitute Leased Property as may be requested from time to time by the County in accordance with the Facility Lease; or

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the County or the Authority may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners; or

(d) to provide for the execution and delivery of Additional Bonds in accordance with Sections 2.11 and 2.12 hereof; or

(e) for any other reason, *provided* such amendment or supplement does not materially adversely affect the interests of the Owners or the Insurer, *provided further* that the County, the Authority and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this subsection (e) have been met with respect to such amendment or supplement.

Any provision of this Indenture expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer hereunder without the prior written consent of the Insurer.

Section 9.02 Disqualified Bonds. Bonds actually known by the Trustee to be owned or held by or for the account of the County (but excluding Bonds held in any pension or retirement fund of the County) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this Section.

Section 9.03 Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided in this Article IX, the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of such Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Trustee shall receive an Opinion of Counsel advising that new Bonds modified to conform to such action are necessary, modified Bonds shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Section 9.04 Amendment by Mutual Consent. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by such person, *provided* that due notation thereof is made on such Bonds.

Section 9.05 Opinion of Counsel. In executing any amendment or supplement hereto, the Trustee may conclusively rely upon an Opinion of Counsel to the effect that all conditions precedent for the execution of an amendment or supplement to this Indenture have been satisfied.

ARTICLE X

DEFEASANCE

Section 10.01 Discharge of Bonds and Indenture. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal represented thereby at the times and in the manner stipulated herein and therein, then such Owners shall cease to be entitled to the pledge of and lien on the Revenues as provided herein, and all agreements and covenants of the County, the Authority and the Trustee to such Owners hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Section 10.01 if (i) in case said Bonds are to be prepaid on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of Article IV of this Indenture, notice of redemption of such Bonds on said redemption date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to redemption prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or redemption price (if applicable) of, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event any of said Bonds are not to be prepaid within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to Article IV of this Indenture, a notice to the Owners of such Bonds and to the securities depositories and information services specified in clauses (b) and (c) of Section 4.02 hereof that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 10.01(b) and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or redemption price (if applicable) of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this Section 10.01(b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price (if applicable) of, and interest on said Bonds; *provided* that Defeasance Securities deposited with the Trustee pursuant to this Section 10.01(b) may be sold upon the written request of the County and the proceeds concurrently reinvested in other Defeasance Securities which satisfy the conditions of (ii) above provided that the Trustee receives an Opinion of Counsel to the effect that such sale and reinvestment does not adversely affect the exclusion of interest on the Bonds from federal income taxes, and *provided further* that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the County, be reinvested in Defeasance Securities maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this Section, sufficient to pay when due the principal or redemption price (if applicable) of, and interest to become due with respect to said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Request of the County, be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge. Nothing in this Section 10.01(b) shall preclude redemptions pursuant to Section 4.01 hereof.

Any release under this Section 10.01(b) shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under this Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by this Indenture created and the performance of its powers and duties under this Indenture; *provided however*, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to this Article X.

(c) After the payment or deemed payment of all the interest and principal of all Outstanding Bonds as provided in this Section, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the County all moneys or securities held by it pursuant hereto which are not required for the payment of the principal of, premium, if any, and interest on, such Bonds. Notwithstanding the discharge and satisfaction of this Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds pursuant to the Facility Lease, but only from amounts deposited pursuant to Section 10.01(a) hereof and from no other source.

(d) Notwithstanding anything in this Section 10.01 to the contrary, in the event that the principal, interest, or both due on the Bonds shall be paid by the Insurer pursuant to the Bond Insurance Policy, the Bonds shall not be considered paid by the County or the Authority under this Indenture, and all covenants, agreements and other obligations of the Authority and the County to the benefit of the Owners shall continue to exist and shall run to the benefit of the Insurer and the Insurer shall be subrogated to the rights of the Owners.

Section 10.02 **Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal of, premium, if any, and interest on, any of the Bonds which remain unclaimed for two years after the date when the payments on such Bonds have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the principal of, premium, if any, and interest on, such Bonds have become payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the County for the payment of the principal of, premium, if any, and interest on, such Bonds; *provided*, *however*, that before being required to make any such payment to the County, the Trustee shall mail a notice to the Owner that such unclaimed funds shall be returned to the County within 30 days.

ARTICLE XI

[ARTICLE RESERVED]

ARTICLE XII

MISCELLANEOUS

Section 12.01 **Benefits of Indenture Limited to Parties.** Nothing contained herein, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the County, the Authority, the Trustee, the Insurer and the Owners, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the County or the Authority shall be for the sole and exclusive benefit of the County, the Authority, the Trustee, the Insurer and the Owners.

Section 12.02 **Successor Deemed Included in all References to Predecessor.** Whenever any of the County, the Authority, or the Trustee or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the County, the Authority, or the Trustee or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the County, the Authority, or the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 12.03 **Execution of Documents by Owners.** Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bond and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof.

Any declaration, consent, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the County, the Authority or the Trustee in good faith and in accordance therewith.

Section 12.04 Waiver of Personal Liability. Notwithstanding anything contained herein to the contrary, no member, officer, employee or agent of the County, the Authority or the Trustee shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of, premium, if any, and interest on, the Bonds, but nothing contained herein shall relieve any member, officer, employee or agent of the County from the performance of any official duty provided by any applicable provisions of law or by the Facility Lease, the Site Lease or this Indenture.

Section 12.05 Acquisition of Bonds by County. All Bonds acquired by the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Section 12.06 Content of Certificates. Every Certificate of the County or Authority with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of the County or the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the County upon a representation by an officer or officers of the County, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 12.07 Publication for Successive Weeks. Any publication required to be made hereunder for two successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

Section 12.08 Funds. Any fund required to be established and maintained herein by the County or the Trustee may be established and maintained in the accounting records of the County or the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations hereunder.

The County and the Trustee may commingle any of the moneys held by it hereunder for investment purposes only; *provided, however,* that the County and the Trustee shall account separately for the moneys in each fund or account established pursuant to this Indenture.

Section 12.09 Investments. Any moneys held by the County in the funds and accounts established hereunder shall be invested only in Permitted Investments. Any moneys held by the Trustee in the funds and accounts established hereunder shall be invested by the Trustee upon the written request of the County Treasurer only in Permitted Investments. In the absence of such direction, moneys shall be invested by the Trustee solely in Permitted Investments set forth in clause (6) of the definition thereof. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this Section. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Any interest or profits on such investments in any funds and accounts (other than the Excess Earnings Account, the Construction Fund, and the Surplus Subaccount) established hereunder shall be deposited in the Earnings Fund and are to be transferred as provided in Section 3.07 hereof. All investment earnings on the Construction Fund and the Surplus Subaccount shall be retained therein. For purposes of determining the amount on deposit in any fund or account hereunder, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in the Reserve Fund shall mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee, as trustee hereunder.

Section 12.10 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required herein to be observed or performed by or on the part of the County, the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The County, the Authority and the Trustee hereby declare that they would have executed this Indenture, and each and every other Article, Section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more Articles, Sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 12.11 California Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 12.12 Notices; Special Notices to Rating Agencies and Insurer. (a) All written notices to be given hereunder shall be given by first-class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the County:	County of San Diego 1600 Pacific Highway, Room 166 San Diego, California 92101 Attention: Debt Finance Manager
and to:	County of San Diego 1600 Pacific Highway, Room 112 San Diego, California 92101 Attention: DCAO /Auditor and Controller
If to the Authority:	San Diego Regional Building Authority 1255 Imperial Avenue, Suite 1000 San Diego, California 92101 Attention: Chairman of the Commission
If to the Trustee:	Zions First National Bank 550 South Hope Street, Suite 2650 Los Angeles, California 90071 Attention: Corporate Trust Department
If to Fitch:	Fitch IBCA, Inc. 650 California Street, 8th Floor San Francisco, California 94108

If to Moody's:	Moody's Investors Services, Inc. 7 World Trade Center 250 Greenwich Street Public Finance Group, 23rd Floor New York, New York 10007 Attention: MSPG
If to S&P:	Standard & Poor's Ratings Services Municipal Finance Department 55 Water Street New York, New York 10041
If to the Insurer:	Not Applicable

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, whether by telex, telegram or telecopier, upon the sender's receipt of an appropriate answer back or other written acknowledgement or confirmation of receipt of the entire notice, approval, demand, report or other communication, (c) if given by first class or registered or certified mail, return receipt requested, deposited the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section 12.12.

The County shall cause to be given to Fitch, Moody's and S&P and the Insurer notice of any substitution of the Trustee, any material change in the Indenture or the Facility Lease, or redemption or defeasance of all of the Outstanding Bonds.

Section 12.13 **Effective Date.** This Indenture shall become effective upon its execution and delivery.

Section 12.14 **Execution in Counterparts.** This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have executed and attested this Indenture by their officers thereunto duly authorized as of the day and year first written above.

ZIONS FIRST NATIONAL BANK, as Trustee

By: ____
Authorized Officer

COUNTY OF SAN DIEGO

By: ____
[DCAO/Auditor and Controller]

Attest:

By: ________________________________
Debt Finance Manager

SAN DIEGO REGIONAL BUILDING AUTHORITY

By: ____
Chairman

Attest:

By: ________________________________
Secretary

APPROVED AS TO FORM:

THOMAS E. MONTGOMERY
County Counsel and the
Authority General Counsel

By: ________________________________
Senior Deputy County Counsel

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

[See Attached]

EXHIBIT B

FORM OF SERIES 2016A BOND

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

No. R-__ $__________

SAN DIEGO REGIONAL BUILDING AUTHORITY
REVENUE BONDS
(COUNTY OPERATIONS CENTER), SERIES 2016A

Interest Rate	Maturity Date	Dated	CUSIP
%		__________, 2016	

REGISTERED OWNER: Cede & Co.

PRINCIPAL SUM: ____________________________

The SAN DIEGO REGIONAL BUILDING AUTHORITY, a joint powers authority, duly created and lawfully existing under the Constitution and laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues, as hereinafter defined) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided for) the principal sum specified above, together with interest thereon from the Interest Payment Date (as defined below) to which interest has been paid or duly provided for next preceding its date of execution, unless such date of authentication shall be (i) prior to the close of business on October 15, 2016, in which case such Series 2016A Bond shall bear interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Series 2016A Bond shall bear interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Series 2016A Bond shall bear interest from such date of authentication; *provided, however*, that if, as shown by the records of the Trustee, interest shall be in default, each Bond shall bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for. The term "Interest Payment Date" means October 15, 2016 and each April 15 and October 15 thereafter. The term "Record Date" means the close of business on the 1st day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

The principal of this Series 2016A Bond shall be payable in lawful money of the United States of America at the corporate trust office of Zions First National Bank, as trustee (the "Trustee") upon presentation and surrender of this Series 2016A Bond.

Payment of interest on this Series 2016A Bond due on or before the maturity or prior redemption, thereof shall be made to the person in whose name such Series 2016A Bond is registered, as of the Record Date preceding the applicable interest payment date, on the registration books kept by the Trustee at its corporate trust office, such interest to be paid by check mailed by first class mail on such interest payment date to the registered owner at his address as it appears on such books. Interest on this Series 2016A Bond shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360 day year consisting of twelve 30 day months. This Series 2016A Bond shall not be entitled to any benefit, protection or security under the Indenture, as hereinafter defined, or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

The Owner of $1,000,000 or more in aggregate principal amount of the Bonds may request in writing that the Trustee pay the interest on such Bonds by wire transfer to an account in the United States of America and the Trustee shall comply with such request for all Interest Payment Dates following the 15th day after receipt of such request.

This Series 2016A Bond is one of a duly authorized issue of bonds of the Authority designated as its “San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A” (the “Bonds”), in the aggregate principal amount $XX,000,000, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of an indenture, dated as of February 1, 2016 (the “Indenture”), between the Authority, the County of San Diego (the “County”) and the Trustee (copies of which are on file at the corporate trust office of the Trustee). Unless the context otherwise requires, capitalized terms not defined herein shall have the meanings ascribed to them in the Indenture.

The Bonds are issued to provide funds to refund certain outstanding bonds of the Authority for the County. The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from the revenues derived from Base Rental Payments paid by the County pursuant to a Facility Lease, dated as of February 1, 2016 (the “Facility Lease”), between the Authority, as lessor, and the County, as lessee, for the use and possession of the Leased Property as long as the County has such use and possession of the Leased Property, as well as from all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority, as assignee of the County’s rights under the Facility Lease, from operation or use of the Leased Property (the “Revenues”). All the Bonds are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture (other than the Excess Earnings Account), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

The obligation of the County to pay Base Rental Payments does not constitute an indebtedness 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. The obligation of the County to pay Base Rental Payments does not constitute 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. The obligation of the County to make the Base Rental Payments is subject to abatement during any period in which, by reason of material damage, destruction or title defect, there is substantial interference with the use and occupancy of the Leased Property or portions thereof or if the Leased Property or portions thereof are taken under the power of eminent domain, all as more particularly provided in the Facility Lease to which reference is hereby made.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended or supplemented by the parties thereto, in some instances without the consent of the registered owners of Bonds. No such amendment or supplement shall (1) extend the Principal Payment Date of any Bond or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby without the prior written consent of the registered owner of each Bond so affected, or (2) reduce the percentage of registered owners whose consent is required for the execution of any amendment hereof or supplement hereto without the prior written consent of the registered owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) modify any provision of the Indenture expressly recognizing or granting rights in or to the Insurer, if any, in any manner which affects the rights of the Insurer, if any, hereunder without its prior written assent thereto, or (5) amend the amendment provisions of the Indenture without the prior written consent of the Insurer, if any, and the registered owners of all Bonds then Outstanding.

The Bonds are authorized to be executed and delivered in the form of fully registered Bonds without coupons, in denominations of five thousand dollars ($5,000) or any integral multiple thereof (each, an “Authorized Denomination”).

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at the office of the Trustee in Los Angeles, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture; and upon surrender of this Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer, a new Bond or Bonds of Authorized Denominations of the same Principal Payment Date equal to the principal amount hereof will be executed and delivered by the Trustee to the Owner thereof in exchange or transfer herefor. The Trustee shall not be required to transfer or exchange any Bond during any period in which it is selecting Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption. The Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on this Bond shall be made only to such Owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability on this Bond to the extent of the sum or sums so paid.

The Bonds are subject to redemption prior to maturity as described in the Indenture.

As provided in the Indenture, notice of redemption hereof or of any part hereof shall be mailed, first class postage prepaid, not less than 30 nor more than 60 days before the redemption date, to the Owner of this Bond at his or her address as it appears in the registration books maintained by the Trustee and to those securities depositories and securities information services specified in the Indenture, but neither failure to receive any such notice nor any defect contained therein shall affect the validity of the proceedings for the redemption of this Bond. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, the interest represented hereby shall cease to accrue from and after the designated redemption date.

The Trustee has no obligation or liability to the registered owners of the Bonds for the payment of the interest or principal or redemption premiums, if any, on the Bonds; but rather the Trustee's sole obligation is to administer, for the benefit of the County, the Authority and the registered owners of the Bonds, the various funds established under the Indenture. The Authority has no obligation or liability whatsoever to the registered owners of the Bonds.

The Indenture provides that the occurrences of certain events constitute Events of Default. Subject to certain limitations and to the rights of the Insurer, if any, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee.

IN WITNESS WHEREOF, the San Diego Regional Building Authority has caused this Series 2016A Bond to be executed in facsimile by its Chairman and by its Secretary all as of ______________, 20__.

SAN DIEGO REGIONAL BUILDING AUTHORITY

_____________________________	_____________________________
Secretary	Chairman

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Series 2016A Bonds described in the within mentioned Indenture which has been authenticated and registered.

Dated: ______________, 20__

ZIONS FIRST NATIONAL BANK, as Trustee

By: ____________________________________
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto __________________ the within Bond and do(es) hereby irrevocably constitute and appoint ______________________ attorney to transfer such Bond on the register of the Trustee, with full power of substitution in the premises.

Dated: ________________________

SIGNATURE GUARANTEED BY:

____

____

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: ________________________________

EXHIBIT C

FORM OF REQUISITION FOR FUNDS FROM THE CONSTRUCTION FUND

The County of San Diego, a political subdivision duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "County"), hereby states and certifies:

(a) that __________ is the duly appointed, qualified and acting ______________ of the County, and as such, is authorized and qualified to certify the same;

(b) that, pursuant the Indenture, dated as of February 1, 2016 (the "Indenture"), by and among the County, the San Diego Regional Building Authority and Zions First National Bank, as trustee, (the "Trustee"), the Trustee is hereby requested to disburse from the Construction Fund established pursuant to Section 3.03 of the Indenture, to the payees set forth on Exhibit A attached hereto and by this reference incorporated herein, the amount set forth on Exhibit A opposite each such payee, for payment of such costs incurred for the purposes identified on said Exhibit A;

(c) that each obligation has been property incurred and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement;

(d) that a statement or invoice for each amount requested hereunder is attached hereto.

IN WITNESS WHEREOF, the undersigned has executed this requisition as of the date set forth below.

Dated: ________________

COUNTY OF SAN DIEGO

By: ________________________________
Authorized County Officer

EXHIBIT A

Payee	Purpose	Amount

EXHIBIT D

FORM OF REQUISITION FOR FUNDS FROM THE COSTS OF ISSUANCE FUND

The County of San Diego, a political subdivision duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "County"), hereby states and certifies:

(a) that the undersigned is the duly appointed, qualified and acting _______________ of the County, and as such, is authorized and qualified to certify the same;

(b) that, pursuant the Indenture, dated as of February 1, 2016 (the "Indenture"), by and among the County, the San Diego Regional Building Authority and Zions First National Bank, as trustee, (the "Trustee"), the Trustee is hereby requested to disburse from the Cost of Issuance Fund established pursuant to Section 3.05 of the Indenture, to the payees set forth on Exhibit A attached hereto and by this reference incorporated herein, the amount set forth on Exhibit A opposite each such payee, for payment of such costs incurred for the purposes identified on said Exhibit A;

(c) that each obligation has been property incurred and is a proper charge against the Costs of Issuance Fund and has not been the basis of any previous disbursement; and

(d) that a statement or invoice for each amount requested hereunder is attached hereto.

IN WITNESS WHEREOF, the undersigned has executed this requisition as of the date set forth below.

Dated: ______________

COUNTY OF SAN DIEGO

By: _________________________________
Authorized County Officer

EXHIBIT A

Payee	Purpose	Amount

Recording Requested By And)
When Recorded Mail To:)
)
ORRICK, HERRINGTON & SUTCLIFFE, LLP)
777 South Figueroa Street, Suite 3200)
San Diego, California 90017)
Attention: William W. Bothwell, Esq.)

(Space above for Recorder's Use)

This document is recorded for the benefit of the County of San Diego and the recording is fee-exempt under Section 6103 of the California Government Code.

ASSIGNMENT AGREEMENT

by and between

SAN DIEGO COUNTY REGIONAL BUILDING AUTHORITY

and

ZIONS FIRST NATIONAL BANK,

as Trustee

Relating to the
SAN DIEGO COUNTY REGIONAL BUILDING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY OPERATIONS CENTER AND ANNEX REDEVELOPMENT PROJECT),
SERIES 2016A

Dated as of [DATED DATE]

ASSIGNMENT AGREEMENT

This Assignment Agreement (the "Assignment Agreement"), executed and entered into as of [DATED DATE], by and between the San Diego County Regional Building Authority (the "Authority"), a joint powers authority duly organized and existing under and pursuant to California Government Code Sections 6500 et seq. and Zions First National Bank (the "Trustee"), a banking association existing under and by virtue of the laws of the United States, as trustee under the Indenture (as hereinafter defined);

W I T N E S S E T H:

WHEREAS, the Authority and the County of San Diego (the "County") have executed and entered into the Facility Lease*, dated as of [DATED DATE] (the "Facility Lease"), pursuant to which the Authority has leased that certain real property, as more particularly described in the Facility Lease (the "Leased Property") to the County, as described in Exhibit A attached hereto and incorporated herein; and

WHEREAS, under and pursuant to the Facility Lease, the County is obligated to make rental payments to the Authority for the lease of the Leased Property to it; and

WHEREAS, the Authority desires to assign without recourse all its rights to receive the Base Rental Payments (as defined in the Facility Lease) and certain other payments scheduled to be paid by the County under and pursuant to the Facility Lease to the Trustee; and

WHEREAS, in consideration of such assignment and the execution and entering into of an Indenture (the "Indenture"), dated as of [DATED DATE], between the Trustee and the Authority, the Authority has agreed to issue the San Diego County Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center and Annex Redevelopment Project), Series 2016A in an aggregate principal amount of $XX,000,000 (the "Bonds"); and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Assignment Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Assignment Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

SECTION 1. Assignment. The Authority, for good and valuable consideration, the receipt of which is hereby acknowledged, does hereby unconditionally grant, transfer and assign to the Trustee without recourse (i) all its rights to receive the Base Rental Payments (as defined in the Facility Lease) under and pursuant to the Facility Lease, (ii) the right to take all

* Recorded concurrently herewith.

actions under the Facility Lease, (iii) the right of access more particularly described in the Facility Lease, and (iv) any and all other rights and remedies of the Authority in the Facility Lease as lessor thereunder; *provided*, that so long as no default in payment of Base Rental Payments under the Facility Lease shall have occurred or be continuing, the Authority shall have and may exercise all rights of the Authority under the Facility Lease other than the right to receive the Base Rental Payments.

SECTION 2. Acceptance. The Trustee hereby accepts the foregoing assignment for the benefit of the owners of the Bonds, subject to the conditions and terms of the Indenture, and all such Base Rental Payments shall be applied and all such rights so assigned shall be exercised by the Trustee as provided in the Indenture.

SECTION 3. Conditions. This Assignment Agreement shall confer no rights and shall impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

SECTION 4. California Law. This Assignment Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SECTION 5. Severability. If any agreement, condition, covenant or term hereof or any application hereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, all agreements, conditions, covenants and terms hereof and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

SECTION 6. Execution in Counterparts. This Assignment Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Assignment Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Assignment Agreement by their officers thereunto duly authorized as of the day and year first above written.

SAN DIEGO COUNTY REGIONAL
BUILDING AUTHORITY

By: ______________________________
Chairman

ATTEST:

By: ______________________________
Secretary

APPROVED AS TO FORM:

THOMAS E. MONTGOMERY
County Counsel and Authority
General Counsel

____
Senior Deputy County Counsel

ZIONS FIRST NATIONAL BANK, as
Trustee

By: ______________________________
Authorized Signatory

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

All that certain real property, situated in the County of San Diego, County of San Diego, State of California, described on the attached pages.

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss
COUNTY OF RIVERSIDE)

On _____________, 2016, before me, _________________, Notary Public, personally appeared ________________________, proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _______________________________ [SEAL]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss
COUNTY OF RIVERSIDE)

On _____________, 2016, before me, _________________, Notary Public, personally appeared ________________________, proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ______________________________ [SEAL]

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

William W. Bothwell, Esq.
ORRICK, HERRINGTON & SUTCLIFFE LLP
777 South Figueroa Street, Suite 3200
Los Angeles, California 90017

(Space above for Recorder's use)

This document is recorded for the benefit of the County of San Diego and the recording is fee-exempt under Section 6103 of the California Governmental Code.

SITE LEASE

by and between the

COUNTY OF SAN DIEGO

and the

SAN DIEGO REGIONAL BUILDING AUTHORITY

Dated as of [DATED DATE]

relating to the
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY OPERATIONS CENTER AND ANNEX REDEVELOPMENT PROJECT),
SERIES 2016A

SITE LEASE

This Site Lease (this “Site Lease”), dated as of [DATED DATE], by and between the COUNTY OF SAN DIEGO, a political subdivision of the State of California (the “County”), and the SAN DIEGO REGIONAL BUILDING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”);

W I T N E S S E T H:

WHEREAS, concurrently with the execution of this Site Lease, the County and the Authority are entering into a Facility Lease (the “Facility Lease”), dated as of [DATED DATE], whereby the Authority will lease certain real property to the County, more particularly described in Exhibit A attached hereto (the “Real Property,” and such Real Property, together with the improvements thereon, being collectively referred to herein as the “Leased Property”); and

WHEREAS, concurrently with the execution of this Site Lease and the Facility Lease the Authority, the County and Zions First National Bank, as trustee (the “Trustee”), are entering into an Indenture, dated as of [DATED DATE] (the “Indenture”);

WHEREAS, the Authority has previously issued its San Diego County Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project) Series 2009A (the “Series 2009A Bonds”), the proceed of which were used to finance a portion of the improvements located on the Real Property;

WHEREAS, to provide funds for the refunding of the Series 2009A Bonds, the Authority will issue its Lease Revenue Refunding Bonds (County Operations Center and Annex Redevelopment Project), Series 2016A (the “Series 2016A Bonds”), in the aggregate principal amount of $___________ (“the “Series 2016A Bonds”);

WHEREAS, the Series 2016A Bonds will be secured by the payments to be made by the County pursuant to the Facility Lease; and

WHEREAS, the County is authorized by law to lease the Leased Property and the Leased Property is necessary and proper for public purposes; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Site Lease;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. **Leased Property.** The County hereby leases to the Authority and the Authority hereby rents and hires from the County, on the terms and conditions hereinafter set forth, those certain real property and improvements thereon or to be located thereon, more particularly described in Exhibit A attached hereto and made a part hereof (the "Leased Property"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms pursuant to the Facility Lease.

Section 2. **Term.**

(a) The term hereof will commence on the Closing Date and shall end on the Expiry Date (as defined in the Facility Lease) unless such term is sooner terminated or is extended as hereinafter provided. If prior to the Expiry Date all Base Rental Payments under the Facility Lease shall have been paid, or provision therefor has been made in accordance with Article X of the Indenture, the term hereof shall end simultaneously therewith.

(b) If the Facility Lease is extended beyond the Expiry Date pursuant to the terms thereof, this Site Lease shall also be extended to the day following the date of termination of the Facility Lease.

Section 3. **Rent.** The Authority shall pay to the County an advance rent of $1, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for this Site Lease over its term. The Authority hereby waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation

Section 4. **Purpose.** The Authority shall use the Leased Property solely for the purpose of subleasing the same to the County; *provided*, that in the event of default by the County under the Facility Lease, the Authority may exercise the remedies provided in the Facility Lease.

Section 5. **Owner in Fee.** The County covenants that it is the owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability.

Section 6. **Assignments and Leases.** Unless the County shall be in default under the Facility Lease, the Authority may not, without the prior written consent of the County, assign its rights hereunder or sublet the Leased Property except that the County expressly approves and consents to the assignment and transfer of the Authority's right, title and interest in this Site Lease to the Trustee pursuant to the Assignment Agreement.

Section 7. **Right of Entry.** The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 8. **Termination.** The Authority agrees, upon the termination hereof, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms hereunder, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination hereof shall remain thereon and title thereto shall vest in the County.

Section 9. **Default.** In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms hereof, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the County may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; *provided*, that so long as the Bonds executed and delivered pursuant to the Indenture are Outstanding, the County shall have no power to terminate this Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Authority and the Trustee that authenticates and delivers the Bonds.

Section 10. **Quiet Enjoyment.** The Authority at all times during the term hereof shall peaceably and quietly have, hold and enjoy the Leased Property.

Section 11. **Waiver of Personal Liability.** All liabilities hereunder on the part of the Authority shall be solely corporate liabilities of the Authority, and the County hereby releases each and every director, officer and employee of the Authority of and from any personal or individual liability hereunder. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable hereunder for anything done or omitted to be done by the Authority hereunder.

Section 12. **Eminent Domain.** In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Rental due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Section 13. **Amendments.** This Site Lease may be amended for the purpose of affecting a Substitution or Removal, as further described in the Facility Lease.

Section 14. **Partial Invalidity.** If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 15. **Notices.** All written notices to be given shall be given by first class mail to the party entitled thereto as its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the County:

County of San Diego
1600 Pacific Highway, Room 166

San Diego, California 92101
Attention: Debt Finance Manager

and to

County of San Diego
1600 Pacific Highway, Room 112
San Diego, California 92101
Attention: DCAO/Auditor and Controller

If to the Authority:

San Diego Regional Building Authority
1255 Imperial Avenue, Suite 1000
San Diego, California 92101
Attention: Chairman of the Commission

Section 16. **Section Headings.** All section headings contained herein are for convenience of reference only and are not intended to define or limit scope of any provision hereof.

Section 17. **Counterparts.** This Site Lease may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument.

Section 18. **Governing Law.** This Site Lease is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

Section 19. **Effect on the Prior Site Lease.** This Site Lease completely amends and restates the Site Lease, dated as of February 1, 2009 by and between the County and the Authority and bearing County of San Diego Recorder document number 2009-0293359.

[This space intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Site Lease by their officers thereunder duly authorized as of the day and year first above written.

COUNTY OF SAN DIEGO

By: ______________________________________
[DCAO/Auditor and Controller]

ATTEST:

By: ________________________________
Debt Finance Manager

SAN DIEGO REGIONAL BUILDING AUTHORITY

By: ______________________________________
Chairman

ATTEST:

By: ________________________________
Secretary

APPROVED AS TO FORM:

THOMAS E. MONTGOMERY
County Counsel and Authority
General Counsel

By:_________________________________
Senior Deputy County Counsel

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss
COUNTY OF RIVERSIDE)

On _____________, 2016, before me, _________________, Notary Public, personally appeared ________________________, proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _______________________________ [SEAL]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss
COUNTY OF RIVERSIDE)

On _____________, 2016, before me, _________________, Notary Public, personally appeared ________________________, proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _______________________________ [SEAL]

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

William W. Bothwell, Esq.
ORRICK, HERRINGTON & SUTCLIFFE LLP
777 South Figueroa Street, Suite 3200
Los Angeles, California 90017

(Space above for Recorder's use)

This document is recorded for the benefit of the County of San Diego and the recording is fee-exempt under Section 6103 of the California Governmental Code.

FACILITY LEASE

by and between the

SAN DIEGO REGIONAL BUILDING AUTHORITY

and the

COUNTY OF SAN DIEGO

relating to the
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY OPERATIONS CENTER)
SERIES 2016A

Dated as of February 1, 2016

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FACILITY LEASE

This Facility Lease (this "Facility Lease"), executed and entered into as of February 1, 2016, by and between the SAN DIEGO REGIONAL BUILDING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and the COUNTY OF SAN DIEGO, a political subdivision duly organized and existing under the Constitution and laws of the State of California (the "County");

W I T N E S S E T H:

WHEREAS, concurrently with the execution of this Facility Lease, the County and the Authority are entering into a Site Lease (the "Site Lease"), dated as of February 1, 2016, whereby the Authority will lease certain real property and the improvements thereon from the County, more particularly described in Exhibit A attached hereto (the "Real Property"), (such Real Property and the improvements thereon being collectively referred to herein as the "Leased Property");

WHEREAS, the County will then sublease the Leased Property back from the Authority pursuant to this Facility Lease;

WHEREAS, concurrently with the execution of this Facility Lease the Authority, the County and Zions First National Bank, as trustee (the "Trustee"), are entering into an Indenture, dated as of February 1, 2016 (the "Indenture");

WHEREAS, the Authority has previously issued its San Diego County Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project) Series 2009A (the "Series 2009A Bonds"), the proceeds of which were used to finance a portion of the improvements located on the Real Property;

WHEREAS, to provide funds for the refunding of the Series 2009A Bonds, the Authority will issue its Lease Revenue Refunding Bonds (County Operations Center), Series 2016A (the "Series 2016A Bonds"), in the aggregate principal amount of $XX,000,000 ("the "Series 2016A Bonds");

WHEREAS, the Series 2016A Bonds will be secured by the payments to be made by the County pursuant to this Facility Lease;

WHEREAS, the County is authorized by law to sublease the Leased Property and the Leased Property is necessary and proper for public purposes; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Facility Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Facility Lease;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR

OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All other capitalized terms used herein without definition shall have the meanings as set forth in the Indenture.

Additional Payments

"Additional Payments" means all amounts payable by the County pursuant to Section 5.01(b) hereof.

Assignment Agreement

"Assignment Agreement" means that certain Assignment Agreement executed and entered into as of February 1, 2016, by and between the Authority and the Trustee, as it may from time to time be amended.

Authority

"Authority" means the San Diego Regional Building Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California.

Base Rental Payment Date

The term "Base Rental Payment Date" means 1st day of the month preceding each Interest Payment Date.

Base Rental Payments

"Base Rental Payments" means all amounts payable by the County as Base Rental pursuant to Section 5.01(a) hereof.

Closing Date

"Closing Date" means the date on which the Bonds are initially delivered to the Underwriter.

Code

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

County

"County" means the County of San Diego, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

Expiry Date

"Expiry Date" means October 15, 2035.

Facility Lease

"Facility Lease" means this Facility Lease, dated as of February 1, 2016, by and between the Authority and the County, as originally executed and entered into and as it may from time to time be amended in accordance herewith.

Fiscal Year

The term "Fiscal Year" means the fiscal year of the County which, as of the date hereof, is the period from July 1 to and including the following June 30.

Indenture

"Indenture" means that certain Indenture executed and entered into as of February 1, 2016, by and among the Trustee, the County and the Authority, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance therewith.

Insurance Consultant

"Insurance Consultant" means an individual or firm retained by the County as an independent insurance consultant, experienced in the field of risk management.

Insurer

"Insurer" means the issuer or issuers, if any, of a policy or policies of municipal bond insurance obtained by the County to insure the payment of the principal of or interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. [There is no Insurer with respect to the Series 2016A Bonds.]

Leased Property

"Leased Property" means the Real Property and the improvements thereon (as the same may be changed from time to time by Removal or Substitution).

Lease Year

The term "Lease Year" means the period from each July 1 to and including the following June 30 during the term hereof; provided that the final Lease Year shall terminate on the Expiry Date.

MTS

"MTS" means the San Diego Metropolitan Transit System, a body corporate and politic, duly organized and existing under and by virtue of the laws of the State of California.

Opinion of Counsel

"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.

Owner

"Owner" means the registered owner of any Outstanding Bond.

Permitted Encumbrances

"Permitted Encumbrances" means, as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to Section 6.02, permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) this Facility Lease, as it may be amended from time to time; (iv) the Site Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of San Diego; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of this Facility Lease and to which the Authority and the County consent in writing and certify to the Trustee will not materially impair the ownership interests of the Authority or use of the Facilities by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest on the Bonds.

Project; 2009 Project; Additional Project

The term "Project" means, as appropriate, the 2009 Project and/or any Additional Project.

The term "2009 Project" means the public facilities financed with the proceeds of the Series 2009A Bonds.

The term “Additional Project” means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Bonds, as provided in Section 5.07 hereof and Section 2.11 and 2.12 of the Indenture.

Real Property

“Real Property” means the real property described in Exhibit A hereto.

Removal

“Removal” means the release of all or a portion of the Leased Property from the leasehold hereof and of the Site Lease as provided in Section 2.06.

Site Lease

“Site Lease” means that certain Site Lease, executed and entered into as of February 1, 2016, by and between the County and the Authority, as originally executed and entered into and as it may from time to time be amended in accordance herewith and therewith.

Substitution

“Substitution” means the release of all or a portion of the Leased Property from the leasehold hereof and of the Site Lease, and the lease of substituted real property and improvements hereunder and under the Site Lease as provided in Section 2.06.

Trustee

“Trustee” means Zions First National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee acting in its capacity as such under the Indenture, or any successor as therein provided.

The singular form of any word used herein, including the terms defined in this Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders. All references herein to “Sections” and other subdivisions hereof are to the corresponding Sections or subdivisions of this Facility Lease as originally executed; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Facility Lease as a whole and not to any particular Section or subdivision hereof.

ARTICLE II

THE LEASED PROPERTY

Section 2.01 Lease of the Leased Property. The Authority hereby leases to the County, and the County hereby rents and hires from the Authority, the Leased Property on the conditions and terms hereinafter set forth. The County hereby agrees and covenants that during the term hereof, except as hereinafter provided, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated hereby and so as to permit the Authority to carry out its agreements and covenants contained herein and in the Indenture, and the County hereby further agrees and covenants that during the term hereof that it will not abandon or vacate the Leased Property.

Section 2.02 Quiet Enjoyment. The parties hereto mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained herein and is not in default hereunder, shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Section 2.03 Right of Entry and Inspection. The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations hereunder and for all other lawful purposes.

Section 2.04 Prohibition Against Encumbrance or Sale. The County and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances, and except incident to the execution and delivery of Additional Bonds as contemplated by Section 5.07 hereof. The County and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided herein. Notwithstanding anything to the contrary herein contained, with the consent of the Insurer, which will not be unreasonably withheld, the County may assign, transfer or sublease any and all of the Leased Property or its other rights hereunder, *provided* that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Authority hereunder, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations hereunder, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other Section hereof, (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to this Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted hereunder by an amendment to this Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Section 2.05 Liens. In the event the County shall at any time during the term hereof cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the

County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Authority and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Section 2.06 Substitution or Removal of Leased Property.

(a) The County may amend this Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, with the consent of the Insurer, which shall not be unreasonably withheld, and upon compliance with all of the conditions set forth in subsection (b) below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold hereunder and under the Site Lease.

(b) No Substitution or Removal shall take place hereunder until the County delivers to the Authority and the Trustee the following:

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

(2) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of this Facility Lease, is at least equal to the maximum annual Base Rental Payments payable hereunder attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the fair rental value of the Leased Property after said Substitution or Removal; (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of this Facility Lease;

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

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable hereunder, insuring the County's leasehold interest

in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Certificates and any Additional Certificates, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(5) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

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

(7) Evidence that the County has complied with the covenants contained in clauses (1) and (2) of Section 6.03 hereof with respect to the Substituted Property.

ARTICLE III

TERM OF THE FACILITY LEASE

Section 3.01 Commencement of the Facility Lease. The effective date of this Facility Lease is the Closing Date, and the term of this Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as hereinafter provided. If on the Expiry Date, the rental payable hereunder shall not be fully paid and all Bonds shall not be fully paid and retired, or if the rental payable hereunder shall have been abated at any time and for any reason, then the term of this Facility Lease shall be extended until the rental payable hereunder shall be fully paid and all Bonds shall be fully paid, except that the term of this Facility Lease shall in no event be extended beyond October 15, 2045. If prior to the Expiry Date, the rental payable hereunder shall be fully paid and all Bonds shall have been fully paid, or deemed fully paid, in accordance with Article X of the Indenture, the term of this Facility Lease shall end immediately.

ARTICLE IV

USE OF PROCEEDS; TAX COVENANTS

Section 4.01 Use of Proceeds. The parties hereto agree that the proceeds of the Bonds will be used by the Authority to refund the Series 2009A Bonds, to fund a reserve fund and to pay the costs of executing and delivering the Bonds and incidental and related expenses.

Section 4.02 Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the County or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; *provided*, that if the County shall obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the County is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in this section, the County hereby specifically agrees to ensure that the following requirements are met:

(1) The County will not invest or allow to be invested proceeds of the Bonds at a yield in excess of the yield on the Bonds, except to the extent allowed under the Tax Certificate.

(2) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

ARTICLE V

RENTAL PAYMENTS

Section 5.01 Rental Payments. The County agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) Base Rental. Subject to the immediately following sentence, the County shall pay to the Authority rental hereunder as Base Rental Payments for the use and occupancy of the Leased Property for each Lease Year or portion thereof, at the times and in the amounts set forth in the Base Rental Payment Schedule attached hereto as Exhibit B, and made a part hereof.

Notwithstanding the dates designated as the Base Rental Payment Dates, all Base Rental Payments due in any Fiscal Year shall be due and payable in one sum on July 5 of each year (the "Prepayment Amount"), commencing on July 5, 2016. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the

County hereunder. The obligation to make the Base Rental Payments set forth on Exhibit B attached hereto shall commence as of the Closing Date.

If the term of this Facility Lease shall have been extended pursuant to Section 3.01 hereof, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of this Facility Lease. Upon such extension of this Facility Lease, the County shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at an amount sufficient to pay all unpaid principal and interest on the Bonds.

(b) Additional Payments. The County shall also pay in addition to the Base Rental Payments, to the Authority or the Trustee, as hereinafter provided, such amounts ("Additional Payments") in each year as shall be required for the payment of all costs and expenses incurred in connection with the execution, performance or enforcement of this Facility Lease or the assignment hereof, the Indenture, or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the County hereunder, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Bonds), fees of auditors, accountants, attorneys or engineers, insurance premiums, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or the Indenture.

The foregoing Additional Payments shall be billed to the County by the appropriate party from time to time, together with a statement certifying that the amount billed has been incurred or paid for one or more of the items above described, or that such amount is then so payable for such items. Amounts so billed shall be paid by the County not later than the latest time as such amounts may be paid without penalty or, if no penalty is associated with a late payment of such amounts, within 30 days after receipt of a bill by the County for such amounts.

The Authority may enter into leases to finance facilities other than the Project. The administrative costs of the Authority shall be allocated among said facilities and the Project, as hereinafter in this paragraph provided. Any taxes levied against the Authority with respect to the Leased Property, the fees of the Trustee, and any other expenses directly attributable to the Leased Property shall be included in the Additional Payments payable hereunder. Any taxes levied against the Authority with respect to real property other than the Leased Property, the fees of any trustee or paying agent under any resolution securing bonds of the Authority or any Indenture other than the Indenture, and any other expenses directly attributable to any facilities other than the Leased Property shall not be included in the administrative costs of the Leased Property and shall not be paid from the Additional Payments payable hereunder. Any expenses of the Authority not directly attributable to any particular project of the Authority shall be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, shall be final and conclusive determination as to such allocation. The Trustee may conclusively rely upon a Certificate of the Authority in making any determination that costs are payable as Additional Payments hereunder, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

(c) Consideration.

(i) Such payments of Base Rental Payments for each Lease Year or portion thereof during the term of this Facility Lease shall constitute, together with the Additional Payments, the total amount due for such Lease Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Authority and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties hereto have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable hereunder in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under this Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties hereto hereby acknowledge that the parties hereto may amend this Facility Lease from time to time to increase the Base Rental Payments payable hereunder so that Additional Bonds may be executed, authenticated and issued pursuant to Section 5.07 hereof and Sections 2.11 and 2.12 of the Indenture. The proceeds of such Additional Bonds shall be used for any lawful purpose. Notwithstanding anything to the contrary herein contained, this Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County hereunder.

(d) Payment; Credit. Each installment of Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Any such installment of rental accruing hereunder which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in Section 5.04 hereof, and to the extent permitted by law shall bear interest at the rate of ten percent per annum from the date when the same is due hereunder until the same shall be paid. Notwithstanding any dispute between the County and the Authority, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. In the event of a determination that the County was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the County, be credited against subsequent rental payments due hereunder or be refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this Section 5.01(d) on any date shall be reduced to the extent of available amounts on deposit on such date in the Revenue Fund, the Interest Fund or the Principal Fund. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Section 5.02 **Annual Budgets; Reporting Requirements.** The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under this Facility Lease in its operating budget for each fiscal year commencing after the date hereof (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments**.**

Section 5.03 **Application of Rental Payments.** All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due hereunder, then to the principal components (including any prepayment premium components) of the Base Rental Payments due hereunder and thereafter to all Additional Payments due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

Section 5.04 **Rental Abatement.** Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due hereunder with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights hereunder, as permitted by Section 2.04 hereof, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to this Facility Lease as provided in clause (d) of Section 2.04 hereof. Any abatement of rental payments pursuant to this Section shall not be considered an Event of Default as defined in Article X hereof. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate this Facility Lease by virtue of any such interference and this Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to this Section due to damage, destruction, title defect or condemnation of any part of the Leased Property and the

County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Section 5.05 Prepayment of Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to Section 7.01 hereof, all or any portion of the components of Base Rental Payments payable hereunder relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under this Facility Lease represented by the Series 2016A Bonds and any Additional Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under this Facility Lease represented by the Series 2016A Bonds and any Additional Bonds.

The County may prepay, from any source of available moneys pursuant to Section 4.01(b) of the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under this Facility Lease then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under this Facility Lease which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2016A Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

Before making any prepayment pursuant to this Section, at least 45 days before the prepayment date the County shall give written notice to the Authority and the Trustee describing such event, specifying the order of Principal Payment Dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Authority and the Trustee.

Section 5.06 Obligation to Make Rental Payments. The agreements and covenants on the part of the County contained herein shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained herein agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA

OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Section 5.07 Additional Bonds. In addition to the Series 2016A Bonds to be executed, authenticated and issued under the Indenture the County and the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in Sections 2.11 and 2.12 of the Indenture, enter into a Supplemental Indenture to issue Additional Bonds on a parity with the Series 2016A Bonds and any previously executed, authenticated and issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Indenture; *provided* that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to this Facility Lease, providing for an increase in the Base Rental Payments to be made hereunder subject to the limitations set forth in Section 5.01(c)(ii) hereof.

ARTICLE VI

MAINTENANCE; TAXES;
INSURANCE AND OTHER CHARGES

Section 6.01 Maintenance of the Leased Property by the County. The County agrees that, at all times during the term hereof, it will, at its own cost and expense, maintain, preserve and keep the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Section 6.02 Taxes, Other Governmental Charges and Utility Charges. The parties hereto contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Authority of the Leased Property is found to be subject to taxation in any form, the County will pay during the term hereof, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided*, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as this Facility Lease is in effect.

Section 6.03 Insurance. The County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by this Section 6.03. Such insurance shall consist of :

(1) A policy or policies of insurance against loss or damage to the Leased Property known as "all risk," including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable hereunder; *provided* that with the consent of the Insurer, the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or without the County of San Diego which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (1) and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000. Otherwise conforming policies satisfying the requirements of this paragraph (1) may provide that amounts payable as coverage under this paragraph (1) may be reduced by amounts payable under paragraph (3) for the same occurrence, and vice versa. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

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

may be limited in amount to $75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (2) may provide that amounts payable as coverage under this paragraph (2) may be reduced by amounts payable under paragraph (3) for the same occurrence, and vice versa.

(3) So long as any Bonds are Outstanding, rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (1) or (2) above, as the case may be, in an amount sufficient at all times to pay the total rent payable under this Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; *provided* that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (1) or (2) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (3) as a joint insured with one or more other public agencies within or without the County of San Diego which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (1) or (2) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (3) may provide that amounts payable as coverage under this paragraph (3) may be reduced by amounts payable under paragraph (1) or (2), as the case may be, for the same occurrence, and vice versa.

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

Any insurance policy issued pursuant to paragraph (1), (2) and (3) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (1) or (2) above shall be applied as provided in Section 7.01 hereof. The net proceeds, if any, of the insurance policy described in paragraphs (1) and (2) above shall be payable to the County for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (3) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in this Section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

The County shall file a Certificate of the County with the Trustee and the Insurer not later than January 31 of each year certifying that the insurance policies required by this

Section are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which this Facility Lease requires to be so endorsed. The County will provide the Insurer with copies of such insurance policies upon request. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required hereunder.

Section 6.04 Advances. In the event the County shall fail to maintain the full insurance coverage required hereby or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Payments, which amounts the County agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Section 6.05 Title Insurance. The County covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount of the principal component of all Base Rental Payments payable hereunder. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to such exceptions as do not materially affect the County's right to the use and occupancy of the Leased Property.

ARTICLE VII

DAMAGE, DESTRUCTION, TITLE DEFECT AND CONDEMNATION

Section 7.01 Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term hereof (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or Authority acting under governmental authority, then the County and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; *provided*, that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due hereunder attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Bonds pursuant to the provisions of Section 4.01(a) of the Indenture. Notwithstanding any other provision herein, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to prepay all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or prepayment; *provided* that the failure of the County to so budget and/or appropriate shall not be a breach of or default under this Facility Lease.

ARTICLE VIII

DISCLAIMER OF WARRANTIES; VENDOR'S WARRANTIES; USE OF THE LEASED PROPERTY

Section 8.01 Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE AUTHORITY MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE AUTHORITY IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided hereby.

Section 8.02 Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated hereby. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided*, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Authority in and to the Leased Property or its interest or rights hereunder.

ARTICLE IX

ASSIGNMENT AND INDEMNIFICATION

Section 9.01 Assignment by Authority. The parties understand that certain of the rights of the Authority hereunder and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the County agrees to make all payments due hereunder to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the County may from time to time have against the Authority. The County agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term hereof.

Section 9.02 Assignment by County. This Facility Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by Section 2.04 hereof.

Section 9.03 Indemnification. The County shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and4 the MTS and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the issuance of the Series 2016A Bonds, the entering into of this Facility Lease, the acquisition, construction, installation and use of the Leased Property and each portion thereof or any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the County, the MTS or the Authority; any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this Section 9.03 shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The County, the MTS and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following the learning thereof by such party.

ARTICLE X

DEFAULT

Section 10.01 Default.

(a) The following events shall be "Events of Default" under this Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in this Facility Lease, any one or more of the following events:

(1) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to Section 5.01(a) hereof, provided, that the failure to deposit any Base Rental Payments abated pursuant to Section 5.04 hereof shall not constitute an Event of Default;

(2) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to Section 5.01(b) hereof; or

(3) The County shall breach any other terms, covenants or conditions contained herein or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the County; *provided, however,* that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any of the Events of Default specified in Section 10.01(a) or (e) hereof, it shall be lawful for the Authority or its assignee, subject to the terms of this Facility Lease, and to the direction and control of the Insurer, so long as the Insurer is not in default under the Municipal Bond Insurance Policy, to exercise any and all remedies available or granted to it pursuant to law or hereunder.

(c) Upon the occurrence of an Event of Default, the Authority or its assignee must thereafter maintain this Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; **THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THIS FACILITY LEASE OR OTHERWISE.** In such event, the County shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the County and, to pay the rent to the end of the term of this Facility Lease and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent hereunder (without acceleration).

(d) The Authority expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

(e) In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term hereof, if the County's interest herein or any part thereof assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by Section 2.04 hereof), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by Section 2.04 hereof); then in each and every such case the County shall be deemed to be in default hereunder.

(f) Neither the County nor the Authority shall be in default in the performance of any of its obligations hereunder (except for the obligation to make Base Rental Payments pursuant to Section 5.01 hereof) unless and until it shall have failed to perform such obligation within 30 days after notice by the County of the Authority, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

(g) The County and Authority and its successors and assigns shall honor the exclusive rights of the County to use the Leased Property.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Notices. All written notices to be given hereunder shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Authority:

San Diego Regional Building Authority
1255 Imperial Avenue, Suite 1000
San Diego, California 92101
Attention: Chairman of the Commission of the Authority

If to the County:

County of San Diego
1600 Pacific Highway, Room 166
San Diego, California 92101
Attention: Debt Finance Manager

County of San Diego
1600 Pacific Highway, Room 112
San Diego, California 92101
Attention: [DCAO/Auditor and Controller]

If to the Trustee:

Zions First National Bank
550 South Hope Street, Suite 2650

Los Angeles, California 90071
Attention: Corporate Trust Department

Section 11.02 Binding Effect. This Facility Lease shall inure to the benefit of and shall be binding upon the Authority and the County and their respective successors and assigns.

Section 11.03 Trustee as Third Party Beneficiary. The Trustee is hereby designated a third party beneficiary hereunder for the purpose of enforcing any of the rights hereunder assigned to the Trustee under the Assignment Agreement.

Section 11.04 Net Lease. It is the purpose and intent of the Authority and the County that lease payments hereunder shall be absolutely net to the Authority so that this Facility Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as herein specifically otherwise provided. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability hereunder except as herein expressly set forth, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of this Facility Lease shall be paid by the County.

Section 11.05 Amendments. This Facility Lease may be amended in writing as may be mutually agreed by the Authority and the County, subject to the written approval of the Trustee; *provided*, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Bonds Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment hereof.

This Facility Lease and the rights and obligations of the Authority and the County hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the County to be observed or performed herein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the County, or to surrender any right or power reserved herein to or conferred herein on the Authority or the County, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority or the County may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal in accordance with Section 2.06 hereof;

(d) to facilitate the issuance of Additional Bonds as provided in Section 5.07 hereof; or

(e) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners or the Insurer.

Section 11.06 Discharge of County. Upon the payment of all Base Rental Payments and Additional Payments payable hereunder, all of the obligations of the County hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied; *provided, however*, if any Outstanding Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments hereunder pursuant to Section 10.01(b) of the Indenture, then the obligation of the County hereunder to make Base Rental Payments hereunder shall continue in full force and effect until the Outstanding Bonds so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by Section 10.01(b) of the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments. The time period for giving notice by the County to the Authority and the Trustee specified in the third paragraph of Section 5.05 hereof shall not apply incident to the payment to the Owners of all Outstanding Bonds in accordance with Section 10.01, including Section 10.01(b), of the Indenture.

Section 11.07 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 11.08 California Law. This Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 11.09 Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 11.10 Execution. This Facility Lease may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 11.11 **Effect on the Prior Facility Lease.** This Facility Lease completely amends and restates the Facility Lease, dated as of February 1, 2009 by and between the County and the Authority and bearing County of San Diego Recorder document number 2009-0293360, and the County's obligation to make Base Rental Payments provided for therein shall be governed by Section 5.01 hereof.

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Facility Lease by their officers thereunto duly authorized as of the day and year first written above.

SAN DIEGO REGIONAL BUILDING AUTHORITY

By: ____________________________________
Chairman

ATTEST:

By: ______________________________
Assistant Secretary

COUNTY OF SAN DIEGO

By: ____________________________________
[DCAO/Auditor and Controller]

ATTEST:

By: ______________________________
Debt Finance Manager

APPROVED AS TO FORM:

THOMAS E. MONTGOMERY
County Counsel and Authority
General Counsel

By: ______________________________
Senior Deputy County Counsel

EXHIBIT A

Description of the Real Property

EXHIBIT B

Base Rental Payments Schedule

Payment Date	Principal Component of Base Rental Payment	Interest Component of Base Rental Payment
10/15/2016		
4/15/2017		
10/15/2017		
4/15/2018		
10/15/2018		
4/15/2019		
10/15/2019		
4/15/2020		
10/15/2020		
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4/15/2034		
10/15/2034		
4/15/2035		
10/15/2035		

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss
COUNTY OF RIVERSIDE)

On _____________, 2016, before me, _________________, Notary Public, personally appeared ________________________, proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _______________________________ [SEAL]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss
COUNTY OF RIVERSIDE)

On _____________, 2016, before me, _________________, Notary Public, personally appeared ________________________, proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _______________________________ [SEAL]

HD&W – 11/__/15 Draft

[DAC LOGO]

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS:
Moody's: "__"
Fitch: "__"
S&P: "__"
See "Ratings" herein.

[Tax language to come.]

$[Preliminary Par Amount]*
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY OPERATIONS CENTER AND ANNEX REDEVELOPMENT PROJECT)
SERIES 2016A

Dated: Date of Delivery **Due:** Due: October 15, as shown on the inside cover

The San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center and Annex Redevelopment Project), Series 2016A (the "Series 2016A Bonds") are being issued in the aggregate principal amount of $[Preliminary Par Amount]* pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Marks-Roos Law") and an Indenture, dated as of February 1, 2016 (the "Indenture"), by and among the San Diego Regional Building Authority (the "Authority"), the County of San Diego (the "County") and Zions First National Bank, as trustee (the "Trustee"). The proceeds of the Series 2016A Bonds, together with moneys available therefor, will be used to (i) refund all the outstanding San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project), Series 2009A, (ii) fund a reserve fund for the Series 2016A Bonds and (iii) pay certain costs of issuance incurred in connection with the Series 2016A Bonds. See "Plan of Refunding" herein.

Principal of and interest on the Series 2016A Bonds are payable from Base Rental Payments (herein defined) to be made by the County pursuant to the Facility Lease, dated as of February 1, 2016 (the "Facility Lease"), by and between the Authority and the County, in consideration for the use and occupancy of the Project, certain real property attendant thereto and the improvements thereon or to be located thereon, as more particularly described herein. See "Security and Sources of Payment for the Series 2016A Bonds – Base Rental Payments" herein. The Series 2016A Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2016A Bonds is payable on April 15 and October 15 of each year, commencing on [April 16, 2016].

The Series 2016A Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2016A Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2016A Bonds. Ownership interests in the Series 2016A Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2016A Bonds purchased. Payments of principal of and interest on the Series 2016A Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2016A Bonds, as more fully described herein. See "The Series 2016A Bonds – General" and Appendix D – "Book-Entry System" herein.

The Series 2016A Bonds are subject to optional, extraordinary and mandatory redemption as described herein. See "The Series 2016A Bonds – Redemption" herein.

The Series 2016A Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues (as described herein) derived from Base Rental Payments paid by the County pursuant to the Facility Lease for the use and possession of the Leased Property (herein defined) as long as the County has such use and possession of the Leased Property. All bonds issued pursuant to the Indenture are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture (other than the Excess Earnings Account), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Neither the full faith and credit of the Authority nor the County is pledged for the payment of the interest on or principal of the Series 2016A Bonds and no tax or other source of funds other than the Revenues is pledged to pay the interest on or principal of the Series 2016A Bonds. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness 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. The obligation of the County to pay Base Rental Payments does not constitute 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. The Series 2016A Bonds do not grant to owners

* Preliminary, subject to change.

or holders thereof any right to have the Authority or the State, or any political subdivision thereof, levy any taxes or appropriate funds for the payment of the principal thereof or interest thereon. The Authority has no taxing power.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2016A Bonds will be offered when, as and if executed, delivered, and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority and the County by the County Counsel and Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York. It is anticipated that the Series 2016A Bonds in definitive form will be available for delivery to DTC in New York, New York on or about February __, 2016.

Barclays

BofA Merrill Lynch **Fidelity Capital Markets**

Dated: _________, 2016.

MATURITY SCHEDULE

$[Preliminary Par Amount]*
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE BONDS
(COUNTY OPERATIONS CENTER AND ANNEX REDEVELOPMENT PROJECT)
SERIES 2016A

BASE CUSIP No.[†]: 79730E

$__________ Serial Series 2016A Bonds

Maturity (October 15)	Principal Amount	Interest Rate	Yield or Price	CUSIP Suffix[†]

$_________ ___% Term Bonds due October 15, 20__ – Priced to Yield: ___% – CUSIP[†]: 79730E___

[†] CUSIP data, copyright 2015, American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The Authority, the County and the Underwriters assume no responsibility for its accuracy.

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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 Series 2016A 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 Authority, the County or the Underwriters.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2016A 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 fact.

The information set forth herein has been obtained from 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 Authority, the County or the Underwriters. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the County or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority and the County for further information in connection therewith.

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 part of, their responsibility 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.

In connection with the offering of the Series 2016A Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of such Series 2016A 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 Series 2016A Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS

Greg Cox	First District
Dianne Jacob, Chair	Second District
Dave Roberts, Vice Chair	Third District
Ron Roberts	Fourth District
Bill Horn	Fifth District

****

Helen N. Robbins-Meyer, *Chief Administrative Officer*
Donald F. Steuer, *Assistant Chief Administrative Officer / Chief Operating Officer*
Tracy M. Sandoval, *Deputy Chief Administrative Officer / Auditor & Controller*
Dan McAllister, *Treasurer – Tax Collector*
Thomas E. Montgomery, *County Counsel*

******

SAN DIEGO REGIONAL BUILDING AUTHORITY

BOARD OF COMMISSIONERS
[to be updated]

Ron Roberts	Chairman
Greg Cox	Vice Chairman
Harry Mathis	Member

******

AUTHORITY OFFICIALS
[to be updated]

Gail Williams, *Secretary*
Thomas E. Montgomery, *Counsel*

******

SPECIAL SERVICES

Bond Counsel
Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Financial Advisor
Public Resources Advisory Group
Los Angeles, California

Disclosure Counsel
Hawkins Delafield & Wood LLP
Los Angeles, California

Trustee
Zions First National Bank
Los Angeles, California

$[Preliminary Par Amount][*]
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE BONDS
(COUNTY OPERATIONS CENTER AND ANNEX REDEVELOPMENT PROJECT)
SERIES 2016A

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Series 2016A Bonds being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Indenture and the Facility Lease (herein defined). See Appendix C – "Summary of Principal Legal Documents – Definitions" attached hereto.

General

This Official Statement, including the cover page, the inside cover page and the Appendices attached hereto (the "Official Statement"), provides certain information concerning the issuance of $[Preliminary Par Amount]* aggregate principal amount of San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project), Series 2016A (the "Series 2016A Bonds"), which are being issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Marks-Roos Law") and an Indenture, dated as of February 1, 2016 (the "Indenture"), by and among the San Diego Regional Building Authority (the "Authority"), the County of San Diego (the "County") and Zions First National Bank, as trustee (the "Trustee").

The proceeds of the Series 2016A Bonds, together with moneys available therefor, will be used to (i) refund all the outstanding San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project), Series 2009A (the "Refunded Bonds"), (ii) fund a reserve fund for the Series 2016A Bonds and (iii) pay certain costs of issuance incurred in connection with the Series 2016A Bonds. See "Plan of Refunding" herein.

Security and Source of Payment for the Series 2016A Bonds

The County will lease certain real property and all improvements thereon, as more particularly described herein (the "Leased Property"), to the Authority pursuant to a Site Lease, dated as of February 1, 2016 (the "Site Lease"), by and between the County and the Authority. The County will sublease the Leased Property from the Authority pursuant to a Facility Lease, dated as of February 1, 2016 (the "Facility Lease"), by and between the County and the Authority.

Under the Facility Lease, in consideration for the use and occupancy of the Leased Property, the County has agreed to make certain payments designated as Base Rental Payments (the "Base Rental Payments") and certain other payments designated as Additional Rentals with respect to the Leased Property (the "Additional Rentals"), in the amounts, at the times and in the manner set forth in the Facility Lease. The Series 2016A Bonds represent the aggregate principal components of the Base Rental

[*] Preliminary, subject to change.

Payments under the Facility Lease. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year (an "Operating Budget") commencing after the date of the Facility Lease and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

The County has no obligation to pay Base Rental Payments under the Facility Lease until such time as a certificate stating that the Project has been completed (the "Certificate of Completion") has been delivered to the Trustee. See the table captioned "Base Rental Payments" under the heading "Security and Sources of Payment for the Series 2016A Bonds – Base Rental Payments" herein for a description of the amounts due under the Facility Lease.

Pursuant to an Assignment Agreement, dated as of February 1, 2016 (the "Assignment Agreement"), by and between the Trustee and the Authority, the Authority will assign to the Trustee, for the benefit of the Owners of the Series 2016A Bonds all of its right, title and interest in and to the Facility Lease, including the right to receive Base Rental Payments under the Facility Lease. See Appendix C – "Summary of Principal Legal Documents – The Facility Lease" and "– The Indenture" attached hereto.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2016A BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The County's obligation to pay Base Rental Payments is subject to abatement. However, during periods of abatement, any moneys in the Revenue Fund or in the Reserve Fund and amounts, if any, received from rental interruption insurance are available for payments in respect of the Series 2016A Bonds. See "Security and Sources of Payment for the Series 2016A Bonds – Base Rental Payments" and "– Abatement" herein.

The Series 2016A Bonds

The Series 2016A Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2016A Bonds is payable on April 15 and October 15 of each year, commencing on [April 16, 2016] (each an "Interest Payment Date"). See "The Series 2016A Bonds" herein and Appendix C – "Summary of Principal Legal Documents" attached hereto.

The Series 2016A Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2016A Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2016A Bonds. Ownership interests in the Series 2016A Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2016A Bonds purchased. Payments of principal of and interest on the Series 2016A Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2016A Bonds, as more fully described herein. See "The Series 2016A Bonds – General" and Appendix D – "Book-Entry System" herein.

The Series 2016A Bonds are subject to optional, extraordinary and mandatory redemption as described herein. See "The Series 2016A Bonds – Redemption" herein.

The Series 2016A Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues. All Bonds issued pursuant to the Indenture (the "Bonds") are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture (other than the Excess Earnings Account), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Neither the full faith and credit of the Authority nor the County is pledged for the payment of the interest on or principal of the Series 2016A Bonds and no tax or other source of funds other than the Revenues is pledged to pay the interest on or principal of the Series 2016A Bonds. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness 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. The obligation of the County to pay Base Rental Payments does not constitute 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. The Series 2016A Bonds do not grant to owners or holders thereof any right to have the Authority or the State, or any political subdivision thereof, levy any taxes or appropriate funds for the payment of the principal thereof or interest thereon. The Authority has no taxing power.

Tax Matters

[To come.]

Continuing Disclosure

The County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (the "Repository") for purposes of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission certain annual financial information and operating data, with respect to each fiscal year of the County, commencing with Fiscal Year 2015-16, by no later than nine months after the end of the applicable fiscal year, and notice of the occurrence of certain enumerated events ("Notice Events") no later than ten (10) business days after the occurrence of such Notice Event. These covenants have been made in order to assist the Underwriters in complying with the Rule. See "Continuing Disclosure" herein and Appendix F – "Form of Continuing Disclosure Agreement" attached hereto.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The County is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

Miscellaneous

The Series 2016A Bonds will be offered when, as and if issued, and received by the Underwriters, subject to the approval as to their legality by Bond Counsel and certain other conditions.

The description herein of the Indenture, the Facility Lease, the Site Lease and the Assignment Agreement and any other agreements relating to the Series 2016A Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2016A Bonds are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See Appendix C – "Summary of Principal Legal Documents" attached hereto. Copies of the documents are on file and available for inspection at the Corporate Trust Office of the Trustee at Zions First National Bank, 550 South Hope Street, Suite 2650, Los Angeles, California 90071.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

PLAN OF REFUNDING

The proceeds of the Series 2016A Bonds, together with moneys available therefor, will be used to (i) refund all the outstanding Refunded Bonds, (ii) fund a reserve fund for the Series 2016A Bonds and (iii) pay certain costs of issuance incurred in connection with the Series 2016A Bonds.

The following table sets forth the Refunded Bonds to be defeased and refunded with proceeds of the Series 2016A Bonds.

Maturity (February 1)	Principal Amount	Redemption Date	Redemption Price(1)	CUSIP†
2016	$3,565,000	Non-Callable	N/A	79730EDU1
2017	3,710,000	Non-Callable	N/A	79730EDV9
2018	680,000	Non-Callable	N/A	79730EDW7
2018	3,180,000	Non-Callable	N/A	79730EDX5
2019	400,000	Non-Callable	N/A	79730EDY3
2019	3,615,000	Non-Callable	N/A	79730EDZ0
2020	2,960,000	February 1, 2019	100%	79730EEA4
2020	1,215,000	February 1, 2019	100	79730EEB2
2021	4,375,000	February 1, 2019	100	79730EEC0
2022	480,000	February 1, 2019	100	79730EED8
2022	4,090,000	February 1, 2019	100	79730EEE6
2023	510,000	February 1, 2019	100	79730EEF3
2023	4,285,000	February 1, 2019	100	79730EEG1
2024	5,035,000	February 1, 2019	100	79730EEH9
2025	465,000	February 1, 2019	100	79730EEJ5
2025	4,820,000	February 1, 2019	100	79730EEK2
2026	5,550,000	February 1, 2019	100	79730EEL0
2027	3,425,000	February 1, 2019	100	79730EEM8
2027	2,420,000	February 1, 2019	100	79730EEN6
2028	365,000	February 1, 2019	100	79730EEP1
2028	5,780,000	February 1, 2019	100	79730EEQ9
2029	6,480,000	February 1, 2019	100	79730EER7
2030	6,840,000	February 1, 2019	100	79730EES5
2036†	49,535,000	February 1, 2019	100	79730EET3

† Term Bond.
(1) Expressed as a percentage of the principal amount.
(2) CUSIP data, copyright 2015, American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The Authority, the County and the Underwriters assume no responsibility for its accuracy.

To effect the refunding of the Refunded Bonds, the County intends to deposit into an escrow fund (the "Escrow Fund") to be held by Zions First National Bank (the "Escrow Agent") proceeds of the Series 2016A Bonds and certain available monies on deposit under the Indenture pursuant to which the Refunded Bonds were issued. These amounts will be deposited pursuant to an escrow agreement, dated the date of issuance of the Series 2016A Bonds (the "Escrow Agreement"), by and between the County and the Escrow Agent, on the Closing Date to defease and to redeem the Refunded Bonds. Amounts deposited with the Escrow Agent, together with interest thereon, will be applied to pay principal of and interest on the Refunded Bonds through August 1, 2019 and to redeem the balance of the Refunded Bonds on February 1, 2019. See "Verification of Mathematical Computations" herein.

THE LEASED PROPERTY

[TO BE UPDATED]

Pursuant to the Facility Lease, the County will sublease from the Authority the Leased Property. The Leased Property consists of approximately 37.2 acres of real property currently used for the County Operations Center. The Leased Property is located in the Kearny Mesa community of San Diego County, which is north of downtown San Diego. The Leased Property is a modern, efficient campus with approximately 900,000 square feet of office space designed to meet Leadership in Energy and Environmental Design Green Building Silver Certification standards, along with service buildings and parking. The portion of the Leased Property that was constructed in 2010 includes a central plant that provides the mechanical systems to facilitate operation of the entire campus, two 150,000 square-foot, four-story office buildings, a seven-level parking structure and offsite improvements that mitigate traffic impacts. These facilities feature sustainable design that incorporates a variety of energy efficient, green building technologies, including abundant windows that allow for natural light and energy efficient roofing and glazing systems to reduce heat gain. Landscaping at the Leased Property includes water efficient plants and an irrigation system to reduce water usage.

The newer portion of the Leased Property also includes two 150,000 square-foot, four-story office buildings and a 20,000-square-foot conference center and cafeteria, two 150,000-square-foot, four-story office buildings and a parking structure.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2016A Bonds, together with an equity contribution from the County, are expected to be applied approximately as follows:

Sources:
Principal Amount of Series 2016A Bonds
Net Original Issue Premium/Discount
Release from Refunded Bonds Reserve Fund
Total Sources
Uses:
Defease Refunded Bonds
Debt Service Reserve Fund
Cost of Issuance[(1)]
Total Uses

---

(1) Includes underwriters' discount, rating agencies fees, financial advisor fees, title insurance fees, legal fees, trustee fees, and printing costs and certain miscellaneous expenses.

THE SERIES 2016A BONDS

The following is a summary of certain provisions of the Series 2016A Bonds. Reference is made to the Series 2016A Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

General

The Series 2016A Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2016A Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Series 2016A Bonds. Ownership interests in the Series 2016A Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2016A Bonds purchased. Payments of principal of and interest on the Series 2016A Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2016A Bonds, as more fully described herein. See "The Series 2016A Bonds – General" and Appendix D – "Book-Entry System" herein.

The Series 2016A Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2016A Bonds is payable on April 15 and October 15 of each year, commencing on [April 16, 2016] and will be computed on the basis of a 360 day year comprised of twelve 30-day months. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

Redemption

Optional Redemption.* The Series 2016A Bonds maturing on or after October 15, 20__ are subject to optional redemption prior to maturity on or after October 15, 20__ at the option of the County, in whole, or in part, on any date, at a redemption price equal to the principal amount of the Series 2016A Bonds to be redeemed, plus accrued but unpaid interest to the redemption date.

Mandatory Redemption.* The Series 2016A Bonds maturing on October 15, 20__ are subject to mandatory redemption prior to maturity, in part, from Mandatory Sinking Account Payments on October 15 of each year set forth below, commencing on October 15, 20__, at a redemption price equal to the principal amount of such Series 2016A Bonds to be redeemed, plus accrued interest evidenced thereby to the redemption date, in the principal amounts and on the redemption dates set forth below, without premium:

Sinking Fund Redemption Date (October 15)	Principal Amount to be Redeemed
	$
†	

† Maturity.

Extraordinary Redemption. The Series 2016A Bonds are subject to redemption on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Series 2016A Bonds plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption. Notice of redemption shall be mailed by first class mail by the Trustee not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Each notice of redemption shall state the date of such notice, the Bonds to be prepaid, the Series and date of

* Preliminary, subject to change.

issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be prepaid, the distinctive certificate numbers of the Bonds of such maturity to be prepaid and, in the case of Bonds to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that such redemption may be rescinded by the County and that, unless such redemption is so rescinded, and provided that on said date funds are available for payment in full of the Bonds then called for redemption, on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be prepaid in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice as described herein to any one or more of the information services or securities depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

The County shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Partial Redemption of Bonds. Upon surrender of any Series 2016A Bond redeemed in part only, the Trustee shall execute and deliver to the Owner thereof a new Bond or Bonds representing the unpaid principal amount of the Series 2016A Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as described herein and moneys for the payment of the redemption price of the Series 2016A Bonds to be redeemed are held by the Trustee, then on the redemption date designated in such notice the Series 2016A Bonds so called for redemption shall become payable at the redemption price specified in such notice; and from and after the date so designated interest on the Series 2016A Bonds so called for redemption shall cease to accrue, such Series 2016A Bonds shall cease to be entitled to any benefit or security under the Indenture and the Owners of such Series 2016A Bonds shall have no rights in respect thereof except to receive payment of the redemption price represented thereby. The Trustee shall, upon surrender for payment of any of the Series 2016A Bonds to be redeemed, pay such Series 2016A Bonds at the redemption price thereof.

No Acceleration

There is no remedy of acceleration in payments under the Facility Lease, which provides that, upon the occurrence of an Event of Default under the Facility Lease, the Authority or its assignee must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE. In such event, the County will remain liable and will keep or perform all covenants and conditions required under the Facility Lease to be kept or performed by the County, pay the rent to the end of the term of the Facility Lease and pay said rent and/or rent deficiency punctually at the same time and in the same manner as required under the Facility Lease for the payment of rent thereunder (without acceleration).

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS

Pledge of Revenues

Pursuant to the Indenture, the Authority has irrevocably pledged and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established pursuant to the Indenture (other than the Excess Earnings Account), which will be used for the punctual payment of the interest and principal of the Bonds and the Revenues will not be used for any other purpose while any of the Bonds remain Outstanding. Such pledge will constitute a first and exclusive lien on the funds established under the Indenture.

All Revenues will be paid directly by the County to the Trustee, and if received by the Authority at any time will be deposited by the Authority, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Revenues, the proceeds of rental interruption insurance, liquidated damages, if any, and certain payments to the County under the DDA will be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein will be held in trust by the Trustee.

The Series 2016A Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues (as described herein) derived from Base Rental Payments paid by the County pursuant to the Facility Lease for the use and possession of the Leased Property as long as the County has such use and possession of the Leased Property. All Bonds issued pursuant to the Indenture are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture (other than the Excess Earnings Account), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Base Rental Payments

General. Under the Facility Lease, in consideration for the use and occupancy of the Leased Property, the County has agreed to make Base Rental Payments and Additional Rentals with respect to the Leased Property, in the amounts, at the times and in the manner set forth in the Facility Lease. The Series 2016A Bonds represent the aggregate principal components of the Base Rental Payments under the Facility Lease. The County is required under the Facility Lease to make Base Rental Payments subject to the provisions of thereof related to abatement. Also, until such time as a Certificate of Completion has been delivered to the Trustee, the County's obligation to pay Base Rental Payments shall be limited solely to amounts on deposit in the Interest Fund (including, without limitation, the Capitalized Interest Fund established pursuant to the Indenture), and, if the Interest Fund is exhausted, the Reserve Fund, and the County shall have no obligation to make any Base Rental Payments from any other source. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its Operating Budget and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2016A BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO

PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The Trustee, pursuant to the Indenture, will receive Base Rental Payments for the benefit of the Owners. Except as expressly provided in the Indenture, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Facility Lease, the Site Lease or the Indenture. Additional Payments payable by the County under the Facility Lease include, among others, amounts sufficient to pay certain taxes and assessments and insurance premiums, and certain administrative costs.

The lease payments under the Facility Lease are absolutely net to the Authority so that the Facility Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease.

The Facility Lease provides that the agreements and covenants on the part of the County contained therein shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained required under the Indenture to be carried out and performed by the County.

In addition, the County's right, title, and interest in, to and under the DDA with respect to liquidated damages will be assigned to the Authority (which will in turn assign such right, title, and interest to the Trustee for the benefit of the Owners under the Assignment Agreement); *provided*, that the County only so assigns and transfers such rights, title, and interest as will accrue on or after the date to which interest on the Series 2016A Bonds has been capitalized. Any payments of liquidated damages received by the Trustee will be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein will be held in trust by the Trustee for the benefit of the Owners until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds, including the Series 2016A Bonds, are no longer Outstanding.

Base Rental Payments Schedules. The Facility Lease requires that all Base Rental Payments due in any Fiscal Year shall be due and payable in one sum on July 5 of each year or the first business day thereafter if any such July 5 is not a business day (the "Prepayment Amount"), commencing on the July 5 following the date of delivery of the Certificate of Completion to the Trustee; provided, however, that if a Certificate of Completion is delivered after July 5 in any Fiscal Year, then the County shall make the scheduled Base Rental Payments due on the Interest Payment Date following the date of the delivery of the Certificate of Completion in such Fiscal Year in an amount equal to a pro rated amount of the Prepayment Amount due for the balance of such Lease Year following the delivery of the Certificate of Completion to the Trustee. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

A table of annual debt service payments for the Series 2016A Bonds is set forth below.

BASE RENTAL PAYMENTS

Payment Date	Series 2016A Bonds		
(Fiscal Year Ending)[1]	Principal	Interest	Base Rental Payments[1]

(1) Amounts reflect the aggregate amount of scheduled Base Rental Payments under the Facility Lease on October 15 of any calendar year and the April 15 of the immediately following calendar year.

Reserve Fund

The Reserve Fund shall be held by the Trustee and shall be kept separate and apart from all other funds held by the Trustee. The Reserve Fund must be funded in the amount of the Reserve Fund Requirement and must be used and withdrawn by the Trustee solely for the purposes and at the times specified in the Indenture. The "Reserve Fund Requirement" means an amount with respect to all Series 2016A Bonds and Additional Bonds executed and delivered pursuant to the Indenture (the "Additional Bonds" and, together with the Series 2016A Bonds, the "Bonds") equal, as of any date of calculation, to the lesser of (i) 50% of Maximum Annual Debt Service on all Outstanding Bonds and Additional Bonds or (ii) 125% of Average Annual Debt Service on all Outstanding Bonds and Additional Bonds; provided however, that the Reserve Fund Requirement with respect to any Series of Bonds or Additional Bonds shall be the least of (i) or (ii) above, or an amount equal to, or derived by the addition of, 10% of the proceeds from the sale of such Series of Bonds or Additional Bonds to the Reserve Fund. "Maximum Annual Debt Service" means an amount equal to the largest Annual Debt Service for all future Bond Years beginning in the Bond Year in which the calculation is made. "Average Annual Debt Service" means an amount equal to the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made. "Annual Debt Service" means, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial

Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Bond Year (together with the redemption premiums, if any, thereon). "Bond Year" means the twelve month period ending on October 15 of each year to which reference is made.

At the option of the County, one or more Reserve Fund Credit Facilities may be substituted for the funds held by the Trustee in the Reserve Fund such that the amount available to be drawn under such Reserve Fund Credit Facilities together with funds remaining in the Reserve Fund satisfies the Reserve Fund Requirement. "Reserve Fund Credit Facility" means a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in the Reserve Fund in lieu of or in partial substitution for cash or securities on deposit therein.

The County will initially fund the Reserve Fund with proceeds of the Series 2016A Bonds in the amount of $__________. See Appendix C – "Summary of Principal Legal Documents – Indenture – Reserve Fund" attached hereto.

Insurance

The Facility Lease provides that the County will secure and maintain, or cause to be secured and maintained, at all times with insurers of recognized responsibility, insurance against the risks and in the amounts set forth in the Facility Lease. Such insurance includes "all risk" insurance against loss or damage to the Leased Property, which must be maintained at any time in an amount per occurrence (the "Per Occurrence Amount") at least equal to the lesser of (1) the cumulative replacement value of the Leased Property, and, in the case of a policy covering more than the Leased Property, as permitted by the Facility Lease any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued or (2) the aggregate amount of the principal component of all then-remaining Base Rental Payments payable under the Facility Lease. This insurance may include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). The County may obtain such "all risk" coverage as a joint insured with one or more other public agencies located within or outside of the County which may be limited in an amount per occurrence in the aggregate for insureds in amount at least equal to the Per Occurrence Amount and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000. The County anticipates that it will secure and maintain "all risk" insurance covering the Leased Property through an insurance policy described in the immediately preceding sentence. As a consequence, the Leased Property will not be covered through a stand-alone insurance policy and will rather be covered through an insurance policy that covers multiple properties owned by varying public agencies throughout the State. If there occurs one or more losses or damages to the Leased Property covered by that insurance policy in a fiscal year that exceeds the annual cumulative limit provided therein and there were also to occur a loss or damage to the Leased Property in the same fiscal year, then the County and the Trustee may be unable to make a claim under such insurance policy for such loss or damage and there may not otherwise be any other insurance covering such loss or damage to the Leased Property.

The County will also obtain rental interruption insurance with respect to the Leased Property in an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' of Base Rental Payments for the Leased Property.

The Facility Lease provides that the amount of coverage required may be reduced to a lesser amount if an insurance consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

For additional information regarding the County's risk management programs, see Appendix A - "County of San Diego Financial, Economic and Demographic Information – County Financial Information - Risk Management" and "– Insurance Coverage Respecting Lease Obligations and Long-Term Loans" and Appendix C - "Summary of Principal Legal Documents - The Facility Lease - Maintenance; Taxes; Insurance and Other Charges - Insurance" attached hereto.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. Any abatement of rental payments shall not be considered an Event of Default under the Facility Lease. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

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

Substitution

The County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for then-existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the real property description of the Leased Property set forth in the Facility Lease and the Site Lease upon compliance with all of the conditions set forth in the Facility Lease. After a substitution or removal, the part of the Leased Property for which the substitution or removal has been effected shall be released from the leasehold under the Facility Lease and the Site Lease. See Appendix C – "Summary of Principal Legal Documents – The Facility Lease – The Leased Property – Substitution or Removal of Leased Property" attached hereto.

Additional Bonds

In addition to the Series 2016A Bonds, the County and the Authority may from time to time issue additional bonds (the "Additional Bonds") pursuant to a Supplemental Indenture without the consent of the Owners of the Series 2016A Bonds, payable from the Revenues on a parity with the Series 2016A Bonds, the proceeds of which Additional Bonds may be used for any lawful purpose by the County, as provided in the Supplemental Indenture, but only subject to the certain specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds, including, amendment of the Facility Lease so that the Base Rental Payments payable by the County thereunder in each Fiscal Year shall be at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due provided, however, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease. The Indenture also requires in connection with the issuance of Additional Bonds the delivery of a certificate as to the annual fair rental value of the Leased Property, which certificate may assume the timely construction and completion of any additional project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee, all as set forth in the Indenture. See Appendix C – "Summary of Principal Legal Documents – The Indenture – Issuance of Bonds; Application of Proceeds – Conditions for the Issuance of Additional Bonds" attached hereto.

THE AUTHORITY

The Authority was organized by the County and the San Diego Metropolitan Transit System Board (the "MTS") pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State. The Authority was established for the purpose, among others, of providing for the financing of public capital improvements for its members. The Authority has all powers conferred upon joint exercise of powers authorities by the laws of the State of California and the joint exercise of powers authorities agreement pursuant to which it was formed. Except as provided by the Indenture, the Authority has no liability to the Owners of the Series 2016A Bonds and has pledged none of its moneys, funds or assets as Revenues or otherwise toward the Base Rental Payments or Additional Rentals under the Facility Lease, or toward the payment of any amount due in connection with the Series 2016A Bonds.

The Authority is a separate legal entity from the County. It is governed by a three-member Board of Commissioners (the "Board of Commissioners") consisting of two appointees of the Board of Supervisors of the County and one appointee of the MTS. The Authority has no employees. All staff work, including that of Counsel, is performed by employees of the County. The members of the Authority's Board of Commissioners are Ron Roberts (Chairman), Greg Cox (Vice Chairman) and Harry Mathis (Member).

The Authority has not entered into any material financing arrangements with respect to the Series 2016A Bonds other than those referred to in this Official Statement. Further information concerning the Authority may be obtained from the San Diego Regional Building Authority at 1600 Pacific Highway, Room 166, San Diego, California 92101.

RISK FACTORS

The following factors, along with all other information in this Official Statement, including, without limitation, Appendix A, should be considered by potential investors in evaluating the Series 2016A Bonds.

Not a Pledge of Taxes

The obligation of the County to pay the Base Rental Payments or Additional Rentals 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. The obligation of the County to pay Base Rental Payments or Additional Rentals does not constitute a debt or 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.

Although the Facility Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facility Lease to pay Base Rental Payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Facility Lease that, for as long as the Leased Property are available for its use and possession, it will make the necessary annual appropriations within its budget for all Base Rental Payments. The County is currently liable on other obligations payable from general revenues.

Additional Obligations of the County

The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased.

The Base Rental Payments and other payments due under the Facility Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a fiscal year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental Payments, based on the perceived needs of the County. The same result could occur if, because of California Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues.

Default; Remedies Upon Default; No Right of Relet

Upon the occurrence of an Event of Default under the Facility Lease, the Trustee must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; THIS IS THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE IN THE EVENT OF A DEFAULT UNDER THE FACILITY LEASE. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the County and, to pay the rent to the end of the term of the Facility Lease and further agrees to pay such rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent thereunder (without acceleration).

The Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest.

Limitations on Remedies

The rights of the Owners of the Series 2016A Bonds 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 owners of the Series 2016A Bonds, and the obligations incurred by the County, may become subject to 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, 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 and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Series 2016A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the County, there are no involuntary petitions in bankruptcy. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the owners of the Series 2016A Bonds could be prohibited from taking certain steps to enforce their rights under the Indenture. In a decision dated March 8, 1995, the United States Bankruptcy Court for the Central District of California ruled that a pledge granted by Orange County pursuant to a resolution adopted by that county in connection with the issuance of tax and revenue anticipation notes ("TRANs") was not effective with respect to general revenues accruing to the County after the filing of a petition in bankruptcy. The resolution obligated Orange County to set aside a specified amount of revenues in certain months in order to secure the payment of its TRANs. On July 12, 1995, the United States District Court for the Central District of California reversed the order of the Bankruptcy Court and held that the obligation created under the resolution adopted by Orange County is a statutory lien which survived the filing of Orange County's bankruptcy petition.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the state statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The County may invest, and direct the Trustee to invest, amounts held in the Reserve Fund, the Revenue Fund and the Administrative Expense Fund in the Treasury Pool, which amounts are pledged to repay the Series 2016A Bonds. In the event of a petition for the adjustment of County debts under Chapter 9 of the Bankruptcy Code, a court might hold that the Owners of the Series 2016A Bonds do not have a valid and/or prior lien on the Base Rental Payments where such amounts are deposited in the Treasury Pool and may not provide the Owners of the Series 2016A Bonds with a priority interest in such amounts. In that circumstance, unless the Owners could "trace" the funds that have been deposited in the Treasury Pool, the owners would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Owners could successfully so "trace" the pledged taxes and other revenues.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2016A Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. Any abatement of rental payments shall not be considered an Event of Default under the Facility Lease. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

Seismic Events; Force Majeure

The Property is located within a seismically active area, and damage from an earthquake could be substantial. There is no builders risk insurance for losses relating to earthquakes during construction of the Project. Further, the County is not obligated under the Facility Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Property and no assurance can be made that the County will procure and maintain, or cause to be procured and maintained, such insurance. There can be no assurance that earthquake insurance on the Leased Property, if any, can be renewed or will be maintained by the County in the future, or will be available for payments in respect of the Series 2016A Bonds or debt service on the Series 2016A Bonds. If there is no earthquake insurance on the Leased Property and if the Leased Property is damaged in an earthquake, the Base Rental Payments would be subject to abatement. See "Risk Factors – Abatement" herein.

Operation of the Project may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The County cannot predict what force majeure events may occur in the future. For additional information regarding the County's risk management programs, see Appendix A – "County of San Diego Financial, Economic and Demographic Information – County Financial Information – Risk Management" and Appendix C – "Summary of Principal Legal Documents – The Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached hereto.

TAX MATTERS

[Tax language to come.]

CERTAIN LEGAL MATTERS

The validity of the Series 2016A Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix E hereto. Certain legal matters will be passed upon for the Authority and the County by the County Counsel and Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York.

FINANCIAL STATEMENTS

The general purpose financial statements of the County, which are included in Appendix B to this Official Statement, have been audited by Vavrinek, Trine, Day & Co., LLP ("Vavrinek"), certified public accountants and management consultants, as stated in their report appearing in Appendix B. Vavrinek has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek with respect to any event subsequent to its report dated November 14, 2014. [To be updated for 2015.]

LITIGATION

No litigation is pending or, to the best knowledge of the County, threatened against the County or the Authority concerning the validity of the Series 2016A Bonds. The County is not aware of any litigation pending or threatened questioning the political existence of the County or the Authority or contesting the County's ability to issue the Series 2016A Bonds or pay the Base Rental Payments pursuant to the Facility Lease. There are a number of lawsuits and claims pending against the County. Other than as described in this section and in Appendix A, the County does not believe that any of these proceedings could have a material adverse impact upon the financial condition of the County.

RATINGS

Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"), Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "__", "__" and "__", respectively, to the Series 2016A Bonds. Such ratings reflect only the views of such organizations and explanations of the significance of such ratings may be obtained only from the organizations at: Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041; Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; and Fitch Ratings, One State Street Plaza, New York, New York 10004. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2016A Bonds.

UNDERWRITING

The Series 2016A Bonds are being purchased by the underwriters set forth on the cover page of this Official Statement (the "Underwriters"). Pursuant to the Purchase Contract for the Series 2016A Bonds, the Underwriters have agreed, subject to certain conditions, to purchase the Series 2016A Bonds at a price of $__________ (representing the principal amount of the Series 2016A Bonds, plus an original premium of $__________, less underwriters' discount of $__________). The Purchase Contract for the Series 2016A Bonds provides that the Underwriters will purchase all of the Series 2016A 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 Series 2016A Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

FINANCIAL ADVISOR

Public Resources Advisory Group, Los Angeles, California served as Financial Advisor to the County in connection with the issuance of the Series 2016A Bonds. Public Resources Advisory Group is an independent financial advisory firm and is not engaged in the business of underwriting municipal bonds or other securities. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement (the "Disclosure Agreement") with Digital Assurance Certification, L.L.C., the County has agreed to provide, or cause to be provided, with respect to each fiscal year of the County, commencing with Fiscal Year 2015-16, by no later than nine months after the end of the respective fiscal year, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system ("EMMA") the audited financial statements, if available, or unaudited financial statements, and certain annual financial information and operating data with respect to the County for the most current fiscal year available. In addition, the County has agreed to provide, or cause to be provided, to through EMMA notice of the occurrence of any of the Notice Events enumerated in paragraph (b)(5)(i)(C) of the Rule. These covenants have been made for the benefit of the holders of the Bonds and in order to assist the Underwriters in complying with the Rule. See Appendix F – "Form of Continuing Disclosure Agreement" attached hereto.

The County notes the following with respect to its continuing disclosure filings within the last five years. In connection with the continuing disclosure agreement for the Redevelopment Agency of the County of San Diego's Gillespie Field Project Revenue Refunding Bonds, Series 2005A, the audited financial statements and annual report for Fiscal Year 2011-12 was filed 10 days late. In connection with the County's continuing disclosure covenants for the 2002 Pension Obligation Bonds, the 2004A Pension Obligation Bonds and the 2004C Pension Obligation Bonds (collectively, the "Pension Obligation Bonds"), the County did not submit a notice of a rating change in May 2013 when S&P upgraded National Public Finance Guarantee Corp. from "BBB" to "A." This rating change did not affect the ratings on the Pension Obligation Bonds, which are set forth in the comprehensive annual financial reports of the County included as part of each annual report.

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. This Official Statement is not to be construed as a contract or agreement among the Authority, the County and the purchasers or owners of any of the Series 2016A Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the County or the Authority since the date hereof.

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

SAN DIEGO REGIONAL BUILDING AUTHORITY

By: ________________________________
Chairman

COUNTY OF SAN DIEGO

By: ________________________________
Chief Financial Officer

APPENDIX A

COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

APPENDIX A
COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

THE COUNTY

General

The County of San Diego (the "County") is the southernmost major metropolitan area in the State of California (the "State"). The County covers 4,261 square miles, extending 75 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the geographic size of the State of Connecticut. The County's Fiscal Year 2015-16 Adopted Operational Plan (the "Fiscal Year 2015-16 Adopted Budget") is approximately $5.41 billion, of which $4.12 billion relates to the County's General Fund budget.

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. The County is governed by a five-member Board of Supervisors (the "Board of Supervisors") elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer (the "CAO") and the County Counsel. The CAO appoints the Deputy Chief Administrative Officer/Auditor and Controller, all other Deputy Chief Administrative Officers and all heads of departments, except as otherwise noted. Other elected officials include the Assessor/Recorder/County Clerk, the District Attorney, the Sheriff and the Treasurer-Tax Collector.

Many of the County's functions are required under County ordinances or by State or federal mandate. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, which may, under some conditions, limit the County's ability to control its budget. However, under designated State and federal programs, eligible costs are subject to reimbursement according to specific guidelines.

The County is the delivery system for federal, State and local programs. The County provides a wide range of services to its residents including: (i) regional services such as district attorney, public defender, probation, medical examiner, jails, elections, public health, welfare, mental health, aging and child welfare; (ii) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated area, and law enforcement and libraries by contract to incorporated cities; and (iii) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County.

County of San Diego Employees

General. Table 1 below sets forth the number of County employees for Fiscal Years 2006-07 through 2015-16:

TABLE 1
TOTAL COUNTY EMPLOYEES[(1)]

Year	Total Employees
2006-07	16,471
2007-08	16,484
2008-09	16,176
2009-10	15,522
2010-11	15,067
2011-12	15,174
2012-13	15,609
2013-14	16,328
2014-15	16,544
2015-16[(2)]	16,706

Source: County of San Diego Department of Human Resources.
(1) Excludes temporary employees of the County. Data as of June 30 of the indicated year.
(2) Data as of October 31, 2015.

County employees are represented by nine unions representing 25 bargaining units. The unions represent approximately 88% of the County's employees and include the Deputy Sheriffs' Association of San Diego County (the "Deputy Sheriffs' Association"); Deputy District Attorneys Association; Service Employees International Union ("SEIU"), Local 221, San Diego Probation Officers' Association; District Attorney Investigators Association; San Diego County Deputy County Counsels Association; Public Defender Association of San Diego County; San Diego County Supervising Probation Officers' Association, and The Association of San Diego County Employees (ASCDE). The County has labor agreements with the SEIU and the ASDCE effective through June 22, 2017, and all other unions, effective through June [21], 2018. The remaining County employees are unrepresented.

Agreements with all unions include reductions to the County's portion of the employee paid retirement offset, flexible benefit increases, and two lump sum salary payments (one in July 2013 and one in July 2014) equivalent to 2% of base pay for all represented bargaining units with the exception of those represented by the District Attorney Investigator Association, the Deputy Sheriffs' Association and SEIU. In addition, bargaining units represented by the SEIU and the Association of San Diego County Employees will receive 2% base salary increases in 2015 and 2016. The agreement with the Deputy Sheriffs' Association includes reductions to the County's portion of the employee paid offset, a base salary increase of 8% over the term of the contract, flexible benefit increases and a one-time monetary payment of $750.

COUNTY FINANCIAL INFORMATION

The following is a summary of certain financial information with respect to the County, including the County's property tax collections, General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance, Adopted and Amended General Fund Budgets for Fiscal Years 2013-14 and 2014-15, the Fiscal Year 2015-16 Adopted Budget, pension plan, risk management program, pending litigation and outstanding indebtedness.

Assessed Valuations

The assessed valuation of property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported in compliance with the requirements of Proposition 13. Generally, property can only be reappraised to market value upon a change in ownership or completion of new construction. Pursuant to Article XIIIA of the State Constitution, the assessed value of property that has not incurred a change of ownership or new construction shall be adjusted annually to reflect inflation at a rate not to exceed 2% per year as shown in the California consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, Article XIIIA of the State Constitution allows the assessed value to be reduced temporarily to reflect the lower market value. For the definition of full cash value and more information on property tax limitations and adjustments, see "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations – Article XIIIA" herein.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year in accordance with Proposition 13. Annually, property owners may appeal the assessed value of their property. Additionally, under the provisions of Proposition 8, property owners may apply for a temporary reduction in the assessed value when the market value of the real property, as of January 1 of the applicable tax year, falls below its assessed value. Once reduced, the County Assessor must annually review the value of the property until the factored Proposition 13 value is fully restored (adjusted with the annual consumer price index, not to exceed 2%). For Fiscal Year 2014-15, the County Assessor received 7,210 appeals, including appeals relating to real property, business personal property, boats and airplanes. Through December 31, 2015 of Fiscal Year 2015-16, the County Assessor has received 685 appeals, including appeals relating to real property, business personal property, boats and airplanes which reflects a 90% decline in appeals for the year to date. Table 2 below sets forth the number of appeals received by the County Assessor and the number of affected parcels since Fiscal Year 2005-06. See "Economic and Demographic Information – Foreclosures; Notices of Loan Default" herein.

TABLE 2
ASSESSMENT APPEALS
Fiscal Years 2004-05 through 2013-14

Fiscal Year	Appeals[1]	Parcels
2005-06	2,486	2,752
2006-07	3,334	3,601
2007-08	13,150	15,872
2008-09	42,624	47,865
2009-10	21,772	26,635
2010-11	15,748	19,589
2011-12	19,215	27,916
2012-13	14,627	16,376
2013-14	7,119	8,776
2014-15	7,210	9,264
2015-16[2]	1,875	2,004

Source: County of San Diego Assessor/Recorder/County Clerk.
(1) Appeal may relate to the reassessment for one or more parcels.
(2) Data as of October 31, 2015.

Ad Valorem Property Taxation

Table 3 below sets forth the assessed valuation of property within the County subject to taxation for Fiscal Years 2005-06 through 2014-15:

TABLE 3
ASSESSED VALUATION OF PROPERTY
SUBJECT TO AD VALOREM TAXATION
Fiscal Years 2005-06 through 2014-15
(In Thousands)

Fiscal Year	Land	Improvements	Personal Property	Gross Assessed Valuation	Exemption[1]	Net Assessed Valuation for Tax Purposes[2]
2005-06	$137,276,347	$175,791,219	$12,807,092	$325,874,658	$7,916,172	$317,958,485
2006-07	158,460,301	192,889,631	13,201,802	364,551,734	8,553,542	355,998,192
2007-08	176,074,513	208,732,483	13,916,210	398,723,206	9,427,705	389,295,500
2008-09	184,573,765	217,641,565	14,496,587	416,711,917	10,336,971	406,374,945
2009-10	177,035,056	215,309,621	15,194,665	407,539,342	11,244,820	396,294,522
2010-11	173,642,233	214,286,031	14,639,554	402,567,818	11,790,769	390,777,049
2011-12	174,658,242	216,383,122	14,483,422	405,524,786	12,537,490	392,987,296
2012-13	173,840,948	217,588,947	14,693,957	406,123,852	13,165,008	392,958,844
2013-14	179,943,404	224,701,971	15,195,049	419,840,424	13,856,802	405,983,622
2014-15	192,003,349	236,234,389	15,347,042	443,584,780	14,344,037	429,240,743

Source: County of San Diego Auditor and Controller.
(1) Exemption figures include veterans, church, welfare, religious, college and cemetery exemptions.
(2) Net Assessed Valuation for Tax Purposes figures include local secured, unsecured manufactured home and possessory interest, state unitary and redevelopment valuation, if any.

Table 4 below sets forth the approximate tax levied against the ten largest property taxpayers in the County for Fiscal Year 2014-15. These tax payments represent approximately 4.29% of the total secured property tax levied by the County for Fiscal Year 2014-15, which amount is $5,070,000,884.

TABLE 4
TEN LARGEST TAXPAYERS
Fiscal Year 2014-15
[To be updated.]

Property Owners	Business Area	Approximate Tax[1]
San Diego Gas & Electric Company	Gas and Electric Utility	$97,225,032
Southern California Edison Co.	Electric Utility	23,082,794
Qualcomm Inc	Telecommunication	23,191,769
Irvine Co	Real Estate	20,276,138
Kilroy Realty LLP	Real Estate	14,118,274
Pacific Bell Telephone Company	Telecommunication	10,616,074
Host Hotels and Resorts	Hospitality	9,211,521
O C/S D Holdings LLC	Real Estate	7,132,141
Prebys Conrad Trust	Real Estate	6,246,220

Source: County of San Diego Auditor and Controller.
(1) Approximate Tax includes local secured and state unitary 1% tax, debt service tax and special assessments.

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a statutory lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes on land and the improvements located on the land. Other property, such as business personal property, boats and aircraft, is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in *situs* assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the ten dollar cost, a thirty-three dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one-half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid for five years, the property becomes subject to the Treasurer-Tax Collector's power to sell.

Property taxes on the unsecured roll are due on the lien date being assessed (January 1). A due date, or date to pay by, is set based on the enrollment date of the bill. If not paid in full, a ten percent penalty is added to the bill on September 1, or on the first business day of the second month following the enrollment date and an additional penalty of one and one-half percent per month begins to accrue on November 1, or on the first business day of the third month after the date of enrollment. Penalties are posted based on the type of unsecured bill and the time of year it is enrolled. The taxing authority has a number of ways of collecting delinquent unsecured property taxes, which include: filing a Certificate of Tax Lien for recordation in the County Recorder's office, and/or other jurisdictions; a civil action against the taxpayer; and seizure and/or sale of assets belonging or assessed to the taxpayer.

Pursuant to State Law, the County collects property tax administrative fees from cities and special districts. State law exempts school districts from paying such fees.

Secured Tax Rolls Statistics

Table 5 below sets forth information relating to the County's secured tax roll and assessed value of property for Fiscal Years 2005-06 through 2014-15.

TABLE 5
SECURED TAX ROLL STATISTICS
Fiscal Years 2005-06 through 2014-15

Fiscal Year	Total Bills	Total Gross Assessed Value(1)	Total Tax Amount(2)	Delinquent Tax Bills	Delinquent Tax Amount(3)	Delinquent Tax Amount as Percent of Total Tax Amount
2005-06	934,416	$313,592,785,425	$3,565,874,923	46,386	$ 70,146,925	1.97%
2006-07	954,808	350,431,485,633	3,964,281,859	54,013	111,504,199	2.81
2007-08	968,699	385,014,085,589	4,364,915,835	58,579	163,865,524	3.75
2008-09	976,296	402,408,931,673	4,558,064,753	49,845	165,660,374	3.63
2009-10	978,170	392,680,850,836	4,509,795,774	40,214	120,563,754	2.67
2010-11	979,128	388,209,168,091	4,474,096,680	33,228	80,367,474	1.80
2011-12	979,386	391,319,634,514	4,537,672,296	30,565	65,585,438	1.45
2012-13	981,161	391,853,256,766	4,559,744,934	25,092	48,369,874	1.06
2013-14	982,322	405,031,663,348	4,815,864,485	24,701	41,901,860	0.87
2014-15	985,078	428,108,938,032	5,070,000,884	25,661	41,142,387	0.81

Source: County of San Diego Auditor and Controller.
(1) Total Gross Assessed Value figures include local secured and state unitary valuation.
(2) Total Tax Amount includes local secured and state unitary 1% tax, debt service tax and special assessments.
(3) Delinquent Tax Amount represents the dollar value of tax due for delinquencies in the year shown that had not been collected as of June 30 of that year.
(4) Total Bill, Total Gross Assessed Value and Total Tax Amount figures are actual. Remaining columns are estimated.

Liens and Redemption

Properties may be redeemed under a five-year installment plan by paying current taxes plus a minimum annual payment of twenty percent of the original redemption amount, a redemption fee of thirty-three dollars, a payment plan set-up fee of sixty-three dollars, and an annual plan maintenance fee of seventy-one dollars. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax-defaulted. Redemption interest accrues at one and one half percent per month on the unpaid principal balance of the installment plan redemption amount during the period of the installment plan. The property becomes subject to sale by the County Treasurer-Tax Collector if taxes are unpaid after June 30 of the fifth year of default unless the property is on an installment plan of redemption prior to the power to sell arising.

Financial Statements

Table 6 below sets forth the audited General Fund Balance Sheet for Fiscal Years 2012-13 through 2014-15. Table 7 sets forth the audited General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2010-11 through 2014-15.

TABLE 6
COUNTY OF SAN DIEGO
GENERAL FUND BALANCE SHEET
For Fiscal Years 2012-13 through 2014-15
(In Thousands)

	Audited 2013	Audited 2014[2]	Audited 2015[2]
ASSETS			
Pooled Cash and Investments	$ 1,441,132	$ 1,691,282	$ 1,929,939
Cash with Fiscal Agents	26	17	11
Investments with Fiscal Agents	2	2	2
Property Taxes Receivables, net	112,833	103,561	95,989
Receivables, net	507,780	442,871	352,561
Due from Other Funds[1]	41,603	22,020	42,746
Prepaid Items	88	84	90
Inventories	11,219	11,149	12,257
Restricted Assets – Cash with Fiscal Agents	158	150	151
Restricted Assets – Lease Receivable	4,818	4,082	3,331
TOTAL ASSETS	$ 2,119,659	$ 2,275,218	$ 2,437,077
LIABILITIES			
Accounts Payable	$ 108,434	$ 101,972	$ 100,706
Accrued Payroll	46,597	54,197	61,313
Due to Other Funds[1]	41,568	53,095	37,143
Deferred Revenues	114,826	0	0
Unearned Revenue	206,812	214,486	263,547
TOTAL LIABILITIES	$ 518,237	$ 423,750	$ 462,709
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Received in Advance		$ 8,663	$ 9,317
Deferred Housing Loans		147	0
Unavailable Revenue[3]		110,986	76,675
TOTAL DEFERRED INFLOWS OF RESOURCES		$ 119,796	$ 85,992
FUND BALANCES			
Nonspendable:			
Not in Spendable Form:			
Loans, Due From Other Funds and Prepaids	$ 1,128	$ 1,127	$ 1,122
Inventories and deposits with others	11,219	11,149	12,257
Restricted for:			
Grantors – Housing Assistance	54,902	54,875	57,681
Donations	3,265	4,453	3,844
Laws or regulations of other governments:			
Public safety activities		1	2
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders		54,251	48,583
Improvement and maintenance of recorded document systems		22,384	23,343
Defray administrative costs, other general restrictions		22,221	19,586

(Table continued on subsequent page.)

Construction, maintenance and other costs for justice, health, and social facilities and programs	55,556	60,472	47,177
Other Purposes	181,541	77,891	69,078
Committed to:			
Realignment Health, Mental Health and Social Services	65,297	65,297	65,297
Unforeseen Catastrophic Events	55,500	55,500	55,500
Capital projects' funding	285,038	314,463	300,959
Other Purposes	58,996	56,915	57,224
Assigned to:			
Subsequent one-time expenditures[4]	132,541	168,089	198,748
Legislative and administrative services	0	0	66,526
Other Purposes	51,985	49,539	63,314
Unassigned	644,454	713,045	798,135
TOTAL FUND BALANCES	$ 1,601,422	$ 1,731,672	$ 1,888,376
TOTAL LIABILITIES AND FUND BALANCES	$ 2,119,659	$ 2,275,218	$ 2,437,077

(Table continued from prior page.)

Source: County of San Diego Auditor and Controller.

(1) Amounts are receivables and payables between General Fund and other County funds based on actual or estimated claims outstanding.

(2) To conform with Governmental Accounting Standards Board (GASB) Statements 33 and 34, activities from various Internal Agency Funds are included in the General Fund.

(3) Formerly classified and referred to as "Deferred Revenues".

(4) The General Fund's fund balance classification of Assigned to Subsequent One-time Expenditures represents a GASB Statement 54 recommended classification of fund balance in circumstances in which a portion of existing fund balance is included as a budgetary resource in the subsequent year's budget to eliminate a projected excess of expected expenditures over expected revenues. For the County of San Diego, this amount represents Board of Supervisors approved one-time uses of fund balance.

TABLE 7
COUNTY OF SAN DIEGO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For Fiscal Years 2010-11 through 2014-15
(In Thousands)

	Audited 2010-11	Audited 2011-12	Audited 2012-13	Audited 2013-14	Audited 2014-15
Revenues:					
Taxes	$ 894,222	$ 925,861	$ 904,358	$ 950,007	$ 997,904
Licenses, Permits and Franchise Fees	42,643	42,552	43,255	45,930	44,987
Fines, Forfeitures and Penalties	51,826	50,905	45,523	43,742	45,823
Revenue From Use of Money and Property	24,479	17,099	12,785	10,805	14,624
Aid From Other Governmental Agencies:					
State	904,749	958,169	1,057,850	1,090,275	1,123,373
Federal	818,217	831,859	816,640	790,643	792,723
Other	57,874	65,542	116,303	139,503	87,506
Charges for Current Services	320,966	336,057	336,888	349,691	355,607
Other	51,542	54,161	27,122	22,089	50,455
Total Revenues	$ 3,166,518	$ 3,282,205	$ 3,360,724	$ 3,442,685	$ 3,513,002
Expenditures:					
Current:					
General Government	$ 209,293	$ 203,179	$ 213,340	$ 223,560	$ 227,978
Public Protection	1,079,836	1,140,718	1,178,229	1,266,644	1,343,026
Public Ways and Facilities	5,543	1,300	1,441	12,517	3,462
Health and Sanitation	671,276	735,916	789,704	575,829	599,112
Public Assistance	1,055,530	1,034,961	1,039,540	1,276,786	1,212,417
Education	957	844	948	907	900
Recreation and Cultural	30,637	31,175	28,732	29,680	34,217
Capital Outlay	21,965	33,249	17,599	18,337	28,674
Debt service:					
Principal(1)	26,735	23,200	24,670	19,945	13,718
Interest	15,044	17,308	19,203	19,357	17,298
Payment to Refunded Bond Escrow Agent	0	0	0	0	5,454
Total Expenditures	$ 3,116,816	$ 3,221,850	$ 3,313,406	$ 3,443,562	$ 3,486,256
Excess (Deficiency) of Revenues over (under) Expenditures	$ 49,702	$ 60,355	$ 47,318	$ (877)	$ 26,746
Other Financing Sources (Uses):					
Sale of Capital Assets	$ 414	$ 360	$ 71	$ 58,364	$ 111
Refunding Bonds Issued(2)	0	0	0	0	0
Payment to Escrow Agent/Refunded Bond(2)	0	0	0	0	0
Transfers In(3)	274,448	244,148	263,203	272,657	282,392
Transfers Out(4)	(151,061)	(212,578)	(196,867)	(199,824)	(153,653)
Total Other Financing Sources (Uses)	$ 123,801	$ 31,930	$ 66,407	$ 131,197	$ 128,850
Net Change in Fund Balance	$ 173,503	$ 92,285	$ 113,725	$ 130,320	$ 155,596
Fund Balances at Beginning of Year	1,220,108	1,394,380	1,487,847	1,601,422	1,731,672
Increase (Decrease) in Reserve for Inventories	0	0	0	0	645
Increase (Decrease) in Nonspendable Inventories	769	1,182	(150)	(70)	1,108
Fund Balances at End of Year	$ 1,394,380	$ 1,487,847	$ 1,601,422	$ 1,731,672	$ 1,888,376

Source: Comprehensive Annual Financial Reports of the County.
(Table continued on subsequent page.)

(Table continued from prior page.)

(1) Represents various base rental payments made to the San Diego County Capital Asset Leasing Corporation ("SANCAL") and the San Diego Regional Building Authority ("SDRBA") treated as debt service payments in the General Fund as SANCAL and the SDRBA are blended component units of the County.

(2) In Fiscal Year 2014-15, $93.750 million of fixed interest rate certificates of participation (County of San Diego Certificates of Participation (Edgemoor and RCS Refunding) Series 2014A and Series 2014B)), were issued by the San Diego County Capital Asset Leasing Corporation to advance refund $108.205 million of outstanding County of San Diego Certificates of Participation (2005 Edgemoor Project and 1996 Regional Communications System Refunding) and County of San Diego Certificates of Participation (2006 Edgemoor Completion Project). This is the amount reported in the General Fund. The transaction is further described in Note 13 "Long-Term Debt" in the Notes to the Financial Statements of the County's Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2015.

(3) Revenues from the Public Safety Augmentation Sales Tax (Proposition 172) and the tobacco securitization proceeds are recognized in the Special Revenue funds and treated as operating transfers when moved to the General Fund to reimburse expenditures incurred.

(4) For all fiscal years presented, "Transfers Out" generally represents contributions to the Pension Obligation Bond fund; contributions to capital funds for General Fund projects; and, County contributions to the Library fund and the In-Home Supportive Services ("IHSS") Public Authority fund.

General Fund Budget

The Board of Supervisors is required by State law to adopt a balanced annual budget no later than October 2 of each year. The County General Fund finances the legally authorized activities of the County not provided for in other restricted funds. General Fund revenues are derived from such sources as taxes, licenses, permits and franchises, fines, forfeitures and penalties, use of money and property, aid from other governmental agencies, charges for current services and other revenue. General Fund expenditures and encumbrances are classified by the functions of public safety, health and human services, land use and environment, community services, finance and general government and other. Increases in the aggregate appropriations based on actual or anticipated increases in available financing can be made after the annual budget has been adopted upon approval by a four-fifths vote of the Board of Supervisors.

To ensure that the expenditures do not exceed authorized levels or available financing sources, quarterly reviews are conducted covering actual and projected receipts and expenditures. In the event of any shortfall in projected revenue, immediate steps are taken to mitigate the shortfall through the identification of alternative funding sources or freezing appropriations. Similarly, if expenditures are projected to exceed appropriations, steps are taken to freeze expenditures in other accounts within the affected department or to transfer available resources to offset the added expenditure requirement. California counties are not permitted by State law to impose fees to raise general revenue, but only to recover the costs of regulation or provision of services. The Deputy Chief Administrative Officer/Auditor and Controller is responsible for monitoring and reporting expenditures within budgeted appropriations.

County's Fiscal Year 2015-16 Adopted Budget and the Operational Plan

Adopted Operational Plan

The County annually prepares a two-year operational plan, the most recent of which was adopted by the County's Board on August 4, 2015 (the "Adopted Operational Plan"). The first year of the Adopted Operational Plan is the Fiscal Year 2015-16 Budget and the second year represents an estimate of the revenues and expenditures of the County for Fiscal Year 2016-17. The Operational Plan reflects the budgets for all funds within which the County accounts for the services it provides to its residents and property and business owners. The largest single fund is the General Fund, which accounts for the majority of the County's activities.

The County's Adopted Budget for the County General Fund for Fiscal Year 2015-16 is approximately $4.12 billion, with Total Appropriations of approximately $4.12 billion, Total Revenues of approximately $3.90 billion, and total estimated use of the Fund Balance Component Decreases and Use of Fund Balance of approximately $18.67 million and $198.75 million, respectively. See Table 8 entitled "GENERAL FUND ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2013-14, ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2014-15 AND ADOPTED AND AMENDED BUDGET AND PROJECTED RESULTS FOR FISCAL YEAR 2015-16" herein for a summary of the County's Fiscal Year 2015-16 Adopted Budget. The Adopted Operational Plan is available on the County's website at http://www.sdcounty.ca.gov/auditor/budinfo.html, but is not incorporated herein by reference.

Summary of General Fund Financing Sources

In the Adopted Operational Plan, General Fund Financing Sources total $4.12 billion for Fiscal Year 2015-16, a $253.1 million or 6.5% increase from Fiscal Year 2014-15. They are expected to decrease by $141.2 million or 3.4% in Fiscal Year 2016-17. In comparison, the Fiscal Year 2014-15 Adopted Budget was 0.3% higher than the prior year, while the previous ten fiscal years' results reflected an average annual growth rate of 3.4%. General Fund Financing Sources can be categorized as one of three types: Program Revenue, General Purpose Revenue, or Use of Fund Balance (including Fund Balance Component Decreases – formerly Reserves/Designation Decreases).

Program Revenues. Program Revenues are expected to total approximately $2.81 billion in Fiscal Year 2015-16 and $2.79 billion in Fiscal Year 2016-17. These revenues make up 68.3% of General Fund Financing Sources in Fiscal Year 2015-16, and are derived primarily from State and federal subventions and grants, and charges and fees earned from specific programs. Program Revenues are expected to increase by 5.7% over the Fiscal Year 2014-15 Adopted Budget compared to an average annual growth for the last ten years of 3.2%.

General Purpose Revenue. General Purpose Revenue, budgeted at approximately $1,086.2 million in Fiscal Year 2015-16 and $1,111.8 million in Fiscal Year 2016-17, comprise approximately 26.4% of General Fund Financing Sources. This revenue is derived from property taxes, property tax in lieu of Vehicle License Fees ("VLF"), the Teeter program, sales and use tax (and property tax in lieu of sales tax), real property transfer tax, Aid from Redevelopment Successor Agencies, and miscellaneous other sources. They may be used for any purpose that is a legal expenditure of County funds. The Board of Supervisors, therefore, has the greatest flexibility with this revenue when allocating resources to fund programs and services.

The growth in this revenue is principally affected by the local and State economies, with over 87% of General Purpose Revenue tied to activity in the real estate market. From Fiscal Year 2002-03 through Fiscal Year 2014-15, General Purpose Revenue grew by an annual average of $42.0 million. Fiscal Year 2015-16 saw an increase in budgeted General Purpose Revenue of $52.8 million.

For Fiscal Year 2015-16, the $1,086.2 million budgeted for General Purpose Revenue is an increase of $52.8 million from the Fiscal Year 2014-15 budgeted amount of $1,033.4 million. The assessed value of real property declined in 2009 and 2010 (following the credit crisis and economic downturn that began in 2007), grew marginally in 2011, declined slightly in 2012, grew by 3.4% in 2013, and grew by 6.2% in 2014. For 2015, a 4% projected increase in overall assessed value of real property is projected.

Use of Fund Balance. Use of Fund Balance, including Fund Balance Component Decreases, totals approximately $217.4 million in Fiscal Year 2015-16 and $73.7 million in Fiscal Year 2016-17. It represents 5.3% of General Fund Financing Sources in Fiscal Year 2015-16. This resource is used for one-time expenses, not for the support of ongoing operations. This compares with $169.5 million in uses of fund balance in the Fiscal Year 2014-15 Adopted Budget, which equaled 4.4 % of total General Fund Financing Sources.

In the Adopted Operational Plan, a portion of the unreserved General Fund fund balance is budgeted as the funding source for various one-time or project specific purposes such as: management reserves, one-time major maintenance, labor costs due to negotiated one-time salary and benefit payments, one-time funding for County Administration Center Waterfront Park security, one-time funding for Pre-Arraignment Release program, Sheriff's Transfer, Assessment and Release Unit implementation, Regional Communications System Radio, Sheriff Capital Project Commitment for future capital needs, conduct a Sheriff's Health Academy, one-time funding for San Diego County Fire Authority Volunteer Firefighter Program training, Aerial Fire Suppression "Call When Needed" support, Comprehensive strategy for juvenile justice, One-time funding for short term staff increase to address increased case activities related to the petition process for Proposition 47, one-time funding for Juvenile Diversion program support in the Probation Department, Public Defender cost to terminate the Vista Lease, one-time contract services for San Diego County Fire Authority, Next Generation Regional Communications System, one-time funding for expansion of the Psychiatric Emergency Response Team (PERT) in collaboration with HHSA, improvement projects in Psychiatric Hospital, one-time funding for Cultural Broker contract to enhance child safety and family stability outcomes for children, one-time funding for Alzheimer's Projects—Supportive services for caregivers, financial & life planning, outreach and education, and home modification program, Legacy Project—intergenerational approach designed to bring about social engagement, Aging and Independence Services Veterans Summit, design, development & implementation phase of the Knowledge Integration Program (KIP) to modernize service delivery. Planning and Development Services Community Plan updates and clean-up, Climate Action Plan update, Green Building Program and Homeowner Relief Act fee waivers, Planning and Development Services General Plan Amendment, Alpine Forest Conservation Initiative General Plan Amendment - special study, Local Coastal program, Purchase of Agriculture Conservation Easements (PACE) program recording or easement, consultant for Long-Term Funding Options for DPW Recycling/ DEH Household Hazardous waste program, pedestrian gap analysis, School Safety Enhancement—Phase II, Workforce Academy for Youth program, grants provided to community organizations, Watershed Protection Program to fund Total Maximum Daily Load for: Source tracking and epidemiology studies; to fund the development of the Water Quality Improvement projects necessary to comply with Stormwater Permit requirements; education and outreach; and Site Specific Objective (SSO) project to protect the Santa Margarita Watershed, and temporary help for contract monitoring and other functions in various departments.

June 30, 2015 General Fund Balance Assigned to Subsequent One-Time Expenditures will serve as the funding source for various one-time information technology projects, such as: digitizing records and one-time IT projects in the District Attorney's Office, San Diego Fire Authority information technology initiative and process improvement projects, SD Emergency—Spanish user interface, Public Defender eDiscovery software early refresh, HHSA Kronos Scheduler system, Electronic Health Record System for TB Control, Pre-hospital Data Collection System upgrade for compliance with federal requirements, StarLIMS essential software required to meet HIPPA standards, Polymerase Chain Reaction System for rapid detection of serious contagious diseases, Phase 1 Medical Therapy Unit Online enhancements to improve security requirements, stability, and compatibility with State required billing code changes, Case Management System Enhancements in Adult Protective Services to address CRM platform instability issues, Pesticide Regulation Program Accela Development, Agricultural Standards Accela Development, Plant Health and Pest Prevention Accela Development for inspection and enforcement process, Liquefied Petroleum Gas Calibration Skid System for vehicle to test dispensers for accuracy, Accela Script conversion, conversion from Oracle to MS SQL for Accela platform, StreetSaver Pavement Management System, Geographic Information Systems enhancements—user portal for Capital Improvement Program ("CIP") projects and roadway structure inventory, Building Automation System

Implementation, Election Call Center Technology, Records Management Document Storage IT Enhancement, Digital Signature implementation, Office of Revenue and Recovery Onestep system upgrade, Enterprise Document Processing Platform (EDPP) which includes: Parallel environment pending migration of department applications, EMC Documentum 6.7 Extended Support, EMC Records Manager 6.7 Extended Support, EMC Captiva 6.5 Extended Support, License, Documentum Upgrade to 7.1, Captiva Upgrade, Adobe LiveCycle Upgrade, Computer Services Registration Form (CSRF) Electronic Forms, Adobe website upgrades for Districts 2 and 4, IT Outsourcing Recompete/Transition, SharePoint: Platform Upgrade, Parallel environment pending migration of department applications, Implement the Oracle Identity Management system, ePayment channels implementation, Electronic billing functionality, Claims management software replacement, Loss Prevention Documentum Cabinet, and Work Safe Stay Healthy Program, Health Reimbursement Arrangement (HRA) implementation, PeopleSoft Identity and Access Management (IDAM) Implementation, Enterprise Resource Planning Data Center Services, Performance Budgeting Upgrade - Business Objects, SQL 2008 Upgrade to 2012, one-time enterprise IT contracts, and Agenda Management Creation System.

June 30, 2015 General Fund Balance Assigned to Subsequent One-Time Expenditures will also fund various one-time facility maintenance and upgrades and various equipment purchase/replacement, such as: Road maintenance work, pavement resurfacing projects, Facility Replacement Strategic Plan, Phase 1, Electric Vehicle charging stations for County Fleet, Photovoltaic Systems in five facilities, American with Disabilities Act assessment and implementation, energy projects, San Diego County Fire Authority rescue and safety equipment, fire apparatus and apparatus replacement commitment, Department of Child Support Services Modular furniture for South Bay and Central, Del Mar Trailer replacement of a storage container for shelter supplies, camera replacement project at Kearny Mesa and East Mesa, conference and courtroom equipment refresh, Base Hospital radio console replacement of 6 units, small paint striper for colored bike lanes and legends, Asphalt Zipper Grinder AZ 500B-203 with Trailer, Combination Sewer Cleaning Vehicle - for Sanitation, Emergency Generators - for Sanitation, and Library 24/7 machines.

The Adopted Operational Plan also includes various rebudgets, such as: Vehicle Purchase for Integrated Pest Control and Huonglongbing staff, vehicle purchases to meet Agricultural Water Quality inspection requirements, Documentum Record Manager Integration, Tribal liaison consultant and support, fire victim permit fee waiver, Land Use Data imaging project, development of an onsite wastewater treatment program in compliance with AB 885, Onsite Sewage Treatment Systems (2000), Environmental Health support for beach water quality monitoring, Asset Management application, Business Process Reengineering for Land Use and Environment Group ("LUEG") departments, Business Case Management System rebudget – Accela upgrade mobile office implementation, electronic review relocated to CIP 1-Time UUD: Maine, Sweetwater, Plaza Bonita, Mobile applications and web portal design, electronic document review/submittal automation, PACE program support and zoning ordinance update, Planning and Development Services continuous improvement program on customer service and cultural awareness training, Firestorm 2007 rebuilding permit fee waiver, Comprehensive Renewable Energy Plan, Planning and Development Services General Plan amendments for property-specific requests, Code enforcement abatements, Planning and Development Services Transportation Impact Fee update, Agricultural Promotion Program, new civic engagement webpage, Open Data Platform project to deploy a facing Dashboard for LUEG, mobile application in LUEG departments using the Accela Automation platform, Business Case Management System infrastructure upgrades, Air Pollution Control District paperless project, Agriculture, Weights and Measures Trapping iPad application, San Diego Association of Governments Quality of Life to fund water quality projects and programs, Proctor Valley Road closure, zoning ordinance revisions to encourage composting and Anaerobic Digestion, webcams at Low Water Crossings, Bacteria Total Maximum Daily Load source tracking and studies, Building Information Modeling Upgrade, Warehouse Asset Tracking system, poll worker internet site, Affordable Care Act compliance module, equipment for the High Performance Data frequency reconfiguration, audio visual system equipment for the Rancho San Diego Station, services for the Fallbrook Senior Volunteers from the Tarquinio Trust, temporary help and overtime for the Sheriff's Youth Advisory Group, and furniture, fixtures and equipment for the Las Colinas Detention & Reentry Facility.

Summary of Total Appropriations in the Adopted Operational Plan

The Adopted Operational Plan includes appropriations totaling $5.41 billion for Fiscal Year 2015-16 and $5.10 billion for Fiscal Year 2016-17. This is an increase of $330.5 million or 6.5% for Fiscal Year 2015-16 from the Fiscal Year 2014-15 Adopted Budget. Appropriations for the General Fund are $4.12 billion, a $253.1 million or 6.5% increase from Fiscal Year 2014-15. The General Fund constitutes 76.0% of the County's total appropriations. Further, the Fiscal Year 2015-16 Adopted Operational Plan reflects a staffing decrease of 10.50 full time equivalents ("FTEs") primarily attributable to decreased staffing in the Public Safety Group. This will decrease budgeted FTEs for the County from 17,044.00 in Fiscal Year 2014-15 to 17,033.50 in Fiscal Year 2015-16.

The Adopted Operational Plan by Group/Agency includes appropriation increases for all Groups. HHSA, at $2.0 billion, continues to constitute the largest share of the budget at 37.0%, followed by the Public Safety Group at $1.7 billion, or 31.6%.

The appropriation and staffing changes by Group/Agency are summarized below.

Public Safety Group – includes a net increase of 4.7% or $76.6 million from the Fiscal Year 2014-15 Adopted Budget and a net decrease of 41.00 staff years. The increase primarily relates to increased costs as a result of negotiated labor agreements, growth in Proposition 172, The Local Public Safety Protection and Improvement Act of 1993, funding, a net decrease of 41.00 staff years and the planned use of one–time resources. All mandated services are maintained.

Health and Human Services Agency – includes a net increase of 5.4% or $103.3 million from the Fiscal Year 2014-15 Adopted Budget and an increase of 3.00 staff years. The increase is associated with increases in the In-Home Supportive Services (IHSS) program due to caseload growth and the State's restoration of the 7.0% cut in IHSS Individual Provider services. The majority of remaining growth is the result of negotiated labor agreements, growth in certain public assistance caseloads, an investment in the Knowledge Integration Program (KIP), and an expansion in direct services across several program areas, including services funded under the Mental Health Services Act, Title IV-E California Well-Being Project and Public Health prevention grant funding.

Land Use and Environment Group – includes a net increase of 1.5% or $6.4 million from Fiscal Year 2014-15 Adopted Budget and an increase of 9.00 staff years. The increase primarily relates to negotiated labor agreements, pavement resurfacing projects, and the addition of 9.00 staff years.

Community Services Group – includes a net increase of 0.9% or $2.9 million from the Fiscal Year 2014-15 Adopted Budget and an increase of 15.50 staff years. The increase is due to increased salaries and benefits for existing employees and for 15.50 new full-time equivalent positions, one-time projects for energy efficiency and major maintenance projects, library books and materials, gas and electricity purchases, and vehicle fuel. Partially offsetting decreases include operating transfers between internal service funds, fund balance component decrease for the Registrar of Voters, Housing Authority program expenditures and planned use of management reserves.

Finance and General Government Group – includes a net increase of 4.5% or $17.4 million from the Fiscal Year 2014-15 Adopted Budget and an increase of 3.00 staff years. The increase is due primarily to negotiated salary and benefit costs, facility maintenance operations costs and one-time information technology projects.

Capital Program – includes a net increase of 68.4% or $57.3 million from the Fiscal Year 2014-15 Adopted Budget. The amount budgeted in the Capital Program for Capital Projects can vary significantly from year to year based on the size and scope of capital needs in the coming years. The Fiscal Year 2015-16 Capital Program includes $130.0 million for the following capital projects:

- $54.9 million of additional funding for the Sheriff's Crime Lab, with an estimated total project cost of $104.8 million;
- $50.6 million of funding for the Regional Communications System Upgrade and Site Acquisition;
- $10.0 million for the Multiple Species Conservation Program (MSCP);
- $7.1 million for Santa Ysabel Nature Center;
- $2.0 million for Heise Park Electrical and Water;
- $1.5 million for Steele Canyon Artificial Turf;
- $1.5 million for Borrego Springs Park project;
- $1.2 million for the Agua Caliente Photovoltaic System;
- $0.7 million for Cactus Park Water Quality Treatment Project.
- $0.4 million for the North Coastal HHSA Facility;
- $0.4 million for Lindo Lake Park Water Quality Treatment Project.
- $0.4 million for Edgemoor Hospital Water Quality Treatment Project.
- $0.3 million for the Lakeside Teen Center Photovoltaic System;
- $0.3 million for Lindo Lake Improvements;
- $0.3 million for Dos Picos Camping Cabins.
- $0.3 million for Jess Martin Junior Ballfield Improvements.

The Capital Program also includes $9.2 million for the Edgemoor Development Fund to pay debt service on the 2014 Refunding Certificates of Participation related to construction of the Edgemoor Skilled Nursing Facility and other costs to improve the Edgemoor property.

Finance Other – includes a net increase of 19.8% or $66.6 million from the Fiscal Year 2014-15 Adopted Budget. Many of the appropriations in this group vary little from year to year, but some appropriations reported here are one-time and can fluctuate significantly. The majority of the increase in the Fiscal Year 2015–16 budget supports capital projects, as described above.

Fiscal Year 2015-16 Budget and Financial Position of the County

The Fiscal Year 2015-16 Adopted Budget for the County's General Fund included expenditures of approximately $4.12 billion and revenues and other financing sources of approximately $4.12 billion. In accordance with the normal practice of the County, the Fiscal Year 2015-16 Adopted Budget has been adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2015-16 Adopted Budget. As of September 30, 2015, the County's Fiscal Year 2015-16 General Fund Amended Budget (the "Fiscal Year 2015-16 Amended Budget") included expenditures of $4.5 billion and revenues and other financing sources of $4.5 billion. As of September 30, 2015, as reported in the Fiscal Year 2015-16 First Quarter Operational Plan Status Report and Budget Adjustments (the "First Quarter Report") to be presented to the Board of Supervisors on December 15, 2015, based on the first three months of Fiscal Year 2015-16, the County projected that its General Fund expenditures for Fiscal Year 2015-16 would be below the Fiscal Year 2015-16 Amended Budget by $155.2 million and its General Fund revenues and other financing sources would be below the Fiscal Year

2015-16 Amended Budget by $47.0 million. The net variance was a projected savings to the County's General Fund of $108.2 million, which would be added to any remaining unassigned General Fund Balance as of June 30, 2016 net of amounts for one-time uses of fund balance planned in Fiscal Year 2016-17 of $159.2. GASB classification of fund balance included as a budgetary resource in the subsequent year's budget are reflected as Assigned Fund Balance beginning in 2013.

The lower than budgeted projected expenditures in the General Fund are primarily attributable to the following:

- $37.2 million in positive salary and benefit appropriation variance, in all groups due to staff turnover and department management of vacancies.
- $23.5 million in net positive appropriation variance in Services and Supplies across the County in all groups.
    - In the Public Safety Group (PSG), projected overall positive variance of $1.4 million is associated with overall reduced operational costs in Department of Child Support Services and Public Defender; in the Office of Emergency Services related to the Call When Needed Program. The negative variance in Probation Department is due to increased costs in Contracted Services utilization of interpreters, and major maintenance for facility repairs.
    - In Health and Human Services Agency (HHSA), projected overall positive variance of $19.1 million resulted from various contracted services in Aging and Independence Services, Behavioral Health Services and Regional Operations and in Administrative Support for appropriations set-aside in case of emergency that are not anticipated to be spent.
    - In the Land Use and Environment Group (LUEG), projected positive variance of $0.4 million is largely due to lower than expected operational expenses in Environmental Health.
    - In the Community Services Group (CSG), projected positive variance of $0.9 million is attributable largely to Housing and Community Development (HCD) due to multi-year projects.
    - In Finance and General Government (FGG), projected positive variances of $1.7 million are mainly the result of increased efficiencies in operations associated with implementation of Recording Phase of Acclaim and e-Recording in Assessor/Recorder/ County Clerk and lower contracted services in various departments.
- A net positive appropriation variance of $52.3 million in Other Charges reflects primarily variances in HHSA, Finance Other and in CSG. In HHSA, the positive variance of $48.7 million is mainly the result of revised caseload levels in Regional Operations CalWORKs and in Child Welfare Services based on revised estimates of caseload levels and growth trends in the adoptions and foster care assistance programs. In Finance Other, the positive variance of $2.7 million is due to tax and revenue anticipation note (TRAN) borrowing costs that will not be incurred. In CSG, the positive variance of $1.2 million is projected in HCD due to lower than anticipated expenditures on multi-year projects.
- $21.7 million in contingency reserves that are projected to be unspent at year-end.
- $21.8 million in management reserves in HHSA ($20.0 million) and in CSG ($1.8 million) that are projected to be unspent at year-end.

The projected under realized revenue of $47.0 million includes positive variances totaling $14.4 million and negative variances of $61.4 million. The positive revenue variance of $14.4 million is expected in the following categories: Taxes Current Property ($6.9 million); Taxes Other Than Current Secured ($6.2 million) due to increase in assessed value; Miscellaneous Revenues ($1.0 million) and Licenses, Permits and Franchises ($0.3 million). The negative variance is largely in Intergovernmental Revenue ($58.1 million) as a result of expenditure savings in caseload-driven programs, multi-year projects and contracted services as mentioned above; in Charges For Current Services ($0.5 million) mainly due to decrease in various revenues in Assessor/Recorder/County Clerk, less than anticipated collection of fines and fees in the Probation Department, expenditure savings related to staff vacancies in the Planning and Development Services; and in Revenue From Use of Money & Property ($2.5 million) primarily due to the expiration of the lease with the Correction Corporation of America (CCA) at the East Mesa Detention Facility Complex.

Table 8 below sets forth the County's Adopted and final Amended Budgets for Fiscal Year 2013-14 and Fiscal Year 2014-15. The table also sets forth the Adopted Budget for Fiscal Year 2015-16, the Amended Budget as of September 30, 2015, the projected expenditures and revenues and other financing sources as reported in the First Quarter Report, and the variance between the projected actual amounts and those contained in the Fiscal Year 2015-16 Amended Budget. The full report may be viewed on the County's website at http://www.sdcounty.ca.gov/auditor/qfbr.html. The information on such website is not incorporated herein by reference.

TABLE 8
GENERAL FUND
ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2013-14,
ADOPTED AND AMENDED BUDGET FOR
FISCAL YEAR 2014-15 AND ADOPTED AND AMENDED BUDGET AND PROJECTED RESULTS FOR FISCAL YEAR 2015-16
(In Thousands)

	2013-14 Adopted Budget	2013-14 Amended Budget[(1)]	2014-15 Adopted Budget	2014-15 Amended Budget	2015-16 Adopted Budget[(2)]	2015-16 Amended Budget[(3)]	Projected Year-End Results[(4)]	Variance from Amended Budget[(5)]
APPROPRIATIONS								
Public Safety	$1,286,206	$1,358,780	$1,345,356	$1,424,434	$1,397,681	$1,442,199	$1,421,490	$20,709
Health and Human Services	1,959,450	1,996,937	1,861,724	1,870,881	1,979,863	1,999,944	1,903,259	96,685
Land Use and Environment	158,661	174,308	163,082	183,122	168,615	186,162	181,407	4,755
Community Services	67,888	85,230	72,446	91,550	75,958	92,307	88,246	4,061
Finance and General Government and Other	360,517	677,528	398,098	683,682	471,729	735,106	706,144	28,962
Contingency Reserve and Designations Increases	0	0	0	0	0	0	0	0
Contingency Reserve and Increases in Fund Balance Commitments	20,328	78,082	22,912	24,766	22,824	22,824	22,824	0
Total Appropriations[(5)]	$3,853,052	$4,370,865	$3,863,617	$4,278,435	$4,116,670	$4,478,542	$4,323,370	$155,172
BUDGETED REVENUES								
Current Property Taxes	$ 523,615	$523,615	$ 563,622	$563,622	$592,942	$592,942	$599,807	$6,865
Taxes Other Than Current Property Taxes	382,956	382,956	401,701	401,701	424,728	424,728	430,926	6,199
Licenses, Permits and Franchises	42,297	42,297	44,089	44,089	39,880	39,880	40,174	293
Fines, Forfeitures and Penalties	50,218	51,727	34,508	37,776	38,554	39,024	38,898	(125)
Use of Money and Property	12,045	12,045	11,023	11,023	12,017	12,017	9,532	(2,486)
Aid from Other Government Agencies	2,108,665	2,124,052	1,978,118	2,021,287	2,103,310	2,115,071	2,056,972	(58,100)
Charges for Current Services	305,435	347,269	344,495	347,919	353,594	354,488	353,969	(519)
Miscellaneous Revenues and Other Financing Sources	294,469	312,016	316,551	326,834	334,229	337,994	338,866	872
Total Budgeted Revenues[(5)]	$3,719,701	$3,795,977	$3,694,106	$3,754,250	$3,899,255	$3,916,145	$3,869,144	($47,002)
Estimated Use of Committed Fund Balance	$811	$2,811	$1,422	$1,422	$18,667	$18,667	$18,667	$0
Estimated Use of Unassigned Fund Balance	132,541	132,541	168,089	168,089	198,748	198,748	198,748	0
Estimated Use of Fund Balance for Encumbrances	0	439,537	0	354,674	0	344,982	344,982	0
Total Resources Utilized[(5)]	$ 3,853,052	$4,370,865	$3,863,617	$4,278,435	$4,116,670	$4,478,542	$4,431,541	($47,002)
Net savings from the Fiscal Year 2015-16 Amended Budget								$108,170

(Table continued on subsequent page.)

(Table continued from prior page.)

Source: County of San Diego Auditor and Controller.

(1) Reflects appropriations, budgeted revenues and other financing sources included in the 2013-14 Adopted Budget as amended and adjusted to include all budgeted appropriations and revenues as of June 30, 2014.

(2) Reflects appropriations, revenues and other financing sources included in the 2015-16 Adopted Budget.

(3) Reflects carry over appropriations from the prior fiscal year.

(4) Reflects, as of September 30, 2015, the amended budget and projections of the expenditures and revenues of the County's General Fund for Fiscal Year 2015-16.

(5) Reflects, as currently projected, the difference between the budgeted expenditures, revenues and other financing sources of the County's General Fund in the Fiscal Year 2015-16 Amended Budget as of September 30, 2015 and the projected expenditures, revenues and other financing sources of the County's General Fund for Fiscal Year 2015-16. Amounts without parentheses indicate a variance favorable to the County's General Fund. Amounts with parentheses indicate a variance unfavorable to the County's General Fund.

Status of Available Fund Balance

Included in the Fiscal Year 2015-16 Adopted Budget were appropriations based on Assigned to Subsequent One-Time Expenditures General Fund Balance of approximately $198.7 million. For fiscal years ended 2013 and 2014, the amounts of fund balance to be used for subsequent one-time expenditures were $132.5 million and $168.1 million, respectively, and are included in Unassigned fund balance. The unassigned portion of the General Fund Balance as of June 30, 2014 was $713.0 million. See Table 6 entitled "General Fund Balance Sheet" herein for a description of the fund balance of the General Fund.

Subsequent to the adoption of the Fiscal Year 2015-16 Budget, the Board of Supervisors approved the appropriation of an additional $2.1 million in unassigned General Fund Balance for the Pilot phase of the School Safety Initiative ($1.8 million) and for staffing and one-time costs to administer the Bee program ($0.3 million), which reduced the available unassigned portion of General Fund fund balance to $796.0 million.

Pursuant to the First Quarter Operational Plan Status Report and Budget Adjustments (the "First Quarter Report"), which is based on the first three months of Fiscal Year 2015-16, an additional $5.2 million in unassigned General Fund Balance was approved to be used for various items, including supplies and equipment for various stations and substations in contract cities ($0.1 million), consultant cost for the Emergency Operations Center remodel ($0.1 million), upgrades and maintenance at Camp Barrett ($0.8 million), for the Mentally Ill Offender Crime Reduction Grant (MIOCR) ($0.1 million), one-time fire services activities and maintenance improvement projects and purchase apparatus to support fire services in CSA 135 ($0.8 million), consultant cost for ADA Transition Plan and Parks Master Plan ($0.3 million), increase in Planning and Developmental Services commitment ($0.4 million), consultant for Total Maximum Daily Loads cost benefit analysis ($0.3 million), consultant cost to prepare the Zero Waste Plan ($0.3 million), one-time costs in the Board of Supervisor's offices ($1.0 million), transfer of additional SDG&E franchise fee to Department of Public Works to provide funding for the Road Fund for road maintenance ($0.7 million), and for emergency costs due to Ramona Flood ($0.3 million).

If there were no further uses of fund balance for the remainder of the year and the projected $108.2 million in net savings in the 2015-16 budget (as shown in Table 8) were to be realized, the unassigned General Fund Balance as of June 30, 2016 would be $790.8 million. The County makes no assurances that no further use of available fund balance will occur. See "Fund Balance and Reserves Ordinance" below.

The County's General Fund Balance projections are subject to change as additional information becomes available. The next formal update of the County's General Fund Balance will occur in March 1, 2016 which is the Second Quarter Operational Plan Status Report and Budget Adjustments (the "Second Quarter Report").

Separate from the General Fund, the County, as a taxing entity, has received certain residual tax increment from the Real Property Tax Trust Fund for each former redevelopment agency within the County. See "State of California Budget Information and Federal Stimulus Information – State Budget for Fiscal Year 2014-15" herein. Several cities (the "Petitioner") within the County have challenged the methodology utilized by the County Auditor and Controller to calculate the distribution of residual tax increment. The Superior Court has ruled in favor of Petitioner Cities that a cap should be applied to the amount received by taxing entities, including the County, and that such cap should be calculated in a manner different than currently applied by the Auditor and Controller. The Auditor and Controller has appealed the ruling. If the Superior Court's formulation of the cap is applied, the County would be required to distribute approximately $40 million in accumulated residual tax increment and future distribution to the County would be reduced by approximately $10 million annually. The residual tax increment has not been included in the County General Fund and any such distribution is not expected to affect the County's ability to pay principal of and interest on the Series 2016A Bonds.

Impact of the Governor's Enacted Fiscal Year 2015-16 State Budget on the County's Fiscal Year 2015-16 Adopted Budget

On June 24, 2015, the Governor approved the State Budget Act for Fiscal Year 2015-16 (the "Fiscal Year 2015-16 State Budget Act"), which projects Fiscal Year 2015-16 State General Fund revenues and transfers of $115.0 billion (inclusive $2.4 billion in fund balance from Fiscal Year 2014-15), total expenditures of $115.4 billion and a year-end surplus of $2.1 billion, of which $971 million would be reserved for the liquidation of encumbrances and $1.1 billion would be deposited in a reserve for economic uncertainties. See "Fiscal Year 2014-15 State Budget." herein.

[Update of State Budget effect on County Budget to come.]

Fund Balance and Reserves Ordinance

The County's Fund Balance and Reserves Ordinance (formerly the "Fund Balance and Reserves Policy") establishes guidelines regarding the maintenance of fund balance and reserve levels in the General Fund. Pursuant to the Fund Balance and Reserves Ordinance, subject to a waiver of all or a portion of such policy by the Board of Supervisors, the County will maintain: a Commitment for Unforeseen Catastrophic Events (the "Commitment for Unforeseen Catastrophic Events") with a targeted amount equivalent to 5% of the total budgeted General Purpose Revenue to fund legally declared emergencies; a Contingency Reserve (the "Contingency Reserve") with a targeted amount equivalent to 2% of the total budgeted General Purpose Revenue to fund unanticipated needs of the County or offset revenue shortfalls during the Fiscal Year; and a General Fund Minimum Fund Balance for Economic Uncertainty (the "General Fund Minimum Fund Balance for Economic Uncertainty") at the targeted level of 10% of the total budgeted General Purpose Revenue. In the event that the Commitment for Unforeseen Catastrophic Events, the Contingency Reserve or the Minimum Fund Balance for Economic Uncertainty fall below their targeted levels, the CAO will present a plan to the Board of Supervisors for restoration of those levels within two years.

The Commitment for Unforeseen Catastrophic Events, Contingency Reserve and the General Fund Minimum Fund Balance for Economic Uncertainty totals set forth in the Fiscal Year 2015-16 Adopted Budget exceed the County's 17% Fund Balance and Reserves Ordinance target. The General Purpose Revenue in the Fiscal Year 2015-16 Adopted Budget totals $1086.2 million. For Fiscal Year 2015-16, the Commitment for Unforeseen Catastrophic Events is budgeted to remain at $55.5 million, exceeding the reserve requirement of $54.3 million; the Contingency Reserve is budgeted at $21.7 million, matching the target level of $21.7 million; and the General Fund Minimum Fund Balance for Economic Uncertainty is budgeted at $108.6 million, matching the target level of $108.6 million. See also "– Budget and Financial Position of the County" and "– County's 2015-16 Adopted Budget and the Operational Plan" herein.

Other Operational Impacts

Bacteria Total Maximum Daily Load Resolution. The San Diego Regional Water Quality Control Board ("RWQCB") adopted a resolution entitled the Bacteria Total Maximum Daily Load Resolution ("Resolution") that became effective in April 2011. The Resolution impacts eight watersheds within the region, requiring that the water quality of highly urbanized watersheds be returned to pre-development levels by 2021 for dry weather conditions and by 2031 for wet weather conditions. Along with other local agencies, the County shares responsibility for six of these eight watersheds. The RWQCB has made the Resolution enforceable by incorporating its requirements into the San Diego Regional Municipal Storm Water Permit ("Permit"). While the County continually works to improve water quality, the Resolution includes requirements that are very expensive to achieve, and may not be attainable. The County is urging the RWQCB to make the goals of the Resolution more reasonable. The County is partnering with other affected agencies, academics and other stakeholders to conduct studies to better characterize the risk to swimmers to challenge the targets in the TMDL. The goal is to use the results of the studies to revise the compliance targets to be realistic and scientifically justified. It is unknown, until the applicable total maximum daily loads ("TMDL") plan is reviewed in 2017 or 2018, whether the RWQCB will revise the requirements of the Resolution. The County's share of the estimated 20-year compliance costs for the six watersheds are estimated between $286 million to $567 million over the 14 years remaining after the bacteria TMDL reopener in 2017. On average, the estimated annual cost to the County would be an additional $19 million to $37.5 million over this period. The first compliance milestone for the Resolution is a load reduction plan for each of the watersheds. The County currently is only required to submit load reduction plans for three of the six watersheds within the affected jurisdiction. The County submitted a proposed Comprehensive Load Reduction Plan ("CLRP") for each of the three impacted watersheds to the RWQCB by the October 4, 2012 deadline. The proposed CLRPs state that the responsible agencies are only prepared to implement the actions identified in the plans as existing resources allow. The RWQCB adopted Order R9-2013-0001 (NPDES No. CAS0109266) on May 8, 2013, and the new NPDES Municipal Stormwater Permit (the "New Permit") for the Counties of San Diego, Orange and Riverside became effective June 27, 2013. The New Permit requires that the Bacteria TMDL be included in the six watersheds in a new TMDL implementation plan that will replace the CLRPs called a Water Quality Improvement Plan ("WQIP"). The County is collaborating with other stakeholders in addressing the bacteria TMDL requirements in each of the WQIPs for the six watersheds. The completed plan were submitted to the RWQCB on June 27, 2015, and resubmitted following comments on September 29, 2015. These plans indicate that the responsible agencies are only prepared to implement the actions identified in the plans as existing resources allow.

Teeter Plan

In Fiscal Year 1993-94, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the Revenue and Taxation Code of the State of California (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at Fiscal Year-end. Under this plan, the County assumes an obligation to advance funds to these entities to cover expected delinquencies. The County's general fund benefits from future collections of penalties and interest on delinquent taxes collected on behalf of participants in this alternative method of apportionment. The County has not issued Teeter Notes to fund delinquencies since June 15, 2006 and there are currently no plans to issue Teeter Notes in the future.

Temporary Transfers

Section 6 of Article XVI of the California Constitution provides for temporary transfers of funds by the Treasurer-Tax Collector of the County (the "Temporary Transfers"; such transfers are referred to as Treasurer's Loans from time to time) to cover short-term operational deficits occurring as a result of imbalances between receipts and expenditures. The California Constitution prohibits Temporary Transfers by participants of the Treasury Pool (herein defined) (including the County) after the last Monday of April of each Fiscal Year, and in amounts in excess of 85% of the anticipated revenue accruing the Treasury Pool participant. Treasury Pool participants may utilize Temporary Transfers from time to time for various purposes. A Temporary Transfer must be repaid from the Treasury Pool participant's first revenues received thereafter before any other obligation and thus, in the case of the County, would have a priority over the County's general fund debt obligations. The County has not received any Temporary Transfers in the past ten years.

San Diego County Employees Retirement Association

The following information concerning the San Diego County Employees Retirement Association (the "Association") has been excerpted from publicly available sources, which the County believes to be accurate, or otherwise obtained from the Association. The Association is not obligated in any manner for payment of debt service on the San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center) Series 2016A (the "Series 2016A Bonds") described in the forepart of the Official Statement, and the assets of the County's pension plan are not available for such payment. The Association issues publicly available reports, including its financial statements, required supplementary information and actuarial valuations for the herein described pension plan and retiree health plan. The reports are available on the Association's website: http://www.sdcera.org/investments.htm. Information on such site is not incorporated herein by reference.

General

The San Diego County Employees Retirement Association (the "Association"), which was established July 1, 1939 under provisions of the County Employees Retirement Law of 1937 (the "Retirement Law"), administers the County's cost-sharing multiple-employer defined benefit pension plan covering substantially all compensated employees of the County. Benefits under the County's pension plan are paid in finite amounts, derived from a formula based on age, service credit and levels of compensation, as calculated by the Association in accordance with applicable law and agreements. As of June 30, 2015, there were 17,656 active members, 17,186 retired members and beneficiaries and 5,274 deferred members. Deferred members are those members whose employment has terminated with a participating employer and who left their respective retirement contributions with the Association. The system operates on a fiscal year basis, with its year ending June 30. The pension system currently has four tiers and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier A (with 12,253 active members as of June 30, 2015) and Tier I (with 34 active members as of June 30, 2015) are closed to new entrants, and Tier II was eliminated for active members. Tier B (with 2,173 active members as of June 30, 2015) became effective on August 28, 2009, and on January 1, 2013, Tier C became the current open plan for all newly hired employees. Tier C (with 3,196 active members as of June 30, 2015) was implemented by the County pursuant to the California Public Employees' Pension Reform Act ("PEPRA"), which requires the County to impose certain retirement benefit changes for new employees who become new members on or after January 1, 2013.

The retirement benefit formula for general employees active prior August 28, 2009 ("Tier A") is described as: 3% at 60, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum cost of living adjustment ("COLA"). The benefit formula for safety employees (being employees represented by the Deputy Sheriffs' Association, San Diego County Supervising Probation Officers' Association, San Diego Probation Officers' Association and the District Attorney Investigators Association) in Tier A is described as: 3% at age 50, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum COLA. A "Tier B" retirement benefit was created for newly hired general employees in all bargaining units effective August 28, 2009. Tier B has a benefit formula described as: 2.62% at 62, highest 3 years final average compensation, minimum retirement age of 55 and a 2% maximum COLA. For Tier B safety employees, the following benefit formula was created: 3% at 55, highest 3 years final average compensation, minimum retirement age of 50 and a 2% maximum COLA. Pursuant to State law, exceptions to the aforementioned minimum retirement ages exist for general employees with at least 30 years of service and safety employees with at least 20 years of service. In accordance with PEPRA, the County implemented two new tiers of retirement benefits ("Tier C"). For general employees, Tier C has a benefit formula described as 2% at 62. For safety members, Tier C will have a benefit formula described as 2.7% at 57. The implementation of Tier C is mandated and therefore is not subject to negotiation. However, additional provisions of PEPRA, which allow employers to share some or all of the employers' normal cost and UAAL cost with current employees, are subject to negotiation.

[The County is one of the employers that participate in the Association. In addition to the County, participating employers include the San Diego Superior Court (the "Court"), the SDCERA, the Local Agency Formation Commission and the San Dieguito River Valley Joint Powers Authority. The County and these other participating employers are collectively referred to herein as the "Employers" and contributions to the Association made by such Employers are referred to herein as "Employer Contributions." The County's share is approximately 92% of the annual Employer Contributions to the Association and the other participating Employers are obligated to make approximately 8% of the annual Employer Contributions to the Association, based on the estimated relative percentage of payroll of the County and the other participating Employers for Fiscal Year 2014-15. Separate from the Employers, the San Diego County Office of Education (the "Office of Education") has approximately nine retirees who participate in the Association's retirement plan and receive benefits, but no longer make contributions to the Association. Retirement benefits for these nine retirees are funded by contributions previously made by the Office of Education.]

In 2015, the Association hired a new executive team, including a new chief executive officer, chief financial officer, and an in-house chief legal officer. In addition, the Retirement Board of the Association (the "Retirement Board") determined to transition to an internal investment management model for its portfolio, which included terminating the contract for outsourced investment management and hiring a new in-house chief investment officer.

General Funding Practices of the Association

Introduction. The Retirement Law requires the Association to commission an actuarial valuation and an experience study at least every three years. It is the Association's policy to conduct an actuarial valuation at least every three years; the Association's practice has been to conduct an actuarial valuation on an annual basis as of June 30 of each year, which is the end of the Association's fiscal year. The valuation must be completed by an Enrolled Actuary, covering the mortality, service, and compensation experience of the members and beneficiaries, and must evaluate the valuation assets and actuarially determined liabilities of the Association. The Retirement Law requires the Retirement Board to recommend to the Board of Supervisors and the other Employers such changes in the rate of contribution by the Employers and members, and in the County's and the other Employers' appropriations as necessary. Once the Retirement Board recommends any such changes, the Retirement Law requires the Employers (including the County) to implement such changes. The most recent actuarial valuation is as of June 30, 2015 (the "2015 Valuation"), prepared by Segal Consulting, the Association's actuary (the "Actuary").

At its September 3, 2015 meeting, the Retirement Board adopted the recommendations presented by the Actuary to decrease the inflation assumption to 3.00% from 3.25%, which resulted in a decrease in the assumed rate of return to 7.50% from 7.75%. These new assumptions are reflected in the 2015 Valuation, which will increase the County's pension contributions for Fiscal Year 2016-17.

Normal Cost and UAAL and its Calculation. Currently, the Association uses the "entry age actuarial cost method" to calculate the Employers' annual rates of contribution. The actuarially required contribution has two components, the "normal cost" and the amortized amount of the unfunded actuarial accrued liability ("UAAL"). Normal cost represents the portion of the actuarial present value of the benefits that the Employers and their respective employees will be expected to fund that are attributable to a current year's employment. The normal cost contribution amount is calculated based on a set of actuarial assumptions about future events pertaining to the amount and timing of benefits to be paid and the accumulation of assets to pay the benefits. Prior to the actuarial valuation as of June 30, 2013 (the "2013 Valuation") the normal cost for the General and Safety membership groups was calculated on an aggregate basis by taking the present value of future normal costs divided by the present value of future salaries to obtain a normal cost for all employees covered in that membership group. Beginning with the 2013 Valuation, the normal cost for each membership group is calculated by summing up the individual normal costs for each member covered in that membership group for the applicable year. The UAAL may increase or decrease as a result of changes in actuarial assumptions or methods, statutory provisions, benefit improvements and other experience which differs from that anticipated by the actuarial assumptions. There is a lag between the point in time at which the actuary completes the actuarial valuation and the date that the contribution rates calculated in the valuation go into effect. This lag is typically 12 months. For example, the recommended contributions contained in the actuarial report as of June 30, 2015 apply to contributions to be made by the County and the other Employers for the Fiscal Year beginning July 1, 2016.

The UAAL calculation is necessary to determine how sufficient the assets in the Association are to fund, as of the date of calculation, the accrued costs attributable to currently active, deferred vested members and retired members. The funding sufficiency is typically expressed as the ratio of the valuation assets to the actuarial accrued liabilities. If the actuarially calculated funding level of a plan is less than 100%, the plan has a UAAL. The UAAL is determined by comparing the actuarial assumptions made to actual experience. Examples of the data that are used in this process are the assumed (versus actual) rates of earnings on the assets of the plan, pay increases for current employees, disability retirements, retirement ages of active employees, and post-employment life expectancies of retirees and beneficiaries.

When measuring assets for determining the UAAL, many pension plans, including the Association, "smooth" gains and losses to reduce volatility. For example, if in any year the actual investment return on the Association's assets is lower or higher than the actuarial assumed rate of return (which is currently 7.50%, net of expenses), then the shortfall or excess, together with other experience gains or losses, is smoothed or spread over a five-year period. The impact of this will result in an actuarial value of assets which is lower or higher than the market value of assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss. In 2013, the Retirement Board adopted a one-time adjustment to the asset smoothing method to combine deferred investment gains and losses as of June 30, 2012 and recognize the net loss in equal amounts over a period of four and half years from June 30, 2013. The net deferred investment loss of approximately $170.6 million will be recognized over the period of June 30, 2013 through December 31, 2017. Smoothing such net loss over this same period results in approximately $37.9 million in investment loss being recognized annually.

Further, various plans use different amortization periods for paying off (or "amortizing") a UAAL. The amortization of the UAAL represents the current year's portion of the unfunded accrued costs (*i.e.*, the UAAL) attributable to past years' employment. Some plans use rolling periods and others use "fixed" periods, such as a 30-year fixed period, meaning that the actuarially required contribution in a particular year would be the unfunded actuarial accrued liability amortized over the remaining years in the fixed period. On June 17, 2004, the Retirement Board changed the Association's amortization period from a 15-year rolling amortization period to a 20-year fixed (*i.e.*, decreasing) layered amortization period.

The 20-year fixed layered method of amortizing the UAAL amortizes each year's change in UAAL over a new 20-year period. Accordingly, the increase or decrease in UAAL from the current year's actuarial valuation began a new 20-year amortization schedule and the prior year increase or decrease in UAAL has 19 years remaining on its 20-year amortization schedule. In addition, as of July 1, 2013, any new UAAL resulting from plan amendments is amortized over separate decreasing 15-year periods, early retirement incentive programs are amortized over separate decreasing periods of up to five years, assumption and method changes are amortized over separate decreasing 20-year periods, and experience gains/losses are amortized over separate decreasing 20-year periods. As with other assumptions, the Retirement Board may change the amortization period from time to time, which would result in the Employer's contributions to the Association in a particular year being higher or lower.

Investors are cautioned that, in considering the amount of the UAAL as reported by the Association and the resulting amounts of required contributions by the County and the other Employers, this is "forward looking" information in that it reflects the judgment of the Retirement Board and the Association's actuary as to the amount of assets which the Association will be required to accumulate to fund future benefits over the lives of the currently active employees, vested terminated members and existing retired members. These judgments are based upon a variety of assumptions, one or more which may prove to be inaccurate or be changed in the future, and will change with the future experience of the Association.

Demographic Assumptions. The Retirement Board and the Association's actuary review the various demographic assumptions that are employed in calculating the normal cost rates against actual experience at least every three years. The Association's actuary last presented an experience study to the Association on April 19, 2013 with respect to results as of July 1, 2009 through June 30, 2012 (the "2012 Experience Study"). The 2012 Experience Study resulted in changes to certain assumptions, including the assumed future merit and longevity pay increases for current employees, the assumed rates of disability, the assumed retirement ages of active employees, the assumed ordinary withdrawal and vested termination rates, and the post-employment life expectancies of retirees and beneficiaries, all of which were used to prepare subsequent actuarial valuation reports, beginning with the 2013 Valuation. The next experience study is expected to be conducted in 2016 with respect to results as of July 1, 2012 through June 30, 2015.

Economic Assumptions. The Actuary prepares a review of economic actuarial assumptions every three years in conjunction with the demographic study. In conjunction with the economic actuarial assumption review dated April 9, 2013, the Retirement Board reduced the annual investment return assumption from, 8.00% to 7.75%, reduced the assumed inflationary salary rate from 3.50% to 3.25%, made no change in the assumed "across the board" salary assumption of 0.75% and changed the combined inflationary and real "across the board" salary increase assumption from 4.25% to 4.00%. These assumptions were used to prepare subsequent actuarial valuations beginning with the 2013 Valuation. The next review of economic assumptions is expected to be conducted in conjunction with the next demographic experience study, which, as noted above, is expected to occur in 2016 and will reflect recent changes to the strategic asset allocation policy (see Investment section below).

Funding Status of the Association

Current Status. As of June 30, 2015, the date of the most recent actuarial valuation report, the valuation value of assets of the Association was approximately $10.536 billion and the actuarial accrued liability was approximately $13.080 billion, resulting in a funded ratio of approximately 80.5% and an UAAL of approximately $2.544 billion on a valuation value of assets basis. By comparison, the funded ratio as of June 30, 2014 was 80.9%, reflecting valuation value of assets of approximately $9.824 billion, actuarial accrued liability of approximately $12.141 billion and the UAAL of approximately $2.317 billion. See Table 1 – Historical Funding Status. This increase in the UAAL is primarily due to changes in actuarial assumptions, a lower than expected return on the valuation value of assets after “smoothing”, and [greater than expected retirements]. The increases are offset by experience gains resulting from lower than expected salary increases and lower than expected cost-of-living increases in the benefits for retirees and beneficiaries. The total unrecognized investment loss as of June 30, 2015 was $249.4 million (compared to an unrecognized gain of $285.5 million as of June 30, 2014), which amount will be recognized in the determination of the actuarial value of assets for funding purposes over the next five years, to the extent it is not offset by recognition of investment gains derived from future experience. If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 80.5% to 78.6% and the aggregate employer contribution rate would increase from 36.84% of payroll to 38.37% of payroll. The actuarial value of assets and the UAAL may increase or decrease based on investment results of the Association being above or below the actuarially assumed rate of return of 7.50% per annum as a consequence of increases or decreases in the securities market. Based on the foregoing, earning the assumed rate of investment return of 7.50% per annum on a market value basis will result in investment losses on the actuarial value of assets and an increase in the County’s contribution requirements in each of the next few years as the investment losses are recognized. No assurance can be given that the actuarial value of assets of the Association will not materially decrease. The Association reported a total portfolio market value of net pension assets of $10.337 billion as of June 30, 2015, compared to $10.185 billion as of June 30, 2014, a $0.151 billion increase in net assets or a 2.25% return on the market value of pension assets. Table 2 – Prospective Funding Status of the Association below reflects the projected funding status through Fiscal Year 2024-25. These projections are based on certain assumptions, including achieving a 7.50% return on investments described herein. As of October 31, 2015, the Association reported a total portfolio market value of net pension assets of $10.1 billion, an increase of approximately 11.2% since June 30, 2015. [To be updated prior to posting.]

Historical Funding Status. Table 1 below sets forth for each of the ten years ended June 30, 2015 the amount of the total Employer Contributions and Employer Offsets made by the County and the other Employers. The contribution amounts are based on the market value of the pension assets, the valuation value of the pension assets, the actuarial accrued liability of the pension system, the UAAL and the funded ratio of the Association as of the end of the second preceding fiscal year, which are set forth in Table 9 below.

TABLE 9
HISTORICAL FUNDING STATUS
Valuation Years Ended June 30, 2006 through 2015 and
Fiscal Years Ended June 30, 2008 through 2017
($ In Millions)

Valuation Date (June 30)	Net Market Value of Assets	Valuation Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Fiscal Year	Employer Contribution(1)	Employer Offsets(1)
2006	$7,330.9	$6,263.0	$7,495.3	$1,232.3	83.6%	2008	$236.8	$68.7
2007	8,444.5	7,250.4	8,082.5	832.1	89.7	2009	219.6	71.6
2008	8,408.0	8,236.9	8,722.3	485.4	94.4	2010	189.5	68.4
2009	6,192.0	8,413.1	9,198.6	785.6	91.5	2011	235.4(3)	68.4
2010	6,878.2	8,433.3	9,999.2	1,565.9	84.3	2012	274.1	60.7
2011	8,182.9	8,542.3	10,482.7	1,940.4	81.5	2013	312.3(4)	45.6
2012	8,436.9	8,607.5	10,943.2	2,335.7	78.7	2014	353.8	40.9
2013	9,008.1	9,186.0	11,631.2	2,445.2	79.0	2015	386.0	28.7
2014	10,185.4	9,824.4	12,141.1	2,316.7	80.9	2016	393.0(5)	28.7(6)
2015								

Source: Segal Consulting and San Diego County Employees Retirement Association Comprehensive Annual Financial Report.

(1) These contribution amounts reflect the aggregate contribution amount of all Employers and not only that of the County. In each year the amounts indicated under the columns Employer Contribution and the Employer Offsets were based on the valuations as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30 (as set forth in the table). The County share of Employer Contributions and Employer Offsets are estimated to be approximately 91.0% up to Fiscal Year 2013-14 based on the estimated relative percentage of payroll of the County for Fiscal Year 2011-12. Starting in Fiscal Year 2014-15, the County share of Employer Contributions and Employer Offsets are estimated to be approximately 92.0% based on the estimated relative percentage of payroll of the County for Fiscal Year 2012-13. See "County Financial Information – San Diego County Employees' Retirement Association – General" herein.

(2) Includes $231.3 million of required contributions plus an additional discretionary contribution of $26.9 million.

(3) Includes $205.8 million of required contributions plus an additional discretionary contribution of $29.6 million.

(4) Includes $298.1 million of required contributions plus an additional discretionary contribution of $14.2 million.

(5) Fiscal Year 2016, Employer Contributions are from the valuation reports dated as of the end of the second preceding year ended June 30 as reflected in the table.

(6) The Employer Offsets (the County's pickup of member contributions) reflect negotiated offset savings in the current bargaining agreements which are reflected in the County's Fiscal Years 2015-17 Adopted Budget plus Employer Offsets from other agencies based on Fiscal Year 2014-15 Actual Offset as of June 2015. For Fiscal Year 2015-16, the actuarial assumption that these costs will increase by 3.75% per year is reflected.

Employee Contributions Paid by the Employers. In addition to making annual contributions to the Association in accordance with the applicable actuarial valuation, the Employers also have agreed pursuant to the collective bargaining arrangements with their employee unions dating back to 1982 to pay a portion of the employees' required contribution to the Association (these payments by the Employers are referred to herein as the "Employer Offsets"). For non-safety employees, the Employer Offsets range from 0% to 4.67% of their salary, and for safety employees the Employer Offsets range from 0% to 2.33% of their salary. The amount of Employer Offsets are less than the total required employee annual contribution. Current bargaining arrangements will phase out these Employer Offsets until their cessation in Fiscal Year 2017-18.

Prospective Funding Status of the Association

Table 2 below sets forth projections by the Actuary relating to future Employer Contribution amounts, Employer Offsets, UAAL, and funded ratio. The information contained in this table, and the related assumptions, are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various tabular information shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the Actuary and the Association, taking into account a variety of assumptions, a number of which are discussed herein. The County cannot predict whether the Association will achieve its assumed rate of return in the current or future years. Accordingly, prospective investors are cautioned to view these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 10
PROSPECTIVE FUNDING STATUS OF THE ASSOCIATION
Fiscal Years Ended June 30, 2017 through 2024
($ In Millions)

Fiscal Year	Employer Contributions(1)(2)(3)	Employer Offsets(1)(2)(3)	Valuation Date (June 30)	UAAL(1)(2)(3)	Funded Ratio(1)(3)
2017	$444	$25	2015	$2,545	80.5%
2018	462	4	2016	2,549	81.5
2019	478	0	2017	2,514	82.6
2020	496	0	2018	2,463	83.7
2021	515	0	2019	2,428	84.7
2022	532	0	2020	2,316	86.0
2023	547	0	2021	2,146	87.6
2024	563	0	2022	1,949	89.2

Source: Segal Consulting; County of San Diego.

(1) Employer Contributions for Fiscal Year 2017 are from the valuation report dated June 30, 2015 as reflected in the table.

(2) The following assumptions have been applied in preparing the foregoing estimates:

(a) Reflects the economic and non-economic assumptions adopted by the Association Board for the June 30, 2013 valuation and all future valuations.

(b) Under the Board's asset smoothing method, if the actual return on market value of assets is above/below the assumed expected return on market value of assets, the difference between the actual and the expected return will be recognized over a five year period. There was a total of $249.4 million in unrecognized investment loss as of June 30, 2015.

(c) All of the actuarial assumptions that were approved for use with the June 30, 2015 and subsequent valuations would be met in the future.

(d) In projecting the payroll, the Actuary assumed that the estimated Fiscal Year 2015-16 payroll of $1,163.4 million used in the June 30, 2015 actuarial valuation will increase by 3.75% per annum (3.00% inflation plus 0.75% across-the-board salary increase) based on the recently adopted economic assumptions for the June 30, 2016 valuation.

(e) The Employer Offsets (the County's pickup of member contributions) reflect negotiated offset savings in the current bargaining agreements which are reflected in the County's Fiscal Years 2015-16 Adopted Budget and include elimination of offset for all employee groups except the Deputy Sheriff's Association effective June 2017, and elimination of offset for the Deputy Sheriff's Association effective June 2018. The actuarial assumption that these costs will increase by 3.75% per year is reflected. This is a simplifying assumption as the actual Employer Offsets amount is governed by bargaining agreements with employee groups and actual membership demographics.

(f) The County adopted General Tier B and Safety Tier B plan for members hired on or after August 28, 2009. The County has implemented General Tier C and Safety Tier C as required under the California Public Employees' Pension Reform Act of 2013 (CalPEPRA) for employees who become New Members on or after January 1, 2013. Because Tier C is a lower benefit, there will be a gradual reduction in the employer's aggregate normal cost as a bigger portion of the Association's active workforce is covered by the less expensive plans. The cost reductions are reflected in the projections.

(g) The Association Board will not restore the 1% Contingency Reserve until after the Association has Available Earnings remaining after crediting interest to all valuation reserves.

(3) The County is obligated to make approximately 92% of the annual Employer Contributions to the Association and the other participating employers are obligated to make approximately 8% of the annual Employer Contributions to the Association, based on the estimated relative percentage of payroll of the County and the other participating employers for Fiscal Year 2012-13.

(4) In each year the Employer-Required Contribution and the Employer Offsets will be based on the UAAL as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30 as reflected in the table.

Investment

General. The Retirement Law and the California Constitution grant the Retirement Board exclusive control over the investment of the Association's assets. The Retirement Law and the Constitution provide general guidelines which generally require the Retirement Board to manage the investments for the purpose of providing benefits to members, minimizing Employer Contributions, and defraying the reasonable expenses of administering the Association. The Retirement Law and the Constitution further require the Retirement Board to manage the Association's investments prudently and to diversify investments in the manner and to the extent it deems appropriate. See "County Financial Information – San Diego County Employees Retirement Association – Investment – Investment Policy" below.

Investment Policy and Asset Allocation Policy. The Retirement Board has adopted an Investment Policy Statement, which was last revised in November of 2015 along with related policies that establish investment return and risk objectives and provide comprehensive guidelines with respect to the diversification of assets, the appropriate securities for investment, lending of securities, commission recapture, use of leverage, value-added strategies, proxy voting and corporate governance issues. The total investment portfolio was $8.255 billion as of June 30, 2011, $8.518 billion as of June 30, 2012, $9.062 billion as of June 30, 2013, $10.2 billion as of June 30, 2014, $10.4 billion as of June 30, 2015, and $__ billion as of October 31, 2015. [To be updated prior to posting.]

Embedded within the Investment Policy Statement are strategic asset allocation targets and benchmarks (the "Asset Allocation Policy") pursuant to which the Association's assets are diversified across asset classes, including liquid equity, fixed income, alternative/beta/opportunistic/other, and private assets. Table 11 below sets forth the Association's current Asset Allocation Policy, effective as of December 31, 2015. The Asset Allocation Policy, which is managed and monitored by the Association's general investment consultant with oversight by the Association's staff, was approved on November 5, 2015 to allocate investments across asset classes so that no single asset class has any disproportionate influence on the portfolio's return within a wide range of economic scenarios. The revised Asset Allocation Policy is a significant adjustment from the previous asset allocation policy. Specific changes in the revised Asset Allocation Policy include elimination of the use of total portfolio leverage, elimination of the use of risk parity as a core investment strategy and introduction of the use of low-cost index funds. [To further revised by SDCERA.]

TABLE 11
SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
STRATEGIC ASSET ALLOCATION TARGETS AND BENCHMARKS

Asset Class	Policy Target	Minimum	Maximum	Benchmark
Global Equity	3%	0%	6%	MSCI ACWI IMI Index
U.S. Equity	18%	13%	23%	MSCI USA IMI Stock Market Index
Non-U.S. Equity: Developed	15%	12%	18%	MSCI EAFE IMI Index
Non-U.S. Equity: Emerging	9%	6%	11%	MSCI Emerging Markets IMI Index
Total Liquid Equity	**45%**	**42%**	**48%**	**MSCI ACWI IMI Index**
Fixed Income	**24%**	**21%**	**27%**	**Barclay's U.S. Intermediate Aggregate Index**
Alternative Beta / Opportunistic / Other	**8.0%**	**7.0%**	**9.0%**	**T-Bills plus 500 basis points**
Real Estate	9%	5%	12%	NCREIF ODCE Index plus 50 bps*
Private Equity	8%	3%	10%	MSCI ACWI IMI plus 200 basis point**
Private Real Assets	6%	3%	8%	MSCI ACWI IMI plus 200 basis points
Total Private	**23%**	**10%**	**max call**	**1/3 NCREIF ODCE Index plus 50 bps & 2/3 MSCI ACWI IMI plus 200 basis points**

Source: San Diego County Employees Retirement Association.
*Given the structure of the real estate portfolio, which includes an allocation to non-core investments, a 50 bps premium has been added to the core index for benchmarking purposes.
**Secondary benchmarks consisting of applicable peer data (vintage year, geography, etc.) and PME type reference points will be used.

The assumed rate of return adopted by the Retirement Board on September 3, 2015 is 7.50%., The investment return assumption of 7.50% recommended by the Actuary is based on a number of assumptions, including the average assumed passive rate of earnings by asset class from a sample of investment consultants to several public pension funds including the Association's investment consultant, and then applied to the Association's asset allocation policy portfolio.

From 2006 through 2009, the Retirement Board elected to maintain the assumed rate of earnings at 8.25% for the applicable fiscal year, a rate acceptable to the actuary, in part because the active management portfolio strategy of the Association, including the application of the Alpha Engine strategy, which the Association no longer uses, historically yielded rates of earnings substantially higher than the rates recommended by the Actuary. From 2010 through 2012, the Retirement Board used an assumed rate of return of 8.0%. From 2012 through 2014, the Retirement Board used an assumed rate of return of 7.75%.

Historical Investment Return. The historical annual net investment return on the market value of the Association's entire investment portfolio, after management fees, was 2.68% for the year ended June 30, 2015, 7.86% for the three years then ended 9.90% for the five years then ended and 6.08% for the ten years then ended. This compares to the 7.50% actuarial assumed rate of return that the Association's actuary uses to calculate the normal Employer and employee contribution rates and the UAAL on a year-to-year basis (which is done by projecting into the future a variety of estimates, including how much will be earned on the assets of the Association in future years).

Hedge Funds. As of October 31, 2015, the fund was invested in 9 hedge funds with an approximate market value of $545,451,803 or 10.7% of the total market value of the portfolio. [To be updated prior to posting.]

Litigation Involving Prior Investment

On February 25, 2009, the United States Attorney's Office and the Federal Bureau of Investigation arrested the two principals of WG Trading Company ("WG TC"), a limited partnership fund in which the Association invested, on charges of securities fraud, wire fraud, and conspiracy to commit securities fraud and wire fraud. On the same day, all entities connected with the principals of WG TC were placed in receivership at the request of the U.S. Securities and Exchange Commission (the "SEC") and Commodities Future Trading Commission ("CFTC"). On December 31, 2008, based on WG TC's refusal to promptly and completely answer all questions presented during a due diligence investigation, the Association terminated the WG TC relationship and requested a full redemption of its investment. At that time, the Association had $78 million (including retained earnings) invested with WG TC, as reported by WG TC. The decision to terminate the WG TC relationship was a result of issues and concerns that arose during the due diligence review fraud was not suspected at the time. The Association's agreement with WG TC allows for a six-month redemption window; the assets have not yet been returned to the Association.

To preserve its interests in the holdings of WG TC, on March 25, 2009 the Association filed a motion to intervene in the two lawsuits brought by the CFTC and the SEC against WG TC, its principals and certain related entities. The motion to intervene was summarily denied, from which denial the Association has appealed; however that appeal was not pursued, given the Association's subsequent appeal. In July 2009, the Chief Compliance Officer of WG TC pleaded guilty to certain charges. In July 2010, Paul Greenwood, one of the two principals of WG TC, pleaded guilty to seven counts alleging violations of federal law, including securities fraud, wire fraud, commodities fraud, conspiracy, and money laundering. The receiver appointed by the United States District Court for the Southern District of New York (the "Receiver") has filed reports asserting that WG TC was operated as part of a Ponzi scheme because funds of WG TC were intermingled with those of a sister entity, which was found by the court to have been operated as a Ponzi scheme. The Receiver proposed that WG TC's assets be distributed pro rata to investors in both WG TC and its insolvent sister entity, not just to investors in WG TC. The Association and six other WG TC limited partners filed joint objections to the Receiver's proposal. However, at a hearing on the proposal held March 16, 2011 in the receivership proceedings, the United States District Court for the Southern District of New York approved the Receiver's plan of distribution, and on March 21, 2011, entered an order directing the Receiver to make a distribution in accordance with the plan. The Association and six other WG TC limited partners appealed the District Court's ruling to the United States Court of Appeals for the Second Circuit seeking a greater share of distributions on equitable grounds. The Second Circuit affirmed the District Court's distribution plan. Under that plan, the Association's allowed claims total $41.2 million. Three distributions totaling $40 million have been made to the Association to date. The amount of future distributions to the Association, if any, from the receivership cannot be assessed at this time.

Transfers of Investment Earnings by the Association

Introduction. Pursuant to statutory authority under the Retirement Law, the Retirement Board annually directs the crediting of the Association's investment earnings to reserves, some of which are part of valuation assets and some of which are not. Valuation assets are those assets used in calculating the UAAL and the funded ratio. For the purpose of such crediting, the Retirement Board has defined investment earnings as current income (*i.e.*, the interest, dividends, and rents) plus net realized capital gains on the book value of the Association's valuation and non-valuation assets. All of the Association's investment earnings are transferred to and kept in a reserve entitled the "Undistributed Reserve," and from there such earnings are transferred in accordance with Retirement Board policy. The Undistributed Reserve is currently not part of valuation assets and, except in certain limited circumstances described herein, amounts in the Undistributed Reserve are not included as assets for purposes of calculating the Association's UAAL.

Pursuant to the statutory authority of the Retirement Law, the Retirement Board has adopted an "Interest Crediting and Excess Earnings Policy", most recently amended in August 2007, which directs that investments earnings be transferred from the Undistributed Reserve to the following Association reserves, effectively, in the following order. First, such earnings are credited to the Association's valuation assets up to an amount determined by the Retirement Board's policies, currently in an amount equal to 7.50% of the value of the Association's valuation assets as of the end of the prior fiscal year. Second, a portion of such earnings is transferred to an Association Contingency Reserve (the "Association Contingency Reserve") to maintain the amount on deposit in the Association Contingency Reserve, which is not part of valuation assets, equal to one percent of the total market value of assets of the Association. The Association may transfer amounts from the Association Contingency Reserve to valuation assets when current investment earnings are insufficient to credit the valuation asset reserves with the 7.50% interest target. Earnings in excess of the amounts transferred to the Association Contingency Reserve are referred to herein as "Excess Earnings." The Association currently uses the change in actuarial value methodology to calculate Excess Earnings.

The Retirement Law permits the Association to use any Excess Earnings to fund the County Contribution Reserve to reduce any UAAL, to fund existing supplemental benefit reserves, and to fund new supplemental benefits, as may be adopted by the Retirement Board.

Excess Earnings Policy. The Retirement Board adopted an Excess Earnings Policy effective July 1, 2007 (the "Excess Earnings Policy") pursuant to which, after crediting the mandatory reserves with the assumed rate of interest, Excess Earnings would be available as follows:

- If the funded ratio of the Association as of any Fiscal Year end is below 90%, all Excess Earnings will be used to fund the pension liability.

- If the funded ratio of the Association as of any Fiscal Year end is between 90% and 100%, 75% of Excess Earnings will be used to fund the pension liability and the remaining 25% will be available to the Retirement Board for use at its discretion.

- If the funded ratio of the Association as of any Fiscal Year end is between 100% and 115%, 50% of Excess Earnings will be placed in the Association Contingency Reserve and 50% will be available to the Retirement Board for use at its discretion.

- If the funded ratio of the Association as of any Fiscal Year end is 115% or greater, the Retirement Board has total discretion as to the use of Excess Earnings.

Allocation of Excess Earnings to reserves that are not part of valuation assets may impact the UAAL and thus the amount of Employer Contributions required to fund pension benefits in the future. When earnings are held outside of valuation assets, those amounts are not available to decrease the UAAL because they are not available to pay benefits under the County's pension plan.

Historical Transfers of Investment Earnings. Table 12 below sets forth the amount of the Association's investment earnings that the Retirement Board has transferred from the Undistributed Reserve into reserves that are separate from valuation assets since Fiscal Year 2003.

TABLE 12
TRANSFERS OF INVESTMENT EARNINGS
TO NON-VALUATION RESERVES
Since Fiscal Year Ended June 30, 2003
(In Millions)

Fiscal Year	Post-Retirement Healthcare[1]	STAR COLA[2]	Contingency Reserve[3]	Total
2003	$ 0.0	$ 0.0	$ 0.0	$ 0.0
2004	0.0	19.6	19.8	39.4
2005[4]	0.0	9.3	8.5	17.8
2006	31.4	10.0	9.7	51.1
2007[5]	0.0	26.4	11.1	37.5
2008	0.0	0.0	(0.4)	(0.4)
2009	0.0	0.0	(2.2)	(2.2)
2010-2015	0.0	0.0	0.0	0.0
Total[6]	$31.4	$65.3	$46.5	$143.2

Source: The Association.

(1) Reflects amounts that the Association transferred to the Health Reserve from Excess Earnings for Fiscal Years 2002-03 through 2011-12. The Health Reserve was originally established to hold amounts with which the Association reimbursed the County for amounts that the County contributed for the payment of post-retirement healthcare benefits. See footnote (5) below regarding the restructuring of the Health Reserve in Fiscal Year 2007-08.

(2) Reflects amounts that the Association has transferred from Excess Earnings to a reserve established for the payment of STAR COLA. The Association began providing STAR COLA benefits in the year ended June 30, 1999, and transfers to the STAR COLA reserve began in the year ended June 30, 1998. The STAR COLA reserve was originally established to hold amounts to fund a supplemental targeted cost of living adjustment. See footnote [5] below regarding the restructuring of the STAR COLA reserve effective with the June 30, 2007 Valuation Report.

(3) Reflects amounts that the Association has transferred from the Association's investment earnings to the Association Contingency Reserve. The Association Contingency Reserve was created in the Fiscal Year ended June 30, 2002. Before the creation of the Association Contingency Reserve, the 1% contingency amounts required by the Retirement Law were maintained in the Undistributed Reserve and were not separated from valuation assets. [Should we add comments about the negative numbers in FYs 08 and 09?]

(4) The Retirement Board determined that no amounts would be transferred from Excess Earnings to the Health Reserve for the year ended June 30, 2005 based on a determination that the amounts on deposit in the Health Reserve at the time was sufficient to pay post-retirement healthcare benefits for at least 5 years from the date of determination.

(5) In Fiscal Year 2007-08, the Health Reserve was restructured as a "Supplemental Benefits Reserve". See "County Financial Information – Supplemental Pension Benefits" herein. Effective for the June 30, 2007 Valuation Report, the STAR COLA became a prefunded supplemental benefit for certain retirees. The $26.4 million shown in this table was the amount that, in addition to the balance in the STAR COLA Reserve, was needed to accomplish the prefunding. See "County Financial Information – STAR COLA Benefits" herein.

(6) Reflects the sum of the deposits for the years shown, not the current balance in the reserves.

In certain of the years indicated in the foregoing table, the amounts credited to the STAR COLA reserve and the Health Reserve were actually transferred after the end of the fiscal year with retroactive effect. The Association does not track either the Employer or the departments or funds of any Employer from which retired personnel receiving STAR COLA or health benefits, when in active service, were paid.

Reserve Levels. As of June 30, 2015, $21.8 million were on deposit in the Association Contingency Reserve, $18.1 million was on deposit in the Supplemental Benefits Allowance Reserve (restructured from the Health Reserve during Fiscal Year 2007-08), $4.4 million was on deposit in the Disability Supplemental Benefits Allowance Reserve, $6.6million was on deposit in the 401(h) Reserve and 0 were on deposit in the STAR COLA or Undistributed Earnings Reserve. For a discussion on actions of the Retirement Board with respect to the transfer of certain Excess Earnings to the Health Reserve and the STAR COLA reserve.

Post-Retirement Healthcare Benefits

General. The Association offers to eligible retirees a health insurance allowance to offset or reimburse the cost of medical insurance premiums. A variety of healthcare and dental plans with varying providers and levels of premiums are sponsored by the Association. Once a retiree elects a particular healthcare or dental plan, the amount of the premium is deducted from the retiree's monthly retirement check. Alternatively, retirees may be reimbursed for health insurance premiums of non-Association sponsored plans. Effective July 1, 2007, the Association limited the health insurance allowance to retirees who retired under the Tier I or Tier II plan.

Nature of the Post-Retirement Healthcare Payments. The Retirement Law does not require the Association to provide any post-retirement healthcare payments. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain post-retirement healthcare benefits (although some members of the Association have stated that the County did promise retirees such benefits, which the County disputes). Therefore, in the view of County Counsel, the Association's payment of post-retirement healthcare benefits is an unvested benefit which can be cancelled at any time and for any reason by the Association. Nonetheless, the Association has continuously provided post-retirement healthcare benefits for many years.

Funding Source for Post-Retirement Healthcare Benefits. The Retirement Law authorizes a mechanism for the payment of post-retirement healthcare benefit costs pursuant to which a portion of the Employers' pension contributions are applied to the payment of these post-retirement healthcare benefits and the amounts of those contributions are credited to the Employers' valuation assets. In years past, the County designated up to 25% of its respective normal cost and employer offset annual contributions to the payment of the monthly medical allowance and Medicare Part B premium reimbursement to be recorded in a separate account (the 401(h) account) under the provisions of section 401(h) of the Internal Revenue Code. The designated amounts were determined by funding the post-retirement healthcare benefits on a pay-as-you-go basis. Upon receiving the County's 401(h) contribution, the Association would transfer an equal amount from the Health Reserve to the County Contribution Reserve (part of the Association's valuation assets) as a credit for the County's current-year contribution. Beginning on July 1 of Fiscal Year 2007-08, the funding mechanism changed. See *"Payment of the Annual Required Contribution for Post-Retirement Healthcare Benefits"* herein. Benefits paid to retirees from the 401(h) account are non-taxable.

Reporting Requirements Regarding Post-Retirement Benefits. In 2004, GASB issued two statements that address other post-employment benefits ("OPEB"), which are defined to include post-retirement healthcare benefits. GASB Statement No. 43, Financial Reporting for Post-employment Benefits Plans Other Than Pension Plans ("GASB 43") and GASB Statement No. 45, Accounting and

Financial Reporting by Employers for Post-employment Benefits Other Than Pensions ("GASB 45"), establish accounting and financial reporting standards for OPEB in a manner similar to those currently in effect for pension benefits. The provisions of GASB 43 focus on the entity that administers such benefits (the Association) while GASB 45 focuses on the employer's reporting requirements (the County). The Statements require an actuarial valuation to determine the funded status of benefits accrued, along with other required information to be disclosed by the Association and the County. The Retirement Board adopted and implemented the provisions of GASB 43 as part of the Association's comprehensive annual financial report for the Fiscal Year ended June 30, 2007. The County has included the required disclosures beginning with the County's comprehensive annual financial report for the Fiscal Year ended June 30, 2008. The requirements that GASB 45 imposes on the County only affect the County's financial statements and would not impose any requirements regarding the funding of any OPEB plans.

Valuation of the Association's Post-Retirement Healthcare Benefits. [Please forward the OPEB 2014 Valuation, which does not appear to be online.] The Association's actuary conducted an OPEB valuation as of June 30, 2014 (the "2014 OPEB Valuation") with respect to the eligible retirees and the benefit levels set by the Association. The 2012 OPEB Valuation reflected a decrease in the actuarial accrued liability of $16.1 million from June 30, 2012. The 2014 OPEB Valuation also reflected an annual required contribution of 1.94% of payroll, which is an increase from the annual required contribution of 1.94% of payroll as of June 30, 2012, the date of the prior OPEB valuation. The change in the actuarial accrued liability and the annual required contribution are attributable to a decrease in liabilities due to updated discount and mortality rate assumptions. The annual required contribution in the 2014 OPEB valuation will be used to determine the contribution requirement for Fiscal Years 2015-16 and 2016-17. The assumptions used in the 2012 OPEB Valuation included an individual entry-age normal cost method, [8.00% investment rate of return and a separate declining 20-year basis starting June 30, 2007, amortized as a level dollar amount. The next OPEB valuation will be as of June 30, 2014 and then every two years thereafter.] Any changes made by the Retirement Board to the assumed investment rate of return will apply to future OPEB valuations. The next OPEB valuation is be as of June 30, 2016.

Table 13 below sets forth the historical funding status of the Association's OPEB and the historical employer contribution amounts.

TABLE 13
HISTORICAL FUNDING STATUS
FOR POST-RETIREMENT HEALTHCARE BENEFITS
Years Ended June 30, 2007 through 2012
($ in thousands)

Funding Progress

Valuation Date	Valuation Assets	AAL	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
June 30, 2007	$ --[1]	$235,755	$235,755	0.0%	$1,020,991	21.2%
June 30, 2008	18,206	217,559	199,353	8.4	1,135,432	17.6
June 30, 2010	9,221	206,447	197,226	4.5	1,095,582	18.0
June 30, 2012	5,064	185,302	180,238	2.7	1,052,366	17.1
June 30, 2014	4,743	169,192	164,449	2.8	1,122,864	14.6

(1) Excludes $18.2 million available for benefits.

Employer Contributions

Year Ended	Annual Required Contribution	Contributions Made	Percentage of Required Contribution Made
June 30, 2009	$23,237	$23,237	100.0%
June 30, 2010	18,789	18,789	100.0
June 30, 2011	18,028	18,028	100.0
June 30, 2012	19,198	19,198	100.0
June 30, 2013	19,024	19,024	100.0
June 30, 2014	20,208	20,208	100.0

Source: The Association's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014 – Required Supplemental Information, citing the Segal Group, Inc. Biannual Actuarial Valuation; June 30, 2012 data from the County.

Payment of the Annual Required Contribution for Post-Retirement Healthcare Benefits. The County and other employers have determined to pay the ARC for OPEB as calculated by the Association's actuary. The payment of the ARC for OPEB is in addition to the Employers' regular pension contributions and is contingent upon the Association continuing to limit the retiree healthcare benefits to the Tier I and Tier II retirees and at levels no greater than were in effect on December 5, 2006, which are those benefit levels described under the caption "Post-Retirement Healthcare Benefits – General" herein. For the Fiscal Year ended June 30, 2014, the employers collectively paid $20.2 million to the Association for deposit into the 401(h) account, which satisfied the ARC for that year.

Historical Payments. Table 14 below sets forth the amounts for each of the ten years ended June 30, 2014 that the Association has paid to its members for post-retirement healthcare benefits.

TABLE 14
PAYMENTS FOR POST-RETIREMENT
HEALTHCARE BENEFITS
Years Ended June 30, 2005 through 2014

Fiscal Year Ended June 30	Payments for Retiree Healthcare Benefits (in millions)
2005	$32.6
2006	32.9
2007	35.3
2008	24.4(2)
2009	23.6
2010	23.3
2011	21.5
2012	21.5(1)
2013	20.4
2014	20.0

Source: The Association.
(1) A portion of the indicated amounts are allocated to the administrative expenses related to the provision of the post-retirement healthcare benefits.
(2) Beginning with Fiscal Year 2007-08, healthcare benefits were paid from the 401(h) account, which had an available balance of $18.8 million on June 30, 2007 and received contributions from the employers of $23.6 million during that fiscal year.

Supplemental Pension Benefits

Beginning July 1 of Fiscal Year 2007-08, the Association stopped paying a non-taxable healthcare benefit to its previously eligible General Tier A retirees and Safety retirees covered by the 3% at age 50 benefit formula, and instead started paying to them a taxable pension supplement based on years of service. The source of these payments is the former Healthcare Reserve, which was converted to a Supplemental Benefit reserve. The supplemental benefit allowance ("SBA") ranges from $200 per month (10 years of service) to $400 per month (20 or more years of service). During Fiscal Year 2013-14, a total of [$23.8] million was paid from this reserve to Tier A retirees, leaving a balance in the reserve of [$45.2] million on June 30, 2013 that is expected to provide for payments to eligible members through approximately [2017]. In addition, the Association set aside $20.7 million in excess earnings from Fiscal Year 2006-07 to provide a taxable pension supplement to General Tier A members and Safety members covered by the 3% at age 50 benefit formula who retire because of a disability. Members who are granted a disability retirement and determined to be totally disabled are eligible for the maximum SBA ($400 per month) regardless of years of service. Members with less than 10 years of service credit who are granted a disability retirement and determined to be partially disabled are eligible for the minimum SBA ($200 per month). During Fiscal Year 2013-14, a total of [$2.6] million was paid to these disability retirees, leaving a balance in the Disability Supplemental Benefit Allowance Reserve on June 30, 2014 of [$6.9] million.

STAR COLA Benefits

General. The STAR COLA benefits provide retirees with additional cost-of-living adjustments. The Retirement Board's STAR COLA policy preserves 80% of a retiree's purchasing power calculated against when that retiree retired. The Retirement Law does not require the Association to provide any STAR COLA payments. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain STAR COLA benefits.

Prefunding of STAR COLA Benefits. On August 2, 2007, the Retirement Board approved a permanent STAR COLA pre-funded supplemental cost-of-living increase benefit for eligible members. This action resulted in the transfer of the assets from the STAR COLA Reserve to valuation assets and the liability for the STAR COLA benefits for eligible members to be incorporated into the overall liabilities of the retirement fund. Eligible members are those whose accumulations equaled or exceeded 20 percent as of January 1, 2007. By this definition, eligible members are Tier 1 members who retired on or before March 31, 1982 and Tier II members who retired on or before March 31, 1989. The permanent STAR COLA benefit will be equal to the STAR COLA amount payable as of April 1, 2007 under the applicable laws. Effective April 1, 2008, this benefit is subject to the same cost-of-living increase paid by the Association on every April 1 up to 3% per annum.

Historical Practice and Payments. Prior to the August 2, 2007, Retirement Board action, the Retirement Board's historical practice had been to maintain an amount in the STAR COLA reserve that the Association's actuary estimated would be necessary to cover the costs of the STAR COLA benefits for current eligible retirees for five years. Each year, the Association's actuary prepared an estimate of the amounts necessary to be contributed to the STAR COLA reserve to meet this targeted level. For a discussion on actions of the Retirement Board with respect to the transfer of certain Excess Earnings to the Health Reserve and the STAR COLA reserve, see "County Financial Information – San Diego County Employees Retirement Association – Transfers of Investment Earnings by the Association" herein.

Table 15 below sets forth the amounts paid by the Association to retirees out of the STAR COLA reserve since 2001. The Association does not track either the Employer or the departments or funds of any Employer from which retired personnel receiving STAR COLA benefits, when in active service, were paid.

TABLE 15
PAYMENTS FROM STAR COLA RESERVE
Since Fiscal Year Ended June 30, 2001

Fiscal Year Ending June 30	Payments from STAR COLA Reserve (in millions)
2001	$ 8.2
2002	8.1
2003	7.2
2004	11.3
2005	11.0
2006	10.7
2007	10.4
since 2008[1]	0.0

Source: The Association.
(1) As a result of the restructuring of the STAR COLA Reserve effective with the June 30, 2007 Valuation Report, the STAR COLA Reserve has held no assets since Fiscal Year 2007-08 and the liability for STAR COLA benefits are incorporated into the overall liabilities of the retirement fund.

Pension Obligation Bonds

Introduction. The County has issued taxable pension obligation bonds ("POBs") from time to time and transferred the proceeds to the Association to reduce the UAAL existing at the time of issuance of the POBs. Under California law, the obligation to fund the UAAL by making actuarially required contributions is an obligation imposed by law. The effect of issuance of POBs is to finance that obligation and convert it from an obligation to make actuarially required contributions to an obligation to make interest and principal payments on bonds which are sold to the public.

County Pension Obligation Bonds. In February 1994, the County issued $430,430,000 in principal amount of POBs (the "1994 POBs") and in October 2002 the County issued an additional $737,340,000 in principal amount of POBs (the "2002 POBs"), in part to refund a portion of the 1994 POBs. In June 2004, the County issued $454,112,915.70 in principal amount of POBs (the "2004 POBs"). The County contributed to the Association an aggregate amount of $1,428,500,000 from the issuance of the 1994 POBs, the 2002 POBs and the 2004 POBs to reduce the UAAL. On August 15, 2007, the County prepaid in full all of the $100 million Series 2002C PINES and on February 15, 2008, the County prepaid $20 million of the Series 2002B-1 POBs (herein defined) with available cash, these two prepayments resulted in over approximately $7.5 million of annual interest savings to the County. In August 2008, the County prepaid $44 million of its Series 2002B-1 POBs, which resulted in approximately $3.06 million of annual interest savings to the County. On August 7, 2008, the County issued $443,515,000 aggregate principal amount of Taxable Pension Obligation Bonds, Series 2008A (the "2008A POBs") and Series 2008B (Variable Rate Demand Obligations) (the "2008B POBs" and, together with the 2008A POBs, the "2008 POBs"). The proceeds of the 2008 POBs were used to refund all of the then-outstanding 2002 B1-B4 POBs that were originally issued as auction rate securities (the "2002B POBs"). On July 1, 2009, the County prepaid in full all of the $100 million Series 2008B POBs, which resulted in approximately $4.5 million of annual interest savings. As of December 31, 2015, the County had POBs outstanding in the aggregate principal amount of $649.9 million. The County may, from time to time, finance all or a portion of the UAAL employer contributions through the additional issuances of POBs. The County has no variable rate POBs outstanding. See "County Financial Information – General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans" herein.

Pension Related Payments and Obligations

Payments. Table 16 below sets forth the estimated Employer Contributions, Employer Offsets and POB debt service for Fiscal Years 2015 through 2023. The estimates and related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 16
PENSION RELATED PAYMENTS
Fiscal Years Ended June 30, 2014 through 2022
(In Millions)

Fiscal Year	Employer Contributions(1)	Employer Offsets(2)	County Pension Obligation Bonds Debt Service(3)	Total
2017(4)	$444	$25	$81.3	$550.3
2018(4)	462	4	81.4	547.4
2019(4)	478	0	81.4	559.4
2020(4)	496	0	81.4	577.4
2021(4)	515	0	81.4	596.4
2022(4)	532	0	81.4	613.4
2023	547	0	81.4	628.4
2024	563	0	81.4	644.4

Source: Segal Consulting; County of San Diego.

(1) These contribution amounts reflect the aggregate contribution amount of all Employers and not only that of the County. The County share of Employer Contributions and Employer Offsets are estimated to be approximately 94% based on the estimated relative percentage of payroll of the County for Fiscal Year 2013-14. See "County Financial Information – San Diego County Employees' Retirement Association – General" herein.

(2) Employer Offsets reflect negotiated offset savings in the current bargaining agreements, which are reflected in the County's Fiscal Year 2015-17 Revised Recommended Budget.

(3) Consists of regular principal and interest payments.

(4) Estimated. The amounts indicated are subject to the same assumptions as set forth in footnotes (1) through (3) to the "Prospective Funding Status of the Association" table herein.

Pension-Related Obligations. Table 17 below sets forth the estimated UAAL and expected outstanding principal amounts of POBs for the years indicated, assuming no additional POBs are issued and the outstanding POBs mature on their respective amortization schedules. The estimates contained in Table 17 and the related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 17
COUNTY PENSION RELATED OBLIGATIONS
Fiscal Years Ended June 30, 2015 through 2023
(In Millions)

Fiscal Year	UAAL(1)	Outstanding Pension Obligation Bonds(2)	Total Outstanding Obligations
2015	$2,545	$692.3	$3,237
2016	2,549	649.9	3,199
2017	2,514	605.5	3,120
2018	2,463	558.5	3,022
2019	2,428	508.8	2,937
2020	2,316	456.0	2,772
2021	2,146	400.1	2,546
2022	1,949	340.8	2,290

Source: Segal Consulting; County of San Diego.

(1) Estimated. The UAAL information is based on the UAAL as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30, which is the amount that impacts the Employer Required Contribution and Employer Offsets in any given fiscal year. The amounts indicated are subject to the same assumptions as set forth in footnote (1) to the "Prospective Funding Status of the Association" table herein.

(2) Includes a portion of the 2004 POBs issued as capital appreciation bonds (the "CABs"), for which interest accretes semiannually on February 15 and August 15, but is not payable until the final maturity of each respective capital appreciation bond. The initial total issuance amount of the CABs was $64,927,915.70, which will accrete to a total maturity value of $100,170,000 over the respective maturity dates commencing August 15, 2009 and ending August 15, 2015.

Accounting and Financial Reporting Standard. In 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), along with GASB 67 (see "San Diego County Employees Retirement Association – Financial Standard Reporting" herein). GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, including the County. GASB 68, among other things, requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including specific guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost method. GASB 68 also addresses accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. The County's audited financial statements for Fiscal Year 2014-15 incorporate the requirements of GASB 68.

Risk Management

The County is required to obtain and maintain general liability insurance and workers' compensation insurance under various types of its financing lease obligations. These financing leases generally require general liability insurance to be issued by a responsible carrier or be in the form of self-insurance or self-funding to cover claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the facilities covered by such leases, affording protection with a combined single limit loss of not less than $5,000,000 per occurrence with respect to bodily injury, death or property damage liability. In addition, these financing leases generally require the County to obtain and maintain workers' compensation insurance issued by a responsible carrier or in the form of self-insurance or self-funding for all persons provided coverage by the County for workers' compensation benefits in connection with the facilities covered by such leases and to cover full liability for compensation under the labor code requiring workers' compensation. Any self-insurance or self-funding for these risks is subject to certain conditions, including, but not limited to, providing evidence of self-insurance and annual certification to the trustee with respect to such financing leases by an authorized representative of the County's risk management division or an independent insurance consultant of the sufficiency of coverage. Appropriation of such funds as may be necessary for self-funding, are made by the County.

The County operates a Risk Management Program, whereby it is self-insured for general liability, medical malpractice, automobile liability, and workers' compensation. The County purchases insurance coverage for all risk property losses, government crime insurance, including employee dishonesty and faithful performance, airport comprehensive liability, and aircraft hull and liability insurance. The amount of coverage varies depending on the type of policy. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. The County allocates the cost of providing claims service to all its operating funds as a "premium" charge expressed as a percentage of payroll, claim history and other factors as outlined in the California State Controllers' Cost Plan Procedures Manual. In accordance with Government Accounting Standards Board Statement 10, "Accounting and Financial Reporting for Risk Financing and Relating Insurance Items," the County established two Internal Service Funds, the Public Service Liability Fund and the Employee Benefits Internal Service Fund to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected general liability and workers compensation claim liabilities. These evaluations include estimates for claims incurred but not reported; allocated and unallocated loss adjustment expenses; and amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. At June 30, 2014, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $184.7 million, including $30.9 million in public liability and $153.8 million in workers' compensation. As of June 30, 2014, the Internal Service Funds deficit was $41.6 million, which resulted primarily from the accrual of the estimated liability and costs associated with the reported and unreported workers' compensation claims as prepared by an actuary for the reporting period ending June 30, 2014. The liability increased to $153.8 million from the prior year's estimate of $132.5 million and was offset by an $6 million increase in premiums. The County intends to reduce the deficit through increased premium rate charges to County departments by $4 million per year in excess of projected operating expenses beginning in Fiscal Year 2014-15 for a 10 year period.

The County will continue to purchase excess workers' compensation insurance for Fiscal Year 2015-16. The County does not carry excess liability insurance at this time.

Litigation

There is no pending litigation that would materially impact the ability for the County to pay its obligations.

Short-Term Borrowing

The County has issued tax and revenue anticipation notes ("TRANs") to the extent necessary or desirable for the purpose of financing seasonal cash flow requirements for general fund expenditures. The County last issued TRANs in 2013 and currently has no TRANs outstanding. The County does not anticipate any short-term borrowings for Fiscal Year 2015-16.

General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans

The County has no outstanding general obligation bonds. As of December 31, 2015, the County had POBs outstanding in the aggregate principal amount of $649.9 million. Starting with the financing of the El Cajon Administrative Building in 1955, the County has made use of various lease arrangements with joint powers authorities, a nonprofit corporation, a redevelopment agency and private parties to finance capital project needs. Under these arrangements, the financing entity usually constructs or acquires capital assets with the proceeds of lease revenue bonds ("LRBs") or certificates of participation ("COPs") and then leases the asset or assets to the County. As of December 31, 2015, the County had LRBs and COPs outstanding in the aggregate principal amount of $327.5 million. As of December 31, 2015, there were approximately $977 million aggregate principal amount of long-term general fund obligations outstanding. The annual long-term lease payments and annual debt service payments on the LRBs, COPs and POBs of the County aggregate to approximately $114.1million for Fiscal Year 2015-16. In November 2015 the County made an additional payment of $9,865,000 to repay the County of San Diego Certificates of Participation (North and East County Justice Facilities Refunding), dated September 8, 2005. Debt service on the aforementioned obligations and evidences of indebtedness are paid from amounts in the County's General Fund, a portion of which is reimbursed with amounts from various other revenue sources. The County has no outstanding variable rate obligations and does not have an outstanding liquidity facility in support of payment of any of its outstanding bonds payable from general fund revenues. See "County Financial Information – Pension Obligation Bonds" herein.

Table 18 below sets forth a summary of long-term obligations payable from the General Fund:

TABLE 18
COUNTY OF SAN DIEGO
SUMMARY OF LONG-TERM BONDED OBLIGATIONS
PAYABLE FROM THE GENERAL FUND
As of December 31, 2015
($ In Thousands)

	Interest Rates	Final Maturity Dates	Original Principal Amounts	Principal Amounts Outstanding
Certificates of Participation and Lease Revenue Bonds				
San Diego County Capital Asset Leasing Corporation ("SANCAL"):				
2009 Justice Facilities Refunding, issued October 2009	4.57-5.00%	2025	$ 80,940	47,190
2011 CAC Waterfront Park, issued August 2011	3.00-5.13%	2042	32,665	30,890
2012 Cedar and Kettner Development Project, issued October 2012	3.00-5.00%	2042	29,335	28,155
2014 Edgemoor and RCS Refunding, issued September 2014	0.82-5.00%	2030	93,750	88,835
Total SANCAL			$ 236,690	$ 195,070
San Diego Regional Building Authority (SDRBA):				
2009 COC Phase 1A, issued February 2009	4.00-5.38%	2036	136,885	123,780
2011 MTS Tower Refunding, issued May 2011	4.00-5.00%	2019	19,260	8,670
Total SDRBA			$ 156,145	132,450
Total Certificates of Participation and Lease Revenue Bonds			$ 392,835	$ 327,520
Taxable Pension Obligation Bonds:				
County of San Diego Pension Obligation Bonds, issued June 2004				-
Series A	5.37-5.87%	2022	241,360	200,595
Series B1, B2	5.91%	2024	147,825	147,825
County of San Diego Pension Obligation Bonds, issued August 2008				
Series A	5.18-6.03%	2027	343,515	301,440
Total Pension Obligation Bonds			$ 732,700	$ 649,860
Total General Fund Long-Term Bonded Obligations			$ 1,125,535	$ 977,380

Source: The County of San Diego Auditor and Controller.

Table 19 below sets forth a summary of outstanding principal and interest payments attributable to long-term obligations payable from the County General Fund. Funds for all principal and interest payments due throughout the fiscal year are deposited with the applicable trustee at the beginning of the fiscal year on July 5 or, if July 5 is not a business day, the first business day after July 5.

TABLE 19
COUNTY OF SAN DIEGO
SUMMARY OF OUTSTANDING PRINCIPAL AND INTEREST PAYMENTS ATTRIBUTABLE TO LONG-TERM OBLIGATIONS PAYABLE FROM THE GENERAL FUND
(as of December 31, 2015)[1]

	Certificates of Participation and Lease Revenue Bonds								Pension Obligation Bonds				
Fiscal Year	**2005 North & East Justice Facilities**	**2009 COC**	**2009 Justice Facilities**	**2011 MTS Tower**	**2011 CAC Waterfront Park**	**2012 Cedar & Kettner Development**	**2014 Edgemoor & RCS Refunding**	**Subtotal**	**2002 Pension Obligation Bonds**	**2004 Pension Obligation Bonds**	**2008 Pension Obligation Bonds**	**Subtotal**	**Total General Fund Obligation**
2015	12,340,675	9,874,744	7,341,375	2,650,000	2,091,000	1,665,075	9,092,903	45,055,771	17,656,443	41,337,148	22,420,907	81,414,497	126,470,269
2016		9,877,144	7,333,238	2,678,800	2,092,250	1,661,625	9,094,090	32,737,146		42,965,099	38,373,607	81,338,705	114,075,852
2017		9,878,744	7,329,625	2,693,000	2,092,900	1,661,425	9,090,815	32,746,509	0	44,717,296	36,694,015	81,411,311	114,157,820
2018		9,877,644	6,474,375	2,694,875	2,091,300	1,665,225	9,083,667	31,887,086	0	46,507,149	34,906,405	81,413,555	113,300,640
2019		9,875,044	6,474,000	1,347,875	2,092,200	1,662,825	8,554,650	30,006,594	0	48,369,669	33,038,654	81,408,323	111,414,917
2020	0	9,878,444	6,472,125	0	2,093,400	1,662,325	8,556,500	28,662,794	0	50,283,425	31,128,216	81,411,642	110,074,435
2021	0	9,876,569	6,467,500	0	2,093,400	1,662,525	8,556,000	28,655,994	0	52,322,691	29,085,382	81,408,073	110,064,066
2022	0	9,874,869	6,147,125	0	2,092,550	1,661,525	8,559,125	28,335,194	0	54,439,051	26,892,208	81,331,260	109,666,453
2023	0	9,876,394	4,171,625	0	2,091,800	1,661,275	8,552,500	26,353,594	0	56,663,519	24,750,780	81,414,299	107,767,892
2024	0	9,874,644	4,160,250	0	2,092,600	1,662,475	8,555,500	26,345,469	0	58,942,024	22,478,030	81,420,054	107,765,523
2025	0	9,874,813	2,916,125	0	2,092,000	1,662,275	8,557,125	25,102,338	0		81,415,400	81,415,400	106,517,738
2026	0	9,878,438	0	0	2,092,688	1,660,675	8,556,625	22,188,425	0	0	67,113,947	67,113,947	89,302,372
2027	0	9,877,625	0	0	2,091,675	1,662,675	8,553,250	22,185,225	0	0			22,185,225
2028	0	9,875,106	0	0	2,091,450	1,662,975	8,560,875	22,190,406	0	0	0	0	22,190,406
2029	0	9,878,706	0	0	2,094,200	1,661,100	8,553,625	22,187,631	0	0	0	0	22,187,631
2030	0	9,877,506	0	0	2,089,200	1,663,288	0	13,629,994	0	0	0	0	13,629,994
2031	0	9,874,700	0	0	2,089,575	1,663,025	0	13,627,300	0	0	0	0	13,627,300
2032	0	9,876,200	0	0	2,092,819	1,660,225	0	13,629,244	0	0	0	0	13,629,244
2033	0	9,875,663	0	0	2,092,731	1,663,356	0	13,631,750	0	0	0	0	13,631,750
2034	0	9,877,013	0	0	2,089,313	1,664,856	0	13,631,181	0	0	0	0	13,631,181
2035	0	9,878,906	0	0	2,092,563	1,659,725	0	13,631,194	0	0	0	0	13,631,194
2036	0	0	0	0	2,091,969	1,663,144	0	3,755,113	0	0	0	0	3,755,113
2037	0	0	0	0	2,092,531	1,659,750	0	3,752,281	0	0	0	0	3,752,281
2038	0	0	0	0	2,093,994	1,663,000	0	3,756,994	0	0	0	0	3,756,994
2039	0	0	0	0	2,091,100	1,664,188	0	3,755,288	0	0	0	0	3,755,288
2040	0	0	0	0	2,088,850	1,668,313	0	3,757,163	0	0	0	0	3,757,163
2041	0	0	0	0	2,091,988	1,665,188	0	3,757,176	0	0	0	0	3,757,176
Total	$12,340,675	$207,408,913	$65,287,363	$12,064,550	$56,482,044	$44,894,058	$130,477,250	$528,954,852	$17,656,443	$496,547,071	$448,297,552	$962,501,065	$1,491,455,916

Source: County of San Diego.

(1) On November 16, 2015, the County of San Diego Certificates of Participation (North and East County Justice Facilities Refunding),dated September 8, 2005 were prepaid, the FY15/16 amount for the 2005 N&E Justice Facilities COPs includes the prepayment.

Anticipated Capital Financings

A Capital Improvements Needs Assessment ("CINA") is prepared and presented annually to the Board of Supervisors to guide the development of both immediate and long-term capital projects. The CINA includes a comprehensive list of all current and anticipated capital projects over a five-year period. Capital projects are considered during the annual budget process unless the Board of Supervisors or the CAO recommends mid-year adjustments to the budget as circumstances warrant to meet emergent needs or to benefit from unusual developments or purchase opportunities. The Fiscal Year 2015-2020 CINA was approved on April 7, 2015. It includes $407 million in currently approved and active projects, $104.1 million in recently completed projects and $717 million in partially funded and unfunded priority major and minor capital projects over the five-year time-frame of the CINA. All of the other projects included in the current CINA will be funded with alternative sources of revenue; debt financing is not anticipated for any of the anticipated projects.

Long-Term Financial Obligation Management Policy

Management of the County's long-term financial obligations are governed by Board Policy B-65 ("Policy"), which was expanded in November 2015 to provide guidelines regarding the County's overall financial strategy and policy as well as the management of long-term financial obligations. A Debt Advisory Committee ("DAC") consisting of the Chief Operating Officer, the Auditor and Controller and the Treasurer-Tax Collector, established by the Chief Administrative Office, reviews proposed financings. DAC approval is required prior to consideration of a financing by the Board of Supervisors. Prior to any recommendation by DAC to move forward with a long-term financial obligation, there shall be an assessment of the ability to repay the obligation, identification of the funding source of repayment, evaluation of the impact of the ongoing obligation on the current budget and future budgets, assessment of the maintenance and operational requirements of the project to be financed, and consideration of the impact on the County's credit rating. The Policy also provides for the filing of notices of completion on all projects within five years of their financing, continuous review of outstanding obligations for economically feasible and advantageous refinancing opportunities and the periodic reporting of unspent capital project funds through quarterly or year-end budget reports. The Policy prohibits the use of long-term financial obligations to fund current operations or for recurring purposes, and the issuance of variable rate obligations in excess of 15% of the County's outstanding long-term obligations. Additionally, the Policy states that annual debt service requirements shall not exceed 5% of General Fund revenue. Exceptions to the provisions of the Policy are permitted in extraordinary conditions.

Swap Policy

In 2004, the DAC approved an Interest Rate Swap Policy (the "Swap Policy") establishing guidelines for the execution and management of the County's use of interest rate and other swaps and other similar products (the transactions involving such products being referred to herein as "Swap Transactions"). The Swap Policy is reviewed, and updated as necessary, annually by the DAC. The County may integrate Swap Transactions into its overall debt and investment management programs in a prudent manner to, among other things, enhance the relationship between risk and return with respect to debt or investments, achieve significant savings as compared to products available in the cash market, provide a higher level of savings, lower level of risk, greater flexibility, or other direct benefits not available in the cash market and achieve more flexibility in meeting overall financial objectives than can be achieved in conventional markets, all in accordance with the parameters set forth in the Swap Policy and consistent with the County's overall long-term financial obligation management policy. Pursuant to the Swap Policy, the total notional amount of all Swap Transactions executed by the County shall not exceed 30% of the outstanding principal of the County's long-term debt obligations at the time of execution. The County has no outstanding Swap Transactions.

Overlapping Debt and Debt Ratios

Table 20 sets forth a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated as of January 1, 2016. The Debt Report is included for general information purposes only. The County has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report does not include the Series 2016A Bonds described in the forepart of this Official Statement.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County in whole or in part. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

TABLE 20
COUNTY OF SAN DIEGO
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
(As of January 1, 2016)

[To come.]

SAN DIEGO COUNTY INVESTMENT POOL

General

The following information concerning the Treasury Pool of San Diego County (the "Treasury Pool") has been provided by the Treasurer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County is required to invest funds in accordance with California Government Code Sections 53635 et seq. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the County Board of Supervisors and the Treasurer's investment policy. Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the County Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County (and the various departments in the County, such as Public Works and Public Administration), funds of certain local agencies within the County, including school districts in the County, are required under state law to be deposited into County treasury ("Involuntary Depositors"). In addition, certain agencies, including community college districts, invest certain of their funds in the County treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary Depositors, the "Depositors"). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "Treasury Pool" or the "Pool"). No particular deposits are segregated for separate investment.

Under State law, Depositors in the Pool are permitted to withdraw funds which they have deposited on 30 days notice. The County does not expect that the Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Pool.

The County has established an Oversight Committee pursuant to State law. The 11 members of the Oversight Committee include the County Treasurer, the Auditor and Controller, members of the public, and a representative from a special district and a school district. The role of the Oversight Committee is to review and monitor the Investment Policy that is prepared by the County Treasurer.

Treasury Pool's Portfolio

As of October 31, 2015, the securities in the Treasury Pool had a market value of $6,725,439,602 and a book value of $6,721,756,941 for a net unrealized gain of $3,682,661.

The effective duration for the Treasury Pool was 0.88 years as of October 31, 2015. The duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Duration of 0.88 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.88%.

As of October 31, 2015, approximately 7.31% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 12.37% by community colleges, 39.49% by the County, 2.78% by the Non-County and 38.05% by K-12 school districts.

Standard & Poor's Rating Group maintains ratings of "AAAf" (extremely strong protection against losses and credit defaults) and "S-1" (low sensitivity to changing market conditions) on the Pool. The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, 55 Water Street, New York, New York 10041.

Investments of the Treasury Pool

Authorized Investments

Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities. Generally, investments in repurchase agreements cannot exceed a term of one year and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security and the value of the repurchase agreement shall be adjusted no less than quarterly. In addition, reverse repurchase agreement generally may not exceed 20% of the base value of the portfolio and the term of the agreement may not exceed 92 days. Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation. Base Value is defined as the total cash balance excluding any amounts borrowed (*i.e.*, amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods).

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. Monies in the Pool will be invested in compliance with California Government Code and the County's Investment Policy (the "Investment Policy").

The Investment Policy

The Investment Policy currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer's control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve an investment return on the funds under the control of the County Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 50% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. Furthermore, at least 25% of the securities must mature within 90 days. The maximum effective duration for the Pool shall be 1.50 years.

With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements and/or securities lending agreements to 20% of the total investments in the Pool. The Investment Policy states that the purpose of reverse repurchase agreements shall be to invest the proceeds from the agreement into permissible securities that have the highest short-term credit ratings; to supplement the yield on securities owned by the Pool; or to provide funds for the immediate payment of an obligation. The maturity of the reverse repurchase agreement and the maturity of the security purchased shall be the same.

The County from time to time has engaged in securities lending transactions. Generally, these transactions involve the transfer by the governmental entity, through an agent, of securities to certain broker-dealers and financial institutions or other entities in exchange for collateral, and this collateral may be cash or securities. Most commonly, these transactions provide for the simultaneous return of the collateral to the securities borrower upon receipt of the same securities at a later date. Presently, the County has suspended its securities lending transactions program, but may decide to enter into a securities lending agreement in the future. Any such securities lending transactions are considered reverse repurchase agreements under the Investment Policy and, accordingly, the total principal amount of reverse repurchase agreements and securities lending agreements may not exceed 20% of the Pool. Since the inception of the County's securities lending program in 1987, there has not been any loss of principal to the Pool resulting from these securities lending transactions or the investment of the related collateral.

The Investment Policy also authorizes investments in covered call options and put options, which are options that the Treasurer sells to a third party the right to buy an existing security in the Pool or sell a security to the Pool, both at a specific price within a specific time period. Under the Investment Policy, securities subject to covered calls are not to be used for reverse repurchase agreements; cash sufficient to pay for outstanding puts are to be invested in securities maturing on or before the expiration date of the option; the maximum maturity of a covered call option/put option is to be 90 days and not more than 10% of the total investments in the Pool could have options written against them at any given time.

All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the Board of Supervisors and the Treasurer's investment policy.

Certain Information Relating to Pool

Table 21 below reflects information with respect to the Pool as of the close of business October 31, 2015. As described above, a wide range of investments is authorized by state law. Investments mature and trading activity is constant. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following table were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on October 31, 2015, the Pool necessarily would have received the values specified.

TABLE 21
TREASURER-TAX COLLECTOR
SAN DIEGO COUNTY PORTFOLIO STATISTICS[1]
(As of October 31, 2015)

	Percent of Portfolio	Weighted Average Maturity	Weighted Average Coupon	Yield to Maturity[2]	Current Par/Share	Book Value	Market Price	Market Value	Accrued Interest	Yield to Worst[3]	Unrealized Gain/Loss
Certificates of Deposit	1.03%	107	107	0.22%	$ 69,363,000	$ 69,363,000	1.000	$ 69,363,000	$ 2,405	0.22%	$ 0
Commercial Paper	24.23	96	96	0.36	1,631,000,000	1,628,951,836	0.998	1,627,544,216	0	0.36	(1,407,621)
Fannie Mae	9.92	707	576	0.98	665,668,000	666,596,803	1.003	667,822,224	1,803,072	0.98	1,225,421
Federal Farm Credit Bank Notes	5.50	362	362	0.50	370,000,000	369,912,169	1.000	370,005,000	273,696	0.50	92,831
Federal Home Loan Bank Notes	15.91	381	329	0.61	1,065,050,000	1,069,278,030	1.004	1,069,673,200	3,001,930	0.61	395,170
Federal Home Loan Mortgage Corp Notes	7.61	842	498	1.04	510,000,000	511,540,734	1.006	512,855,312	1,321,962	1.03	1,314,579
Money Market Funds	1.86	1	1	0.19	125,122,000	125,122,000	1.001	125,227,000	18,805	0.19	105,000
Negotiable CD	20.68	115	115	0.41	1,390,000,000	1,390,003,749	1.000	1,390,000,000	1,273,011	0.41	(3,749)
Repurchase Agreements	0.32	1		0.01	21,722,750	21,722,750	1.000	21,722,750	0	0.01	0
Supranational	3.73	928	618	1.06	250,000,000	249,880,954	0.999	249,872,500	571,319	1.06	(8,454)
U.S. Treasury Notes	9.21	769	769	0.94	614,000,000	619,384,916	1.012	621,354,400	2,705,021	0.94	1,969,484
Totals for October 2015	100.00%	368	309	0.60%	$6,711,925,750	$6,721,756,941	1.002	$6,725,439,602	$10,971,221	0.60%	$ 3,682,661
Totals for September 2015	100.00%	334	296	0.58%	$6,442,998,089	$6,448,187,297	1.002	$6,456,480,043	$8,573,856	0.58%	$ 8,292,746
Change From Prior Month		34	13	0.02	$268,927,661	$273,569,643	(0.000)	$268,959,559	$2,397,365	0.02	$(4,610,084)
Portfolio Effective Duration	0.88 years										

	October Return	Annualized	Fiscal Year to Date Return	Annualized	Calendar Year to Date Return	Annualized
Book Value	0.068%	0.806%	0.212%	0.629%	0.462%	0.555%
Market Value	0.068%	0.805%	0.212%	0.628%	0.460%	0.552%

Source: The County.

(1) Yield to maturity (YTM) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the maturity date.

(2) Yield to call (YTC) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the call date.

(3) Yield to worst (YTW) is the lesser of yield to maturity or yield to call, reflecting the optionality of the bond issuer.

(4) Yields for the portfolio are aggregated based on the book value of each security.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) 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; and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district or community college district, but only if certain accountability measures are included in the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of *situs* among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, the voters through their approval of Proposition 111 amended Article XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, special district, authority or other political subdivision of the State (e.g. local governments) to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to a governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by or for the State, exclusive of certain State subventions for the use and operation of local government, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation of an entity of local government include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity and refunds of taxes. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments.

Article XIII B includes a requirement pursuant to which fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Article XVI of the State Constitution. In addition, fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years. Further, Article XIII B includes a requirement that all revenues received by an entity of government, other than the State, in a fiscal year and in the fiscal year immediately following it that exceed the amount which may be appropriated by that entity in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income from the preceding fiscal year, or (ii) the percentage change in the local assessment roll from the preceding fiscal year for the jurisdiction due to the addition of local nonresidential new construction. Pursuant to the Revenue and Taxation Code, the State's Department of Finance annually transmits to each city and each county an estimate of the percentage change in the population of the city or the county.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The Board of Supervisors adopted the annual appropriation limit for Fiscal Year 2015-16 of approximately $4.7 billion. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. Based on the Fiscal Year 2015-16 Adopted Budget, the funds subject to limitation total approximately $1.7 billion (total General Operating Budget minus non-proceeds of taxes and debt service) and are approximately $3.0 billion below the Article XIII B limit.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 62

Proposition 62 was adopted by the California voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes imposed for specific purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) required that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

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 county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. 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. 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 218

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the County, to impose and collect both existing and future taxes, assessments, fees and charges. The County is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal local taxes, assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the County does not presently believe that the potential impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to pay principal of and interest on the Series 2014 Certificates and perform its other obligations as and when due.

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

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the "Proposition 218 Omnibus Implementation Act"), which directed that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that are or will be deposited into the County's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or Proposition 218 Omnibus Implementation Act, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below.

Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The County is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the County would be able to pay the principal of and interest on the Series 2014 Certificates as and when due or any of its other obligations payable from the County General Fund.

Article XIII D added several requirements that generally made it more difficult for local agencies, such as the County, to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and the Proposition 218 Omnibus Implementation Act (as enacted in Government Code Section 53750) to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Article XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay the principal of and interest on the Series 2014 Certificates, as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency [subdivision (a) of Section 2 of Article XIII D defines an agency as any local government as defined in subdivision (b) of Section 1 of Article XIIIC] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new fees and charges and, after June 30, 1997, all existing property related fees and charges that are extended, imposed or increased must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance 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 of such property-related fee or charge, 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, 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 County, two-thirds voter approval by the electorate residing in the affected area. The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly, the County does not presently anticipate that any impact Article XIII D may have on future fees and charges will adversely affect the ability of the County to pay the principal of and interest on the Series 2014 Certificates as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the fees and charges that presently finance them are reduced or repealed.

The County has a clean water enterprise fund which is self-supporting from fees and charges that may ultimately be determined to be property related for purposes of Article XIII D of Proposition 218. Further, the fees and charges of the County's enterprise funds, including those which are not property related for purposes of Article XIII D of Proposition 218, may be determined to be fees and charges subject to the initiative power as provided in Article XIII C of Proposition 218, as described above. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the exercise of the initiative power, the County may have to choose whether to reduce or eliminate the service financed by such fees or charges or finance such service from its General Fund. Further, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would amend and supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See " – Proposition 22" below.

Proposition 22

Proposition 22 ("Proposition 22"), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See " – Proposition 1A" herein. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipates that Proposition 22 will require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The County does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2015-16.

Proposition 26

Proposition 26 ("Proposition 26"), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (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; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See " – Proposition 218") herein.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the County's fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 111, Proposition 1A, Proposition 62, Proposition 22, and Proposition 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, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

STATE OF CALIFORNIA BUDGET INFORMATION

State of California Budget Information

The following information concerning the State's budgets 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 the State budget may be found at the Department of Finance website, www.dof ca.gov, under the heading "California Budget." An impartial analysis of the State's budget is posted by the Legislative Analyst's Office (the "LAO") at www.lao.ca.gov. In addition, certain State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, emma.msrb.org. The information referred to on the website of the State Treasurer is prepared by the State and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2014-15

On June 20, 2014, the Governor approved the State Budget Act for Fiscal Year 2014-15 (the "2014-15 State Budget Act"), which projects Fiscal Year 2013-14 general fund revenues and transfers of $102.2 billion, total expenditures of $100.7 billion and a year-end surplus of $3.90 billion (inclusive of the $2.4 billion fund balance in the General Fund from fiscal year 2012-13), of which $955 million would be reserved for the liquidation of encumbrances and $2.95 billion would be deposited in a reserve for economic uncertainties. The 2014-15 State Budget Act projects Fiscal Year 2014-15 General Fund revenues and transfers of $105.5 billion, total expenditures of $108.0 billion and a year-end surplus of $1.40 billion (inclusive of the projected $3.90 million State General Fund balance as of June 30, 2014 which would be available for Fiscal Year 2014-15), of which $955 million would be reserved for the liquidation of encumbrances and $449 million would be deposited in a reserve for economic uncertainties. The 2014-15 State Budget Act projects that the State's multi-year budget will be balanced for the foreseeable future, but cautions that the unprecedented level of debts, deferrals, and budgetary obligations accumulated over the prior decade contribute to the State's fiscal challenges.

The Fiscal Year 2014-15 State Budget includes the constitutional amendment placed by the State Legislature on the November 2014 ballot proposing to change the formula by which the Rainy Day Fund is funded and to establish certain accounts therein. See "State Funding of Education – State Budget – Fiscal Year 2014-15 Proposed State Budget" and " – May Revision to the Proposed State Budget" herein. The Governor expects that the amendment, if approved by voters, will help the State minimize the volatility of future budgetary surplus and deficit cycles.

Features of the 2014-15 State Budget Act affecting counties in general include, but are not limited to, the following:

1. The 2014-15 State Budget Act continues to suspend all mandates suspended in the current year. The State estimates that it owes to counties, cities, and special districts approximately $900 million relating to mandate costs which were incurred prior to 2004. In accordance with State law, the State must repay such amounts by Fiscal Year 2020-21. The 2014-15 State Budget Act appropriates $100 million to local governments in Fiscal Year 2014-15. The State expects to allocate approximately 73% of this amount to counties, 25% to cities and 2% to special districts. The State expects that these amounts will be applied to fund local government services such as public safety and the implementation of the 2011 Public Safety Realignment. In addition, the 2014-15 State Budget Act provides that additional funds, in an amount not to exceed $800 million, will be provided if the State's estimated General Fund revenues for Fiscal Years 2013-14 and 2014-15 exceed the estimate set forth in the 2014-15 State Budget Act and sufficient moneys remain after payment of the Proposition 98 minimum guarantee for schools. The Fiscal Year

2. The 2014-15 State Budget Act includes an appropriation of approximately $351 million for loan repayments from the State's General Fund. The appropriation includes approximately $100 million for cities and counties for local streets and roads. The State expects that the majority of the remaining repayments will be allocated to pavement rehabilitation, maintenance projects on the State highway system and traffic management projects.

3. The 2014-15 State Budget Act estimates that in Fiscal Years 2011-12 and 2012-13 combined, cities received $620 million, counties receives $875 million, and special districts received $310 million in connection with the dissolution of redevelopment agencies in the State. The 2014-15 State Budget Act estimates that cities will receive approximately $593 million, counties will receive approximately $731 million and special districts will receive approximately $227 million in general purpose revenues in Fiscal Year 2013-14 and 2014-15 combined.

4. In connection with the State's water shortage, the 2014-15 State Budget Act notes that the State Legislature enacted emergency legislation in February 2014 to assist communities impact by the drought and improve management of water supplies. The State's legislation included, among other things, an allocation of approximately $549 million of bond proceeds for infrastructure grants for local and regional projects. In addition, the State has approved approximately $21 million of special funds and federal funds for the Department of Housing and Community Development and $25 million for the

Department of Social Services for housing assistance and food assistance, respectively, to individuals impacted by the drought.

State Budget for Fiscal Year 2015-16

On June 24, 2015, the Governor approved the State Budget Act for Fiscal Year 2015-16 (the "Fiscal Year 2015-16 State Budget Act"), which projects Fiscal Year 2014-15 State General Fund revenues and transfers of $116.9 billion (inclusive $5.6 billion in fund balance from Fiscal Year 2013-14), total expenditures of $114.5 billion and a year-end surplus of $2.4 billion, of which $971 million would be reserved for the liquidation of encumbrances and $1.4 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2015-16 State Budget Act projects Fiscal Year 2015-16 State General Fund revenues and transfers of $115.0 billion (inclusive $2.4 billion in fund balance from Fiscal Year 2014-15), total expenditures of $115.4 billion and a year-end surplus of $2.1 billion, of which $971 million would be reserved for the liquidation of encumbrances and $1.1 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2015-16 State Budget Act states that despite stronger revenues compared to the previous fiscal year, the State budget remains precariously balanced and the State continues to have hundreds of billions of dollars in liabilities for deferred maintenance on its aging infrastructure and for retiree health care benefits for State employees and various pension benefits.

Features of the Fiscal Year 2015-16 State Budget Act affecting counties in general include, but are not limited to, the following:

1. The Fiscal Year 2015-16 State Budget Act augments the $1.9 billion appropriated for drought response since 2014 with an additional $1.8 billion of one-time resources, including funding to for county and other local projects. Of the additional funding, $1.5 billion consists of funding from Proposition 1, which was approved by voters in November 2014 to provide up to $7.5 billion in bonds for water storage, water quality, flood protection and watershed protection and restoration projects ("Proposition 1"). The Proposition 1 projects will include programs to address groundwater contamination, water recycling, safe drinking water, wastewater treatment, storm water management, groundwater sustainability and desalination. The Fiscal Year 2015-16 State Budget Act also includes $117 million to fund urban water conservation programs, agricultural water efficiency programs and related technical assistance, data collection and applied research.

2. The Fiscal Year 2015-16 State Budget Act includes repayment to local governments of the final mandate reimbursements for activities completed in 2004 or earlier (totaling $765 million).

3. The Fiscal Year 2015-16 State Budget Act assumes an additional Medi-Cal caseload of 3.7 million individuals and costs of $16.9 billion related to the implementation of the Affordable Care Act, which will be paid from State and federal moneys, and includes $40 million in State General Fund moneys to expand the scope of Medi-Cal coverage to qualified low-income immigrants effective May 2016.

4. The Fiscal Year 2015-16 State Budget Act provides for $270 million in State General Fund moneys to pay for In-Home Supportive Services overtime (assuming the overtime provision is upheld by October 1, 2015) and includes a one-time State General Fund augmentation of $226 million in Fiscal Year 2015-16 to restore service hours.

Future State Budgets

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.

The County cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its 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. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control. See "County Financial Information – County's 2013-14 Adopted Budget and the Operational Plan" herein.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

San Diego County is the southernmost major metropolitan area in the State. San Diego County covers 4,261 square miles, extending 75 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange counties form the northern boundary. San Diego County is approximately the size of the State of Connecticut.

Topography of San Diego County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of San Diego County. The climate is equable in the coastal and valley regions where most of the population and resources are located. The average annual rainfall in the coastal areas is approximately 10 inches.

San Diego County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence.

PETCO Park, located in the City of San Diego, provides a 42,000 fixed seat baseball stadium for the San Diego Padres. PETCO Park is located in a 26-block neighborhood that contains existing and proposed hotels, office space, retail and housing units within walking distance from the San Diego Convention Center and the Gaslamp Quarter. The baseball stadium is also within walking distance of a Trolley station and nearby parking facilities.

The San Diego Convention Center includes 2.6 million total gross square feet and plans are in progress to expand the Convention Center into the nearby bayfront area. The expansion plans reportedly include an additional 80,000 square-feet ballroom, 101,000 square-feet of meeting room space and an additional 225,000 square-feet of exhibit space. The Convention Center generated approximately $1.3 billion in fiscal year 2012-13 in total economic impact (direct and indirect spending) and $19.2 million in total tax revenues.

San Diego County is also growing as a major center for culture and education. More than 30 recognized art organizations, including the San Diego Opera, the Old Globe Theatre productions, the La

Jolla Chamber Orchestra, as well as museums and art galleries, are located in San Diego County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

In addition to the City of San Diego, other principal cities in San Diego County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, La Mesa and National City. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas, principally planted in avocados and tomatoes, while the easternmost portion of San Diego County has a dry, desert-like topography.

The County is the delivery system for federal, state and local programs. The County provides a wide range of services to its residents including: (1) regional services such as courts, probation, medical examiner, jails, elections and public health; (2) health, welfare and human services such as mental health, senior citizen and child welfare services; (3) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated area, and law enforcement and libraries by contract to incorporated cities; and (4) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County. For information on County governance, see "THE COUNTY – GENERAL" herein.

Population

There are 18 incorporated cities in San Diego County, and several unincorporated communities. Table 22 below sets forth the population in San Diego County, the State and the United States for the years 2005 through 2015.

TABLE 22
POPULATION ESTIMATES
(In Thousands)
(Calendar Years 2005-2015)

Year	San Diego County[(1)]	Percent Change	State of California[(1)]	Percent Change	United States[(1)]	Percent Change
2005	2,970	0.23%	35,986	0.65%	296,410	0.9%
2006	2,983	0.43	36,247	0.73	299,398	1.0
2007	3,014	1.05	36,553	0.84	301,621	1.0
2008	3,051	1.23	36,856	0.83	304,060	0.9
2009	3,078	0.86	37,077	0.60	307,007	0.9
2010	3,095	0.55	37,254	0.65	309,347	0.8
2011	3,116	0.68	37,428	0.47	311,722	0.8
2012	3,128	0.39	37,681	0.68	314,112	0.8
2013	3,165	1.18	38,031	0.93	316,498	0.8
2014	3,192	0.85	38,357	0.86	318,857	0.7
2015	3,227	1.10	38,715	0.93	N/A	N/A

Sources: County and State Data – State of California Department of Finance; National Data – U.S. Bureau of the Census, Annual Population Estimates.

(1) As of July 1 of the year shown, except for 2015 data, which is as of January 1.

Employment

Table 23 below sets forth information regarding the size of the civilian labor force, employment and unemployment rates for San Diego County, the State and the United States for 2011 through 2015.

TABLE 23
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES 2011-2015[(1)]
By Place of Residence
(In Thousands)

	2011	2012	2013	2014	2015[(2)]
San Diego County					
Labor Force	1,582	1,594	1,590	1,546	1,564
Employment	1,424	1,453	1,470	1,447	1,492
Unemployment	159	142	120	99	72
Unemployment Rate	10%	9%	8%	6%	5%
State of California					
Labor Force	18,418	18,519	18,596	18,811	18,946
Employment	16,250	16,560	16,933	17,397	17,912
Unemployment	2,168	1,929	1,664	1,414	1,034
Unemployment Rate	12%	10%	9%	8%	6%
United States					
Labor Force	153,617	154,975	155,389	155,922	157,074
Employment	139,869	142,469	143,930	146,305	148,535
Unemployment	13,748	12,506	11,460	9,617	8,538
Unemployment Rate	9%	8%	7%	6%	5%

Sources: County and State Data – California Employment Development Department; National Data – U.S. Department of Labor, Bureau of Labor Statistics.
(1) Data is not Seasonally Adjusted.
(2) September 2015 Benchmark report; not seasonally adjusted.

The State of California Employment Development Department, Labor Market Information Division (the "EDD"), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the County in September 2015 was 1,564,600, of which approximately 72,300 persons were unemployed. Based on preliminary estimates of the EDD as of November 10, 2015, the County's unemployment rate in September 2015 of 4.6%, on a non-seasonally unadjusted basis, was below that of the State at 5.5%.

Table 24 below sets forth the annual average employment within San Diego County by employment sector, other than farm industries, for 2010 through 2014.

TABLE 24
SAN DIEGO COUNTY
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES 2010-2014
(In Thousands)

	2010	2011	2012	2013	2014
Employment Sector					
Mining and Logging	0.4	0.4	0.4	0.4	0.4
Construction	55.3	55.2	56.9	61.2	63.5
Manufacturing	92.9	93.1	94.3	94.6	96.4
Trade, Transportation and Utilities	197.3	200.8	207.7	212.3	214.8
Information	25.1	24.2	24.5	24.1	24.6
Financial Activities	67.2	67.5	70.1	71.4	70.5
Professional and Business Services	207.7	209.8	216.2	222.6	230.0
Educational and Health Services	159.5	162.8	170.4	179.3	186.9
Leisure and Hospitality	154.5	155.6	161.7	167.5	176.8
Other Services	46.1	47.6	49.1	49.2	52.3
Government	230.4	229.0	227.8	229.5	231.9
Total(1)	1,246.9	1,255.7	1,289.0	1,321.8	1,348.1

Source: California Employment Development Department, 2014 Benchmark.
(1) Reflects independent rounding.

Largest Employers

Table 25 below sets forth the ten largest employers in the County as of July 1, 2013.

TABLE 25
SAN DIEGO COUNTY
Ten Largest Employers
(As of July 1, 2013)

Employer	Description	Number of local employees
State of California	Administration of state functions, services, agencies	40,800
UC San Diego	Higher education, research, health care	27,832
Sharp HealthCare	Health care, hospitals, medical groups, health services and health plans	15,960
County of San Diego	Municipal, regional government services	15,667
Scripps Health	Hospitals, medical offices, clinics, home health services and ambulatory services	14,381
Qualcomm Inc.	Develops and delivers digital wireless communications products and services	13,400
City of San Diego	Municipal government, public agency	10,306
Kaiser Permanente	Nonprofit health maintenance hospital, outpatient medical, urgent care and medical offices	7,800
General Atomics (and affiliated companies)	Defense and energy systems services	7,668
UC San Diego Health System	Academic health system	6,132

Source: San Diego Business Journal Book of Lists (2014).

Regional Economy

Table 26 below sets forth San Diego County's Gross Domestic Product, which is an estimate of the value for all goods and services produced in the region, from 2010 through 2014.

TABLE 26
SAN DIEGO COUNTY
GROSS DOMESTIC PRODUCT
2010-2014

Year	Gross Domestic Product (In Millions)	Annual Percent Change Current Dollars San Diego
2010	$176.5	1.0%
2011	183.5	4.0
2012	193.1	5.3
2013	200.2	3.7
2014	206.8	3.3

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; reflects data as of September 23, 2015.

Economic activity and population growth in the local economy are closely related. Helping to sustain San Diego County's economy is the performance of three basic industries of the region, which consist of manufacturing, the military, and tourism.

Building Activity

Building permit valuation for both residential and non-residential construction in San Diego County in 2014 decreased relative to 2013 levels. Table 27 below sets forth the annual total building permit valuation and the annual new housing permit total from 2010 through 2014.

TABLE 27
COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2010-2014
(In Thousands)

	2010	2011	2012	2013	2014
Valuation:					
Residential	$ 974,485	$ 1,333,170	$ 1,609,782	$ 2,079,565	$ 1,818,853
Non-Residential	657,387	1,072,628	1,235,122	1,405,194	1,920,627
Total	$ 1,631,872	$ 2,405,798	$ 2,844,904	$ 3,484,759	$ 3,739,480
New Housing Units:					
Single Family	2,254	2,258	2,100	2,575	2,276
Multiple Family	1,092	3,129	4,319	5,807	4,327
Total	3,346	5,387	6,419	8,382	6,603

Source: Construction Industry Research Board and California Homebuilding Foundation.

Commercial Activity

Table 28 below sets forth the taxable sales in the County for calendar years 2010 through 2014.

TABLE 28
SAN DIEGO COUNTY
TAXABLE SALES
Calendar Years 2010 – 2014
(In Thousands)

Type of Business	2010	2011	2012	2013	2014[1]
Retail and Food Services:					
Motor Vehicle and Parts Dealers	$ 4,486,375	$ 5,059,516	$ 5,851,723	$ 6,355,973	$ 1,697,088
Furniture & Home Furnishings Stores	835,433	894,741	962,420	1,015,878	252,924
Electronics & Appliance Stores	1,266,563	1,315,328	1,261,183	1,297,063	310,047
Building Materials and Garden Equipment and Supplies	1,945,310	2,072,358	2,204,608	2,376,043	653,445
Food and Beverage Stores	1,943,969	2,010,404	2,087,821	2,179,811	574,662
Health & Personal Care Stores	789,760	869,965	876,663	915,651	229,112
Gasoline Stations	3,663,149	4,437,173	4,595,421	4,515,941	1,241,540
Clothing and Clothing Accessories Stores	2,769,897	2,988,756	3,208,810	3,425,325	846,110
Sporting Goods, Hobby, Book & Music Stores	995,179	1,009,226	1,003,947	1,031,505	236,851
General Merchandise Stores	4,381,526	4,528,053	4,695,436	4,784,812	1,140,258
Miscellaneous Store Retailers	1,384,312	1,433,298	1,473,767	1,539,376	392,550
Food Services and Drinking Places	4,873,578	5,214,419	265,508	556,994	164,867
Nonstore Retailers	140,437	152,055	5,665,929	5,954,220	1,621,571
Total Retail and Food Services	$29,475,489	$31,985,292	$34,153,236	$35,948,594	$9,361,026
All Other Outlets	12,148,147	13,105,090	13,793,799	14,348,737	3,871,862
Totals All Outlets	$41,623,636	$45,090,382	$47,947,035	$50,297,331	$13,232,889

Source: California State Board of Equalization, Taxable Sales in California.
(1) Based on Second Quarter Taxable Sales in California Report 2014.

Personal Income

Table 30 below sets forth the median household income for San Diego County, the State, and the United States between 2010 and 2014.

TABLE 29
MEDIAN HOUSEHOLD INCOME[1]
2010 through 2014

Year	San Diego County	California	United States
2010	59,923	57,708	50,046
2011	59,477	57,287	50,502
2012	60,330	58,328	51,371
2013	61,426	60,190	52,250
2014	66,192	61,933	53,657

Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.
(1) Estimated. In Inflation-adjusted dollars.

Foreclosures; Notices of Loan Default

As of the end of calendar year 2013, the number of foreclosures and notice of loan defaults issued in San Diego County have declined since 2008 and 2009 by 83% and 80%, respectively. For the three calendar years from 2011 through 2013, an average 51% of notices of loan default resulted in foreclosures and an average of 6% of all deeds recorded were foreclosures. The number of defaults and foreclosures in recent history have been attributed mainly to the prevalence of subprime home mortgage loans, which generally include a higher rate of interest than prime loans to compensate for the perceived increased credit risk of the borrower. The defaults and foreclosures on home mortgages have been offset by a variety of economic factors, including the growth in and diversification of the regional economy (see "Economic and Demographic Information – Regional Economy" herein.

Table 31 below sets forth information relating to notices of defaults and foreclosures in San Diego County for failure to pay mortgages from 2005 through ______, 2015.

TABLE 30
NOTICES OF DEFAULT AND FORECLOSURES
Calendar Years 2004 through 2014

Calendar Year	Notices of Default	Foreclosures
2005	5,080	559
2006	10,294	2,065
2007	22,194	8,416
2008	34,069	19,577
2009	38,308	15,487
2010	24,835	13,467
2011	22,101	12,216
2012	16,597	7,195
2013	7,614	3,236
2014(1)	2,467	1,007
2015	_____	_____

Source: County of San Diego Assessor/Recorder/County Clerk.
(1) Year-to-date figure as of ______, 2015.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately three miles northwest of the downtown area and sits on 614 acres. The facilities are owned and maintained by the San Diego County Regional Airport Authority and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 18 passenger carries and six cargo carriers. In addition to San Diego International Airport there are two naval air stations and eight general aviation airports located in San Diego County.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

Visitor and Convention Activity

The climate, proximity to Mexico, multiple maritime facilities, and various attractions such as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory contribute to a high level of visitor and convention business each year. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego Community Concourse.

San Diego's convention and visitor industry generated an estimated $22.1 billion in total tax revenues in 2015 according to an estimate by the San Diego Convention and Visitors Bureau (the "Visitors Bureau"). The Visitors Bureau also reported that the San Diego Convention Center events attracted more than 808,403 visitors and 70 out-of-town conventions and trade shows in 2015.

Military Economic Activity

Military and related defense spending are significant factors in the County's economy. The San Diego Military Economic Impact Study released by the San Diego Military Advisory Council in 2015 estimated that defense-related activities and spending generated an estimated $45 billion of gross regional product for the County in Fiscal Year 2014-15 and reported that the military sector was responsible for approximately 38,000 of the region's total jobs in calendar year 2015. The level of economic activity generated by this factor is expected to be affected by various federal consolidation and budget activities.

Education

Forty-two independent school districts provide educational programs for the elementary and secondary public school children in San Diego County. Each school system is governed by a locally elected board of education and administered by a superintendent or other chief administrative officer appointed by the board of education. In San Diego County there are three types of school districts: elementary, union high and unified. Elementary districts educate elementary students, union high districts educate for the most part secondary students, and unified districts educate both elementary and secondary students. There are currently 12 unified, 24 elementary and 6 union high school districts in San Diego County.

Community colleges in California are locally operated and administered two-year institutions of higher education. They offer Associates in Arts and Associates in Science degrees and have extensive vocational curricula. There are five community college districts in San Diego County with students at eleven campuses and numerous adult and community centers.

Among the institutions of higher education offering bachelors and graduate programs in metropolitan San Diego are San Diego State University, the University of California, San Diego, National University, the University of San Diego, Point Loma Nazarene University, California State University – San Marcos, Alliant International University, the University of Phoenix, Thomas Jefferson School of Law and California Western School of Law.

APPENDIX B

COUNTY OF SAN DIEGO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

BOOK-ENTRY SYSTEM

The following information concerning The Depository Trust Company ("DTC") and DTC's book-entry system has been obtained from sources that the County, the Authority and the Underwriters believe to be reliable. The County and the Authority make no representations as to the accuracy or completeness of such information. Further, the County and the Authority undertake no responsibility for and makes no representations as to the accuracy.

NEITHER THE COUNTY, THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2016A BONDS UNDER THE TRUST AGREEMENT; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2016A BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES 2016A BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2016A BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the Series 2016A Bonds. The Series 2016A Bonds will be issued as full-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 full-registered Series 2016A Bond certificate will be issued for each maturity of the Series 2016A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC 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. The information on such website is not incorporated by reference herein.

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

To facilitate subsequent transfers, all Series 2016A 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 Series 2016A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2016A Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2016A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County and the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2016A 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, the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the County, the Authority, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The County and the Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). DTC's procedures provide that upon receipt of a withdrawal request from an issuer, DTC will take the following actions: (1) DTC will issue an Important Notice notifying its participants of the receipt of a withdrawal request from the issuer reminding participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC; and (2) DTC will process withdrawal requests submitted by participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from the issuer. In that event, Series 2016A Bond certificates will be printed and delivered to DTC.

The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the County and the Authority believe to be reliable, but the County and the Authority take no responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2016A BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

APPENDIX E

FORM OF BOND COUNSEL OPINION

HDW-12/21/16

$[Principal Amount]
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY OPERATIONS CENTER)
SERIES 2016A

SERIES 2016A PURCHASE CONTRACT

[Pricing Date]

San Diego Regional Building Authority
c/o Finance and General Government Group
1255 Imperial Avenue, Suite 140
San Diego, CA 92101-2422

County of San Diego
Finance and General Government Group
1600 Pacific Highway
San Diego, CA 92101-2422

Ladies and Gentlemen:

Barclays Capital Inc., on behalf of itself and as Representative (the "Representative") of the underwriters listed in Exhibit A hereto (collectively, the "Underwriters"), offers to enter into this Series 2016A Purchase Contract (the "Series 2016A Purchase Contract") with you, the San Diego Regional Building Authority (the "Authority") and the County of San Diego, California (the "County"), for the purchase by the Underwriters of $[Principal Amount] aggregate principal amount of the San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A (the "Series 2016A Bonds").

This offer is made subject to written acceptance by the Authority and the County at or prior to 11:59 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the Authority and the County at any time prior to the acceptance hereof by the County. Upon such acceptance this Series 2016A Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the Authority, the County and the Underwriters.

Section 1. Purchase and Sale. Upon the terms and conditions and in reliance on the representations, warranties and agreements herein set forth, the Underwriters, jointly and severally, hereby agree to purchase, and the Authority and the County hereby agree to execute and direct Zions First National Bank (the "Trustee"), to authenticate and deliver to the Underwriters, all (but not less than all) of the $[Principal Amount] aggregate principal amount of the Series 2016A Bonds at the purchase price of $[Purchase Price] (representing the par amount of the Series 2016A Bonds, plus a net offering premium of [OIP] and less an Underwriters' discount of $[UWD]) (the "Purchase Price"). The Series 2016A Bonds shall be as described in the Official Statement and the Indenture (each as herein defined) and shall be executed, delivered and secured under and pursuant to an Indenture, dated as of February 1, 2016 (the "Indenture"), by and among the County, the Authority and the Trustee. The principal amounts, maturities and interest rates with respect to the Series 2016A Bonds are as set forth in Exhibit B hereto. The proceeds of the Series 2016A Bonds will be used to (i) refund the San Diego County Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project) Series 2009A (the "Refunded Bonds"), (ii) fund a reserve fund for the Series 2016A Bonds and (iii) pay certain costs of issuance incurred in connection with the Series 2016A Bonds.

To effect the refunding of the Refunded Bonds, the County intends to deposit into an escrow fund (the "Escrow Fund") to be held by Zions First National Bank (the "Escrow Agent") proceeds of the Series 2016A Bonds and certain available monies on deposit under the indenture pursuant to which the Refunded Bonds were issued. These amounts will be deposited pursuant to an escrow agreement, dated the date of issuance of the Series 2016A Bonds (the "Escrow Agreement"), by and between the County and the Escrow Agent, on the Closing Date to defease the Refunded Bonds. Amounts deposited with the Escrow Agent, together with interest thereon, will be applied to pay principal of and interest on the Refunded Bonds through February 1, 2019 and to redeem the balance of the Refunded Bonds on February 1, 2019.

The County will lease certain real property and all improvements thereon (the "Leased Property") to the Authority pursuant to a Site Lease, dated as of February 1, 2016 (the "Site Lease"), by and between the County and the Authority. The County will sublease the Leased Property from the Authority pursuant to a Facility Lease, dated as of February 1, 2016 (the "Facility Lease"), by and between the County and the Authority. Pursuant to an Assignment Agreement, dated as of February 1, 2016 (the "Assignment Agreement"), by and between the Trustee and the Authority, the Authority will assign to the Trustee, for the benefit of the Owners of the Series 2016A Bonds all of its right, title and interest in and to the Facility Lease, including the right to receive Base Rental Payments under the Facility Lease. Under the Facility Lease, in consideration for the use and occupancy of the Leased Property, the County has agreed to make certain payments designated as Base Rental Payments (the "Base Rental Payments") and certain other payments designated as Additional Rentals with respect to the Leased Property, in the amounts, at the times and in the manner set forth in the Facility Lease.

The execution and delivery of the Indenture, and the issuance of Series 2016A Bonds and certain matters relating thereto have been authorized by a resolution of the Authority dated [Authority Resolution Date] (the "Authority Resolution") and a resolution of the County dated [County Resolution Date] (the "County Resolution"), and the Series 2016A Bonds shall be as described in, and shall be secured under and pursuant to, the Indenture. This Series 2016A Purchase Contract, the Indenture, the Site Lease, the Facility Lease, the Escrow Agreement and the Continuing Disclosure Agreement, dated as of February 1, 2016 (the "Continuing Disclosure Agreement"), by and between the County and Digital Assurance Certification, L.L.C., are referred to collectively herein as the "County Legal Documents". This Series 2016A Purchase Contract, the Indenture, the Site Lease, the Facility Lease, the Assignment Agreement and the Series 2016A Bonds are referred to collectively herein as the "Authority Legal Documents". The County Legal Documents and the Authority Legal Documents are referred to collectively herein as the "Legal Documents". Capitalized terms not otherwise defined herein shall have the meanings as defined in the Indenture.

Section 2. Delivery of the Official Statement and Other Documents.

(a) The County and the Authority agree to cause to be delivered to the Underwriters electronic copies of the Official Statement relating to the Series 2016A Bonds, signed on behalf of the Authority by a duly authorized officer of the Authority and on behalf of the County by the Chief Financial Officer of the County or any other duly authorized officer of the County, in order facilitate the Underwriters' compliance with Rule 15c2-12(b)(4) promulgated by the U. S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), and the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The County and the Authority agree to deliver such Official Statements within seven (7) business days after the execution hereof, and no later than three (3) business days prior to the date of Closing, provided, however, that failure by the County and the Authority to so deliver such Official Statements due to any action or failure to act of the Underwriters or their counsel shall not constitute a breach hereunder. The County and the Authority hereby ratify and consent to the use by the Underwriters, prior to the date hereof, of the Preliminary Official Statement (herein defined).

(b) The County and the Authority has previously authorized the approval of the Official Statement by execution thereof by a duly authorized officer of the County and an authorized officer of the Authority. By execution of this Purchase Contract, the County and the Authority confirm that the Preliminary Official Statement dated [POS Date] with respect to the Series 2016A Bonds (together with the appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto, the "Preliminary Official Statement") was deemed final for purposes of the Rule. The County represents that the information (excluding the statements and information under the caption "Book-Entry System," and in Appendix D – "Book-Entry System" and any information relating to the Underwriters provided by the Underwriters in writing for inclusion in the Preliminary Official Statement) contained in the Preliminary Official Statement was as of its date, and is as of the date hereof, true and correct in all material respects and such information did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Authority represents that the information relating to the Authority in the Preliminary Official Statement was as of its date, and is as of the date hereof, true and correct in all material respects and such information did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Preliminary Official Statement, with such changes and amendments as are mutually agreed to by the County, the Authority and the Representative, including the cover page, inside cover page, the appendices and all information incorporated therein by reference, is herein referred to as the "Official Statement".

(c) The Representative shall give notice to the County and the Authority on the date after which no participating underwriter, as such term is defined in the Rule, remains obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule.

(d) Prior to the earlier of (i) receipt of notice from the Representative pursuant to Section 2(c) hereof that Official Statements are no longer required under the Rule or (ii) 25 days after the Closing (as hereinafter defined), but not thereafter, the County and the Authority shall provide the Representative with such information regarding the County and the Authority, its current financial condition and ongoing operations as the Representative may reasonably request.

Section 3. The Closing. At 8:00 a.m., California Time, on [Closing Date], or at such other time or on such earlier or later date as the County and the Representative mutually agree upon, the Authority and the Trustee will deliver or cause to be delivered to the Representative the Series 2016A Bonds in book-entry form through or otherwise in care of the facilities of The Depository Trust Company, New York, New York ("DTC"), duly executed and authenticated, and the other documents hereinafter mentioned shall be delivered at the offices of Orrick, Herrington & Sutcliffe LLP in Los Angeles, California, or at such other location as shall have been mutually agreed upon by the Authority and the Representative. Subject to the terms and conditions hereof, the Underwriters will accept delivery of the Series 2016A Bonds and pay the Purchase Price thereof by federal funds to the order of the Trustee in an amount equal to the Purchase Price as set forth in Section 1 hereof (such delivery of and payment for the Series 2016A Bonds is herein called the "Closing").

Section 4. Public Offering. The Underwriters agree to make a bona fide public offering of all of the Series 2016A Bonds at the initial offering prices set forth in Exhibit B hereto. The Underwriters reserve the right to change such initial public offering prices or yields as the Underwriters deem necessary following the initial public offering period in connection with the marketing of the Series 2016A Bonds. The County and the Authority hereby authorize the Underwriters to use the forms or copies of the County Legal Documents and the Authority Legal Documents and the Official Statement and the information contained therein in connection with the public offering and sale of the Series 2016A Bonds. The County and the Authority hereby ratify and confirm their authorization of the distribution and use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering and sale of the Series 2016A Bonds.

Section 5. Liquidated Damages. In the event that the Underwriters fail (other than for a reason permitted by this Series 2016A Purchase Contract) to accept and pay for the Series 2016A Bonds at the Closing, the amount of 1% of the principal amount of the Series 2016A Bonds shall be full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters, and the acceptance of such amount shall constitute a full release and discharge of all claims and rights of the Trustee, the Authority and the County against the Underwriters. Full payment for liquidated damages shall be made in Clearinghouse funds within two business days of the day on which the Underwriters failed (other than for a reason permitted by this Series 2016A Purchase Contract) to accept and pay for the Series 2016A Bonds.

Section 6. County Representations, Warranties and Agreements. The County represents and warrants to the Underwriters as follows:

(a) Due Organization and Operation; Legal, Valid and Binding Obligations. The County is a political subdivision of the State of California duly organized and operating pursuant to the Constitution and laws of the State of California and has all necessary power and authority to adopt the County Resolution, execute, deliver and perform its obligations under the Series 2016A Bonds, and to enter into and perform its duties under the County Legal Documents. The

County Resolution has been adopted and has not been rescinded, and the County Legal Documents, when executed and delivered by the respective parties thereto, will constitute legal, valid and binding obligations of the County enforceable against the County in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(b) No Conflict. The adoption of the County Resolution and the execution and delivery of the County Legal Documents, and compliance with the provisions thereof, will not in any material respect conflict with, or constitute a breach of or default under, the County's duties under the County Legal Documents, the County Resolution or any law, administrative regulation, court decree, resolution, by-laws or other agreement to which the County is subject or by which it or any of its property is bound.

(c) No Consents Required. After due inquiry, except as may be required under blue sky or other securities laws of any state, or with respect to any permits or approvals heretofore received which are in full force and effect or the requirement for which is otherwise disclosed in the Official Statement, there is no consent, approval, authorization or other order of, or filing with, or certification by, any governmental authority, board, agency or commission or other regulatory authority having jurisdiction over the County, other than the approval and authorization of the Board of Supervisors of the County (the "Board of Supervisors"), required for the adoption of the County Resolution and execution and delivery of the County Legal Documents or the consummation by the County of the other transactions contemplated by the Series 2016A Bonds, the Official Statement, the County Resolution or the County Legal Documents.

(d) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the knowledge of the County, threatened against the County (i) to restrain or enjoin the delivery of the Series 2016A Bonds or the payments to be made pursuant to the Facility Lease; (ii) in any way contesting or affecting the validity of the County Legal Documents, the County Resolution or the Series 2016A Bonds; (iii) contesting the powers of the County to enter into or perform its obligations under any of the foregoing; (iv) contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes; or (v) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto.

(e) Official Statement Correct and Complete. The information (excluding the statements and information under the caption "Book-Entry System," and in Appendix D – "Book-Entry System" and any information relating to the Underwriters provided by the Underwriters in writing for inclusion in the Official Statement) contained in the Official Statement is as of the date hereof, and will be as of the Closing Date, true and correct in all material respects and such information does not and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Blue Sky Cooperation. The County agrees to cooperate with the Representative in endeavoring to qualify the Series 2016A Bonds for offering and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Representative may request; provided, however, that the County shall not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified.

(g) Due Approval of Official Statement Distribution. By official action of the County prior to or concurrently with the execution hereof, the County has duly approved the distribution of the Preliminary Official Statement and the Official Statement, has duly adopted the County Resolution and has duly authorized and approved the execution and delivery of, and the performance by the County of the obligations on its part contained in, the County Legal Documents and the consummation by it of all other transactions contemplated by the Official Statement and the County Legal Documents.

(h) No Breach or Default. Except as described in the Official Statement, the County is not in breach of or in default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution agreement or other instrument to which the County is a party or is otherwise subject which breach or default would have a material and adverse impact on the County's ability to perform its obligations under the Series 2016A Bonds or the County Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(i) Agreement to Notify Representative Regarding Official Statement. The County will advise the Representative promptly of any proposal to amend or supplement the Official Statement and will not effect any such amendment or supplement without the consent of the Representative. The County will advise the Representative promptly of the institution of any proceedings known to it seeking to prohibit or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Series 2016A Bonds.

(j) Agreement to Amend Official Statement. If at any time from the date hereof to and including 25 days after the end of the underwriting period in the reasonable opinion of the Representative, the Official Statement as then amended or supplemented includes an untrue statement of a material fact, or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County will prepare an amendment or supplement to the Official Statement in form and substance satisfactory to the Representative; provided that all expenses thereby incurred (including printing expenses) will be paid for by the County.

Unless otherwise notified in writing by the Representative on or prior to the date of Closing, the County may assume that the "end of the underwriting period" for the Series 2016A Bonds for all purposes of the Rule under the Securities and Exchange Act of 1934, as amended, is the date of Closing. In the event such notice is given in writing by the Representative, the Representative agrees to notify the County in writing following the occurrence of the "end of the underwriting period" as defined in the Rule for the Series 2016A Bonds. The "end of the underwriting period" as used in this Series 2016A Purchase Contract shall mean the date of Closing or such later date as to which notice is given by the Representative in accordance with the preceding sentence.

(k) Amendments to Official Statement Correct and Complete. If the information contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date 25 days after the end of the underwriting period, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will be true and correct in all material respects and such information will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the information therein, in the light of the circumstances under which it was made, not misleading. If at any time prior to the earlier of (i) receipt of notice from the Representative pursuant to Section 2(c) hereof that Official Statements are no longer required to be delivered; and (ii) 25 days after the end of the underwriting period, any event occurs with respect to the County as a result of which the Official Statement as then amended or supplemented might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall promptly notify the Representative in writing of such event. Any information supplied by the County for inclusion in any amendment or supplement to the Official Statement will not contain any untrue or misleading statement of a material fact relating to the County or omit to state any material fact relating to the County necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no representation and warranty is made concerning statements and information under Appendix D – "Book-Entry System" and any information relating to the Representative provided by the Representative in writing for inclusion in the Official Statement.

(l) No Default. The County represents that it is not, and has not been at any time, in default as to principal or interest with respect to any indebtedness for borrowed money issued or guaranteed by it.

(m) Agreement to Preserve Tax Exemption. The County covenants that it will not take any action which would cause interest with respect to the Series 2016A Bonds to be subject to federal income taxation or California personal income taxes (other than to the extent the Series 2016A Bonds will be subject to federal income taxation as described under the caption "Tax Matters" in the Official Statement).

(n) County Financial Statements. The financial statements of, and other financial information regarding, the County in the Official Statement fairly present the financial condition and results of the operations of the County as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles as consistently applied.

(o) Continuing Disclosure Compliance. The County has complied in all material respects during the previous five years with its continuing disclosure obligations in accordance with the Rule.

Section 7. Authority Representations, Warranties and Agreements. The Authority represents and warrants to the Underwriters as follows:

(a) Due Organization and Existence; Legal, Valid and Binding Obligations. The Authority is a joint powers authority, duly organized and validly existing under that certain joint exercise of powers agreement (the "Joint Powers Agreement") by and between the County and the San Diego Metropolitan Transit System Board, and the Constitution and the laws of the State of California and has all necessary power and authority to adopt the Authority Resolution and enter into and perform its duties under the Authority Legal Documents, the Authority Resolution has been adopted and has not been rescinded, and the Authority Legal Documents, when executed and delivered by the respective parties thereto, will constitute legal, valid and binding obligations of the Authority in accordance with their respective terms except as enforcement against the Authority may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(b) No Conflict. The adoption of the Authority Resolution and the execution and delivery of the Authority Legal Documents and compliance with the provisions thereof, will not in any material respect conflict with, or constitute a breach of or default under, the Authority's duties under the Authority Legal Documents, the Authority Resolution or any law, administrative regulation, court decree, resolution, charter, by-laws or other agreement to which the Authority is subject or by which it or any of its property is bound.

(c) No Consents Required. Except as may be required under blue sky or other securities laws of any state, or except with respect to any permits or approvals heretofore received which are in full force and effect or the requirement for which is otherwise disclosed in the Official Statement, there is no consent, approval, authorization or other order of, or filing with, or certification by, any governmental authority, board, agency or commission or other regulatory authority having jurisdiction over the Authority, required for the adoption of the Authority Resolution and the execution, delivery and sale of the Series 2016A Bonds or the consummation by the Authority of the other transactions contemplated by the Official Statement, the Authority Resolution or the Authority Legal Documents.

(d) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or to the knowledge of the Authority, threatened against the Authority (i) to restrain or enjoin the delivery of the Series 2016A Bonds, or the assignment of the payments to be made pursuant to the Assignment Agreement; (ii) in any way contesting or affecting the validity of the Authority Legal Documents, the Authority Resolution or the Series 2016A Bonds; (iii) contesting the powers of the Authority to enter into or perform its obligations under any of the foregoing; or (iv) contesting the exclusion from gross income of interest on the Series 2016A Bonds for federal income tax purposes.

(e) Official Statement Correct and Complete. The information relating to the Authority, its functions, duties and responsibilities contained in the Official Statement is, true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Blue Sky Cooperation. The Authority agrees to cooperate with the Representative in endeavoring to qualify the Series 2016A Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Representative may request; *provided, however,* that the Authority shall not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified.

(g) Due Approval of the Official Statement Distribution. By official action of the Authority prior to or concurrently with the execution hereof, the Authority has duly approved the distribution of the Preliminary Official Statement and the Official Statement, has duly adopted the Authority Resolution and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Authority Legal Documents and the consummation by it of all other transactions contemplated by the Official Statement, the Authority Resolution and the Authority Legal Documents.

(h) No Breach or Default. The Authority is not in breach of or in default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject which breach or default would have a material and adverse impact on the Authority's ability to perform its obligations under the Authority Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(i) Agreement to Notify Underwriters Regarding Official Statement. The Authority will advise the Underwriters promptly of any proposal to amend or supplement the Official Statement and will not effect any such amendment or supplement without the consent of the Underwriters. The Authority will advise the Underwriters promptly of the institution of any proceedings known to it seeking to prohibit or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Series 2016A Bonds.

(j) Agreement to Amend Official Statement. If at any time from the date hereof to and including 25 days after the end of the underwriting period described below when, in the opinion of the Representative, an amendment or supplement to the Official Statement should be delivered in connection with the offer or sale of the Series 2016A Bonds, any event occurs, of which the Authority has knowledge, as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority will prepare an amendment or supplement to the Official Statement in form and substance satisfactory to the Representative;

provided that all expenses thereby incurred (including printing expenses) will be paid for by the County.

(k) Amendments to Official Statement Correct and Complete. If the information relating to the Authority, its function, duties and responsibilities contained in the section captioned "The Authority" in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date twenty-five days after the end of the underwriting period, the portions of the Official Statement so supplemented or amended will be true and correct in all material respects and such information will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the information therein, in the light of the circumstances under which it was made, not misleading.

(l) Agreement to Preserve Tax Exemption. The Authority covenants that it will not take any action which would cause interest with respect to the Series 2016A Bonds to be subject to federal income taxation or California personal income taxes (other than to the extent the Series 2016A Bonds will be subject to federal income taxation as described under the caption "Tax Matters" in the Official Statement).

Section 8. Underwriters' Representations, Warranties and Agreements. The Underwriters represent, warrant to and agree with the County that, as of the date of hereof and as of the Closing Date:

(a) The execution and delivery hereof and the consummation of the transactions contemplated hereby do not and will not violate any of the prohibitions set forth in Rule G-37 promulgated by the MSRB;

(b) All reports required to be submitted to the MSRB pursuant to Rule G-37 have been and will be submitted to the MSRB; and

(c) The Underwriters have not paid or agreed to pay, nor will they pay or agree to pay, any entity, company, firm, or person, other than a bona fide officer, agent or employee working for the Underwriters, any compensation, fee, gift or other consideration contingent upon or resulting from the award of or entering into this Series 2016A Purchase Contract.

Section 9. Conditions to the Obligations of the Underwriters. The Underwriters have entered into this Series 2016A Purchase Contract in reliance upon the representations, warranties and agreements of the County and the Authority contained herein, the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing, the performance by the County and the Authority of their respective obligations hereunder, and the opinions of Orrick, Herrington & Sutcliffe LLP in Los Angeles, California ("Bond Counsel"), counsel to the Trustee, counsel to the County, counsel to the Authority and counsel to the Underwriters described hereafter. Accordingly, the Underwriters' obligations under this Series 2016A Purchase Contract to purchase, to accept delivery of and to pay for the Series 2016A Bonds shall be conditioned upon and subject to (i) the performance by the County, the Authority and the Trustee of their respective obligations to be performed hereunder and under such documents and instruments as shall reasonably be requested by the Representative or counsel to the Underwriters at or prior to the Closing and (ii) the accuracy in all material respects, in the reasonable judgment of the Underwriters, of the representations and warranties of the County and the Authority herein and shall also be subject to the following additional conditions:

(a) Bring-down of Representations. The representations, warranties and agreements of the County and the Authority contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing.

(b) Authorization, Execution and Delivery of Documents. At the Closing, the County Legal Documents, the Authority Legal Documents, the Series 2016A Bonds and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto and the County Resolution and the Authority Resolution shall have been duly adopted, in substantially the forms heretofore submitted to the Representative, with only such changes as shall have been agreed to in writing by the Representative, and said agreements and resolutions shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Representative, and each shall be in full force and effect.

(c) No Amendment of Official Statement. At the Closing, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Representative.

(d) No Material Adverse Change. At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the operations of the County and the Authority, from that set forth in the Official Statement, that makes it, in the reasonable judgment of the Representative, impracticable to market the Series 2016A Bonds on the terms and in the manner contemplated by the Official Statement.

(e) Marketability Adversely Affected. In the judgment of the Representative, between the date hereof and the Closing, the marketability of the Series 2016A Bonds at the initial offering prices set forth on Exhibit B attached hereto shall not have been materially adversely affected by reason of any of the following:

(1) Legislation, Judicial Decisions or Rulings. An amendment to the Constitution of the United States or the Constitution of the State of California shall have been passed or legislation enacted, introduced in the Congress or in the legislature of the State of California or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) Regarding Federal Tax Exemption – by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon payments of the general character of the Base Rental Payments as would be received by the Trustee or upon such interest as would be received by the Owners of the Series 2016A Bonds; or

(ii) Regarding State Tax Exemption – by or on behalf of the State of California or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of imposing California personal income taxation upon payments of the general character of the Base Rental Payments as would be received by the Trustee or upon such interest as would be received by the Owners of the Series 2016A Bonds; or

(iii) Regarding Federal or State Tax Rates – by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or by or on behalf of the State of California or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of changing the federal or State of California income tax rates, respectively; or

(iv) Regarding Securities Registration Exemption – by or on behalf of the U.S. Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter, to the effect that obligations of the general character of the Series 2016A Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended (the "Act"), or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(2) War. The United States' engagement, alone or as a participant, in an outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis the effect of which in the Representative's reasonable judgment makes it impracticable or impossible to proceed with the solicitation of offers to purchase the Series 2016A Bonds on the terms and in the manner contemplated by the Official Statement;

(3) Banking Moratorium. The declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) Securities Exchange Restrictions. Trading generally shall have been suspended or materially limited on or by the New York Stock Exchange or other national securities exchange, or the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Series 2016A Bonds or obligations of the general character of the Series 2016A Bonds, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters;

(5) Regarding Federal Securities Laws. An order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Series 2016A Bonds, or the execution, delivery, offering or sale of the Series 2016A Bonds, including any or all underlying obligations, as contemplated hereby or

by the Official Statement, is or would be in violation of any federal securities law as amended and then in effect;

(6) Official Statement Untrue or Incomplete. Any event occurring, or information becoming known which, in the reasonable judgment of the Representative, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(7) Certain Amendments to the Official Statement. An event described in Paragraph 6(j) hereof occurs prior to the Closing which, in the reasonable judgment of the Representative, requires or has required a supplement or amendment to the Official Statement; or

(8) Action by Rating Agencies. Any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal, of any rating by Moody's Investors Service ("Moody's"), Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P"), or Fitch Ratings ("Fitch") of any obligations of the County (excluding obligations for which the County acts merely as a conduit issuer) including the Series 2016A Bonds.

(f) At or prior to the Closing, the Representative shall have received the following documents, in each case satisfactory in form and substance to them and their counsel:

(1) Opinion of Bond Counsel. The approving opinion of Bond Counsel in substantially the form included as Appendix E to the Official Statement, dated the date of Closing, addressed to the County and the Underwriters (or a reliance letter to the Underwriters);

(2) Supplementary Opinion of Bond Counsel. A supplementary opinion of Bond Counsel in form and substance satisfactory to the Underwriters, dated the date of Closing, addressed to the County and the Underwriters to the effect that:

(i) Specified Sections of the Official Statement Correct and Complete – the statements contained in the Official Statement under the captions "The Series 2016A Bonds," "Security and Sources of Payment for the Series 2016A Bonds" (except for any information relating to DTC and its book-entry system), and "Tax Matters" and in Appendix C – "Summary of Principal Legal Documents" excluding any material that may be treated as included under such captions by cross-reference insofar as such statements expressly summarize certain provisions of the Series 2016A Bonds, the Indenture, the Site Lease, the Facility Lease, and the opinion of such counsel concerning certain federal tax matters relating to the Series 2016A Bonds, are accurate in all material respects;

(ii) Due Execution and Delivery; Valid and Binding Agreements – the Series 2016A Purchase Contract has been duly executed and delivered by the County and (assuming due authorization, execution and delivery against the other parties thereto) is a valid and binding agreement of the County, except as limited by bankruptcy, insolvency, 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, and except for any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained therein; and

(iii) Securities Registration Exemption – the Series 2016A Bonds are not subject to the registration requirements of the Act and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(3) Opinion of County Counsel. An opinion of County Counsel, dated the date of Closing, in form and substance satisfactory to the Underwriters, addressed to the County, the Trustee and the Representative, to the effect that:

(i) Due Organization and Existence – the County is a political subdivision of the State of California duly organized and validly existing under the Constitution and the laws of the State of California;

(ii) Due Adoption – the County Resolution approving and authorizing the execution and delivery of the County Legal Documents and approving the Official Statement was duly adopted at a meeting of the Board of Supervisors of the County which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) No Litigation – except as disclosed in the Official Statement, there is no action, suit or proceeding pending or, to the best knowledge of such Counsel, threatened against the County to (i) restrain or enjoin the execution or delivery of any of the Series 2016A Bonds or the County Legal Documents, (ii) in any way contesting or affecting the validity of the Series 2016A Bonds, the County Legal Documents, the County Resolution or the authority the County to enter into the County Legal Documents, or (iii) in any way contesting or affecting the powers of the County in connection with any action contemplated by the Official Statement, the County Resolution or the County Legal Documents;

(iv) No Conflict – the execution and delivery of the County Legal Documents, the adoption of the County Resolution, the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the County is subject;

(v) Due Authorization, Execution and Delivery; Legal, Valid and Binding Agreements – the County Legal Documents have been duly authorized, executed and delivered by the County, and, assuming due authorization, execution and delivery by the other parties thereto constitute legal, valid and binding agreements of the County enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies imposed on actions against counties in the State of California;

(vi) No Consents Required – Official Statement, County Legal Documents – no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California other than the County Board of Supervisors, is required for the valid authorization, execution and delivery of the County Legal Documents and the approval of the Official Statement; and

(vii) Official Statement – based upon examinations which he has made and his discussions in conferences with certain officials of the County and others with respect to the Official Statement and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices attached thereto), nothing has come to his attention which would lead him to believe that the Official Statement (other than financial and statistical data therein and incorporated therein by reference, and other than information relating to the DTC Book-Entry System, as to which no opinion need be expressed) as of its date and as of the date of Closing, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(4) Opinion of Counsel to the Authority. An opinion of counsel to the Authority (which may be counsel to the County), dated the date of Closing, in form and substance satisfactory to the Underwriters, addressed to the County, the Trustee and the Underwriters, to the effect that:

(i) Due Organization and Existence – the Authority is a joint powers authority, duly organized and validly existing under the Joint Powers Agreement and the Constitution and the laws of the State of California;

(ii) Due Adoption – the Authority Resolution was duly adopted at a meeting of the Board of Commissioners of the Authority, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) No Litigation – except as disclosed in the Official Statement, there is no action, suit or proceeding pending or, to the best of the undersigned's knowledge, threatened against the Authority to (i) restrain or enjoin the execution or delivery of any of the Series 2016A Bonds or the Authority Legal Documents, (ii) in any way contesting or affecting the validity of the Series 2016A Bonds, the Authority Legal Documents, the Authority Resolution or the authority the Authority to enter into the Authority Legal Documents, or (iii) in any way contesting or affecting the powers of the Authority in connection with any action contemplated by the Official Statement, the Authority Resolution or the Authority Legal Documents;

(iv) No Conflict – the execution and delivery of the Authority Legal Documents, the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject;

(v) Due Authorization, Execution and Delivery; Legal, Valid and Binding Agreements – the Authority Legal Documents have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the other parties thereto constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies imposed on actions against counties in the State of California;

(vi) No Consents Required – Official Statement, Authority Legal Documents – no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California other than the Board of Commissioners of the Authority, is required for the valid authorization, execution and delivery of the Authority Legal Documents and the approval of the Official Statement; and

(vii) Official Statement – based upon examinations which he has made and his discussions in conferences with certain officials of the Authority and others with respect to the Official Statement and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices attached thereto), nothing has come to his attention which would lead him to believe that Official Statement (other than financial and statistical data therein and incorporated therein by reference, and other than information relating to the DTC Book-Entry System, as to which no opinion need be expressed) as of the date of the Official Statement and as of the date of Closing, contained or contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no opinion is expressed concerning statements and information relating to DTC and its book-entry system;

(5) Opinion of Trustee's Counsel. An opinion of counsel to the Trustee, dated the date of Closing, in form and substance satisfactory to the Underwriters, addressed to the County, the Trustee and the Underwriters, to the effect that:

(i) Due Organization and Existence – the Trustee is a national banking association duly incorporated and validly existing under the laws of the United States of America, having full power and being qualified to enter into and to perform its duties as Trustee under the Indenture and the Assignment Agreement; and

(ii) Due Authorization, Execution and Delivery – the Indenture and the Assignment Agreement have been duly authorized, executed and delivered by the Trustee and assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the Trustee enforceable in accordance with their respective terms;

(6) Opinion of Disclosure Counsel. The opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, dated the date of Closing and addressed to the County and the Authority, with a reliance letter to the Underwriters, in the form attached hereto as Exhibit C.

(7) Opinion of Underwriters' Counsel. The opinion of Katten Muchin Rosenman LLP, New York, New York, counsel for the Underwriters, dated the date of Closing and addressed to the Underwriters, in form and substance satisfactory to the Representative;

(8) County No Litigation Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the County satisfactory in form and substance to the Representative and counsel to the Underwriters, to the effect that, no action, suit or proceeding is pending or, to the best of his or her knowledge, threatened against the County (a) to restrain or enjoin the execution or delivery of any of the Series 2016A Bonds or the County Legal Documents, the County's obligations under the County Resolution or the payment of Base Rental Payments and Additional Payments under the Facility Lease, (b) in any way contesting or affecting the validity of the Series 2016A Bonds, the County Legal Documents, the County Resolution or the authority of the County to enter into the County Legal Documents, or (c) in any way contesting or affecting the powers of the County in connection with any action contemplated by the Official Statement, the County Resolution or this Purchase Contract;

(9) Authority No Litigation Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the Authority satisfactory in form and substance to the Representative and counsel to the Underwriters, to the effect that, no action, suit or proceeding is pending or to the best of his or her knowledge threatened against the Authority (a) to restrain or enjoin the execution or delivery of any of the Series 2016A Bonds or the Authority Legal Documents, the Authority obligations under the Authority Resolution or the payment of Base Rental Payments and Additional Payments under the Facility Lease, (b) in any way contesting or affecting the validity of the Series 2016A Bonds, the Authority Legal Documents, the Authority Resolution or the authority of the Authority to enter into the Authority Legal Documents, (c) in any way contesting or affecting the powers of the Authority in connection with any action contemplated by the Official Statement, the Authority Resolution or this Purchase Contract, or (d) in any way materially affecting the ability of the Authority to lease the Leased Property to the County pursuant to the Facility Lease;

(10) Legal Documents. Two copies of certified transcripts of the record of proceedings relating to the Series 2016A Bonds;

(11) Official Statement. Two (2) copies of the Official Statement;

(12) Trustee Resolution. Two (2) certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Series 2016A Bonds and the Legal Documents to which the Trustee is a party;

(13) Trustee's Representations, Warranties and Agreements. A certificate of the Trustee dated the date of Closing that as of the date of Closing:

(i) Due Organization and Existence – the Trustee is duly organized and existing as a national banking association under the laws of the United States of America, in good standing under the laws of the State, and has the full power and authority to enter into and perform its duties under the Legal Documents to which the Trustee is a party and to execute and deliver the Series 2016A Bonds to the Representative pursuant to the terms of the Indenture;

(ii) Due Authorization; Valid and Binding Obligations – the Trustee is duly authorized to enter into the Legal Documents to which it is a party;

(iii) No Conflict – the execution and delivery by the Trustee of the Legal Documents to which the Trustee is a party, and compliance with the terms thereof, will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, which conflict breach or default would materially adversely affect the ability of the Trustee to perform its obligations under the Legal Documents to which the Trustee is a party or (except with respect to the lien of the Indenture) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee;

(iv) Consents – exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's authority to perform a trust business (all of which routine filing, to the best of the Trustee's knowledge, have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Legal Documents to which the Trustee is a party or the execution and delivery of the Series 2016A Bonds; and

(v) No Litigation – to the best of the Trustee's knowledge, there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to, the transactions contemplated by the Series 2016A Bonds, the Indenture and the Assignment Agreement;

(14) Resolutions. A certified copy of the resolution adopted by the County Resolution and a certified copy of the Authority Resolution;

(15) County Bring-Down and Permit Certificate. A certificate of an authorized officer of the County, dated the date of Closing, confirming as of such date the representations and warranties of the County contained in this Series 2016A Purchase Contract;

(16) Authority Bring-Down and Permit Certificate. A certificate of an authorized officer of the Authority, dated the date of Closing, confirming as of such date the

representations and warranties of the Authority contained in this Series 2016A Purchase Contract;

(17) Ratings. Evidence from Moody's, Fitch and S&P that the Series 2016A Bonds have been rated "__", "__" and "__", respectively, by such agencies;

(18) Tax Certificate. Arbitrage certification by the County in form and substance acceptable to Bond Counsel;

(19) Joint Exercise of Powers Agreement. A certified copy of the joint exercise of powers agreement pursuant to which the Authority was formed;

(20) Statement of Facts Roster. Copy of Statement of Facts Roster of the Authority certified by the Secretary of State of California;

(21) Risk Management. Certificates by an insurance consultant or insurance broker retained by the County and by the County's official responsible for risk management that the requisite level of "all risk" coverage and rental interruption insurance with respect to the Leased Property have been secured and will be maintained pursuant to the Facility Lease;

(22) Blue Sky Survey. A copy of the Preliminary Blue Sky Survey and Final Blue Sky Survey with respect to the Series 2016A Bonds;

(23) CDIAC Notices. Evidence of required filings with the California Debt and Investment Advisory Commission; and

(24) Miscellaneous. Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel and counsel for the Underwriters may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations and warranties contained herein and in the Official Statement and the due performance or satisfaction by the Trustee, the Authority and the County at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(g) All matters relating to this Series 2016A Purchase Contract, the Series 2016A Bonds and the sale thereof, the Official Statement, the Legal Documents and the consummation of the transactions contemplated by this Series 2016A Purchase Contract shall have been approved by the Underwriters and counsel for the Underwriters, such approval not to be unreasonably withheld.

If the conditions to the Underwriters' obligations contained in this Series 2016A Purchase Contract are not satisfied or if the Underwriters' obligations shall be terminated for any reason permitted by this Series 2016A Purchase Contract, this Series 2016A Purchase Contract shall terminate and neither the Underwriters nor the County shall have any further obligations hereunder except that the respective obligations of the County and the Underwriters set forth in Paragraph 10 hereof (relating to expenses) and Paragraph 11 hereof shall continue in full force and effect.

Section 10. Expenses.

(a) The performance by the County of its obligations hereunder is conditioned upon the performance by the Representative of their obligations hereunder and upon receipt by the County of opinions and certificates to be delivered at the Closing Date by persons and entities other than the County.

(b) The County shall pay or cause to be paid from the proceeds of the Series 2016A Bonds or other funds available to it the expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of printing and distribution of the Official Statement in reasonable quantities and all other documents (other than as set forth in the next succeeding paragraph) prepared in connection with the transactions contemplated hereby, including distribution costs and all mailing, including overnight and express delivery, costs; (ii) the fees and disbursements of the Trustee in connection with the execution and delivery of the Series 2016A Bonds; (iii) the fees and disbursements of Bond Counsel, and any other experts or consultants retained by the County in connection with the transactions contemplated hereby; (iv) the costs related to obtaining ratings; (v) the cost of mailing or delivering the definitive Series 2016A Bonds; (vi) the Underwriters' disbursements for telephone conference calls and out-of-state travel and lodging undertaken at the request of the County; and (vii) expenses incurred on behalf of the County's employees which are incidental to the issuance of the Series 2016A Bonds, including, but not limited to, meals, transportation, lodging and entertainment of those employees.

(c) The Underwriters shall pay: (i) all advertising expenses in connection with the public offering of the Series 2016A Bonds; (ii) the fees and expenses of counsel to the Underwriters, including their fees in connection with the qualification of the Series 2016A Bonds for sale under the Blue Sky or other securities laws and regulations of various jurisdictions; (iii) California Debt and Investment Advisory Commission fees; and (iv) all other expenses incurred by it in connection with its public offering and distribution of the Series 2016A Bonds. Certain expenses of the Underwriters may be in the form of inclusion in the expense component of the Underwriters' discount.

Section 11. Indemnification.

(a) To the extent permitted by law, the County agrees to indemnify and hold harmless the Underwriters and their officers and employees (collectively, the "Indemnified Persons," and individually, an "Indemnified Person") from and against any losses, claims, damages or liabilities to which any Indemnified Person may become subject insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Official Statement or arise out of, or are based upon, the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, and will reimburse each Indemnified Person for any legal or other expenses reasonably incurred by such Indemnified Person in investigating, defending or preparing to defend any such action or claim; provided, however, that the County shall not be liable in any such case as to any Indemnified Person to the extent that any such loss, claim, damage or liability arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Official Statement, in reliance upon and in conformity with written information furnished to the County by or on behalf of any Indemnified Person specifically for inclusion therein; and provided further, however, that the indemnity with respect to the Official Statement shall not inure to the benefit of the Underwriters on account of any loss, expense, liability or claim arising from the sale of the Series 2016A Bonds by the Underwriters to any person if a copy of the Official Statement (as amended or supplemented, or as proposed by the County to be amended or supplemented, if the County shall have furnished, or in the case of such proposed amendment or supplement, if the County shall have furnished, to the Underwriters at least one full business day prior to confirmation of such sale by the Underwriters an amended Official Statement or amendments or supplements to the Official Statement relating to the untrue statement or alleged untrue statement or omission or alleged omission for which indemnity is sought, as the case may be) shall not have been sent or given to such person at or prior to the confirmation of the sale of such Series 2016A Bonds to such person.

(b) Promptly after receipt by an Indemnified Person under paragraph (a) of this Section of notice of the commencement of any action, such Indemnified Person shall, if a claim in respect thereof is to be made against the County under such paragraph, notify the County in writing of the commencement thereof. In case any such action shall be brought against any Indemnified Person, and such Indemnified Person shall notify the County of the commencement thereof, the County shall be entitled to participate in and, to the extent that it wishes, to assume the defense of, with counsel satisfactory to such Indemnified Person, and after notice from the County to such Indemnified Person of its election so to assume the defense thereof, the County shall not be liable to such Indemnified Person under paragraph (a) of this Section for any legal or other expenses subsequently incurred by such Indemnified Person in connection with the defense thereof other than reasonable costs of any investigation; provided, however, that if the named parties to any such action (including any impleaded parties) include both the Indemnified Persons and the County, and the Indemnified Persons or the County shall have reasonably concluded that there may be one or more legal defenses available to it which are different from or additional to those available to the County, the Indemnified Persons shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of the Indemnified Persons; provided further, however, that the County shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at any point in time for the Indemnified Persons.

(c) The Underwriters agree to indemnify and hold harmless the County and its officers and employees to the same extent as the indemnity from the County to the Indemnified Persons described in paragraph (a) of this Section but only with respect to information relating to the Underwriters furnished in writing by the Underwriters or on their behalf, which includes certain information under the caption “Underwriting” in the Official Statement. In case any action shall be brought against the County in respect of which indemnity may be sought against the Underwriters, the Underwriters shall have the rights and duties given to the County and the County shall have the rights and duties given to the Underwriters by paragraph (b) of this Section and the term “Indemnified Person” shall include the County and its officers and employees.

Section 12. Notices.

(a) Trustee. Any notice or other communication to be given to the Trustee under this Series 2016A Purchase Contract may be given by delivering the same in writing to Zions First National Bank, 550 South Hope Street, Suite 2650, Los Angeles, California 90071, Attention: Corporate Trust Department.

(b) Underwriters. Any such notice or other communication to be given to the Underwriters may be given by delivering the same to Barclays Capital Inc., 555 California Street, 30th Floor, Attention: Michael Gomez.

(c) County. Any notice or communication to be given the County under this Purchase Contract may be given by delivering the same to the County of San Diego, c/o Finance and General Government Group, 1600 Pacific Highway, Room 166, San Diego, California 92101-2469, Attention: Tracy M. Sandoval, Auditor and Controller.

(d) Authority. Any notice or communication to be given the Authority under this Series 2016A Purchase Contract may be given by delivering the same to the San Diego Regional Building Authority c/o Metropolitan Transit Development Board, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490, Attn: Secretary of the Authority..

All notices or communications hereunder by any party shall be given and served upon each other party.

Section 13. No Advisory or Fiduciary Role. The County and Authority acknowledge and agree that (i) the primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm's-length commercial transaction among the County, the Authority and the Underwriters, and the Underwriters have financial and other interests that differ from those of the County and the Authority, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, each of the Underwriters is and has been acting solely as a principal and is not acting as the municipal advisor, financial advisor, agent or fiduciary of the County or the Authority, (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the County or the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter has provided other services or is currently providing other services to the County or the Authority on other matters) and the Underwriters have no obligation to the County or the Authority with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) the County and the Authority have consulted their own municipal, legal, financial and other advisors to the extent they have deemed appropriate.

Section 14. Counterparts. This Series 2016A Purchase Contract may be executed by anyone or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all of such counterparts shall together constitute one and the same instrument.

Section 15. Successors and Assigns. This Series 2016A Purchase Contract will inure to the benefit of and be binding upon the parties and their successors (including any successors or assigns of the Representative), and will not confer any rights upon any other person.

Section 16. Survival. The provisions of the last paragraph of Section 10 hereof shall survive termination or cancellation of this Series 2016A Purchase Contract. All representations, warranties, covenants and agreements by the County, the Authority and the Representative in this Series 2016A Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Representative and shall survive the delivery of and payment for the Series 2016A Bonds.

Section 17. Governing Law. This Series 2016A Purchase Contract shall be governed by, and construed in accordance with, the laws of the State of California.

Section 18. No Personal Liability. No officer of the County or the Authority or any designee thereof shall incur any personal liability for approving or executing this Series 2016A Purchase Contract, taking any action or omitting to take any action required or permitted hereunder or otherwise by reason of or in connection with the Series 2016A Bonds, the Legal Documents or any of the transactions or other matters contemplated by any of the foregoing.

Section 19. Headings. The headings of the sections of this Series 2016A Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 20. Parties in Interest; Force and Effect. This Series 2016A Purchase Contract is made solely for the benefit of the County and the Underwriters (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

All representations, warranties and agreements of the County or the Underwriters pursuant to this Series 2016A Purchase Contract shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriters; (ii) delivery of and payment for the Series 2016A Bonds pursuant to this Series 2016A Purchase Contract; or (iii) termination of this Series 2016A Purchase Contract but only to the extent provided by the last paragraph of Section 10 hereof, regarding preconditions of Closing.

Section 21. Entire Agreement. This Series 2016A Purchase Contract when accepted by you in writing as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the County and the Underwriters (including the successors or assigns thereof). No other person shall acquire or have any right hereunder or by virtue hereof.

Section 22. Unenforceable Provisions. If any provision of this Series 2016A Purchase Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperable or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Series 2016A Purchase Contract invalid, inoperative or unenforceable to any extent whatsoever.

Acceptance of the terms of this Series 2016A Purchase Contract shall be signified by execution below by an authorized officer of the County and an authorized officer of the Authority.

Very truly yours,

BARCLAYS CAPITAL INC.

By: BARCLAYS CAPITAL INC., as
Representative of the Underwriters

____

Accepted this _____ day of ___________, 2016
at _____ p.m. Pacific Time:

Accepted:
SAN DIEGO REGIONAL BUILDING AUTHORITY

By: ____________________________
Name:
Title:

COUNTY OF SAN DIEGO

By: ____________________________
Name:
Title:

EXHIBIT A

UNDERWRITERS

Barclays Capital Inc.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Fidelity Capital Markets

EXHIBIT B

MATURITY SCHEDULE

$[Principal Amount]
SAN DIEGO REGIONAL BUILDING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY OPERATIONS CENTER)
SERIES 2016A

$__________ Serial Series 2016A Bonds

Maturity (October 15)	Principal Amount	Interest Rate	Yield or Price

$_________ ___% Term Bonds due October 15, 20__ – Priced to Yield: ___%

EXHIBIT C

[FORM OF DISCLOSURE COUNSEL OPINION AND RELIANCE LETTER]

San Diego Regional Building Authority
San Diego, California

County of San Diego
San Diego, California

[Closing Date]

$[Principal Amount] San Diego Regional Building Authority
Lease Revenue Refunding Bonds
(County Operations Center), Series 2016A

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the County of San Diego, California (the "County") and the San Diego Regional Building Authority (the "Authority") (collectively, the "Issuer") in connection with its final Official Statement dated [Pricing Date] (the "Official Statement") relating to the $[Principal Amount] San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A (the "Bonds"). The Bonds are being issued pursuant to the Indenture, dated as of February 1, 2016 (the "Indenture"), by and among the County, the Authority and Zions First National Bank (the "Trustee").

The Official Statement is the Issuer's document and as such the Issuer is responsible for its content. The statements made and the information contained in the Official Statement were reviewed for their accuracy, completeness, and materiality by representatives of the Issuer. The purpose of our engagement was not to independently establish, confirm, or verify the factual matters set forth in the Official Statement and we have not done so. Moreover, many of the determinations required to be made in the preparation of the Official Statement involve wholly or partially matters of a non-legal character. We do not, therefore, take any responsibility for the factual matters set forth in the Official Statement and we undertake herein only to express certain limited negative assurances regarding the same.

The scope of those activities performed by us were inherently limited and do not encompass all activities that the Issuer may be responsible to undertake in preparing the Official Statement. Those activities performed by us relied substantially on representations, warranties, certifications and opinions made by representatives of the Issuer and others, and are otherwise subject to the matters set forth in this letter. In addition, while such statements of negative assurance are customarily given to underwriters of municipal bonds to assist them in discharging their responsibilities under the federal securities laws, the responsibilities of the Issuer under those laws may differ from those of Underwriter in material respects, and this letter may not serve the same purpose or provide the same utility to the Issuer as it would to the underwriters for the Bonds (the "Underwriters").

In giving the limited assurances hereinafter expressed, we are not expressing any opinion or view on, but have ourselves assumed and relied upon, the validity, accuracy and sufficiency of the records, documents, certificates and opinions executed and delivered in connection with the execution and delivery of the Bonds. Without limiting the foregoing statement, we have relied, without independently opining upon the legal conclusions expressed and without independently verifying the factual matters represented, on the legal opinions that we have reviewed.

Also, this letter does not address: (i) CUSIP numbers; (ii) any financial statements contained in the Official Statement; (iii) any financial, demographic, statistical or economic data, estimates, projections, numbers, assumptions, charts, graphs, tables, or expressions of opinion contained in the Official Statement; and (iv) information relating to the book-entry-only system, including information in APPENDIX D - "Book-Entry System".

In our capacity as Disclosure Counsel, we participated in meetings and conference calls with representatives of the Issuer, the Authority, Bond Counsel, the Underwriters, Underwriters' Counsel, the Financial Advisor and other parties, during which the contents of the Official Statement were discussed and reviewed. Based upon such participation, and information disclosed to us in the course of our representation of the Issuer as Disclosure Counsel, considered in light of our understanding of the applicable law and the experience we have gained through our practice of law, and subject to all of the foregoing in this letter including the qualifications respecting the scope and nature of our engagement, we advise you, as a matter of fact but not opinion, that, during the course of our engagement as Disclosure Counsel with respect to the Official Statement, no facts came to the attention of the attorneys of our firm rendering legal services in connection with this matter that caused them to believe that the Official Statement, as of the date of the Official Statement or as of the date of the Closing, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This letter refers only to disclosure relating to the Bonds as delivered to the Underwriters by the Issuer, and no view is expressed as to any offering of derivative instruments, if any, relating to the Bonds.

We assume no obligation to update, revise or supplement this letter to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or for any other reason.

We are not expressing any opinion with respect to the authorization, execution, delivery or validity of the Bonds, or the exclusion from gross income for federal income tax purposes of interest on the Bonds.

This letter is furnished by us solely for your benefit and may not be relied upon by any other person or entity, except as may be expressly authorized by us in writing. This letter is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Bonds, except that reference may be made in any list of closing documents pertaining to the execution and delivery of the Bonds.

Very truly yours,

NO ATTORNEY-CLIENT RELATIONSHIP EXISTS
OR IS CREATED BY RENDERING THIS OPINION

[Closing Date]

Barclays Capital Inc.
Los Angeles, California

Ladies and Gentlemen:

We deliver to you herewith a copy of our letter, dated the date hereof, as Disclosure Counsel to the County of San Diego, California and the San Diego Regional Building Authority (collectively, the "Issuer") in connection with the final Official Statement dated [Pricing Date] (the "Official Statement") relating to the $[Principal Amount] San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A (the "Bonds"). You are entitled to rely on such letter as if the same were addressed to you.

This letter is being delivered to you, as Underwriters for the Bonds, to enable the Issuer to satisfy Section 9(f)(6) of the Series 2016A Purchase Contract, dated [Pricing Date], between the Issuer and the Underwriters. This letter is not intended to create and does not create an attorney-client relationship with the Underwriters, and may not be sufficient in itself to satisfy whatever responsibilities the Underwriters may have to establish a reasonable basis for belief in the accuracy of the key representations in the Official Statement or otherwise to satisfy their obligations under applicable securities laws.

Very truly yours,