

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the Federally Taxable Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”

\$302,380,000**LOS ANGELES COUNTY FACILITIES INC.****\$297,280,000****Lease Revenue Bonds, Series 2018A****(Vermont Corridor County Administration Building)
(Tax-Exempt)****\$5,100,000****Lease Revenue Bonds, Series 2018B****(Vermont Corridor County Administration Building)
(Federally Taxable)****Dated: Date of Delivery****Due: December 1, as shown on the inside front cover.**

Los Angeles County Facilities Inc. (the “Issuer”), a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the Code, is issuing its \$297,280,000 Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Tax-Exempt Bonds”) and \$5,100,000 Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Federally Taxable Bonds”) and, together with the Tax-Exempt Bonds, the “Bonds”). The Bonds are being issued on behalf of the County of Los Angeles, California (the “County”) pursuant to an Indenture of Trust dated as of July 1, 2018 (the “Indenture”) by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Issuer is issuing the Tax-Exempt Bonds in accordance with the guidelines set forth in Revenue Ruling 63-20 of the U.S. Treasury, as amended and updated by Revenue Procedure 82-26 of the U.S. Treasury, relating to the issuance of tax-exempt obligations on behalf of a political subdivision for the purpose of financing governmental facilities.

The Bonds will be delivered in fully-registered form only, and when delivered, 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 for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will bear interest from their date of delivery, payable semi-annually on each June 1 and December 1, beginning on December 1, 2018. Principal of and interest and redemption premium, if any, on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds. See APPENDIX F – “Book-Entry Only System” attached hereto.

The Bonds are subject to acceleration and redemption prior to maturity as provided herein. However, the County’s obligation to pay Base Rent (“Base Rent”) under the Facilities Lease (as defined below) in an amount sufficient to pay principal of and interest on the Bonds is not subject to acceleration.

The proceeds of the Bonds will be used by the Issuer to (1) finance or refinance costs of designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment of (a) a new office building with (i) approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and (ii) approximately 965 structured parking spaces (collectively, the “Office Project”), and (b) a separate 10-story garage structure containing approximately 768 parking spaces (the “Shatto Garage Project”), all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “Project”), on a site (consisting of 510, 526 and 532 South Vermont Avenue and 523 Shatto Place) owned by the County in the City of Los Angeles, California (the “Land”) and, together with the Project and such other improvements as may be located on the Land from time to time, the “Premises”), (2) fund capitalized interest on the Bonds through the construction period, as described herein, and (3) pay costs of issuance of the Bonds.

The Issuer has agreed to lease to the County the Premises, including the Project thereon, pursuant to a Facilities Lease Agreement, dated as of July 1, 2018 (the “Facilities Lease”), by and between the Issuer, as the lessor, and the County, as the lessee. The County is obligated under the Facilities Lease to begin paying a portion of Base Rent upon Substantial Completion of the Office Project and Base Rent upon Substantial Completion of the Project. The County has covenanted in the Facilities Lease to take such action as may be necessary to include the payment of all Base Rent and certain additional rent (collectively, “Rent”) due thereunder in its annual budget and to make the necessary annual appropriations for the payment of such Rent, subject to the provisions of the Facilities Lease. The Facilities Lease will expire on the earlier of (a) the date of final maturity of the Bonds, (b) the date that the Bonds are no longer Outstanding under the Indenture and the Premises has been conveyed by the Issuer to the County pursuant to the Facilities Lease, or (c) the date on which the Facilities Lease terminates in accordance with its terms.

The Bonds are special, limited obligations of the Issuer payable solely from and secured solely by a pledge of the Trust Estate (as defined herein) as provided in the Indenture. No revenue, income, receipts, donations, earnings, property or assets of the Issuer, other than the Trust Estate, shall be subject to any lien or claim for the payment of the Bonds or the performance of any other obligation of the Issuer under the Indenture. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. The Issuer has no source of funds available to pay debt service on the Bonds other than the Trust Estate. The primary source of revenues anticipated to be received by the Issuer and included within the Trust Estate is Base Rent to be received from the County under the Facilities Lease.

The obligation of the County to pay the Base Rent does not constitute a debt of the County or of the State of California (the “State”) or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation. The Bonds shall be special obligations of the Issuer, payable solely from the Base Rent and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Issuer has no taxing power and has no obligation to pay Base Rent.

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

The Bonds are offered when, as and if issued and delivered by the Issuer and received by the Underwriters, and are subject to approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Issuer by Hillis Clark Martin & Peterson P.S., Seattle, Washington, and Glaser Weil Fink Howard Avchen & Shapiro LLP, Los Angeles, California, for the County by the County Counsel’s Office, Hawkins Delafield & Wood LLP, Disclosure Counsel, and Loeb and Loeb, LLP, and for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July 26, 2018.

Barclays**Morgan Stanley****Siebert Cisneros Shank & Co., L.L.C.****Academy Securities**

MATURITY SCHEDULE

\$302,380,000
LOS ANGELES COUNTY FACILITIES INC.

\$297,280,000
Lease Revenue Bonds, Series 2018A
(Vermont Corridor County Administration Building)
(Tax-Exempt)

<u>Due (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>	<u>Due (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
2023	\$5,275,000	5.00%	1.78%	54531FAA9	2031	\$7,870,000	5.00%	2.64% ^c	54531FAJ0
2024	5,550,000	5.00	1.88	54531FAB7	2032	8,275,000	5.00	2.70 ^c	54531FAK7
2025	5,830,000	5.00	2.03	54531FAC5	2033	8,700,000	5.00	2.77 ^c	54531FAL5
2026	6,125,000	5.00	2.16	54531FAD3	2034	7,950,000	5.00	2.84 ^c	54531FAM3
2027	6,440,000	5.00	2.26	54531FAE1	2035	8,355,000	5.00	2.88 ^c	54531FAN1
2028	6,775,000	5.00	2.37	54531FAF8	2036	8,780,000	5.00	2.93 ^c	54531FAP6
2029	7,120,000	5.00	2.49 ^c	54531FAG6	2037	9,235,000	5.00	2.96 ^c	54531FAQ4
2030	7,485,000	5.00	2.58 ^c	54531FAH4	2038	9,710,000	5.00	2.98 ^c	54531FAR2

\$56,545,000 5.00% Term Bonds due December 1, 2043; Yield – 3.10%^c CUSIP[†]: 54531FAS0
 \$70,730,000 4.00% Term Bonds due December 1, 2048; Yield – 3.51%^c CUSIP[†]: 54531FAT8
 \$50,530,000 5.00% Term Bonds due December 1, 2051; Yield – 3.24%^c CUSIP[†]: 54531FAU5

\$5,100,000
Lease Revenue Bonds, Series 2018B
(Vermont Corridor County Administration Building)
(Federally Taxable)

<u>Due (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP[†]</u>
2022	\$5,100,000	3.25%	100%	54531FAV3

[†] Copyright, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. The Issuer, the County and the Underwriters do not assume responsibility for the accuracy of such data.

^c Priced to December 1, 2028 call date at par.

LOS ANGELES COUNTY FACILITIES INC.

Board of Directors and Officers

John Finke	Chairman of the Board of Directors and President
Erin Birkenkopf	Director, Vice President, Secretary and Treasurer
Matt Calcavecchia	Director and Vice President

COUNTY OF LOS ANGELES

Board of Supervisors

Sheila Kuehl	Third District (Chair)
Hilda L. Solis	First District
Mark Ridley-Thomas	Second District
Janice Hahn	Fourth District
Kathryn Barger	Fifth District
Celia Zavala	Acting Executive Officer-Clerk Board of Supervisors

County Officials

Sachi A. Hamai	Chief Executive Officer
Mary C. Wickham	County Counsel
Joseph Kelly	Treasurer and Tax Collector
John Naimo	Auditor-Controller

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
Los Angeles, California

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC
Westlake Village, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

DEVELOPER

TC LA Development, Inc.
El Segundo, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Issuer. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

The information set forth in this Official Statement has been obtained from the Issuer and the County, and other sources that are believed by the Issuer and the County to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Issuer since the date hereof. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County and the Issuer.

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, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements 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 involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements 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. Neither the County nor the Issuer is obligated to or plans to issue any updates or revisions to the forward-looking statements if or when their respective expectations, or events, conditions or circumstances on which such statements are based, occur.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

Table of Contents

INTRODUCTION	1
General.....	1
The Issuer.....	2
The County	2
Authorization	3
Description of the Bonds	3
Security and Sources of Payment for the Bonds.....	3
The Project.....	5
Additional Bonds	6
Continuing Disclosure	6
Certain Risk Factors.....	6
Other Information	6
THE PROJECT	7
General.....	7
Construction of the Project	8
The Developer.....	13
Office Project General Contractor	13
Shatto Garage Project General Contractor.....	13
Office Project Architect	14
Shatto Garage Project Architect.....	14
Design, Permits and Approvals.....	14
Construction Schedule	15
Project Budget.....	15
ESTIMATED SOURCES AND USES OF FUNDS	16
THE BONDS	16
Description.....	16
Redemption of the Bonds	17
Option to Prepay Facilities Lease and Purchase Project.....	19
Purchase of Bonds	20
Defeasance of Bonds	20
Summary of Debt Service Requirements for the Bonds	22
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	23
Limited Obligations; No Recourse on Bonds	23
Pledge of Trust Estate	23
Base Rent; Abatement	24
Absolute Net Lease.....	25
Deposits of Base Rent to the Revenue Fund.....	26
Capitalized Interest Fund.....	26
Deposits into the Bond Fund.....	26
Additional Rent.....	27
No Reserve Fund	27
Additional Bonds	27
Insurance.....	28
Warranties.....	28
Damage; Destruction; Condemnation.....	28
Events of Default and Remedies under the Indenture.....	30
Deed of Trust and Other Security Documents	32

Events of Default and Remedies under the Facilities Lease	33
Developer’s Limited Obligation for Carrying Costs.....	35
Amendments to the Principal Documents.....	35
THE ISSUER.....	35
General.....	35
Governance Agreement	36
Projects	37
Organizational and Key Personnel.....	37
CERTAIN RISK FACTORS	38
Special Obligation of the Issuer.....	38
Construction and Completion Risk.....	38
Additional Obligations of the County.....	39
Insurance on the Project.....	39
Adequacy of County Insurance Reserves or Insurance Proceeds	40
Condemnation of the Project	40
Abatement.....	40
Bankruptcy.....	40
Limitations on Remedies; No Acceleration of Base Rent Upon an Event of Default	43
Hazardous Substances.....	44
Seismic Events.....	45
Economic Conditions in the State of California	45
Loss of Tax Exemption.....	45
TAX MATTERS.....	46
Tax-Exempt Bonds	46
Federally Taxable Bonds	47
CONTINUING DISCLOSURE.....	50
CERTAIN LEGAL MATTERS	51
FINANCIAL STATEMENTS	51
MUNICIPAL ADVISOR	51
LITIGATION	51
RATINGS	52
UNDERWRITING	52
ADDITIONAL INFORMATION.....	52
 <u>APPENDICES</u>	
Appendix A – County of Los Angeles Information Statement	A-1
Appendix B – County of Los Angeles Financial Statements	B-1
Appendix C – Forms of Principal Legal Documents	
Form of Indenture	C-1
Form of Ground Lease	C-2
Form of Facilities Lease	C-3
Form of Development Agreement	C-4
Appendix D – Proposed Form of Bond Counsel Opinion	D-1
Appendix E – Continuing Disclosure Undertakings of the Issuer and the County	E-1
Appendix F – Book-Entry Only System.....	F-1

OFFICIAL STATEMENT

\$302,380,000

LOS ANGELES COUNTY FACILITIES INC.

\$297,280,000

**Lease Revenue Bonds, Series 2018A
(Vermont Corridor County Administration
Building)
(Tax-Exempt)**

\$5,100,000

**Lease Revenue Bonds, Series 2018B
(Vermont Corridor County Administration
Building)
(Federally Taxable)**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (this “Official Statement”), provides certain information concerning the sale and issuance by Los Angeles County Facilities Inc. (the “Issuer”), a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, (the “Code”), of its \$297,280,000 Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Tax-Exempt Bonds”) and \$5,100,000 Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Federally Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”). The Bonds are being issued on behalf of the County of Los Angeles, California (the “County”) pursuant to an Indenture of Trust dated as of July 1, 2018 (the “Indenture”) by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Issuer is issuing the Tax-Exempt Bonds in accordance with the guidelines set forth in Revenue Ruling 63-20 of the U.S. Treasury, as amended and updated by Revenue Procedure 82-26 of the U.S. Treasury, relating to the issuance of tax-exempt obligations on behalf of a political subdivision for the purpose of financing governmental facilities. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture, the Ground Lease, the Facilities Lease or the Development Agreement, as applicable. See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS.”

The proceeds of the Bonds will be used by the Issuer to (1) finance or refinance costs of designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment of (a) a new office building with (i) approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and (ii) approximately 965 structured parking spaces (collectively, the “Office Project”), and (b) a separate 10-story garage structure containing approximately 768 parking spaces (the “Shatto Garage Project”), all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “Project”), on a site (consisting of 510, 526 and 532 South Vermont Avenue and 523 Shatto Place) owned by the County in the City of Los Angeles, California (the “Land” and, together with the Project and such other improvements as may be located on the Land from time to time, the “Premises”), (2) fund capitalized interest on the Bonds through the construction period, as described herein, and (3) pay costs of issuance of the Bonds. See “THE PROJECT.”

The County will lease the real property underlying the Premises to the Issuer and the Issuer will lease the same from the County upon and subject to the conditions set forth in the Ground Lease Agreement, dated as of July 1, 2018 (the “Ground Lease”), by and between the County and the Issuer. The Ground Lease is coterminous with the Facilities Lease Agreement, dated as of July 1, 2018 (the “Facilities Lease”), by and between the County and the Issuer and, unless extended pursuant to its terms, will terminate on the earlier of (a) the date of final maturity of the Bonds and (b) the date that the Bonds are no longer Outstanding under the

Indenture and the Premises has been conveyed by the Issuer to the County pursuant to the Facilities Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Deed of Trust and Other Security Documents” herein.

The Issuer will lease back the Premises to the County and the County will lease back the Premises from the Issuer upon and subject to the conditions set forth in the Facilities Lease. Pursuant to the terms of the Facilities Lease, the County will not be entitled to occupy the Premises (except for certain garage-related access) until the date of Substantial Completion of the Project, being the “Rent Commencement Date.” Pursuant to the Facilities Lease, the County shall pay Base Rent (as set forth in the Schedule of Base Rent attached as Exhibit B to the Facilities Lease, “Base Rent”) to the Trustee without deduction, offset, prior notice or demand on each June 1 and December 1 (each a “Rent Payment Date”) throughout the term of the Facilities Lease, commencing on the Rent Payment Date immediately following the Rent Commencement Date. The County is also obligated under the Facilities Lease to begin paying a portion of Base Rent with respect to the period commencing on the date of Substantial Completion of the Office Project (the “Office Project Substantial Completion Date”) and ending on the Rent Commencement Date. Base Rent, together with amounts of capitalized interest, will be used to pay debt service on the Bonds. The Facilities Lease further provides that the Project will be delivered to the County in Turnkey Condition (as defined in the Facilities Lease).

The Issuer has entered into a Development Agreement, dated as of July 1, 2018 (the “Development Agreement”), by and between Issuer and TC LA Development, Inc., a Delaware corporation (the “Developer”), to develop, oversee and manage the design, permitting and construction phases of the Project in accordance with the terms and conditions of the Development Agreement.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of this Official Statement.

The Issuer

The Issuer is a California nonprofit public benefit corporation organized in April 2016 under the Nonprofit Public Benefit Corporation Law of the State (Corporations Code Sections 5110 *et seq.*) exclusively to issue the Bonds as an “on-behalf-of issuer” and enter into and fulfill its obligations under the Development Agreement, the Ground Lease, the Facilities Lease, the Deed of Trust and the Indenture, and engage in other activities necessary or desirable in connection with the Project or incidental to the Project. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. The Issuer has no source of funds to pay debt service on the Bonds other than the Trust Estate pledged under the Indenture. See “THE ISSUER.”

The County

The County is located in the southern coastal portion of the State of California (the “State”) and covers 4,083 square miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 41 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For certain financial, economic and demographic information with respect to the County, see APPENDIX A – “COUNTY OF LOS ANGELES INFORMATION STATEMENT” and APPENDIX B – “COUNTY OF LOS ANGELES FINANCIAL STATEMENTS.”

Authorization

The Bonds are being issued pursuant to the Nonprofit Public Benefit Corporation Law of the State (Corporations Code Sections 5110 *et seq.*) and the Public Leaseback Act of the State (Government Code Sections 54240 *et seq.*). The Issuer's Board of Directors approved the Facilities Lease, and authorized the Issuer to issue the Bonds by its resolution dated June 28, 2018. By Ordinance No. 2018-0017 passed on May 29, 2018 and effective June 28, 2018, the County's Board of Supervisors (the "Board of Supervisors") approved the Ground Lease and the Facilities Lease. The Board of Supervisors approved the issuance of the Bonds by the Issuer, the Project, the Indenture and various matters related thereto, and agreed to accept unencumbered title to the Premises upon retirement of the Bonds, by resolution adopted on May 22, 2018.

Description of the Bonds

The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated their date of delivery and are payable with respect to interest semi-annually each June 1 and December 1, commencing on December 1, 2018.

The Bonds will be delivered in fully-registered form only, and when delivered, 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 for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the beneficial owners (the "Beneficial Owners") of the Bonds. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

The Bonds are subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption of the Bonds."

For a more complete description of the Bonds and the security therefor, see "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS."

Security and Sources of Payment for the Bonds

The Bonds are special, limited obligations of the Issuer payable solely from and secured solely by a pledge of the Trust Estate (as defined herein) as provided in the Indenture. The Trust Estate pledged under the Indenture includes "Revenues" and all funds held by the Trustee under the Indenture, excluding the Rebate Fund and the Capital Repairs Fund. The primary source of Revenues anticipated to be received by the Issuer and included within the Trust Estate is Base Rent to be received from the County under the Facilities Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Trust Estate." Base Rent will be paid from all general revenues of the County. The Bonds are not a debt or general obligation of the County. No revenue, income, receipts, donations, earnings, property or assets of the Issuer, other than the Trust Estate, shall be subject to any lien or claim for the payment of the Bonds or the performance of any other obligation of the Issuer under the Indenture. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. The Issuer has no source of funds available to pay debt service on the Bonds other than the Trust Estate.

Under the terms of the Facilities Lease, the County agrees to lease the Premises, including the Project thereon, for a term of approximately 33 years, subject to certain potential extensions or early termination events. The County is obligated under the Facilities Lease to pay Rent ("Rent") at the times and in the amounts specified therein. Rent includes (a) a Base Rent component sufficient to pay scheduled debt service on the Bonds, and (b) an additional rent component to cover all costs and expenses directly related to ownership,

operation and maintenance of the Premises, including taxes and utilities, and various capital expenditures (“Additional Rent”). See “THE PROJECT.” The Facilities Lease is an absolute net lease.

The Facilities Lease provides that the County is obligated to pay a portion of Base Rent with respect to the period commencing on the Office Project Substantial Completion Date and ending on the Rent Commencement Date. Pursuant to the Facilities Lease, the County shall pay Base Rent to the Trustee without deduction, offset, prior notice or demand on each Rent Payment Date throughout the term of the Facilities Lease, commencing on the Rent Payment Date immediately following the Rent Commencement Date. The County shall deposit with the Trustee each payment of Base Rent at least one (1) Business Day prior to the Rent Payment Date. The first Base Rent payment that occurs after the Rent Commencement Date shall equal the prorated amount attributable to the period occurring between the Rent Commencement Date and the first Rent Payment Date (after deducting any portion of Base Rent paid by the County in connection with Substantial Completion of the Office Project that is on deposit with the Trustee for such period). The County will also be obligated to pay Additional Rent, including “Operating Costs” (being any and all costs and expenses directly related to ownership, operation and maintenance of the Premises, as more particularly set forth in Section 5.2 of the Facilities Lease, but excluding Project Costs, Capital Expenditures and certain other items expressly excluded under Section 5.3 of the Facilities Lease), and the Annual Capital Repair Reserve Payment, following the Rent Commencement Date. The County has covenanted in the Facilities Lease to take such action as may be necessary to include the payment of all Rent due thereunder in its annual budget and to make the necessary annual appropriations for the payment of Rent, subject to the provisions of the Facilities Lease. The County’s obligation to pay Base Rent is subject to abatement (i) in the event that (a) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date (or after the County commences paying a portion of Base Rent in connection with Substantial Completion of the Office Project), or (b) a defect in the Issuer’s title occurs, either of which results in substantial interference with the County’s right to the use and occupancy of the Premises or (2) under certain circumstances following any partial taking of the Premises by Condemnation.

The term of the Facilities Lease commences on the Effective Date and expires on the earlier of (a) the final maturity date of the Bonds, (b) the date that the Bonds are no longer Outstanding under the Indenture and the Premises has been conveyed by the Issuer to the County pursuant to the Facilities Lease, or (c) the date on which the Facilities Lease terminates in accordance with its terms (any, as applicable, the “Expiration Date”). Notwithstanding the foregoing, if on the Expiration Date of the Facilities Lease, the total Base Rent otherwise payable under the Facilities Lease has not been fully paid as a result of an Abatement of Rent and the Bonds remain Outstanding, then, the term of the Facilities Lease shall be extended until the total Base Rent otherwise payable under the Facilities Lease shall be fully paid or such earlier time as the Bonds are no longer Outstanding; provided, however, that such extension shall not exceed ten (10) years. In the event of such an extension, the term of the Ground Lease will be deemed extended for the same period of time that the term of the Facilities Lease is extended.

The Facilities Lease is subject to early termination under certain circumstances. First, the Facilities Lease will terminate in the event that the County exercises its option to purchase the Premises and redeem or defease the Bonds. Second, under Section 20.1 of the Facilities Lease, the Facilities Lease is subject to termination upon the total condemnation of the Premises, and under Section 20.2.4, in the event of a partial condemnation that results in no reasonable use of the Premises by the County. Finally, the Facilities Lease is subject to termination in the event of underinsured damage to the Premises under certain circumstances following total destruction of the Premises. See “THE PROJECT – *Underinsured Damage*.”

The Issuer will also enter into the Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases, and Fixture Filing, dated as of July 1, 2018 (the “Deed of Trust”) for the benefit of the Trustee, and the Assignment of Leases and Cash Collateral, dated as of July 1, 2018 (the “Assignment of Leases”), from the Issuer to the Trustee, as additional security in favor of the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Deed of Trust and Other Security Documents” for additional security agreements to be entered into in connection with the issuance of the Bonds.

The obligation of the County to pay the Base Rent does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation. The Bonds shall be special obligations of the Issuer, payable solely from the Base Rent and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Issuer has no taxing power and has no obligation to pay Base Rent.

The Project

Pursuant to and subject to the terms and conditions contained in the Development Agreement, the Developer has committed to oversee and manage the design, permitting and construction of the Project for a fixed price (the “Fixed Price”), and to deliver the completed Project to the Issuer by October 15, 2021 (the “Developer Obligation Date”); provided that the Developer Obligation Date may be extended for certain delays caused by the Issuer or unavoidable delays, as described herein and in the Development Agreement.

The Developer is responsible for managing the development and construction of the Project. The Issuer will enter into a guaranteed maximum price construction contract (the “Office Project General Construction Contract”) between the Issuer and Hathaway Dinwiddie Construction Company, a California corporation, the anticipated general contractor for the herein described Office Project, or another qualified general contractor proposed by the Developer and approved by the Issuer with the County’s concurrence. The Issuer will also enter into a lump sum construction contract (the “Shatto Garage Project General Construction Contract” and, together with the Office Project General Construction Contract, the “Construction Contracts”) between the Issuer and Bomel Construction Co., Inc., a California corporation, the anticipated general contractor for the herein described Shatto Garage Project, or another qualified general contractor proposed by the Developer and approved by the Issuer with the County’s concurrence. Each of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract is required to include provisions for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the respective project, and provisions for indemnification of claims arising out of negligence or willful misconduct of such contractor and its employees, agents and sub-contractors. See “THE PROJECT – Construction of the Project.”

Under the Facilities Lease, the Issuer is obligated to diligently cause the Project to be designed, permitted and constructed in a good and workmanlike manner and delivered to the County upon achieving Substantial Completion of the Project by the date set forth in the Facilities Lease and in no event later than the Developer Obligation Date. The Issuer is obligated to use its best efforts to cause all Project Costs (as described further herein) not to exceed the Fixed Price; provided, however, that (i) subject to the terms and conditions contained in the Facilities Lease and the Development Agreement, the Issuer shall have no obligation to pay Project Costs in excess of the Fixed Price, and (ii) the County, whose only payment obligation hereunder is the payment of Rent and other amounts specifically set forth in the Facilities Lease and the Ground Lease, shall have no obligation for the payment of any Project Costs. To the extent of certain defaults by Developer under the Development Agreement which the Developer does not cure within the allotted cure period, the Development Agreement provides that the County then shall be deemed a third party beneficiary of the Development Agreement and may enforce the performance by the Developer of its obligations under the Development Agreement. **Except for a portion of Base Rent due and payable under the Facilities Lease upon the completion of the Office Project, the County’s obligation to pay Base Rent commences on the Rent Commencement Date, which is the Substantial Completion Date, as defined in the Facilities Lease.** See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Base Rent; Abatement” and “THE PROJECT.”

Additional Bonds

Pursuant to the Indenture, the Issuer may issue additional obligations payable from or secured by a pledge of the Trust Estate at the direction of the County for the purpose of refunding all or a portion of the Bonds or for the purpose of financing the repair or replacement of tenant improvements to the Premises, with a lien and charge on the Trust Estate equal to the lien thereon of the Bonds (“Additional Bonds”) upon compliance with certain conditions precedent as set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds” and APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – Additional Bonds.”

Continuing Disclosure

Pursuant to the Indenture, the Issuer has covenanted to provide, or cause to be provided, by not later than April 1 following each fiscal year of the Issuer (currently June 30), commencing on April 1, 2020, to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system certain annual financial information and operating data and, not later than ten Business Days after their occurrence, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters (as defined herein) of the Bonds in complying with Rule 15c2-12 (the “Rule”) promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” and APPENDIX E – “CONTINUING DISCLOSURE UNDERTAKINGS OF THE ISSUER AND THE COUNTY – CONTINUING DISCLOSURE UNDERTAKING OF THE ISSUER.”

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Bonds, the County has covenanted to provide, or cause to be provided, by not later than April 1 of each fiscal year, commencing on April 1, 2019, to the MSRB through its EMMA system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters in complying with the Rule. See “CONTINUING DISCLOSURE” and APPENDIX E – “CONTINUING DISCLOSURE UNDERTAKINGS OF THE ISSUER AND THE COUNTY – FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE COUNTY.”

Certain Risk Factors

Certain events could affect the ability of the Issuer to make debt service payments on the Bonds and ability of the County to make the Base Rent when due. See “CERTAIN RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

Other Information

The descriptions herein of the Indenture, the Ground Lease, the Facilities Lease, the Development Agreement and any other agreements relating to the Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Bonds are qualified in their entirety by the forms thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS.”

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, under any circumstances, creates any implication that there has been no change in the affairs of the County or the Issuer 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 or the Issuer. 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.

THE PROJECT

General

The Project consists of designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment for (a) a new office building with (i) approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and (ii) approximately 965 structured parking spaces, and (b) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County's Department of Mental Health, office space for the County's Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff, on a site (consisting of 510, 526 and 532 South Vermont Avenue and 523 Shatto Place) owned by the County in the City of Los Angeles. The entrance to the Metro Rail Wilshire/Vermont Station is located approximately 1,000 feet south of the site. The Metro Red and Purple Lines provide access to the regional rail transit system, including the Metro Blue, Gold, Orange and Exposition Lines, and to the regional and commuter rail lines, including Metrolink and Amtrak, through Union Station. The Project is expected to be completed in late 2021.

The components of the Project are as follows:

The Office Project. The Office Project consists of a new County office building containing approximately 468,000 gross square feet of office use over approximately 368,658 gross square foot parking structure containing approximately 965 spaces, and approximately 3,597 square feet of ground floor clinic space to serve the Department of Mental Health. The proposed office building will consist of 21 total stories (13 office floors over an eight-story parking structure (seven levels above grade and one level at grade). Approximately 3,863 gross square feet of quick service retail space is planned for the ground floor to support the building occupants, and the tenant improvements and leasing of such retail space are not included in the scope of the Project or in Project Costs any such costs being the responsibility of the County. The office building, inclusive of the parking area containing approximately 965 structured parking spaces and the retail area, is referenced herein as the "Office Project."

The Shatto Garage Project. In addition to the parking area that is part of the Office Project, a new stand-alone 10-story parking structure will be constructed on the site of the existing 7-story parking structure on Shatto Place. The Shatto Garage Project will contain approximately 768 spaces within approximately 297,643 gross square foot, 10-story building with one below grade level that will serve the new office building and will be accessible via a skybridge at the P-9 level.

The Project is one of three related projects being undertaken by the County as part of its Vermont Corridor Development Plan (the "Vermont Corridor Development Plan"). The other two projects are: (1) (a) conversion of the existing Department of Mental Health headquarters at 550 South Vermont Avenue into 172 residential units with approximately 4,700 square feet of retail space and approximately 1,375 square feet of ancillary space and (b) the demolition of a County office building at 3175 West 6th Street and development of a parking structure, and (2) demolition of a County office building at 427-433 South Vermont Avenue and development of a six-story, 72-unit affordable housing complex with an approximately 13,200-square foot community center. While the three projects are part of the Vermont Corridor Development Plan and will be phased-in to minimize relocation of County staff, only the Project will be financed with proceeds of the Bonds and only the Project will secure payment of Base Rent for the Bonds.

Construction of the Project

General Construction Contracts. The Office Project will be constructed pursuant to the Office Project General Construction Contract between the Issuer and Hathaway Dinwiddie Construction Company, the anticipated general contractor for the Office Project, or another qualified general contractor proposed by Developer and approved by the Issuer. The Shatto Garage Project will be constructed pursuant to the Shatto Garage Project General Construction Contract between the Issuer and Bomel Construction Co., Inc., or another qualified general contractor proposed by Developer and approved by the Issuer. Each construction contract is independent of the other.

Delivery of the Project for a Fixed Price. The Issuer will enter into the Development Agreement with the Developer, pursuant to which the Developer will develop, oversee and manage the design, permitting and construction phases of the Project. The Development Agreement provides that the Developer warrants Substantial Completion of the Project (i) constructed in a good and workmanlike manner, (ii) in substantial accordance with the Contract Documents, (iii) on or before the Developer Obligation Date, which may be extended as described below, (iv) for the Fixed Price (excluding any components of the Project that are not Project Costs), and (v) free and clear of all liens. Subject to the terms and conditions contained in the Development Agreement, Project Costs exceeding the Fixed Price shall be paid by Developer, with Developer depositing any required funds with Trustee pursuant to the Development Agreement. Fixed Price means an amount not to exceed \$295,540,629, being the total amount to be paid by Issuer for Project Costs. A detailed description of Project Costs by line item and category is set forth under “Project Budget” below. Notwithstanding anything to the contrary contained herein, “Project Costs” do not include and the Developer has no responsibility for (a) personal property of the County and any taxes thereon (which shall be paid by the County at its sole cost and expense); (b) “Owner Discretionary Costs” (being discretionary costs of the Issuer, as further described in the Development Agreement); (c) Costs Resulting from Owner-Caused Delay (being costs resulting from delays caused by the Issuer or the County, as further described in the Development Agreement); (d) any increase in the cost of the Project resulting from Issuer-initiated change orders; (e) real property taxes and assessments with respect to the Premises and the improvements thereon; and (f) Other Owner Costs (being other costs that are the responsibility of the Issuer or the County, as further described in the Development Agreement). Any and all references herein to Project Costs shall exclude all of the items referenced in clauses (a) through (f) above.

The Development Agreement provides that the Developer Obligation Date shall be extended for any delays resulting from the following: the extent (i) issuance of the Bonds has not occurred on or before August 1, 2018, (ii) the Issuer has not issued its Notice to Proceed on or before August 1, 2018, (iii) of Owner-Caused Delays, or (iv) of Unavoidable Delays; provided, however, extensions due to Unavoidable Delays shall not exceed ninety (90) days. Notwithstanding the foregoing, if the Unavoidable Delay is a direct and unavoidable result of either (1) a casualty or condemnation subject to Section 21 of the Development Agreement or (2) the discovery of Hazardous Substances beneath the surface of the Premises, which existed but were unknown (or the location or extent of which were unknown based on the information in the Developer’s possession as of the effective date of the Development Agreement) to Developer as of the Effective Date, then the ninety (90) day limitation set forth in the immediately preceding sentence shall not apply.

Developer Payments for Late Project Delivery. Pursuant to the Development Agreement, if Substantial Completion of the Project fails to occur by the Developer Obligation Date (as extended, if applicable), then commencing on the Developer Obligation Date and continuing on the first day of each successive calendar month through the month in which Substantial Completion of the Project occurs, as the Issuer’s sole remedy for such delay, Developer shall pay to Trustee an amount (the “Monthly Carrying Costs”) equal to the amount that would be payable to the Trustee under the Indenture if Substantial Completion of the Project had occurred prior to such calendar month. The Monthly Carrying Cost is, in turn, equal to the Base Rent that would be payable by the County under the Facilities Lease if Substantial Completion of the Project had so occurred. The Monthly Carrying Cost shall be offset by any amounts of Base Rent paid or payable by the County under the Facilities Lease. Prior to the due date, the Issuer shall provide and/or shall cause the

Trustee to provide Developer with the amounts of such Monthly Carrying Costs. Any overpayment of Monthly Carrying Costs in a particular month shall be credited against the amount due in the next month, except any overpayment due to achievement of Substantial Completion of the Project shall be refunded in arrears for the partial month in which Substantial Completion of the Project occurs.

Notwithstanding the foregoing, to the extent the Issuer receives insurance proceeds under the builders risk insurance policy provided for in the Development Agreement (see “Insurance and Performance Bond During Construction” herein) to reimburse the Issuer for loss of income and rents, such sums shall be credited against the Developer’s obligation to pay Monthly Carrying Costs to the Trustee. Furthermore, notwithstanding anything to the contrary contained in the Development Agreement, in no event and under no circumstance shall the Developer be obligated to make out-of-pocket payments for Monthly Carrying Costs in excess of that portion of the Developer’s Fee theretofore received by the Developer under the Development Agreement plus any available insurance proceeds. However, any further obligation of the Developer for Monthly Carrying Costs shall result in a forfeiture by the Developer of that portion of the remainder of the Developer’s Fee equal to the amount of the Developer’s remaining obligation (if any) for such Monthly Carrying Costs and the Issuer shall issue notice to Trustee to transfer any such forfeited amount of the Developer’s Fee to the appropriate account under the Indenture for payment of debt service on the Bonds. The Developer’s Fee under the Development Agreement is \$5,449,690, consisting of two percent (2.0%) of the Project Costs, excluding the Developer’s Fee, the Overhead Allowance and the Project Contingency (except to the extent that the Project Contingency is expended towards Project Costs), with any change in the work initiated by Issuer in accordance with Section 8.3 of the Development Agreement (a) increasing the Developer’s Fee in an amount calculated as two percent (2.0%) of the cost of any such change in the work, and (b) to the extent that such change in the work extends the Project Schedule, increasing the Overhead Allowance as may be appropriate due to such extension as mutually agreed to by Owner and Developer. The Developer will also be paid an Overhead Allowance in connection with the work in the amount of \$3,474,000, payable in installments of \$96,500 per month from March 2018 (the commencement of pre-construction activity for the Project) through the earlier to occur of (i) occupancy of the Project by the County or (ii) full payment of the amount of \$3,474,000 (which amount shall not be changed except as agreed to by the Issuer and the Developer).

General Construction Contract Including Liquidated Damages. The Development Agreement provides that, as part of the Fixed Price, the Project shall be constructed pursuant to one General Construction Contract for the Office Project and one General Construction Contract for the Shatto Garage Project, each of which shall contain the applicable Guaranteed Maximum Construction Price. “Guaranteed Maximum Construction Price” means (i) with respect to the Office Project, the maximum cost for construction of the Office Project, as guaranteed by the Office Project General Contractor pursuant to the terms of the Office Project General Construction Contract, and (ii) with respect to the Shatto Garage Project, the maximum cost for construction of the Shatto Garage Project, as guaranteed by the Shatto Garage Project General Contractor pursuant to the terms of the Shatto Garage Project General Construction Contract. Each General Construction Contract shall contain a provision for payment and performance bonds issued by a surety reasonably acceptable to the Issuer pursuant to which the Issuer, the Trustee and the County shall be named as obligees pursuant to a rider or riders reasonably acceptable to the Issuer.

Pursuant to the Development Agreement, any liquidated damages or similar amount paid by either of the Office Project General Contractor or the Shatto Garage Project General Contractor under either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract as a result of the failure to achieve Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, by the Developer Obligation Date shall be deposited with the Trustee and held for payment of Monthly Carrying Costs and related expenses through the month in which Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, occurs to the extent that the aggregate amount paid or forfeited by Developer pursuant to the Development Agreement is not sufficient to pay all Monthly Carrying Costs through the month in which Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, occurs. Upon Final

Acceptance by the Issuer of the Project (as described further in the Development Agreement) and the making of all final payments (including the funding of the 150% holdback for uncompleted Punch List items), if Substantial Completion of the Project failed to occur by the Developer Obligation Date, the Developer and the Issuer with concurrence of the County, shall (i) determine the amount of any liquidated damages or similar amount paid by either of the Office Project General Contractor or the Shatto Garage Project General Contractor and deposited with Trustee as result of the failure of Substantial Completion to occur prior to the Developer Obligation Date and which has not been disbursed by Trustee to cover Monthly Carrying Costs and related expenses (“Excess Liquidated Damages”) and (ii) direct the Trustee to disburse such Excess Liquidated Damages to the Developer to the extent of any Monthly Carrying Costs paid by Developer or any forfeited Developer’s Fee in accordance with the Development Agreement.

Developer’s Fee Payments and Incentives for Timely Completion. Pursuant to the Development Agreement, the Developer is entitled to a portion of the Developer’s Fee based upon achievement of the Project milestones set forth below. If the hard costs incurred as of a date a milestone is achieved exceed the budgeted percentage of hard costs, as set forth below, after application of the Project Contingency, the Developer is not entitled to draw that portion of its Developer’s Fee equal to such excess until the next milestone is achieved, and then only if the hard costs incurred as of such milestone do not exceed the budgeted percentage of hard costs to be incurred by such milestone date after application of the Project Contingency. Any unpaid portion of the Developer’s Fee shall be paid with the final payment.

Project Completion Milestones	Cumulative Percentage of Developer’s Fee Payable
Upon commencement of construction	10.0%
25%*	20.0
50%*	35.0
75%*	50.0
Substantial Completion of the Office Project	80.0
Substantial Completion of the Project	90.0
Final Acceptance	97.5
LEED Certification	100.0

* Percentage of Project completion to be calculated as the percentage of hard construction costs approved for disbursement divided by the total of all such hard construction costs as shown in the Project Budget; provided, however, that Developer shall be entitled to such payment only to the extent the hard costs incurred as of any such milestone dates do not exceed the hard costs budgeted (after application of the Project Contingency) to be incurred as of such milestone dates. The final installment of the Developer’s Fee shall be paid to Developer as described below.

LEED Certification. The Development Agreement provides that the Developer will use commercially reasonable efforts to obtain a Leadership in Energy and Environmental Design – NC 2009 (“LEED”) Silver certification from the U.S. Green Building Council (“USGBC”) with respect to the Office Project. Pursuant to the Development Agreement, the Issuer agrees to work in good faith with the Developer when making various decisions to consider their potential impact on LEED certifications. It is anticipated that the final determination by the USGBC of the LEED certification of the Office Project will not occur until after Final Acceptance. **The County’s obligation to pay Base Rent under the Facilities Lease is not contingent on obtaining any level of LEED certification.**

Pursuant to the Development Agreement, the Issuer shall hold back 2.5% of the Developer’s Fee until a LEED certification is obtained for the Office Project, and the Developer shall diligently and continuously use commercially reasonable efforts to pursue such LEED certification for the Office Project. If the Developer has diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the Office Project, and the LEED certification for the Office Project has not been obtained within eighteen (18) months after Final Acceptance of the Office Project (subject to Unavoidable Delays), then the Developer shall

be entitled to payment of the remaining 2.5% of the Developer's fee being held by the Issuer. If the LEED certification for the Office Project has not been obtained within eighteen (18) months after Final Acceptance of the Office Project (subject to Unavoidable Delays), and the Developer has not diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the Office Project (beyond any applicable notice and cure period), and such failure to obtain LEED certification is not as a result of the acts or omissions of the Issuer or the County, then the Issuer shall be entitled, as the Issuer's sole remedy, to retain the 2.5% of the Developer's Fee held back as liquidated damages resulting from the Developer's failure to use diligent and continuous efforts to achieve the LEED certification.

Insurance and Performance Bond During Construction. The Development Agreement sets forth the insurance coverage requirements for the Developer, including commercial general liability insurance, professional liability, automobile liability insurance, and workers compensation and employers' liability insurance or qualified self-insurance satisfying statutory requirements. The Development Agreement also sets forth the insurance coverage requirements for the construction phase of the Project, including builder's risk course of construction insurance (which is to include an endorsement for earthquakes), general liability insurance, automobile liability insurance, professional liability/errors and omissions insurance, workers compensation and employers' liability insurance or qualified self-insurance satisfying statutory requirements, contractor's pollution liability insurance as applicable, and contractor's asbestos liability insurance as applicable, and requires the delivery of a performance surety bond. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Development Agreement – *Insurance.*"

Condemnation During Construction. Pursuant to the Development Agreement, if, prior to Substantial Completion of the Project, there is a partial taking of the Premises by Condemnation but the Project can be completed substantially in accordance with the Project Requirements, such condemnation proceeds shall be paid to Trustee who shall deposit such condemnation proceeds into the Non-Bond Proceeds Account established under Section 4.02 of the Indenture for purposes of paying Project Costs. Following Substantial Completion of the Project, if there is a partial taking of the Premises by Condemnation, and the County determines that restoration is possible or a reasonable use can be made of the Premises without restoration, then the condemnation proceeds shall be paid to Trustee who shall, as applicable, (i) deposit such condemnation proceeds into the Capital Repairs Fund (as defined in the Indenture) and shall disburse such condemnation proceeds to the Issuer from time to time as restoration progresses, or (ii) deposit such condemnation proceeds in the Bond Fund (as defined in the Indenture) to be used to repay or defease Bonds. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Development Agreement – *Condemnation.*"

General Contractors' Obligations for Costs. If the Office Project General Contractor does not achieve substantial completion of the work described in the Office Project Construction Contract by June 15, 2021 (as such date may be extended under the Office Project Construction Contract), a liquidated damages clause in the Office Project General Construction Contract provides that the Office Project General Contractor will pay the Issuer as reimbursement for the Issuer's additional costs, starting at \$5,000 per day beyond such date for the first 75 days, \$10,000 per day for the next 30 days (days 76-106), \$20,000 per day for the next 30 days (days 107-137), \$35,000 per day for the next 30 days (days 138-168), and then \$45,000 per day for each day thereafter, until substantial completion of the Office Project is achieved or the Office Project General Contractor has paid 100% of the Office Project General Contractors Fee. If the Shatto Garage Project General Contractor does not achieve substantial completion of the work described in the Shatto Garage Project Construction Contract by October 15, 2021 (as such date may be extended under the Shatto Garage Project Construction Contract), a liquidated damages clause in the Shatto Garage Project General Construction Contract provides that the Shatto Garage Project General Contractor will pay the Issuer as reimbursement for the Issuer's additional costs \$7,700 per day for each day beyond such date, until substantial completion of the Shatto Garage Project is achieved or the Shatto Garage Project General Contractor has paid \$1,000,000 in liquidated damages.

Cost Overruns; Sufficiency of Funds to Complete Construction. Pursuant to the Developer Agreement, the Issuer has no obligation to request any disbursement of money on deposit in the Bond Proceeds Account in the Project Fund unless and until the Project is in balance. The Project shall be deemed to be in balance only when the undisbursed portion of Bond proceeds in the Project Fund allocable to payment of the Fixed Price (which the Issuer shall cause to contain an amount sufficient to pay the Fixed Price plus all other funds that are the responsibility of the Issuer under the Development Agreement) together with funds deposited by the Developer (if applicable) with the Trustee and expected earnings on the Project Fund to the date of their anticipated disbursement after provision for all contingencies shall equal or exceed the amount reasonably estimated by the Issuer to pay for all Project Costs that are the responsibility of the Developer under the terms of the Development Agreement. In the event the Issuer properly advises the Developer that the Project is not in balance, the Developer will deposit into the Project Fund held by the Trustee the amount necessary to bring the Project into balance (*i.e.*, the excess amount, if any, by which the Project Costs that are the Developer's responsibility under the terms of the Development Agreement exceed the Fixed Price), and such funds will be disbursed in their entirety prior to any further disbursement of Bond proceeds from the Bond Proceeds Account in the Project Fund; provided that if the shortfall in the Bond Proceeds Account in the Project Fund is due to the Issuer's failure to deposit funds as required in connection with any Issuer-initiated change orders, the Issuer will deposit the necessary funds into the Bond Proceeds Account in the Project Fund held by the Trustee.

Notwithstanding anything to the contrary contained in the Development Agreement, all costs of every nature that constitute "Other Owner Costs" shall be the responsibility, cost and expense of the Issuer or the County. "Other Owner Costs" means all costs that are explicitly stated in the Development Agreement to be the responsibility of the Issuer or the County or are stated not to be the responsibility of the Developer, and shall include, without limitation, the County's Personal Property and any taxes thereon, any costs of Financed FF&E in excess of the Financed FF&E Allowance, Procured FF&E (if any), Relocation Services, the premium for the policy of builder's risk insurance for the Project (and any deductible thereunder) that is procured by Issuer, Financing Costs and any other costs associated with the Bonds, costs for the Ground Lease, title, escrow and recording costs, debt service on the Bonds, attorneys' fees and costs incurred by Owner or the County, property taxes and assessments of any nature with respect to the Premises or any improvements located on the Premises, costs associated with any licensee, subtenant or other occupant of the Premises, expenses resulting from Owner-Caused Delays or Unavoidable Delays (including, without limitation, expenses incurred in connection with a casualty, and including, without limitation, environmental clean-up costs exceeding the line item allowance amount for environmental clean-up set forth in the Project Budget), except as provided in Section 7.2 of the Development Agreement, consulting fees for any consultants engaged by the Issuer, the County or the Trustee as permitted under the Development Agreement, costs associated with any lawsuit, claim or other action pending or threatened against the Issuer or the County, except as provided in the Development Agreement. The Issuer agrees that the Developer shall have no responsibility or liability for any of the Other Owner Costs and the Issuer or the County, as applicable, shall timely fund all Other Owner Costs. All capitalized terms used but not defined in this paragraph shall have the meaning given to them in the Development Agreement. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Developer Agreement, *Payment of Project Costs*"

Project Construction and Management under the Facilities Lease. Under the terms of the Facilities Lease, the Issuer is obligated to cause the design, permitting and construction of the Project by entering into the Development Agreement. Following Substantial Completion of the Project, the Issuer shall, at Issuer's sole cost and expense (but only to the extent that County has provided funds in accordance with the annual operating budget (approved by Issuer and the County) and that there are available operating or maintenance reserves (with respect to Operating Costs) and amounts in the Capital Repairs Fund (with respect to Capital Expenditures) or as otherwise made available by the County) and in accordance with the Facilities Lease, maintain, repair and replace the Project or portions thereof in an attractive condition, good order and function, at a condition equal to or better than the predominant condition of other office buildings owned or occupied by the County in the business districts of the City of Los Angeles, throughout the term of the Facilities Lease. In addition, the Issuer shall cause the Premises to be operated and managed, and services provided, in a manner

consistent with that of a reasonably prudent building owner of comparable Class A office buildings located in the business districts of Los Angeles, California, and in a manner which is efficient and reasonably controls expenses.

Pursuant to the Facilities Lease, following Substantial Completion of the Project, the Issuer shall at all times cause the Premises to be operated by a professional property management company selected and managed by the Issuer. Such property manager shall have at least five (5) years' experience in managing Class A office buildings of comparable size and quality to the Premises in the business districts of Los Angeles, at a management fee which shall not be in excess of the predominant management fee charged by property management companies managing commercial office buildings of comparable size and quality in Los Angeles County. Such property management contract shall (a) not have a term greater than five (5) years, (b) contain a requirement that, if the action to be undertaken by the property manager relates to a hazard or emergency on the Premises, the property manager shall commence performance within 4 hours, and shall thereafter pursue such cure with diligence, and (c) include provisions stating that such contract may be terminated for cause (but not convenience) by the Issuer on its determination or as directed by the County, if the property manager is in default under the property management contract. After the expiration or termination of the original property management contract, contracts with property management firms shall be terminable for cause as set forth above and terminable for convenience by the Issuer at the County's direction upon not less than six (6) months' notice beginning five (5) years after the Substantial Completion Date. Notwithstanding the foregoing or any other provision of the Facilities Lease, any and all management contracts relating to the Project, including the original property management contract, shall immediately terminate at the time that the Tax-Exempt Bonds are no longer Outstanding.

The Developer

TC LA Development, Inc. will manage the design, permitting and construction of the Project as Developer. The Developer is a wholly owned, but independent subsidiary of the Trammell Crow Company LLC ("Trammell Crow"). Founded in 1948, Trammell Crow is one of the largest developers in the nation. Trammell Crow has developed or acquired over 540 million square feet of buildings with a value exceeding \$60 billion, and currently has over \$5.9 billion of projects in-process. The local Southern California team has over 40 years of experience and expertise in development, investment and construction and has delivered over 36.5 million square feet of office, mixed use, retail and industrial space in excess of \$10 billion. In the last ten years, Trammell Crow has delivered the 790,000 square foot office project at 2000 Avenue of the Stars and executed tax-exempt financial structures for both The Gateway at Alhambra project for the Community Development Commission, and for the 2001 Soto project for the University of Southern California.

Office Project General Contractor

Hathaway Dinwiddie Construction Company ("Hathaway Dinwiddie") is the Office Project General Contractor. With over one hundred years of experience, Hathaway Dinwiddie brings industry's best capabilities and advanced technologies to every project. Hathaway Dinwiddie has a successful track record with both Trammell Crow and the County, including the 2000 Avenue of the Stars Office Building and Chatsworth Courthouse. Hathaway Dinwiddie has provided preconstruction services for the Office Project for over two years and will provide a guaranteed maximum price contract for construction of the Office Project.

Shatto Garage Project General Contractor

Bomel Construction Co., Inc. ("Bomel") is the Shatto Garage Project General Contractor. Bomel Construction has been designing and building parking structures, office buildings, hotels, stadiums, bridges and virtually any kind of concrete structure for over 40 years. Founded in 1978, Bomel specializes in "concrete projects" as parking structures, office buildings, hotels, stadiums, bridges and similar structures. Bomel has completed hundreds of concrete projects. Bomel will provide a lump sum contract for construction of the Shatto Garage Project.

Office Project Architect

M. Arthur Gensler Jr. & Associates, Inc. (“Gensler”) is the architect for the Office Project. Gensler was founded in 1965 and is headquartered in San Francisco, California. Gensler is a leading global architecture, interiors, planning and strategic consulting firm that partners with companies to achieve measurable business and organizational goals through design. For 50 years, Gensler has been a pioneer in creating great places that enhance the quality of work and life. Gensler employs more than 5,000 professionals in 44 cities around the world. The firm has over 3,500 active clients in virtually every industry and delivers projects at multiple scales—from planning and building entire cities to designing a task light for an individual’s desk. Gensler supports the development of innovative places with a philosophy of value-based design and comprehensive services that allow clients to collaborate with a continuous, dedicated team from planning through construction.

Shatto Garage Project Architect

Parking Design Solutions Inc. (“PDS”) is the architect for the Shatto Garage Project. PDS is a joint venture of GR Parking Consulting Inc., and GAA Architects, Inc., established to provide service-oriented parking planning, functional design and project management. PDS is an architectural firm comprised of highly reputable architects, parking planners, designers and technical staff committed to providing excellence in parking structure design. PDS provides a wide range of architectural services with a strong emphasis on architectural aesthetic integrity and design efficiency, while meeting demanding schedules and budgets. PDS’s principals have performed specialized parking structure designs for private and public sectors, including commercial office, casinos, transportation/aviation, multifamily residential and healthcare and hospitality.

Design, Permits and Approvals

The Office Project Construction Document design is plan check ready and the Shatto Garage Project has completed 100% Design Development Documents. The Office Project will be submitted to the Los Angeles County Building and Safety Department for plan check review and approval following bond issuance. The tenant improvement design for the Department of Workforce Development, Aging and Community Services and clinic space will be completed following bond issuance and will be submitted for plan check once complete. The Shatto Garage Project drawings will be completed and submitted for plan check review and approval prior to commencement of the Shatto Garage Project. Various permits, including demolition permits, building permits, B-permits, city right of way permits, deferred permits, and any other permits required to complete the Office Project and Shatto Garage Project are expected to be obtained in the ordinary course of project execution. The Issuer does not expect any delays in obtaining the necessary permits and approvals.

The County, through its Community Development Commission, caused the preparation of a draft Environmental Impact Report (the “EIR”) pursuant to the California Environmental Quality Act in 2017. Public comment on the draft EIR concluded on January 19, 2018. A final EIR, including responses to various comments, was prepared. At its May 22, 2018 meeting, the Board of Supervisors accepted public comment on and approved the final EIR. A final notice of determination was issued on May 30, 2018. The period for appealing the determination ended on June 29, 2018 and the County is in the process of confirming whether any appeals have been filed.

Construction Schedule

The Developer anticipates Project construction and delivery will occur on the following schedule:

Activity	Date
Ground Breaking	August 6, 2018
Office Building Parking Structure TCO	April 3, 2020
Office Building Tenant Improvement Complete ⁽¹⁾	June 15, 2021
Shatto Parking Structure Complete	October 15, 2021
Substantial Completion/Developer Obligation Date	October 15, 2021

Source: TC LA Development, Inc.

⁽¹⁾ "Office Building Tenant Improvement" consists of improvements requested by the County to the interior of the Office Project, including but not limited to HVAC thermostats, operating controls and conduit rough-in for data, telephone, and security wiring, as they are described in the Construction Documents. Costs for Tenant Improvements (other than the retail area) are included in the Project Budget, and included in the guaranteed maximum price under the Office Project General Construction Contract.

Project Budget

The proceeds of the Bonds will be used by the Issuer to pay for (i) Project Costs up to the amount of the Fixed Price, (ii) costs associated with certain Tenant Improvements, (iii) costs of issuance in connection with the issuance of the Bonds and (iv) certain capitalized interest on the Bonds through the construction period. The Issuer and the Developer expect that the proceeds of the Bonds, together with earnings thereon and other available funds, will be sufficient to pay the costs of the Project, including interest on the Bonds during construction, although the Issuer cannot guarantee that such proceeds will be sufficient. See "CERTAIN RISK FACTORS – Construction and Completion Risk." The Issuer does not have any obligation to pay Project Costs in excess of the Fixed Price, and the County, whose only payment obligation under the Facilities Lease is the payment of Rent and other amounts specifically set forth therein and in the Ground Lease, has no obligation to pay Project Costs. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Facilities Lease" and "– The Development Agreement."

The following table sets forth the estimated Project Costs:

Activity	Estimated Project Cost
Podium Parking	\$ 50,787,560
Office Building Shell and Core	110,071,423
Tenant Improvements	31,280,283
Shatto Parking Garage	30,649,339
Financed Furniture, Fixtures and Equipment Allowance	17,798,987
Environmental Allowance	3,169,001
Soft Costs, Insurance, Permits, Plan Check and Fees	18,892,300
WDACS and Clinic Tenant Improvement Allowance	10,835,601
Developer's Fee	5,449,690
Developer's Overhead Allowance	3,474,000
Contingency	13,132,445
Total:	\$ 295,540,629

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied approximately as set forth below:

<u>Sources of Funds:</u>	<u>Tax-Exempt Bonds</u>	<u>Federally Taxable Bonds</u>
Principal Amount of the Bonds	\$297,280,000.00	\$5,100,000.00
Original Issue Premium	44,179,264.80	--
Total	\$341,459,264.80	\$5,100,000.00
<u>Uses of Funds:</u>		
Deposit to Project Fund	\$297,129,955.40	\$ --
Deposit to Capitalized Interest Fund ⁽¹⁾	42,404,376.54	5,045,817.76
Deposit to Costs of Issuance Fund ⁽²⁾	1,924,932.86	54,182.24
Total	\$341,459,264.80	\$5,100,000.00

⁽¹⁾ Includes capitalized interest through the construction period.

⁽²⁾ Includes underwriters' discount, title insurance costs, rating agency fees, Bond Counsel fees and expenses, Disclosure Counsel fees and expenses, municipal advisor fees, printing costs and other miscellaneous expenses.

THE BONDS

Description

The Bonds are dated and bear interest from the date of their delivery. Interest on the Bonds is payable semi-annually on June 1 and December 1, beginning December 1, 2018 (each an "Interest Payment Date"). Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will bear interest at the rates and mature on December 1 in the years and in the amounts set forth on the inside cover of this Official Statement (each a "Principal Payment Date"). A portion of the proceeds of the Bonds will be used to fund capitalized interest on the Bonds through the construction period. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Beneficial Use and Occupancy" herein.

The Bonds will be fully registered as to both principal and interest, and will be issued in denominations of \$5,000 or any integral multiple thereof. Initially, individual purchases of the Bonds may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Bonds purchased. When issued, the Bonds will be registered in the name of Cede & Co. as Registered Owner and nominee of DTC. So long as Cede & Co. is the Registered Owner of the Bonds, references herein to the Owners, Registered Owners or Bond Owners will mean Cede & Co. and will not mean the "Beneficial Owners" of the Bonds. In this Official Statement, the term "Beneficial Owner" will mean the person for whom a DTC participant acquires an interest in the Bonds. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds will be paid by the Trustee by check mailed on the applicable Interest Payment Date to the Owners as of the close of business on the applicable Record Date, all as defined in the Indenture, at the address in the books for registration of the Bonds kept for the Issuer by the Trustee (the "Bond Register"), or at such other address as is furnished in writing by Owners to the Trustee (provided, however, that the Trustee will, at the request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds, make payments of interest on such Bonds by wire transfer to the account at any bank in the United States designated by such Owner in writing on or before the Record Date), and the principal of the Bonds is payable in lawful money of the United States of

America upon surrender thereof at the principal corporate trust office of the Trustee. No payment of principal will be made on any certificated Bond unless and until such Bond is surrendered to the Trustee for payment.

Redemption of the Bonds

Optional Redemption. The Tax-Exempt Bonds are subject to redemption prior to their stated maturity as described below (i) upon the written direction of the County given to the Issuer and the Trustee at least 30 days prior to the date fixed for redemption; and (ii) otherwise upon the written direction of the Issuer given to the Trustee at least 30 days prior to the date fixed for redemption, in either case as a whole or in part (and if in part with maturities to be selected by the County, so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise by the Issuer).

The Tax-Exempt Bonds maturing on and prior to December 1, 2028 are not subject to optional redemption prior to their scheduled maturity. The Tax-Exempt Bonds maturing on and after December 1, 2029, are subject to redemption, in whole or in part, in Authorized Denominations, on any date on and after December 1, 2028, from (i) prepaid Base Rent paid pursuant to the Facilities Lease, or (ii) any other source of available funds, at a price of par plus accrued interest to the date of redemption.

The Federally Taxable Bonds are not subject to optional redemption prior to their scheduled maturity.

Mandatory Sinking Fund Redemption. The Tax-Exempt Bonds maturing on December 1, 2043, 2048 and 2051 are Term Tax-Exempt Bonds (the “Term Tax Exempt Bonds”) subject to mandatory sinking fund redemption (in such a manner as DTC or the Trustee, as applicable, shall determine) at a price of 100% of the principal amount of the Tax-Exempt Bonds to be redeemed plus accrued interest to the date of redemption on December 1 in the years and amounts as follows:

2043 Term Tax-Exempt Bonds	
Redemption Years	Redemption Amounts
2039	\$10,210,000
2040	10,725,000
2041	11,280,000
2042	11,860,000
2043(Final Maturity)	12,470,000
2048 Term Tax-Exempt Bonds	
Redemption Years	Redemption Amounts
2044	\$13,040,000
2045	13,570,000
2046	14,125,000
2047	14,700,000
2048 (Final Maturity)	15,295,000
2051 Term Tax-Exempt Bonds	
Redemption Years	Redemption Amounts
2049	\$16,005,000
2050	16,835,000
2051 (Final Maturity)	17,690,000

The principal amount of any Term Tax-Exempt Bonds optionally redeemed shall be credited against the scheduled redemptions of such Tax-Exempt Bonds in the manner designated by an Authorized Officer of the County or the Issuer, as applicable.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary optional redemption in whole, and not in part, on any date (and will be redeemed on the first practical date for which notice may reasonably be given by the Trustee), at a price of par plus accrued interest to the date of redemption, upon the receipt by the Trustee of (i) insurance proceeds in connection with certain underinsured damage as described in the Facilities Lease (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Damage; Destruction; Condemnation”) or (ii) condemnation proceeds in connection with certain condemnation events as described in the Facilities Lease (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Damage; Destruction; Condemnation”). Upon receipt of notice from the County of the occurrence of circumstances described in the preceding sentence and setting a redemption date, the Trustee will call Bonds for extraordinary redemption on the first practical date for which notice may reasonably be given and on which the redemption price is or will be available.

Notice of Redemption. As long as the Bonds are held in book-entry only form, notice of redemption (which may be conditional) will be given by DTC solely in accordance with the operational arrangements of DTC as then set forth. If the Bonds are no longer held in book-entry form, the Trustee will give notice of redemption by first class mail, postage prepaid, mailed no fewer than 20 nor more than 60 days prior to the redemption date to each Owner of Bonds to be redeemed at the address of such Owner appearing in the Bond Register. Any notice of optional redemption may be conditional and may be revocable at any time prior to the conditions set forth therein being satisfied in full.

Neither the failure of any Owner to receive notice mailed as described herein nor any defect in notice so mailed will affect the validity of the proceedings for redemption in accordance with the Indenture. All notices of redemption shall state: (a) the redemption date and the conditions, if any, of redemption; (b) the redemption price; (c) the amount of accrued interest payable on the redemption date (if such amount can be calculated at the time the notice is mailed); (d) the designation of the Bonds to be redeemed, the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed; (e) that (unless the notice of redemption is a conditional notice, in which case the notice shall state that interest shall cease to accrue from the date fixed for redemption if and to the extent that funds have been provided to the Trustee for the redemption of Bonds) on the redemption date the redemption price of each such Bond will become due and payable and that interest on each such Bond shall cease to accrue on and after such date; (f) the place or places where such Bonds must be surrendered for payment of the redemption price thereof; and (g) such additional information as the Issuer shall deem appropriate.

Notice of redemption having been given to the Owners as aforesaid and if the notice of redemption is conditional and the conditions stated in the notice of redemption have been met, such Bonds to be redeemed will become due and payable on the redemption date at the redemption price specified, and on and after such date (unless the Issuer defaults in the payment of the redemption price) such Bonds will cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond will be paid at the redemption price thereof, to the extent of funds on deposit with the Trustee and available therefor. To the extent possible, each check or other transfer of funds issued for the payment of the redemption price of Bonds being redeemed will bear the CUSIP number identifying, by maturity, the Bonds being redeemed with the proceeds of such check or other transfer. If any Bond called for redemption is not so paid upon surrender thereof for redemption, the redemption price and, to the extent lawful, interest thereon will, until paid, bear interest from the redemption date at the rate borne by the Bond immediately before the redemption date.

Partial Redemption of Bonds. For so long as the Bonds are held in fully immobilized form, the selection of particular Bonds within a maturity to be redeemed, whether by optional or mandatory redemption, will be made in accordance with the operational arrangements then in effect at DTC. If less than all of the Bonds of a particular maturity are called for any optional redemption or mandatory sinking fund redemption: (1) if the Bonds are not registered in book-entry only form, the Trustee will select by lot the Bonds to be redeemed; and (2) if the Bonds are in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, Bonds to be redeemed will be selected in accordance with

DTC's procedures in effect at such time. Upon surrender of any Bond redeemed in part only, the Issuer will execute and the Trustee will authenticate and deliver to the Owner thereof, at no expense to the Owner, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered. Costs of printing and/or authentication of new Bonds shall be paid by the Issuer.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and money for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue on the redemption date, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of said principal and interest accrued to the date fixed for redemption. All Bonds redeemed as described herein will be cancelled by the Trustee upon surrender thereof.

Option to Prepay Facilities Lease and Purchase Project

Option to Prepay Facilities Lease in Whole. Pursuant to the Facilities Lease, the County has the option to purchase the Premises and thereby terminate the Facilities Lease and the Ground Lease by depositing with the Trustee amounts sufficient to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance.

The Indenture provides that, on or after the date the Bonds are subject to optional redemption, the purchase price of the Premises shall be an amount sufficient to pay all Outstanding Bonds, plus interest accrued thereon to the date of redemption. Prior to the date the Bonds are subject to optional redemption, the purchase price of the Premises shall be an amount sufficient to pay all Outstanding Bonds, plus interest accrued thereon to the date of redemption, plus the additional amount, if any, required to fully defease the Outstanding Bonds in accordance with the Indenture.

The County may exercise its option to purchase by providing a notice of election to exercise purchase option as specified in the Indenture, which election by the County may be conditioned on the availability of sufficient funds on the purchase date, so long as any required notices of termination of management contracts that must be given by the Issuer in anticipation of the purchase are also so conditioned.

Pursuant to the Indenture, on the closing date specified in the notice of election to exercise purchase option, or such other date as the County, the Issuer and the Trustee may mutually agree and if the purchase price has been paid by the County in immediately available funds, the Issuer shall convey the Premises to the County by grant deed, free and clear of all liens and encumbrances, except those liens and encumbrances approved by the County, but without recourse against the Trustee, and the Indenture, the Ground Lease, and the Facilities Lease shall automatically terminate. Nothing in the Indenture shall be construed to require the County to exercise the purchase option therein granted.

Option to Partially Prepay the Facilities Lease and Cause Bonds to be Redeemed or Defeased. Pursuant to the Facilities Lease, the County has the option to partially prepay the principal component of Base Rent, in increments of five thousand dollars (\$5,000), for periods to be determined by the County by causing Bonds to be redeemed in accordance with Section 3.01 of the Indenture or by causing Bonds to be defeased in accordance with Article X of the Indenture. By 10:00 a.m. Pacific Time on the date set for prepayment, the County shall pay to Trustee in cash or same-day available funds, an amount equal to the principal component of Base Rent to be prepaid, together with interest thereon sufficient to optionally redeem or defease such Bonds in accordance with the Indenture. Upon such prepayment, the Facilities Lease shall be amended to reflect the reduction in Base Rent resulting from such prepayment; provided, however that in all cases the revised Base Rent will be due and payable in the amounts and at the times sufficient to pay the principal of and interest on all Bonds Outstanding after giving effect to the redemption or defeasance.

Defeasance under the Facilities Lease. The Facilities Lease provides that, in the event that, pursuant to the provisions described under this caption “Option to Prepay Facilities Lease and Purchase Project,” the County deposits with the Trustee money and/or Government Obligations (as defined in the Indenture), maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to pay or prepay all Base Rent then due under the Facilities Lease in accordance with the terms of the Facilities Lease and sufficient to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance, the Issuer shall convey unencumbered title to the Premises to the County (subject to Section 4.4 of the Facilities Lease), the Facilities Lease shall automatically terminate, no further payments need be made of any Base Rent under the Facilities Lease and the Bondowners shall not be entitled to any lien, benefit or security in the Premises, except the right to receive the funds so set aside and pledged, and neither the Issuer nor the County shall have any further obligation to the other hereunder. The Issuer shall apply such prepaid Base Rent to the defeasance or redemption of Bonds in accordance with the Indenture. In the event the Premises are conveyed to the County as described in this paragraph, the Ground Lease shall automatically terminate.

Purchase of Bonds

At the written direction of an Authorized Officer of the County, so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise at the written direction of the Issuer and with the sources of funds specified by the County and/or the Issuer, the Trustee will purchase Bonds offered to the County or the Issuer at prices deemed acceptable to the County or the Issuer, as applicable. The principal amount of any term Bonds purchased as described hereunder will be credited against the scheduled redemptions of such Bonds in the manner designated by an Authorized Officer of the County or the Issuer, as applicable, in accordance with the provisions described under “THE BONDS –Redemption of the Bonds – *Mandatory Sinking Fund Redemption.*”

Defeasance of Bonds

Pursuant to the Indenture, if the Issuer (1) issues refunding bonds (a) to pay the principal of, premium, if any, and interest on all or a portion of the Bonds as the same become due and payable and (b) to refund or defease such then Outstanding Bonds and to pay the costs of refunding or defeasance; or (2) sets aside irrevocably in a special fund for and pledged to such payment, refunding or defeasance, money (which shall remain uninvested) and/or Government Obligations, that are not subject to redemption prior to maturity sufficient in amount (as verified in a report from a firm of certified public accountants or nationally recognized arbitrage consultants), together with known earned income from the investments thereof, to make such payments and to accomplish the refunding or defeasance as scheduled (the “trust account”); and (3) makes irrevocable provisions for redemption of such Bonds, then in that case all right and interest of the Owners of the Bonds to be so retired, refunded or defeased (the “defeased Bonds”) in the covenants of the Indenture, in the Trust Estate, and in the funds and accounts obligated to the payment of such defeased Bonds, other than the right to receive the funds so set aside and pledged, thereupon shall cease and become void, except that those Owners will have the right to receive payment of the principal of and premium, if any, and interest on the defeased Bonds from the trust account (except such rights as exist with respect to payment, exchange and transfer of such Bonds under the pertinent provisions of the Indenture). After the establishing and full funding of such trust account, the defeased Bonds shall be deemed to be discharged, the Trustee will cancel the defeased Bonds as paid, and the Issuer then may, at the direction of the County, so long as the Facilities Lease is in effect and no Facilities Lease Default Event has occurred and is continuing, and otherwise in the Issuer’s sole discretion, apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the Owners of any other Bonds then Outstanding. Money held in any defeasance trust account shall be held solely for the benefit of the Owners of the Bonds. “Government Obligations” means direct, non-callable (a) United States Treasury Obligations, (b) United States Treasury Obligations – State and Local Government Series, (c) non-prepayable obligations that are fully and unconditionally guaranteed as to full and timely payment of principal and interest

by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

It is a condition of any such defeasance of the Bonds that the Issuer has obtained and delivered to the Trustee: (i) an Opinion of Bond Counsel that such Bonds have been legally defeased under the Indenture and that such refunding or defeasance will not affect the tax-exempt status of the Tax-Exempt Bonds; and (ii) if any Government Obligations are set aside in the special fund described in clause (2) above, the verification report of independent certified public accountants or nationally recognized arbitrage consultants, as described in clause (2) above. On the date of defeasance or full payment of Bonds the Issuer shall convey the Premises to the County.

Summary of Debt Service Requirements for the Bonds

ESTIMATED DEBT SERVICE SCHEDULE⁽¹⁾

The table below sets forth estimated debt service payments for the Bonds on an annual basis, as of each June 30, presuming there is no optional redemption of the Bonds and no prepayment of the Facilities Lease and purchase of the Project.

Year	Tax-Exempt Bonds		Federally Taxable Bonds		Total ⁽²⁾
	Principal	Interest	Principal	Interest	
2019	\$ --	\$11,993,871	\$ --	\$140,427	\$ 12,134,298
2020	--	14,156,700	--	165,750	14,322,450
2021	--	14,156,700	--	165,750	14,322,450
2022	--	14,156,700	--	165,750	14,322,450
2023	--	14,156,700	5,100,000	82,875	19,339,575
2024	5,275,000	14,024,825			19,299,825
2025	5,550,000	13,754,200			19,304,200
2026	5,830,000	13,469,700			19,299,700
2027	6,125,000	13,170,825			19,295,825
2028	6,440,000	12,856,700			19,296,700
2029	6,775,000	12,526,325			19,301,325
2030	7,120,000	12,178,950			19,298,950
2031	7,485,000	11,813,825			19,298,825
2032	7,870,000	11,429,950			19,299,950
2033	8,275,000	11,026,325			19,301,325
2034	8,700,000	10,601,950			19,301,950
2035	7,950,000	10,185,700			18,135,700
2036	8,355,000	9,778,075			18,133,075
2037	8,780,000	9,349,700			18,129,700
2038	9,235,000	8,899,325			18,134,325
2039	9,710,000	8,425,700			18,135,700
2040	10,210,000	7,927,700			18,137,700
2041	10,725,000	7,404,325			18,129,325
2042	11,280,000	6,854,200			18,134,200
2043	11,860,000	6,275,700			18,135,700
2044	12,470,000	5,667,450			18,137,450
2045	13,040,000	5,094,900			18,134,900
2046	13,570,000	4,562,700			18,132,700
2047	14,125,000	4,008,800			18,133,800
2048	14,700,000	3,432,300			18,132,300
2049	15,295,000	2,832,400			18,127,400
2050	16,005,000	2,126,375			18,131,375
2051	16,835,000	1,305,375			18,140,375
2052	17,690,000	442,250			18,132,250
TOTAL⁽²⁾	\$297,280,000	\$310,047,221	\$5,100,000	\$720,552	\$613,147,773

⁽¹⁾ Reflects debt service on the Bonds, which are the Issuer's only outstanding obligations.

⁽²⁾ Totals may not add due to rounding.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations; No Recourse on Bonds

The Bonds shall be special, limited obligations of the Issuer payable solely from and secured solely by a pledge of the Trust Estate as provided in the Indenture. No revenue, income, receipts, donations, earnings, property or assets of the Issuer other than the Trust Estate shall ever be subject to any lien or claim for the payment of the Bonds or the performance of any other obligation of the Issuer under the Indenture. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. **The Issuer has no source of funds available to pay debt service on the Bonds other than the Trust Estate.**

Neither the County nor any agency or municipality of the State is obligated to pay debt service on the Bonds. The Bonds are not an obligation of the County, moral or otherwise. The County's sole obligations with respect to this financing, including the obligation to pay Rent, are those set forth in the Facilities Lease.

No recourse shall be had for the payment of the principal of or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Indenture, against any past, present or future officer, employee or agent, or member of the Issuer, or any successor to the Issuer, as such, either directly or through the Issuer, or any past, present, or future officer, employee or agent, or member of any successor to the Issuer under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, employee or agent, or member of the Issuer or any successor to the Issuer, as such, is expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of the Bonds.

Pledge of Trust Estate

The Bonds are non-recourse revenue obligations of the Issuer, payable solely from the Trust Estate pledged under the Indenture. The "Trust Estate" consists of the following, whether now owned or hereafter acquired, which are pledged for the equal and proportionate benefit, security and protection of all present and future Owners of Bonds and any Additional Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds or Additional Bonds over any other Bonds or Additional Bonds: (1) all right, title and interest of the Issuer in and to all rents, issues, income, revenues and receipts derived by the Issuer from all sources, including the Facilities Lease (except for payments under the Facilities Lease for deposit into the Capital Repairs Fund), with respect to the use of the Premises, including all right, title and interest and security interest, if any of the Issuer, in and to all money, earnings, revenues, rights to the payment of money, receivables, accounts, contract rights, whether now owned or hereafter acquired, including, without limitation, all rents, issues, profits, income, revenues and receipts derived by the Issuer in any fashion from the Premises; (2) the Premises pursuant to the Deed of Trust, the Assignment of Development Agreement and other construction-related agreements between the Issuer and the Trustee (the "Assignment of Construction Documents") and the Assignment of Leases, including all proceeds thereof; (3) any and all other property of every kind and nature from time to time hereafter conveyed, pledged, assigned or transferred by delivery or by writing of any kind, as and for additional security hereunder by the Issuer, the County or by anyone on its or their behalf to the Trustee, which is hereby authorized to receive the same at any time as additional security hereunder; provided, however, that any real property may be conveyed to the Trustee only with its prior written consent, which consent shall not be unreasonably withheld; (4) all Revenues; (5) all choses in action and all choses in possession now or hereafter existing to the benefit of or arising for the benefit of the Issuer with respect to the Bonds, including all proceeds of all the foregoing; (6) all funds and accounts established under the Indenture and the investments thereof, if any, and money, securities and obligations therein (subject to disbursements from any such fund or account upon the conditions set forth in the Indenture), except for money held in the Rebate Fund and Capital Repairs Fund; and (7) to the extent not covered in the foregoing, all proceeds of all of the foregoing.

“Revenues” means all amounts received by the Issuer or by the Trustee for the account of the Issuer pursuant to the Facilities Lease (or any other lease by the Issuer of the Premises) or otherwise with respect to the Premises, including, without limiting the generality of the foregoing, all Rent (including both timely and delinquent payments and any late charges, paid from any source), prepayments, any payments received under any policy of title insurance with respect to the Premises, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except as otherwise provided therein), but not including (i) Administrative Fees and Expenses, (ii) Rebatable Arbitrage, (iii) money deposited in the Capital Repairs Fund, and (iv) any and all revenue, income, and receipts of the Issuer not derived from or received with respect to the Facilities Lease, the Premises, or any fund or account established pursuant to the Indenture.

The primary source of Revenues anticipated to be received by the Issuer and included within the Trust Estate is Base Rent to be received from the County under the Facilities Lease. To secure the pledge of the Revenues under the Indenture, the Issuer will assign to the Trustee the Base Rent and certain other amounts pursuant to the Assignment of Leases.

Base Rent; Abatement

Base Rent. Pursuant to the Facilities Lease, the County shall pay Base Rent to the Trustee without deduction, offset, prior notice or demand on each Rent Payment Date throughout the term of the Facilities Lease, commencing on the Rent Payment Date immediately following the Rent Commencement Date. The County shall deposit with the Trustee each payment of Base Rent at least one (1) Business Day prior to the Rent Payment Date. The first Base Rent payment that occurs after the Rent Commencement Date shall equal the prorated amount attributable to the period occurring between the Rent Commencement Date and the first Rent Payment Date (after deducting any portion of Base Rent paid by the County in connection with Substantial Completion of the Office Project that is on deposit with the Trustee for such period). In any fiscal year commencing July 1 and ending June 30 (the “Fiscal Year”), the aggregate amount of Base Rent plus the Annual Capital Repair Reserve Payment shall not exceed the Fair Market Rent for the Premises and in any partial Fiscal Year (falling in the Fiscal Year in which Rent Commencement Date or the termination of this Lease occurs), the aggregate amount of Base Rent plus the Annual Capital Repair Reserve Payment shall not exceed the Fair Market Rent for the Premises for such partial Fiscal Year.

The Facilities Lease also provides that for the period commencing on the Office Project Substantial Completion Date and ending on the Rent Commencement Date, the County shall pay to the Trustee without deduction, offset, prior notice or demand on each Rent Payment Date until the Rent Commencement Date, the amount that is equal to the sum of (a) the Office Project Portion, and (b) any Operating Costs arising solely and directly from the County’s occupancy of the Office Project. The County shall deposit each payment of the Office Project Portion with the Trustee at least one (1) Business Day prior to the Rent Payment Date. The first payment of Base Rent as described in this paragraph shall equal the prorated portion for the period between the Office Project Substantial Completion Date and the next following Rent Payment Date. “Office Project Portion” means the portion of Base Rent equal to the product of the Base Rent and the fraction, the numerator of which is the sum of the actual costs of the Office Project as of the Office Project Substantial Completion Date plus the remaining estimated costs of the Office Project as of the Office Project Substantial Completion Date and the denominator of which is the total budget of the entire Project (taking into account costs to date and estimated remaining costs) as of the Office Project Substantial Completion Date. Amounts to be paid by the County, as described in this paragraph, constitutes a portion of the Base Rent securing the Bonds.

Subject to the abatement provisions set forth in the Facilities Lease, aggregate Base Rent payments are equal to the principal of and interest on the Bonds when due. The County’s obligation to pay Base Rent is subject to abatement as described under “– Abatement” below.

The County has covenanted in the Facilities Lease to take such action as may be necessary to include the payment of all Rent due hereunder in its annual budget and to make the necessary annual appropriations for

the payment of Rent, subject to the provisions of the Facilities Lease. Such covenants are deemed to be duties imposed by law, and it is 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 official to enable the County to carry out and perform such covenants.

The County's obligation to pay Rent, including Base Rent, is a general fund obligation of the County, and the County covenants pursuant to the Facilities Lease to take such action as may be necessary to include the payment of all Rent due thereunder in its annual budget and to make the necessary annual appropriations for the payment of Rent, subject to the provisions of the Facilities Lease. As stated in the Facilities Lease, such covenants are deemed to be duties imposed by law, and it is 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 official to enable the County to carry out and perform such covenants. Payments to be made by the County under the Facilities Lease will be used to pay principal of and interest and premium, if any, on the Bonds when due and to pay Operating Costs of the Premises. The Base Rent, together with amounts of capitalized interest, are equal to the principal of and interest on the Bonds when due. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – Facilities Lease – Base Rent; Conveyance of Premise."

In the event that Substantial Completion of the Project is not achieved by the Developer Obligation Date, the following provisions shall apply until such time as Substantial Completion is achieved:

(a) The Issuer shall vigorously enforce the provisions of the Development Agreement, including, without limitation, provisions thereof with regard to the failure of the Developer to cause Substantial Completion of the Project to occur by the Developer Obligation Date. Amounts received from Developer thereunder for the payment of debt service on the Bonds shall be deposited with the Trustee as provided under the Indenture.

(b) The Issuer shall vigorously enforce the respective provisions of both the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract including, without limitation, provisions requiring the payment of liquidated damages in the event that either of the Office Project General Contractor or the Shatto Garage Project General Contractor fails to achieve completion of construction of the Office Project or the Shatto Garage Project by the respective date set forth in the applicable Construction Contract. Amounts received from the Office Project General Contractor or the Shatto Garage Project General Contractor and available for payment of debt service on the Bonds shall be deposited with the Trustee as provided under the Indenture.

Abatement. Pursuant to the Facilities Lease, the County's obligation to pay Base Rent is subject to abatement (i) in the event that (a) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date (or after the County commences paying a portion of Base Rent in connection with Substantial Completion of the Office Project), or (b) a defect in the Issuer's title occurs, either of which results in substantial interference with the County's right to the use and occupancy of the Premises or (ii) under certain circumstances following any partial taking of the Premises by Condemnation.

Absolute Net Lease

The Facilities Lease is an absolute net lease. In addition, pursuant to the Facilities Lease, from and after the Substantial Completion Date, the County shall pay (i) all Operating Costs and (ii) Annual Capital Repair Reserve Payments under the Facilities Lease. Prior to the Substantial Completion Date, all Operating Costs relating to the Premises will be paid by the Issuer or as otherwise provided by the Facilities Lease or the Development Agreement.

Deposits of Base Rent to the Revenue Fund

All Base Rent determined in accordance with the Facilities Lease will be paid directly to the Trustee for deposit in the Revenue Fund. Following the Rent Commencement Date, the Trustee shall notify the Issuer and the County by the close of business on each Rent Payment Date if Base Rent due on such Rent Payment Date has not been received. The money and investments in the Revenue Fund are irrevocably pledged and shall be used and transferred by the Trustee, as follows and in the following order of priority: (1) on or prior to each Interest Payment Date, the amount necessary to pay the interest on the Bonds coming due on the Interest Payment Date to the Interest Account; (2) on or prior to each Principal Payment Date, the amount necessary to pay the regularly scheduled principal (including mandatory redemption amounts pursuant to the Indenture) of Bonds maturing on such Principal Payment Date to the Principal Account; (3) on or prior to each day on which Bonds shall be subject to redemption prior to scheduled maturity, the redemption price of Bonds to be redeemed to the Redemption Account; and (4) to pay Administrative Fees and Expenses, but only upon the written direction of an Authorized Officer of the Issuer; provided, that such written direction shall not be required if an Event of Default has occurred and is continuing.

Upon the occurrence and continuation of an Event of Default and acceleration of all Bonds for maturity pursuant to the Indenture, and subject to the lien of all Bonds, all money in the Revenue Fund and all funds that are then on deposit with the Trustee pursuant to the Indenture (other than funds on deposit in the Rebate Fund and the Capital Repairs Fund) shall be transferred to the Principal Account.

Capitalized Interest Fund

The Indenture provides that the Trustee shall establish and maintain a separate fund designated the "Capitalized Interest Fund," and shall establish therein, the Series 2018A Account and the Series 2018B Account. Under the Indenture, the Issuer agrees to provide the Trustee with written notice of each Project Component Completion Date and, upon the first and second Project Completion Date, the Allocable Percentage of Series 2018A Bonds and the Allocable Tower Garage Percentage of Series 2018A Bonds applicable as of such dates as soon as practicable after such dates. Amounts in the Series 2018A Account of the Capitalized Interest Fund shall be used to pay interest accrued on the Allocable Percentage of Series 2018A Bonds until the end of the Tax-Exempt Capitalized Interest Period. Amounts in the Series 2018B Account of the Capitalized Interest Fund shall be used to pay interest accrued on all of the Series 2018B Bonds until the Rent Commencement Date. The Trustee shall also use the moneys deposited in the Series 2018B Account to pay interest accrued on the Allocable Tower Garage Percentage of Series 2018A Bonds until the Rent Commencement Date.

Effective on the Rent Commencement Date, the balance on hand in the Series 2018A Account, at the written direction of the County, with a copy to the Issuer, shall be transferred to the Bond Proceeds Account of the Project Fund to be disbursed to pay any unpaid Costs of the Project or shall be transferred to the Principal Account or the Redemption Account to be applied to pay principal of the Bonds as described and permitted in the Tax Certificate. Effective on the Rent Commencement Date, the balance on hand in the Series 2018B Account, at the written direction of the County, with a copy to the Issuer, shall be transferred to the Interest Account to be applied to pay interest on the Bonds indicated in such direction, or transferred to the Bond Proceeds Account of the Project Fund to be disbursed to pay any unpaid Costs of the Project or shall be transferred to the Principal Account or the Redemption Account to be applied to pay principal of the Bonds. At the time when all amounts in the Capitalized Interest Fund and Accounts therein are expended, the Trustee shall then close the Capitalized Interest Fund and all Accounts therein.

Deposits into the Bond Fund

Following the issuance of the Bonds and until the Rent Commencement Date, the deposits to the Interest Account of the Bond Fund shall be made from funds on hand in the Capitalized Interest Fund. Following the Rent Commencement Date, the deposits to the Bond Fund are expected to be made from the

following sources (not identified in order of priority) (i) transfers made from the Bond Proceeds Account and/or the Non-Bond Proceeds Account in the Project Fund, (ii) transfers made from the Capitalized Interest Fund; and (iii) money on hand in the Revenue Fund. Notwithstanding the foregoing, the Trustee may accept deposits from any source, with written instructions from the Issuer or the County, as applicable, with a copy to the other, to deposit the same into the Bond Fund.

The Trustee shall deposit the following sums into the Bond Fund: (1) on each Interest Payment Date, to the Interest Account an amount that, together with any other money then available therefor in the Interest Account, will be equal to the interest on all of the Bonds then Outstanding to become due and payable on that Interest Payment Date; (2) on each Principal Payment Date for as long as any of the Bonds are Outstanding and unpaid, to the Principal Account an amount that, together with any other money available therefor in the Principal Account, will be equal to the principal (including mandatory redemption amounts) of the Bonds to become due and payable on that Principal Payment Date; (3) on each date on which the Bonds are subject to redemption prior to maturity, whether by optional redemption or acceleration prior to maturity, to the Redemption Account the redemption price of the Bonds to be redeemed; (4) as received, all investment earnings on the Bond Fund to the respective account; and (5) all other money directed in writing by the Issuer or the County, with a copy to the Issuer or the County, as applicable, to be deposited therein.

Except as otherwise provided in the Indenture in connection with application of Revenues and other funds after a default and discharge of the Indenture and defeasance of the Bonds, money in the Bond Fund shall be used solely for the payment of the principal of and interest on the Bonds as the same shall become due and payable at maturity, upon redemption or acceleration or otherwise, and the lien of the Owners of Bonds on such money shall be first and prior to the lien of any other Person thereon.

Additional Rent

The County shall pay as Additional Rent amounts sufficient to pay or reimburse the Issuer for all Operating Costs incurred by the Issuer pursuant to an Annual Operating Budget approved by the County pursuant to the Facilities Lease. In addition, the County shall pay to Trustee, as Additional Rent, one-half of the Annual Capital Repair Reserve Payment which has been reasonably established for the Premises. In consideration of the County's payment of the Operating Costs, the Issuer shall be responsible for all operations and all property management for the Premises. The Issuer shall at all times use its best efforts to operate the Premises in an economically reasonable manner and minimize Operating Costs in accordance with reasonable commercial standards prevailing in the market place for comparable premises. Operating Costs means any and all costs and expenses directly related to operation and maintenance of the Premises, as described in the Facilities Lease.

No Reserve Fund

There is no debt service reserve fund established for the Bonds.

Additional Bonds

Pursuant to the Indenture, the Issuer may issue additional obligations payable from or secured by a pledge of the Trust Estate at the direction of the County for the purpose of refunding all or a portion of the Bonds or for the purpose of financing the repair or replacement of tenant improvements to the Premises, with a lien and charge on the Trust Estate equal to the lien thereon of the Bonds upon compliance with certain conditions precedent as set forth in the Indenture, including: (a) the Ground Lease and the Facilities Lease are in effect and no Facilities Lease Default Event has occurred and is then continuing as evidenced to the Trustee by a certificate of the County; (b) the County and the Issuer enter into and approve an amendment to or restatement of the Facilities Lease providing for Base Rent payments sufficient to pay all payments of principal of, interest and premium, if any, on all Outstanding Bonds and Additional Bonds; (c) the amendment or restatement of the Facilities Lease or a memorandum thereof must be recorded; (d) appropriate title insurance endorsements, as

necessary, are delivered to the Trustee; provided, that the Trustee has no duty to request or examine any such endorsements or to determine the adequacy or sufficiency of any such endorsements; (e) the Issuer and the Trustee enter into a Supplemental Indenture providing for the creation of a bond fund for the payment of principal of and interest on the Additional Bonds and other funds required to effect the refunding of all or a portion of the Bonds; (f) the Other Documents, as applicable, are amended as necessary to provide that such Other Documents secure the principal of and interest on all Outstanding Bonds and Additional Bonds; and (g) the Issuer and the Trustee receive an opinion of Bond Counsel to the effect that the issuance of such Additional Bonds is authorized under the Indenture, shall not adversely affect the tax-exempt status of other Bonds originally issued on a tax-exempt basis, and that all conditions to the issuance of such Additional Bonds set forth in the Indenture and the Other Documents have been complied with. "Other Document" means any or all of the Ground Lease, Facilities Lease, the Deed of Trust, the Development Agreement, the applicable Uniform Commercial Code financing statements, the Assignment of Leases, the Assignment of Construction Documents and the Subordination, Non-Disturbance and Attornment Agreement, dated as of July 1, 2018 (the "Subordination, Non-Disturbance and Attornment Agreement"), by and among the Issuer, the County and the Trustee.

Insurance

Pursuant to the Facilities Lease, the Issuer has agreed to obtain from and after the Substantial Completion Date certain types of insurance, including commercial general liability insurance, commercial property insurance and twenty-four (24) months of rental interruption coverage for the costs of Base Rent and Additional Rent, with Extra Expense coverage and naming Trustee and the County as loss payee as each of their interests may appear. The Issuer shall further cause the Premises to be insured against the perils of earth movement and flood, either as part of the aforementioned commercial property policy, or under a separate policy or policies. Such earth movement and flood insurance shall include twenty-four (24) months of rental interruption coverage and shall name the Trustee as loss payee as its interests may appear. The Issuer will cause coverage to be maintained against loss arising from earth movement and flood so long as such coverage is available at a commercially reasonable cost and in coverage amounts which are commercially available, but shall not be in default under the Facilities Lease if coverage is no longer written, is unavailable for properties comparable to the Premises or is not available at commercially reasonable premium amounts. The Facilities Lease further sets forth certain minimum scope of insurance coverage for the County and provides that the County may self-insure for various risks, including general liability and workers' compensation liability. Pursuant to the Indenture, if the Facilities Lease terminates by its terms at any time that Bonds remain Outstanding under the Indenture, the Issuer covenants to obtain and maintain, or cause the County to obtain and maintain, liability and property insurance substantially as described in the Facilities Lease. See Appendix C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Facilities Lease – Insurance" attached hereto.

Warranties

During the term of the Facilities Lease, the Issuer is required to use its good faith and diligent efforts to enforce any and all applicable warranties, express or implied, in connection with defects which may arise in the original design, materials or workmanship of the Premises as originally constructed. The Issuer is also required to assess maintenance, repairs, and replacements for potential warranty coverage and comply with warranty requirements, including but not limited to notices to the warrantor and requests for warranty service. Notwithstanding the foregoing, following final acceptance of the Premises, the County may require the Issuer to assign any such warranties to the County and the County will thereafter be responsible for enforcement of such warranties.

Damage; Destruction; Condemnation

Insured Damage - Partial or Total Destruction. If during the term of the Facilities Lease, the Premises are partially or totally destroyed by any casualty that is covered by insurance pursuant to the Facilities Lease, rendering the Premises partially or totally inaccessible or unusable, the Issuer shall restore the

Premises to substantially the same condition as they were in immediately before such destruction, if (i) the insurance proceeds available to the Issuer equal or exceed the cost of such restoration, (ii) such restoration can be completed within a period which is not longer than twenty-four (24) months from date of such destruction, and (iii) such restoration is permitted under then existing Applicable Laws to be done in such a manner as to return the Premises to substantially the same condition as it was immediately before the destruction. The insurance proceeds shall be retained by Trustee who shall disburse same to the Issuer from time to time as the restoration work progresses; provided, however, that The Issuer shall complete such restoration as soon as reasonably practical, but in any event not longer than that period which is twenty-four (24) months from the date of such destruction. If the foregoing conditions cannot be met, such destruction shall be treated as “Underinsured Damage” as described below in accordance with the Facilities Lease.

Underinsured Damage. If during the term of the Facilities Lease, the Premises are partially or totally destroyed by any casualty and the conditions set forth under “Insured Damage – Partial or Total Destruction” above cannot be met, the Issuer shall provide written notice to the County and the Trustee within ninety (90) days after the date of destruction. Such notice shall describe the extent of the destruction, which of the conditions(s) cannot be met, and the estimated time necessary for restoration of the Premises. Within thirty (30) days of the County’s receipt of the Issuer’s notice, the County shall notify the Issuer in writing whether the County will proceed to satisfy the conditions which cannot be met, including the deposit of funds with the Trustee sufficient to restore any Underinsured Damage. If the County so fulfills such conditions, then the Issuer shall proceed to restore the Premises in accordance with the terms agreed between the Issuer and the County. In that event, the insurance proceeds shall be retained by Trustee who shall disburse same to the Issuer from time to time as the restoration work progresses. If the County elects not to fulfill such conditions and the Premises are totally destroyed, the Facilities Lease shall terminate and the entire amount of the insurance proceeds held by Trustee shall be used to repay, redeem or defease Bonds and to reimburse Trustee for any costs incurred by Trustee for which it is entitled to reimbursement under the Indenture. If the County elects not to fulfill such conditions and the Premises are partially destroyed, the Facilities Lease shall not terminate, the County shall continue to pay Rent subject to Abatement and the amount of the insurance proceeds held by Trustee shall be disbursed to the Issuer to complete such restoration as the Issuer reasonably determines to be practicable to allow for the County’s partial use of the Premises for its intended purposes. Any insurance proceeds not disbursed for such restoration shall be used to repay or defease Bonds and to reimburse Trustee for any costs incurred by Trustee for which it is entitled to reimbursement under the Indenture. If any monies deposited by the County in connection with any restoration as described in this paragraph remain after the Premises have been restored, those monies shall be returned to the County.

Condemnation. If there is a taking or damaging of all or any portion of the Premises by the exercise of any governmental power, whether by legal proceedings or otherwise, by a governmental agency with jurisdiction over the Premises (a “Condemnation”) such that there can be no reasonable use of the Premises by the County, as reasonably determined by the County, the Facilities Lease shall terminate on the date the condemnor has the right to possession of the Premises. The entire award with respect to a taking of the Premises (including the County’s leasehold estate under the Facilities Lease) shall be paid to the Trustee and applied to repay, redeem or defease Bonds in accordance with the Indenture. Any Condemnation proceeds remaining after Bonds have been paid in full shall be paid to the County.

If, prior to Substantial Completion of the Project, there is a partial taking of the Premises by Condemnation but the Project can be completed substantially in accordance with the Project Requirements, such condemnation proceeds shall be paid to Trustee who shall deposit such condemnation proceeds into the Non-Bond Proceeds Account established under the Indenture for purposes of paying Project Costs, and any funds remaining in such account as of Substantial Completion shall be used to repay, redeem or defease Bonds in accordance with the Indenture. If there is a partial taking of the Premises by Condemnation, and the County determines that restoration is possible or a reasonable use can be made of the Premises by the County without restoration, then the condemnation proceeds shall be paid to Trustee who shall, as applicable, (i) deposit such condemnation proceeds into the Capital Repairs Fund and shall disburse such condemnation proceeds to the Issuer from time to time as restoration progresses, or (ii) apply such amounts to repay, redeem or defease

Bonds in accordance with the Indenture. Following any partial taking of the Premises by Condemnation in which the County determines that restoration is possible or a reasonable use can be made of the Premises by the County without restoration, Rent (other than Additional Rent for payment of Operating Costs) shall be subject to Abatement to the extent and during the period that the partial condemnation results in substantial interference with the County's right to the use and occupancy of the Premises. Following any partial taking of the Premises in which the County determines that restoration is not possible and no reasonable use can be made of the Premises by the County, the Facilities Lease shall terminate on the date the condemnor has the right to possession of the Premises. The entire award with respect to a taking of the Premises (including the County's leasehold estate under the Facilities Lease) shall be paid to Trustee and applied to repay, redeem or defease Bonds in accordance with the Indenture. Any Condemnation proceeds remaining after Bonds are no longer Outstanding shall be paid to the County. See "CERTAIN RISK FACTORS – Condemnation of the Project." See also APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Facilities Lease" and "– The Development Agreement" for a description of the provisions applicable to a partial condemnation of the Premises.

Events of Default and Remedies under the Indenture

Events of Default. The following are Events of Default under the Indenture: (a) default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise; (b) default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise; (c) default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, 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 Issuer and the County by the Trustee, or to the Issuer, the County and the Trustee by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding; (d) except with respect to matters constituting Events of Default as set forth in clauses (a), (b) and (c) above, any failure by the Issuer to observe or perform any covenant, condition, agreement or provision in the Deed of Trust on its part to be observed or performed which failure continues at least for a period of 30 days following written notice given by the Trustee to the Issuer and the County specifying such failure and requesting that such failure be remedied by the Issuer or the County; or (e) the occurrence of an Event of Bankruptcy.

Remedies. If any Event of Default identified in clause (a) or (b) of the preceding paragraph occurs, then, and in each and every such case during the continuance of such 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 shall be entitled and upon notice in writing to the Issuer, the Trustee and the County, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding, and interest on the Bonds shall cease to accrue on the date of such declaration. The Trustee shall give notice of such declaration by mail to the respective Owners of the Bonds at their addresses appearing on the Bond Register. **Notwithstanding the foregoing, payments of Base Rent under the Facilities Lease are not subject to acceleration.** See " – Events of Default and Remedies under the Facilities Lease" and "CERTAIN RISK FACTORS – Limitations on Remedies; No Acceleration of Base Rent Upon an Event of Default" below.

Upon the occurrence and continuance of an Event of Default, then and in every such case the Trustee in its discretion may, or upon written demand of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and receipt of indemnity against anticipated expenses and liability to its satisfaction (which indemnity is a condition precedent to its duties under the Indenture), shall, in its own name and as the Trustee of an express trust take any or all of the following actions if the Bonds are not fully paid: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Issuer or the County to carry out any agreements with or for the benefit of the Owners of Bonds and to

perform its or their duties under the Facilities Lease and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Facilities Lease or the Indenture, as the case may be; (b) bring suit upon the Bonds; (c) by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Owners of Bonds; (d) upon the occurrence of Event of Default described in clause (a) or (b) of the first paragraph under this caption, foreclose the Deed of Trust or exercise any other remedies thereunder, including the reletting of the Premises for any commercial purpose; (e) exercise any remedy under the Facilities Lease by the Issuer of the Premises or any other lease by the Issuer of the Premises; (f) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds; or (g) take any action or exercise any remedy under the Construction Contracts (as such term is defined in the Development Agreement) and the Development Agreement, if such contracts and agreement remain in effect.

Anything in the Indenture to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the Premises unless the Trustee is satisfied that the Trustee will not be subject to any liability under Environmental Laws or from any circumstances present at the Premises relating to the presence, use, management, disposal or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees and charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel and agents) incurred in and in connection with the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on any overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference;

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon those Bonds, with interest on the overdue principal at the rate borne by the Bonds and to the payment of the principal of and interest due on other Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond

over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and

- (c) All other amounts due to any other Person legally entitled thereto.

See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Indenture – Events of Default and Remedies of Owners.”

Deed of Trust and Other Security Documents

The Deed of Trust grants a lien for the benefit of the Trustee on the Issuer’s interest in the Premises and grants to the Trustee certain remedies following an event of default under the Deed of Trust, including *inter alia*, the right to foreclose the Issuer’s interest in the Premises following the failure of the Issuer to pay any installment of principal of or interest on the Bonds or any other sums payable under the Indenture when due. By exercising this remedy, the Trustee would have the right to take possession of the Premises. In the event the Trustee acquires title to the Premises through foreclosure of the Deed of Trust or by a conveyance in lieu of foreclosure or otherwise, the Issuer will indemnify the Trustee pursuant to the Unsecured Environmental Indemnity Agreement, dated as of July 1, 2018, for claims arising out of any hazardous materials or toxic substances present on the Premises on or before the date of Trustee’s acquisition of title or arising out of the migration of such materials or substances onto other real property.

Pursuant to the Ground Lease, in the event of the termination of the Ground Lease prior to the expiration of its term for any reason, including a termination by reason of a bankruptcy by the Issuer, the County shall provide the Trustee, as Leasehold Mortgagee (the “Leasehold Mortgagee”), written notice, among other things, of such termination and the Leasehold Mortgagee shall thereupon have the option, but shall in no event be obligated, to obtain a new lease in accordance with and upon compliance with the terms and conditions therefor, as set forth in the Ground Lease. The Ground Lease also provides that if the Issuer or its bankruptcy trustee rejects the Ground Lease during its term in a proceeding under Section 365 of the United States Bankruptcy Code or similar or successor statute, such rejection will have no effect on the rights of Leasehold Mortgagee with respect to its lien and security interests, as set forth under Section 6.2 of the Ground Lease, which rights will remain in full force and effect notwithstanding such rejection as if the same were provided for in a separate and independent agreement between County and the Leasehold Mortgagee, and the Leasehold Mortgagee shall have the right to a new ground lease on the same terms and conditions set forth in Section 6.2 of the Ground Lease. See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – Ground Lease.”

Under the Indenture, without the consent of or notice to the Owners of the Bonds, but with the written consent of the Trustee, the Issuer and the County shall have the right to amend the Ground Lease, Facilities Lease and the Deed of Trust from time to time to exclude portions of the real property from the Premises originally demised thereunder: (1) as may be necessary to comply with permitting requirements or to complete the Project as long as such amendment does not reduce or otherwise adversely affect the County’s obligation to pay Base Rent under the Facilities Lease; or (2) except as provided in clause (1) above, upon satisfaction of the following conditions: (i) the Issuer and the County shall receive, and shall provide to the Trustee a copy of, a survey certified by a licensed California surveyor delineating the boundaries and legal description of the remaining Premises that will continue to be demised thereunder; (ii) the Issuer, the Trustee, and the County shall receive an opinion of counsel or other evidence reasonably satisfactory to the Issuer that the remaining Premises (A) is assessed as a separate tax parcel, and (B) will be in compliance with, and not in violation of, any applicable covenants, restrictions, statutes, laws, ordinances, rules and/or regulations pertaining to the use and development of the remaining Premises, including but not limited to those pertaining to subdivision and platting; (iii) the County as the owner of the remaining Premises shall provide such easements and reciprocal agreements as may be necessary to provide comparable pedestrian, vehicular access and other uses, amenities and operations to the Premises (including public utilities) as existed prior to the release of such property from the Premises originally demised thereunder; (iv) the Issuer shall receive an appraisal prepared by a

disinterested appraiser that the remaining Premises has a fair market value which is not less than the principal balance outstanding under the Bonds; (v) such exclusion will not affect payment to the Issuer of Base Rent required under the Facilities Lease; and (vi) the Issuer and the Trustee shall receive an Opinion of Bond Counsel satisfactory to LACF and County and the Trustee that such exclusion shall not adversely affect the tax-exempt status of interest payable on the Tax-Exempt Bonds and that all conditions to any amendment of the Ground Lease, Facilities Lease or the Deed of Trust to exclude portions of the real property from the Premises set forth herein and in the document to be amended have been complied with.

The Issuer, the County, and the Trustee will also enter into the Subordination, Non-Disturbance and Attornment Agreement, pursuant to which the Facilities Lease and the leasehold interests thereunder and estate created thereby and all of the County's rights thereunder, including, without limitation, all purchase options and all other rights or interests of the County under the Facilities Lease, shall be and shall at all times remain subject, subordinate and inferior to the Deed of Trust and the lien thereof, and all rights, privileges and powers of the Trustee and to any and all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, that all condemnation awards and insurance proceeds paid or payable with respect to the Premises and received by Issuer or Trustee shall be applied as provided in the Facilities Lease to the repair and restoration of the Premises or used to redeem or defease Bonds or as otherwise required under the Indenture. The fee simple interest of the County in the Property is not subject to the subordination granted by the Subordination Agreement. In addition, the Subordination Agreement provides that if the interests of the Issuer in the Premises shall be transferred by reason of the exercise of the power of sale contained in the Deed of Trust, or by any foreclosure or other proceeding for enforcement of the Deed of Trust, or by deed in lieu of foreclosure or such other proceeding, the County shall be bound to the Trustee or the party acquiring the interests of the Issuer (the "Succeeding Landlord") under the Ground Lease and the Facilities Lease in the Premises under all of the terms, covenants and conditions of the Ground Lease and the Facilities Lease for the balance of the term thereof and any extensions or renewals thereof which may be effected in accordance with any option in the Facilities Lease, with the same force and effect as if the Succeeding Landlord were the tenant under the Ground Lease and the landlord under the Facilities Lease, and the County, as tenant under the Facilities Lease, attorns to the Succeeding Landlord, as its lessor under the Facilities Lease.

The Issuer and the Trustee also will enter into the Assignment of Leases under which the Issuer will assign to the Trustee: (i) all existing and future leases upon all or relating to any part of the Premises, including the Facilities Lease; (ii) any and all guaranties of any tenants' performance under any and all leases of the Premises; and (iii) the right to collect and receive all of the rents, income, receipts, revenues, issues, profits, and other income of any nature pertaining to or arising from any lease of the Premises, including the Facilities Lease (other than the Capital Repair Reserve Payments to be paid under the Facilities Lease).

Further, pursuant to the Ground Lessor Consent, Estoppel, Recognition and Non-Disturbance Agreement, dated as of July 1, 2018 (the "Non-Disturbance Agreement"), by and among the County, the Issuer and the Trustee, the County, among other things, agrees to recognize and not to disturb the rights of the Trustee under the Deed of Trust.

Events of Default and Remedies under the Facilities Lease

Default by the County. The occurrence of any of the following shall constitute an "Event of Default" by the County under the Facilities Lease: (a) failure to make any payment or any other payment due or required under the Facilities Lease, if the failure to pay is not cured within ten (10) days after written notice of such failure from the Trustee or the Issuer has been received by the County; provided, however, failure to pay the Base Rent at least one (1) business day prior to the Rent Payment Date shall be deemed an immediate default; and (b) failure to materially perform any other provision of the Facilities Lease if the failure to perform is not cured within thirty (30) days after written notice of such failure from Trustee or the Issuer has been received by the County; provided, however, if the default cannot reasonably be cured within such thirty (30) days, then such default shall not constitute an Event of Default if the County commences to cure the default within thirty (30) days and diligently and in good faith continues to cure such default until cured.

Remedies for the County Default. If the County commits an Event of Default as described in the preceding paragraph and fails to cure such default within the time period provided therein (in lieu of any statutory requirements), then the Issuer shall have the right to pursue any and all remedies available at law or in equity, including without limitation, the right to (a) terminate the Facilities Lease or (b) so long as the Issuer or its assignee does not terminate the County's right to possession, the Facilities Lease shall continue in effect and the Issuer or its assignee shall have the right enforce all of its rights and remedies under the Facilities Lease, including the right to recover Base Rent payments as they become due hereunder pursuant to Section 1951.4 of the California Civil Code. **Notwithstanding the foregoing, in no event shall the Issuer have the right to accelerate any payments owing by the County under the Facilities Lease.**

Notwithstanding anything to the contrary herein, in the event the County commits an Event of Default under the Facilities Lease in connection with the Annual Capital Repair Reserve Payment and fails to cure such default within the time period provided herein, the Issuer shall have no right to cancel and terminate the Facilities Lease or evict the County and re-enter the Premises through an unlawful detainer action or otherwise.

Default by the Issuer. The Issuer shall be in default if the Issuer fails to perform its obligations (i) within five (5) Business Days after notice by the County specifying the obligation which the Issuer has failed to perform if such failure occurs prior to the Substantial Completion Date and (ii) within thirty (30) days after notice by the County specifying the obligation which the Issuer has failed to perform if such failure occurs after the Substantial Completion Date; provided, that if the nature of the Issuer's obligation is such that more than five (5) Business Days or thirty (30) days, as applicable, are required for performance, the Issuer shall not be in default if the Issuer commences diligent performance within such period following the County's notice and thereafter completes performance within a reasonable time. In the event that the Issuer fails to cure any such default within the time periods permitted, the County shall have the right to pursue any and all remedies available at law or in equity, or have the option to pursue such remedies after resort to the procedure provided in the Facilities Lease, provided, however, that the County shall have (i) no right to offset against Rent payable under the Facilities Lease, and (ii) no right to terminate the Facilities Lease or the Ground Lease so long as the Bonds remain Outstanding.

Trustee's Rights. For so long as the Deed of Trust remains in force and effect the following provisions shall apply:

(a) From and after the date the County provides notice of such default to the Issuer and the Trustee as specified in the Facilities Lease, Trustee shall have the same period, after the giving of such notice upon it, for remedying any default or acts or omissions which are the subject matter of such notice, or causing the same to be remedied, as is given the Issuer after the giving of such notice to the Issuer under the Facilities Lease, plus in each instance the additional periods of time specified in the Facilities Lease to remedy, commence remedying or cause to be remedied, the defaults or acts or omissions which are specified in such notice.

(b) The Trustee shall have the right, but not the obligation, to remedy such default or cause the same to be remedied for a period of ninety (90) days after the expiration of the Issuer's cure period, if any, provided under the Facilities Lease, for the Issuer to remedy same, and the County shall accept such performance by or at the instance of Trustee as if the same had been made by the Issuer.

(c) If the default is reasonably susceptible of cure, but cannot reasonably be remedied within ninety (90) days, the County shall not terminate the Facilities Lease, so long as (a) defaults in the payment of money under the Facilities Lease are cured, within ninety (90) days and (b) the cure for any non-monetary default under the Facilities Lease has commenced, and is thereafter diligently and in good faith continuously prosecuted to completion. Such cure period shall include any time required to obtain possession of the Premises by foreclosure of the Leasehold Mortgage or by other appropriate means by reasonable diligence, or until such earlier time as all defaults of the Issuer are cured. Nothing in the provisions described under this caption, however, shall be construed to extend the Facilities Lease beyond the Term, nor to require a Trustee to

continue such foreclosure proceedings after all defaults are cured. Once all defaults are cured, the Facilities Lease, shall continue in full force and effect as if the Issuer had not defaulted.

Developer's Limited Obligation for Carrying Costs

In the Development Agreement, the Developer has warranted the construction and completion of the Project (to the extent of "Project Costs" as defined in the Development Agreement) for the Fixed Price. As described in further detail under "THE PROJECT – Construction of the Project," if Substantial Completion of the Project fails to occur by the Developer Obligation Date, the Developer may be obligated, under certain circumstances, to pay to the Trustee "Monthly Carrying Costs" equal to the amount that would be payable to the Trustee under the Indenture if Substantial Completion of the Project had occurred on the Developer Obligation Date; provided, however, the Monthly Carrying Costs shall be calculated on a daily basis so that if, by way of example, Substantial Completion of the Project is one day after the Developer Obligation Date, then the Monthly Carrying Costs shall equal 1/30th of the Monthly Carrying Cost for the subject month. The Monthly Carrying Cost is, in turn, equal to one-sixth (1/6th) of the Base Rent that would be payable by the County under the Facilities Lease on the next Rent Payment Date if Substantial Completion of the Project had so occurred, but the Developer's obligation to pay the Monthly Carrying Cost shall be offset by any amounts of Base Rent paid or payable by the County under the Facilities Lease. In no event and under no circumstance shall the Developer be obligated to make out-of-pocket payments for Monthly Carrying Costs in excess of that portion of the Developer's Fee theretofore received by the Developer under the Development Agreement plus any available insurance proceeds. However, any further obligation of Developer for Monthly Carrying Costs shall result in a forfeiture by the Developer of that portion of the remainder of its Developer's Fee equal to the amount of the Developer's remaining obligation (if any) for such Monthly Carrying Costs and the Issuer shall issue notice to Trustee to transfer any such forfeited amount of Developer's Fee to the appropriate account under the Indenture for payment of debt service on the Bonds. The Developer may also be required, under certain circumstances, to advance funds to the Trustee to the extent the Project is not "in balance" under the terms of the Development Agreement, subject to the limitations set forth in the Development Agreement. See "THE PROJECT—Construction of the Project—*Development Agreement*."

Amendments to the Principal Documents

The Indenture provides that it may be supplemented without consent of Bond Owners in certain circumstances and that the consent of a majority of the Bond Owners is required for supplements in other circumstances where the rights of Bond Owners will be materially adversely affected. In addition, the Indenture provides that the Other Documents may be amended without consent of the Bond Owner in certain circumstances, which include, but are not limited to, permitting a partial release of the Premises from the lien of the Deed of Trust, and may be amended only with the consent of a majority of the Bond Owners in other circumstances where the rights of Bond Owners will be materially adversely affected. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS."

THE ISSUER

General

The Issuer is a California nonprofit public benefit corporation organized in April 2016 under the Non Profit Public Benefit Corporation Law of the State (Corporations Code Sections 5110 *et seq.*) exclusively to issue the Bonds as an "on-behalf-of issuer" and enter into and fulfill its obligations under the Development Agreement, the Ground Lease, the Facilities Lease, the Deed of Trust and the Indenture, and engage in other activities necessary or desirable in connection with or incidental to the Project. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. The Issuer has no source of funds to pay debt service on the Bonds other than the Trust Estate pledged under the Indenture. The sole member of the Issuer is Public Facilities Group ("PFG"), a 501(c)(3) organization organized under the laws of the State of Washington. PFG's primary purpose is to act as a supporting organization for single purpose 501(c)(3)

organizations, including the Issuer, that it forms to structure, finance, develop, own and operate specific public facilities on behalf of governmental entities. However, the Issuer, like the other such organizations supported by PFG, is a distinct entity with its own separate assets and liabilities. The Bonds are issued and all contracts are entered into by the Issuer in its own name and as its own separate obligation. The Issuer has no employees of its own, and has entered into a Services Agreement with PFG under which PFG provides administrative, professional and accounting personnel, office space and supplies, and other overhead and services required by the Issuer and the Issuer pays to PFG the income that it receives with respect to the financing and operation of the projects it undertakes, to the extent the Issuer and PFG have determined that such income represents an appropriate valuation of the services provided and a fair and appropriate allocation of the costs incurred by PFG in providing such resources, services and support. All of the current board members of the Issuer are employees of PFG (although, as described below, the Issuer intends to appoint an additional “independent director” for bankruptcy and other limited purposes).

Governance Agreement

Pursuant to the Issuer Fee and Governance Agreement, dated as of July 1, 2018 (the “Governance Agreement”), between the Issuer, PFG and the County, the County has the right to cause PFG to be replaced as the sole member of the Issuer under the following circumstances: (1) prior to expiration of the “Warranty Period” (being the period from the date of the Governance Agreement to the date that is one (1) year following Substantial Completion of the Project), the County shall have the right, upon written notice to the Issuer and PFG, upon the occurrence of a For Cause Event (as defined below) to require that PFG be replaced as the sole member of the Issuer by the County or its designee, and (2) following expiration of the Warranty Period, the County shall have the right, upon at least sixty (60) days’ prior written notice to the Issuer and PFG, to require that PFG be replaced as the sole member of the Issuer by the County or its designee, regardless of whether or not a For Cause Event has occurred. “For Cause Event” means any of the following: (a) any officer or director of the Issuer is convicted of, or pleads guilty or nolo contendere to, (i) crimes involving fraud, misappropriation and embezzlement, or (ii) a felony; (b) the officers, collectively, of the Issuer are absent from, or do not substantially perform their usual duties for, the Issuer for any continuous thirty (30) day period or for more than sixty (60) days in any 365-day period; (c) the Issuer misappropriates Bond funds, otherwise acts fraudulently, commits willful misconduct, or is reckless or grossly negligent in the performance of its duties under the Ground Lease, Facilities Lease, Development Agreement, or Construction Contracts (as defined in the Facilities Lease); (d) (i) the Issuer materially breaches its obligations under the Ground Lease, Facilities Lease, Development Agreement or Construction Contracts; (ii) such breach has a material adverse effect on the construction of the Project; and (iii) the Issuer either fails to cure such breach within thirty (30) days after its receipt of written notice thereof from the County or, if such breach is incapable of being cured within such thirty (30) day period, fails to continue to use its best efforts to cure such breach; (e) a court of competent jurisdiction enters an order or decree as a result of which PFG is effectively prohibited or enjoined from performing its responsibilities as the member of the Issuer; or (f) PFG or the Issuer (i) files a petition under any federal or state law concerning bankruptcy, reorganization, insolvency or relief from creditors, or if such a petition is filed against PFG or the Issuer without its consent, it is not dismissed within sixty (60) days; or (ii) consents to the appointment of a receiver, trustee, liquidator or custodian with respect to PFG or the Issuer (as applicable), or a receiver, trustee, liquidator or custodian is appointed with respect to PFG or the Issuer and such appointment is not terminated within sixty (60) days.

Pursuant to the Governance Agreement, PFG and the Issuer agree that, upon receipt of the notice described in clauses (1) or (2) above, they shall cause the Articles of Incorporation and Bylaws of the Issuer to be amended so as to remove PFG as the sole member of the Issuer and substitute in its place the County or the County’s designee. Also, PFG and the Issuer agree to take any further actions reasonably requested by the County to accomplish the purposes described in the Governance Agreement, so long as such actions do not require PFG or the Issuer to incur any additional costs or liabilities. Notwithstanding any provision of the Governance Agreement to the contrary, no replacement of PFG as the member of the Issuer shall occur (a) unless and until the Issuer receives an opinion of nationally recognized bond counsel that such replacement will not adversely affect the tax-exempt character of the Bonds, or (b) if the Issuer reasonably determines that

such replacement will adversely affect the Issuer's status as a 501(c)(3) corporation. Furthermore, nothing in the Governance Agreement shall limit the right of the Issuer or PFG to contest, by appropriate legal action, the County's determination that a For Cause Event has occurred.

Projects

Although PFG and the Issuer have only been in existence since 2016 and have not yet completed a bond-financed project, the principals of the Issuer have extensive experience in the structuring, development, financing and management of economic development projects on behalf of a variety of governmental entities. John Finke, the President and a member of the board of directors of the Issuer, was previously a Senior Director at The National Development Council and in that capacity successfully completed over 20 major public projects on behalf of state and municipal governments and universities in the states of Washington, California and Alaska, involving the issuance of tax-exempt and taxable bonds with a principal amount in excess of \$1.5 billion. All of these projects were completed in a timely manner and on budget. These projects include the issuance of \$43,710,000 in tax-exempt bonds on behalf of the Los Angeles County Community Development Commission (the "Commission") to finance the construction of a 120,000 square foot office building in Alhambra, California, to serve as the Commission's headquarters, which project was completed in 2012; and the issuance of \$44,380,000 in tax-exempt bonds on behalf of the County of Riverside, California to finance the construction of an office building of approximately 90,000 square feet to serve as the Riverside County law building, ancillary improvements to accommodate the potential future construction of a building of approximately 5,000 square feet, and surface parking, all on a site located in the City of Indio, California leased from the County of Riverside, which project was completed in 2014.

Organizational and Key Personnel

The Issuer has a board consisting of three directors. In addition, the Issuer's bylaws provide for, and the Issuer intends to appoint, an "independent director" (the "Independent Director") who will participate only in matters relating to bankruptcy, dissolution or restructuring of the Issuer and certain other changes, and whose affirmative vote would be required in connection with any such decisions. Among other things, except in the capacity as an Independent Director of the Issuer, such person shall not be an officer, employee, director, consultant, agent or attorney of the Issuer, PFG or any affiliate of such entity. The members of the board of directors are elected by the board to serve one-year terms and until their respective successors are elected and qualified or until they resign or are removed, subject to ratification by the Issuer's sole member, PFG. The board has appointed several officers to manage and carry out the business of the Issuer. The following are the current officers and directors of the Issuer:

John Finke, Director and President. Mr. Finke is also the President and a director of PFG. Before joining PFG and the Issuer, Mr. Finke worked for over 30 years for The National Development Council ("NDC") and its affiliates. Most recently, Mr. Finke was a Senior Director of NDC and was responsible for NDC's Public-Private Partnership program nationwide. From 1979 to 1983, Mr. Finke worked as the Development Finance Manager for the City of Seattle's Office of Economic Development. He has served on the Board of Directors of the Pike Place Market Preservation and Development Authority since 1989. Mr. Finke received his B.A. from the University of Washington in 1976 and took graduate studies at the University of Illinois School of Urban Planning.

Erin Birkenkopf, Director, Vice President, Secretary and Treasurer. Ms. Birkenkopf is also Vice President, Secretary and Treasurer of PFG. Before joining PFG and the Issuer, Ms. Birkenkopf worked for four years for The National Development Council as Asset Manager with NDC's Public-Private Partnership program. Prior to her work at NDC, Ms. Birkenkopf worked as an administrator for the University of Washington's Department of Housing and Food Services and as a science educator at the Pacific Science Center. Ms. Birkenkopf received her B.A. from the University of Washington.

Matt Calcavecchia, Director and Vice President. Mr. Calcavecchia is also Vice President of PFG. Before joining PFG and the Issuer, Mr. Calcavecchia worked for 14 years for The National Development Council and its affiliates in various roles and responsibilities, including NDC's Public-Private Partnership program, NDC's advocacy efforts, and as NDC's Director of Communications. Mr. Calcavecchia received an undergraduate degree from the University of Washington in 1998.

CERTAIN RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Special Obligation of the Issuer

The Bonds are special, limited obligations of the Issuer payable solely from and secured solely by a pledge of the Trust Estate as provided in the Indenture. No revenue, income, receipts, donations, earnings, property or assets of the Issuer, other than the Trust Estate, shall be subject to any lien or claim for the payment of the Bonds or the performance of any other obligation of the Issuer under the Indenture. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. The Issuer has no source of funds available to pay debt service on the Bonds other than the Trust Estate.

The obligation of the County to pay the Base Rent does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation. The Bonds shall be special obligations of the Issuer, payable solely from the Base Rent and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Issuer has no taxing power and has no obligation to pay Base Rent.

Although the Facilities Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facilities Lease to pay the Rent, including Base Rent, from legally available funds for the use and possession of the Premises as provided therein and the County has covenanted in the Facilities Lease to take such action as may be necessary to include in its annual budget Base Rent and Additional Rent due under the Facilities Lease and to make necessary annual appropriations therefor. The County's obligation to pay Base Rent is subject to abatement (i) in the event that (a) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date (or after the County commences paying a portion of Base Rent in connection with Substantial Completion of the Office Project), or (b) a defect in the Issuer's title occurs, either of which results in substantial interference with the County's right to the use and occupancy of the Premises or (2) under certain circumstances following any partial taking of the Premises by Condemnation. The County is currently liable on other obligations payable from general revenues, some of which may have priority over the Base Rent and the Additional Rent.

Construction and Completion Risk

The Developer has warranted the delivery of the Project (excluding those portions of the Project that are not paid from Project Costs) for the Fixed Price, constructed in good and workman-like manner and in substantial accordance with the construction documents on or before the Developer Obligation Date. The Developer is responsible for payment of Project Costs exceeding the Fixed Price, other than costs resulting from changes in plans requested by the County or the Issuer or the cost of tenant improvements in excess of the tenant improvement allowance. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—

Developer's Limited Obligation for Carrying Costs." However, a number of factors could cause the construction of the Project to be delayed. Some of these delays would not obligate the Developer to pay the additional Project Costs. In addition, to the extent that delays in achieving completion of the various components of the Project delay the County's obligation to pay Base Rent, there is no assurance that the Developer's obligation to pay Monthly Carrying Costs, the General Contractor's obligation to pay liquidated damages or other sources will be sufficient to pay debt service on the Bonds when due.

The Development Agreement provides that the Issuer shall be responsible for procuring builder's risk insurance coverage for the Project, unless the Issuer, the Developer and either of the Office Project General Contractor or the Shatto Garage Project General Contractor agree that such Contractor shall be responsible therefor. Such insurance shall be written on an "all risk" or "open perils" basis. Coverage shall be provided for (i) losses on an all-risk basis; (ii) the perils of earth movement and flood so long as such coverage is available at commercially reasonable cost and in coverage amounts that are commercially available; (iii) resultant damage from errors in design, plans, specifications, faulty workmanship, materials and construction; (iv) "extra expense"; (v) all materials to be stored offsite and while in transit to the jobsite; (vi) "cold testing" of all building systems; (vii) the Issuer's, the County's and the Developer's loss of use of the Project due to delays in Project completion caused by covered peril losses to the Project, including loss of income and rents (for at least twenty-four (24) months) and soft costs such as interest on the Bonds and insurance premiums; (viii) the increased cost of construction, debris removal and demolition due to the operation of building laws and code upgrades; and (ix) direct physical damage to the Project and loss of use caused by an off premises power interruption. Each of the Office Project General Contractor and the Shatto Garage Project General Contractor is required to obtain payment and performance bonds to insure its performance under the applicable Construction Contract, and no payments will be made to the applicable General Contractor under that contract until those bonds are in place.

The County is obligated to pay a portion of Base Rent upon Substantial Completion of the Office Project. In addition, proceeds of the Bonds will fund capitalized interest. The portion of Base Rent to be paid upon Substantial Completion of the Office Project, together with capitalized interest and interest earnings thereon, are expected to be sufficient to pay debt service on the Bonds until Substantial Completion of the Project in October 2021.

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 pay Base Rent may be decreased.

The Base Rent and other payments due under the Facilities Lease (including payment of costs of replacement, maintenance and repair of the Property and taxes, other governmental charges and utility charges levied against the 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 Rent, 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. In such event, the County may not have sufficient funds available to pay the Base Rent when due.

Insurance on the Project

Under the Facilities Lease, the Issuer is required to maintain through the term of the Facilities Lease policies of insurance covering loss or damage to the Premises in the full amount of its replacement cost. If the Premises are damaged or destroyed, there can be no assurance that the insurance proceeds will be sufficient to repair or restore the Project, or to redeem or defease all of the then Outstanding Bonds. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – Facilities Lease." Neither the Issuer nor the County

makes any representation regarding whether the provider of any insurance policy will pay under the respective policy.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Facilities Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Insurance” and APPENDIX C – FORMS OF PRINCIPAL LEGAL DOCUMENTS – FACILITIES LEASE – Insurance.” The County intends to self-insure for workers’ compensation insurance and general liability insurance with respect to the Premises. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement” and “– Abatement” below.

Condemnation of the Project

If all or a portion of the Premises were condemned, there can be no assurance that any such award or payment will be sufficient at the time to redeem or defease all of the then Outstanding Bonds. If the award is less than the amounts remaining on the Outstanding Bonds, then the Bondholders will be paid less than the amounts remaining on the Outstanding Bonds. See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS.”

Abatement

Pursuant to the Facilities Lease, in the event that (i) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date (or after the County commences paying a portion of Base Rent in connection with Substantial Completion of the Office Project), or (ii) a defect in the Issuer’s title occurs, either of which results in substantial interference with the County’s right to the use and occupancy of the Premises, the Facilities Lease shall not terminate (except as provided in Section 19.2), but the Rent otherwise payable by the County thereunder (other than Additional Rent for payment of Operating Costs) shall be subject to abatement during the period of such interference.

In the event that such portion of the Premises, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the County’s rental interruption insurance will be available in lieu of Base Rent, plus the period for which funds are available from other funds and accounts established under the Indenture, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Premises or redemption of the Bonds, there could be insufficient funds to make payments to Owners of the Bonds in full.

Bankruptcy

Bankruptcy of the County. In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture, the Ground Lease, and the Facilities Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors’ rights. The County is a political subdivision of the State and, therefore, the County cannot be the subject of an involuntary case under the United States Bankruptcy Code (the “Bankruptcy Code”). However, pursuant to Chapter 9 of the Bankruptcy Code, the County may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County or otherwise enforcing the Facilities Lease or the Ground Lease against the County and could prevent the Trustee from making payments

from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may be given a priority of payment superior to that of Owners of Bonds; and (iv) the possibility of the adoption of a plan (a “Plan”) for the adjustment of the County’s debt without the consent of the Trustee or all of the Owners of Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the County could either reject the Ground Lease or the Facilities Lease or assume the Ground Lease or the Facilities Lease despite any provision of the Ground Lease or the Facilities Lease that makes the bankruptcy or insolvency of the County an event of default thereunder. In the event the County rejects the Facilities Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim could be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Facilities Lease and the County’s obligations to make payments thereunder. The County may also be permitted to assign the Facilities Lease (or the Ground Lease) to a third party, regardless of the terms of the transaction documents. In the event the County rejects the Ground Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim could be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate both the Ground Lease and the Facilities Lease and the obligations of the County to make payments thereunder, but the County as owner may still be able to use the Land and the Project that comprise the Premises. The County may be able, with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the Bondowners, and without complying with the terms of the transaction documents, to sell the Land and the Project. If the Land and the Project are sold, it is not clear whether or not the Ground Lease and the Facilities Lease would automatically terminate. If the Ground Lease or the Facilities Lease does terminate, the County would no longer be obligated to make any payments (including Base Rent) under the Facilities Lease, and the Issuer may no longer have any rights with respect to the Project or the Land. While the Bondowners may have claims against the County, such claims may be capped as described above and the County may not be required to pay any claim in full.

Bankruptcy of the Issuer. If a party in interest (including the member) asserted that the assets and liabilities of the Issuer should be consolidated with those of its member, delays in payments on the Bonds could result. If the court ordered that the assets and liabilities of the Issuer be consolidated with those of its member, there could be delays or reductions in payments on, or other losses with respect to, the Bonds. The Issuer has taken steps to reduce the risk that in the event its member were to become the debtor in a bankruptcy case, a court would order that the assets and liabilities of the Issuer be substantively consolidated with those of its member. No assurance can be given that a court would not order the substantive consolidation of the assets and liabilities of the Issuer with those of its member. In addition, the Issuer will be both the lessor and the lessee of real property. Circumstances could arise that could result in a bankruptcy petition being filed by or against the Issuer itself. Should the Issuer become the subject of a bankruptcy, there could be adverse effects on the Bondowners. These adverse effects could include, but might not be limited to, one or more of the following.

First, the automatic stay provisions of the Bankruptcy Code could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the Issuer under the financing documents, or any action to enforce any obligation of the Issuer under the financing documents; in particular, the Trustee may be prevented from exercising any of the rights of the Issuer that have been assigned to the Trustee. These restrictions may also limit the ability of the Trustee to make payments to the Bondowners from funds in the Trustee’s possession during the pendency of the bankruptcy proceedings. Unless the bankruptcy court grants relief from the automatic stay during the course of the bankruptcy case (upon motion made by a party in interest and after notice and a hearing), the automatic stay will remain in effect until the earliest of (a) the time the case is closed, (b) the time the case is dismissed, or (c) the time a discharge is granted or denied.

Second, with the authorization of the bankruptcy court, the Issuer might be able to reject one or more of the financing documents to the extent such documents constitute executory contracts or unexpired leases, or any other executory contract or unexpired lease to which the Issuer is a party. A rejection of an executory contract or unexpired lease by the Issuer would generally excuse the Issuer from any further performance (including payment obligations) under such agreement, but would give rise to an unsecured claim for damages arising from such rejection. If any of the financing documents that constitute executory contracts or unexpired leases were rejected, any rights of the Issuer under such agreement that have been assigned to the Trustee may be adversely affected. If the Issuer rejects the Ground Lease, the Facilities Lease may terminate. If the Facilities Lease terminates, the County would no longer be obligated to make any payments (including Base Rent) under the Facility Lease, but the County as owner may still be able to use the Project and the Land. If the Issuer rejects the Facilities Lease, the County would have the option to either treat the Facilities Lease as terminated or to remain in possession of the Project and the Land. If the County treats the Facilities Lease as terminated, then the County would no longer be obligated to make any payments under the Facilities Lease and the County as tenant would likely be required to vacate the Project and the Land. The County as owner, however, may be able to continue to use the Project and the Land. If the County as tenant remains in possession, it will be obligated to pay rent, but it may be able to reduce its rent payments by the amount of damages that it has suffered. Any pre-bankruptcy agreement by the County not to treat the Facilities Lease as terminated may or may not be enforceable. Under such circumstances, the Bondowners could be treated as general unsecured creditors of the Issuer and there could be delays or reductions in, or the elimination of, payments on the Bonds.

Third, payments previously made to the Bondowners during the 90 days immediately preceding the filing of a bankruptcy petition may be subject to avoidance as preferential transfers, in which event the Bondowners may be required to return such payments.

Fourth, the Issuer may be able to use any of its property that is subject to the lien of the Indenture or any of the other financing documents as long as the bankruptcy court determines that the rights of the Trustee and the Bondowners will be adequately protected. Additionally, the Issuer may under certain circumstances be able to sell its property that is subject to the lien of the Indenture or any of the other financing documents free and clear of such lien (with the lien attaching to the sale proceeds), so long as the legal requirements for a sale free and clear are determined by the bankruptcy court to be satisfied.

Fifth, the Issuer might be able, without the consent and over the objection of the Trustee and the Bondowners, to alter the priority, principal amount, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants) and other terms or provisions of the financing documents pursuant to a confirmed plan of reorganization; such alterations could not be made, however, unless the bankruptcy court determines that they are fair and equitable and otherwise consistent with certain legal requirements established in the Bankruptcy Code. In addition, with the authorization of the bankruptcy court, the Issuer may assign its rights and obligations under any of the financing documents, or any other agreement to which the Issuer is a party, to another entity, despite any contractual prohibition to the contrary, subject to satisfaction of certain requirements established under the Bankruptcy Code.

Sixth, the Issuer may be able, with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the Bondowners, and without complying with the terms of the transaction documents, to sell or assign its leasehold estate in the Premises. If the leasehold estate in the Premises is sold or assigned, it is not clear whether or not the Facilities Lease would automatically terminate. If the Facilities Lease does terminate, the County would no longer be obligated to make any payments (including Base Rent) under the Facilities Lease, but the County as owner may still be able to use the Premises. Under such circumstances, the Bondowners could be treated as general unsecured creditors of the Issuer and there could be delays or reductions in, or the elimination of, payments on the Bonds.

Seventh, the assignment of the Facility Lease assigns to the Trustee the Issuer's rights to receive payments from the County and the Issuer's rights to enforce the Facility Lease against the County. If a

bankruptcy court were to conclude that this assignment was for security purposes only, and was not an absolute assignment, then, unless the authorization of the bankruptcy court has been obtained, the Trustee may be prohibited from enforcing the Facility Lease against the County and the Issuer may be able to require that the County make all payments under the Facility Lease to the Issuer, rather than to the Trustee. In addition, the holders of the Bonds could be treated as having made a loan to the Issuer, rather than the County.

The Issuer could threaten to take any of the actions described above as part of negotiations to alter its obligations under the Facility Lease, the Ground Lease or the other transaction documents.

The occurrence of any of these, as well as the occurrence of other possible effects of a bankruptcy of the Issuer, could result in delays or reductions in payments to the Bondowners. In addition, a bankruptcy trustee or the borrower as a debtor in possession could take action which could adversely affect the exclusion of the interest on with respect to the Bonds from gross income for federal income tax purposes.

Limitations on Remedies; No Acceleration of Base Rent Upon an Event of Default

If the County commits an Event of Default under the Facilities Lease and fails to cure such default within the time period provided therein, then the Issuer shall have the right to pursue any and all remedies available at law or in equity, including without limitation, the right to (a) terminate the Facilities Lease or (b) so long as the Issuer or its assignee does not terminate the County's right to possession, the Facilities Lease shall continue in effect and the Issuer or its assignee shall have the right enforce all of its rights and remedies under the Facilities Lease, including the right to recover Base Rent payments as they become due hereunder pursuant to Section 1951.4 of the California Civil Code. **Notwithstanding the foregoing, in no event shall the Issuer have the right to accelerate any payments owing by the County under the Facilities Lease.**

In the event of default under the Indenture, the Trustee may exercise certain remedies under the Indenture and the Other Documents. In the event of a monetary default under the Indenture and foreclosure of the Deed of Trust, the Trustee has the right to enter and take possession of the Premises, and the Trustee may hold, operate, manage or relet the Premises and apply revenues therefrom toward payment of the Bonds.

There is no available remedy of acceleration of the total Rent due over the term of the Lease. The County will only be liable for the Rent on an annual basis and the Trustee would be required to seek a separate judgment each year for that year's Rent due. Any such suit for money damages could be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Due to the specialized nature of the Premises, the Trustee may have limited ability to relet the Premises to provide a source of funds sufficient to pay the principal of and interest on the Bonds, so as to preserve the tax-exempt nature of the interest on the Bonds. Given the governmental function of the Premises, it is not certain whether a court would permit the exercise of the remedies of repossession and reletting with respect to the Premises. Any current exemption from City zoning requirements would no longer apply if the Premises is no longer leased by the County. It is impossible to estimate the cost, feasibility or time required to comply with any existing zoning requirements at the time of reletting. In addition, there can be no assurance that the Trustee will be able to realize from the re-leasing of the Premises an amount sufficient to pay principal of and interest on the Bonds.

The rights and remedies contained in the Indenture and the Lease may be limited by and are subject to provisions of the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditor's 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 power 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.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Premises. In general, the owners and lessees of the Premises may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the Premises whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Premises may be limited in the future resulting from the current existence on the Premises of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Premises of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Premises.

Among other things, an Environmental Phase II Subsurface Investigation Report dated June 19, 2017 (the “Phase II Report”) and subsequent additional reports, were prepared by Tetra Tech, Inc. (“Tetra Tech”) for the Issuer. The Phase II Report summarizes environmental soil, soil gas, and groundwater conditions encountered at the Premises. Based on the information obtained during its investigation and Tetra Tech’s understanding of current regulatory guidelines and judgment, the Phase II Report stated, among other things, that: in addition to the nine oil wells reported on the Land, localized areas of petroleum-impacted fill material and soil (that may be weathered bedrock) were found with petroleum-related constituents of potential concern that exceeded their respective environmental screening levels (but may not exceed risk-based levels); petroleum-impacted fill material, soil (that may be weathered bedrock) and groundwater were below the reported FFEs of the Project, but may be encountered during installation of the footings and caissons and possibly during foundation preparation of the lowest parking level’s concrete floor; and groundwater was found to be locally impacted with one chlorinated volatile organic compound, selected metals, and total petroleum hydrocarbons as gasoline, total petroleum hydrocarbons as diesel, and petroleum-related volatile organic compounds that exceeded their respective California maximum contaminant levels or environmental screening levels. The Phase II Report also concluded that if construction of the Office Project structure foundation and Shatto Garage Project structure foundations encounters petroleum-impacted fill material/soil/weathered bedrock, the petroleum-impacted fill material/soil/weathered bedrock will need to be disposed of off-Premises at an appropriately licensed disposal, recycling, land-farming, or thermal desorption facility and if dewatering will be necessary during construction of the Shatto Garage Project, there may need to be treatment of the groundwater prior to discharge to the sewer (under a National Pollutant Discharge Elimination System permit). The Phase II Report sets forth the conditions actually encountered and is not intended to be interpreted as a final statement regarding the condition of the Premises. An environmental allowance, contemplating reasonable and known remediation based on the Phase II findings, has been included as part of the Project Budget.

Pursuant to the Ground Lease, the Issuer shall cause any environmental remediation contemplated in the approved Project Budget to be completed at the Land (the “Environmental Work”). Other than the completion of the Environmental Work, the County shall be solely responsible for all claims, judgments, damages, penalties, fines, expenses, liabilities or losses relating to the presence, release or disposal of Hazardous Substances that (i) were present in the soil, groundwater, soil vapor, or anywhere on, in, or under the Land as of the effective date thereof; (ii) are at any time present on any adjacent property owned or

controlled by the County and which result in contamination of the Land; or (iii) contaminate the Land as a result of the act or omission of County or the act or omission of any party for which County is liable. The County has set aside \$4 million to pay for Environmental Work for which it is responsible.

Seismic Events

The Premises is located within a seismically active area, and damage to the Premises from an earthquake could be substantial. Under the Development Agreement, the Developer is required to maintain certain insurance coverage during the construction phase of the Project, including builder's risk course of construction insurance, which is to include an endorsement for earthquakes. Under the Facilities Lease, the Issuer shall cause the Premises to be insured against the perils of earth movement, and flood, either as part of its commercial property policy, or under a separate policy or policies. Such earth movement and flood insurance shall include twenty-four (24) months of rental interruption coverage and shall name Trustee as loss payee as its interests may appear. Pursuant to the Facilities Lease, the Issuer shall cause coverage to be maintained against loss arising from earth movement and flood so long as such coverage is available at a commercially reasonable cost and in coverage amounts which are commercially available, but shall not be in default under the Facilities Lease if coverage is no longer written, is unavailable for properties comparable to the Premises or is not available at commercially reasonable premium amounts. The County presently maintains earthquake insurance on certain of its properties, including the Land and the improvements currently thereon. However, proceeds of such insurance are not required to be used, if obtained, to replace or repair the Premises or to redeem the Bonds. If the proceeds of any earthquake insurance were not used or were insufficient to replace or repair the damage caused to the Premises, the County would be limited to its general fund, reserves and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the County's obligation to pay Base Rent under the Facilities Lease would be subject to abatement. See "CERTAIN RISK FACTORS – Abatement."

Economic Conditions in the State of California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Decreases in the State's General Fund revenues may significantly affect appropriations made by the State to public agencies, including the County. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Issuer and the County have covenanted in the Indenture and Facilities Lease not to 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 interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the Issuer or the County in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption provisions of the Indenture.

TAX MATTERS

Tax-Exempt Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

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

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

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

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

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

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

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

Federally Taxable Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Federally Taxable Bonds is exempt from State of California personal income taxes. Interest on the Federally Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Federally Taxable Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix D hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Federally Taxable Bonds that acquire their Federally Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax

consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Federally Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Federally Taxable Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Federally Taxable Bonds pursuant to this offering for the issue price that is applicable to such Federally Taxable Bonds (i.e., the price at which a substantial amount of the Federally Taxable Bonds are sold to the public) and who will hold their Federally Taxable Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Federally Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Federally Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Federally Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Federally Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Federally Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that, under newly enacted law that is effective for tax years beginning after December 31, 2017 (or, in the case of original issue discount, for tax years beginning after December 31, 2018), certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Federally Taxable Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below.

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Federally Taxable Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Federally Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

Federally Taxable Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Federally Taxable Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Federally Taxable Bond.

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

Defeasance of the Federally Taxable Bonds. If the Issuer defeases any Federally Taxable Bond, the Federally Taxable Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Federally Taxable Bond.

Information Reporting and Backup Withholding. Payments on the Federally Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Federally Taxable Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Federally Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Federally Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Federally Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the Issuer through stock ownership and (2) a bank which acquires such Federally Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Federally Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Federally Taxable Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer or a deemed retirement due to defeasance of the Federally Taxable Bond) or other disposition of a Federally Taxable Bond

generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Federally Taxable Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Federally Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Federally Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Federally Taxable Bond or a financial institution holding the Federally Taxable Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA") – U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Federally Taxable Bonds and sales proceeds of Federally Taxable Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain "passthru" payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Federally Taxable Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Federally Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

CONTINUING DISCLOSURE

Continuing Disclosure Undertaking of the Issuer. Pursuant to the Indenture, the Issuer has covenanted to provide, or cause to be provided, by not later than April 1 following each fiscal year of the Issuer (currently June 30), commencing on April 1, 2020, to the MSRB through its EMMA system certain

annual financial information and operating data and, not later than ten Business Days after their occurrence, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters of the Bonds in complying with the Rule. See APPENDIX E – “CONTINUING DISCLOSURE UNDERTAKINGS OF THE ISSUER AND THE COUNTY – CONTINUING DISCLOSURE UNDERTAKING OF THE ISSUER.”

Continuing Disclosure Undertaking of the County. Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Bonds, the County has covenanted to provide, or cause to be provided, by not later than April 1 of each fiscal year, commencing on April 1, 2019, to the MSRB through its EMMA system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters of the Bonds in complying with the Rule. See APPENDIX E – “CONTINUING DISCLOSURE UNDERTAKINGS OF THE ISSUER AND THE COUNTY – FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE COUNTY.”

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX D – “PROPOSED FORM OF BOND COUNSEL OPINION.” Certain legal matters will be passed upon for the Issuer by Hillis Clark Martin & Peterson P.S., Seattle, Washington, and Glaser Weil Fink Howard Avchen & Shapiro LLP, Los Angeles, California, for the County by the County Counsel’s Office, Hawkins Delafield & Wood LLP, Disclosure Counsel, and Loeb and Loeb, LLP and for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of the County for the Fiscal Year ended June 30, 2017, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias Gini & O’Connell LLP (the “Independent Auditor”), certified public accountants, as stated in their report appearing in Appendix B. The Independent Auditor 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 herein, and no opinion is expressed by Independent Auditor with respect to any event subsequent to its report dated December 15, 2017.

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC has served as Municipal Advisor to the County in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained herein.

LITIGATION

Litigation relating to the Issuer. To the best knowledge of the Issuer, there is no litigation pending or threatened against the Issuer concerning the validity of the Bonds or challenging any action taken by the Issuer in connection with the authorization of the Indenture, the Ground Lease, the Facilities Lease or any other document relating to the Bonds to which the Issuer is or is to become a party or the performance by the Issuer of any of its obligations under any of the foregoing.

Litigation relating to the County. To the best knowledge of the County, there is no litigation pending or threatened against the County concerning the validity of the Bonds or challenging any action taken by the County in connection with the authorization of the Ground Lease, the Facilities Lease or any other document relating to the Bonds to which the County is or is to become a party or the performance by the County of any of its obligations under any of the foregoing.

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not materially impair the ability of the County to make the Rent payments when due. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – General Litigation."

RATINGS

S&P Global Ratings, a division of The McGraw-Hill Companies, Inc. ("S&P"), and Fitch Ratings, Inc. ("Fitch") have assigned the Bonds ratings of "AA" and "AA-," respectively. Such ratings reflect only the views of Fitch and S&P, and do not constitute a recommendation to buy, sell or hold the Bonds. Explanation of the significance of such ratings may be obtained only from the respective organizations at: S&P Global Ratings, 55 Water Street, New York, New York 10041; and Fitch Ratings, Inc., 33 Whitehall Street, New York, New York 10004. There is no assurance that any 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 any 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 Bonds.

UNDERWRITING

The Bonds are being purchased by Barclays Capital Inc., as representative of itself and Morgan Stanley & Co. LLC, Siebert Cisneros Shank & Co., L.L.C. and Academy Securities, Inc. (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Bonds from the Issuer at an aggregate purchase price of \$345,495,076.24 (consisting of the aggregate principal amount of the Bonds of \$302,380,000.00, plus an original issue premium of \$44,179,264.80 and less an underwriters' discount of \$1,064,188.56), pursuant to the terms of the Bond Purchase Agreement. The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Bonds offered under the Bond Purchase Agreement if any of the Bonds offered thereunder are purchased.

Morgan Stanley & Co. LLC has provided the following for inclusion in this Official Statement: Morgan Stanley & Co. LLC, one of the Underwriters of the Bonds, has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its underwriting efforts with respect to the Bonds.

ADDITIONAL INFORMATION

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.

The Issuer has approved and authorized the preparation, execution and distribution of this Official Statement. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such, and are not representations of fact. This Official Statement is not to be construed as an agreement or contract between the Issuer and the purchasers or holders of any Bonds.

LOS ANGELES COUNTY FACILITIES INC.

By: /s/ John Finke
 President

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

THE COUNTY OF LOS ANGELES INFORMATION STATEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE COUNTY OF LOS ANGELES

Information Statement

GENERAL INFORMATION

The County of Los Angeles (the "County") was established by an act of the California State Legislature on February 18, 1850 as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,083 square miles and includes 88 incorporated cities as well as many unincorporated communities. With a population of over 10.2 million in 2017, the County is the most populous of the 58 counties in California and has a larger population than 41 states.

As required by the County Charter, County ordinances, and State or Federal mandates, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes. The County provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also provides certain municipal services to unincorporated areas of the County and operates recreational and cultural facilities throughout the County.

COUNTY GOVERNMENT

The County is governed by a five-member Board of Supervisors (the "Board of Supervisors"), each of whom is elected by residents from their respective supervisorial districts to serve four-year terms. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving a maximum of three consecutive terms commencing as of December 2002.

In March 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance. Under this governance structure, the Board of Supervisors delegated additional responsibilities for the administration of the County to the Chief Executive Office (the "CEO"), including the oversight, evaluation and recommendation for appointment and removal of specific department heads and County officers. The five departments that continued to report directly to the Board of Supervisors were the Fire Department, Auditor-Controller, County Counsel, Executive Office of the Board of Supervisors, and the CEO. In May 2011, the Board of Supervisors further revised the governance structure by directing the Department of Children and Family Services and the Probation Department to report directly to the Board.

On July 7, 2015, the Board of Supervisors approved recommendations by the CEO to amend the County Code by repealing the 2007 Interim Governance Structure Ordinance, and to establish a new governance structure. Under the new governance structure, all non-elected department heads report directly to the Board of Supervisors, and all Deputy CEO positions were eliminated. County departments continue to report to the CEO for day-to-day operations, and for administrative and budget matters. The CEO continues to function as the Board of Supervisor's agent to manage countywide policy objectives and departmental performance

management. The new governance structure is designed to streamline County governance by improving communications with County departments and facilitating more effective decision making in response to the Board of Supervisors' policy objectives.

From 2014 to 2016, the County experienced significant changes to its elected leadership and senior management personnel. In December 2014, the previous Supervisors for the First District and the Third District reached their term limits, with their successors elected by voters in the November 2014 election. The current Supervisors for the First and Third Districts commenced their first terms in December 2014. In November 2014, voters also elected a new Assessor and a new Sheriff. Other key management changes to County departments include appointments by the Board of Supervisors of a new Auditor-Controller in October 2014, a new Treasurer and Tax Collector in January 2015, a new CEO in October 2015, and a new County Counsel in July 2015. In November 2016, voters elected new Supervisors to the Fourth District and the Fifth District, replacing the previous Supervisors who had reached their term limits. The new Supervisors for the Fourth and Fifth Districts commenced their first terms in December 2016.

COUNTY SERVICES

The vast majority of the County population resides in the 88 incorporated cities located within its boundaries. The County provides some municipal services to these cities on a contract basis under the Contract Services Plan. Established in 1954, this plan was designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and facilities. Under the Contract Services Plan, the County will provide various municipal services to a city on a cost recovery basis at the same level of service as provided to the unincorporated areas or at a higher level of service that a city may choose.

Over one million people live in the unincorporated areas of the County. For the residents of these areas, the County Board of Supervisors functions as their "City Council," and County departments provide all of their municipal services, including law enforcement, fire protection, land use and zoning, building and business permits, road maintenance, animal care and control, and public libraries. Beyond the unincorporated areas, the County provides a wide range of services to all citizens who live within its boundaries.

Many of the County's core service functions are required by the County Charter, County ordinances, or by State or Federal mandate. State and Federal mandated programs, primarily related to social services and health care, are required to be maintained at certain minimum levels of service, which can limit the County's flexibility in providing these services.

Health and Welfare

Under State Law, the County is required to administer Federal and State health and welfare programs, and to fund a portion of the program costs with local revenues, such as sales and property taxes. Health care services are provided through a network of County hospitals and comprehensive health

centers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the county-wide emergency trauma network, which includes two medical centers operated by the County. The County also has responsibility for providing and partially funding mental health, drug and alcohol abuse prevention, and various other treatment programs. These services are provided at County facilities and through a network of contract providers.

While many of the patients receiving services at County facilities are indigent or covered by Medi-Cal (a State health insurance program), the County health care delivery system has been designed with the objective of providing quality health care services to the entire population. Through its affiliation with two medical schools and by operating its own school of nursing, the County Department of Health Services ("DHS") is a major provider of health care professionals throughout California.

Disaster Services

The County operates and coordinates a comprehensive disaster recovery network that is responsible for providing critical services in response to floods, fires, storms, earthquakes, and other emergency events. Centralized command centers can be established at any Sheriff station or in mobile trailers throughout the County. To prevent floods and conserve water, the County maintains and operates a system of 14 major dams, 172 debris basins, an estimated 120,000 catch basins, 35 sediment placement sites, and over 3,380 miles of storm drains and channels. County lifeguards monitor 25 miles of beachfront and County rescue boats patrol 75 miles of coastline, including the Catalina Channel.

Public Safety

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily inmate population of approximately 16,613 inmates. This number includes approximately 622 inmates who were serving their sentences outside of the jail in community based alternatives to custody programs.

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, agencies, special districts, and local school districts. Another essential general government service is the County's voter registration and election system, which provides services to an estimated 5.3 million registered voters and maintains approximately 5,000 voting precincts for countywide elections.

Culture and Recreation

Through a partnership with community leaders, non-profit organizations, volunteers and the private sector, the County operates the Music Center complex, which includes the Dorothy Chandler Pavilion, Mark Taper Forum, Ahmanson Theater, and the Walt Disney Concert Hall. The County also functions as the operator of the Hollywood Bowl, the John Anson Ford Theater, the Los Angeles County Museum of Art, the Museum of Natural History, and the George C. Page Museum.

The County manages over 182 parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 10 regional parks, 44 neighborhood parks, 16 community parks, 14 wildlife sanctuaries, 10 nature centers, 40 public swimming pools, over 200 miles of horse, biking and hiking trails, and 20 golf courses. The County also maintains botanical centers, including the Arboretum and Botanic Garden, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Gardens, providing County residents with valuable environmental and educational resources.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

The County has a total workforce of approximately 101,860 with 86.9% of the workforce represented by sixty-one (61) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union ("SEIU") Local 721, which includes twenty-four (24) collective bargaining units that represent 56.3% of County employees; the Coalition of County Unions ("CCU"), which includes twenty-two (22) collective bargaining units that represent 22.8% of County employees; and the Independent Unions (the "Independent Unions"), which encompass fifteen (15) collective bargaining units that represent 7.8% of County employees. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division is responsible for negotiating sixty-one (61) individual collective bargaining agreements for wages and salaries and an additional two (2) fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

The County maintains strong working relationships with its collective bargaining units. The current Memoranda of Understanding ("MOUs") with the various collective bargaining units cover wages, salaries and fringe benefits. The current MOUs covering wages and salaries have three-year terms and provided for a 10% cost of living increase over the term of the agreements, which have various expiration dates ranging from December 31, 2017 to September 30, 2018. Non-represented employees also received the 10% cost of living increase that was agreed to with its collective bargaining units.

The two (2) MOUs covering fringe benefits, which expire on September 30, 2018, include provisions that changed the cafeteria plan contributions and subsidies for temporary and part-time employees, additional annual vacation leave of up to 40 hours after 24 years or more of service, an additional paid holiday in recognition of Cesar Chavez' birthday, a change in eligibility for sick personal leave for rehired retirees, and an expansion of bereavement leave provisions (SEIU Local 721 Fringe Benefit MOU only).

The County has commenced salary and wage negotiations with all of its collective bargaining units with expired or expiring MOUs, including the two expiring MOUs covering fringe benefits.

RETIREMENT PROGRAM

General Information

All permanent County employees of three-quarter time or more are eligible for membership in the Los Angeles County Employees Retirement Association ("LACERA"). LACERA was established in accordance with the County Employees Retirement Law of 1937 (the "Retirement Law") to administer the County's Employee Retirement Trust Fund (the "Retirement Fund"). LACERA operates as a cost-sharing multi-employer defined benefit plan for employees of the County, the Los Angeles Superior Court and four other participating agencies. The Superior Court and the other four non-County agencies account for approximately 4.9% of LACERA's total membership.

LACERA is governed by the Board of Retirement, which is responsible for the administration of the Retirement Fund, the retiree healthcare program, and the review and processing of disability retirement applications. The Board of Retirement is comprised of four positions appointed by the Board of Supervisors, two positions elected by general LACERA members, two positions (one active and one alternate) elected by LACERA safety members and two positions (one active and one alternate) elected by retired LACERA members. The County Treasurer and Tax Collector is required by law to serve as an ex-officio member of the Board of Retirement.

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service, age and membership classification. Law enforcement officers, firefighters, foresters and lifeguards are classified as "safety" employees, with all other positions classified as "general" employees. County employees have the option to participate in a contribution based defined benefit plan or a non-contribution based defined benefit plan. In the contribution based plans (Plans A, B, C, D & G), employees contribute a fixed percentage of their monthly earnings to LACERA based on rates determined by LACERA's independent actuary. The contribution rates depend upon age, the date of entry into the plan and the type of membership (general or safety). County employees who began their employment after January 4, 1982 also have the option to participate in Plan E, which is a non-contribution based plan. The contribution based plans (A through G) have higher monthly benefit payments for retirees compared to Plan E.

LACERA's total membership as of June 30, 2017 was 174,778, consisting of 72,009 active vested members, 25,202 active non-vested members, 63,324 retired members and 14,243 terminated vested (deferred) members. Of the 97,211 active members (vested and non-vested), 84,513 are general members in General Plans A through G, and 12,698 are safety members in Safety Plans A through C.

Of the 63,324 retired members, 51,083 are general members in General Plans A through G, and 12,241 are safety members in Safety Plans A, B and C. Beginning in 1977, both the General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of Plan A benefits, which were considerably more generous than other plan options currently available to County employees.

As of June 30, 2017, approximately 54% of the total active general members (vested and non-vested) were enrolled in General Plan D, and over 85% of all active safety members (vested and non-vested) were enrolled in Safety Plan B. The basic benefit structure of General Plan D is a "2.0% at 61" funding formula that provides for annual 2.0% increases in benefits, with no benefit reductions for members who retire at age 61 or older. For the Safety Plan B, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. To illustrate the potential financial impact of the retirement benefit, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary; and a Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

2012 State Pension Reform

On September 12, 2012, the Governor signed AB 340 into law, which established the California Public Employees' Pension Reform Act ("PEPRA") to govern pensions for public employers and public pension plans, effective January 1, 2013. For new employees hired on or after January 1, 2013, PEPRA includes pension caps, equal sharing of pension costs, changes to retirement age, and three-year final compensation provisions. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays, and purchases of service credit.

PEPRA applies to all State and local public retirement systems, including county and district retirement systems created pursuant to the Retirement Law, independent public retirement systems, and to individual retirement plans offered by public employers. PEPRA only exempts the University of California system and certain charter cities and counties whose pension plans are not governed by State law. Because the County's retirement system is governed by the County Employees Retirement Law of 1937, LACERA is required to comply with the provisions of PEPRA.

As a result of PEPRA, the County implemented General Plan G and Safety Plan C for new hires, effective January 1, 2013. Based on the June 30, 2017 Actuarial Valuation (the "2017 Actuarial Valuation"), the total employer contribution rate in Fiscal Year 2018-19 for new employees hired on and after January 1, 2013 is 19.49% for General Plan G and 24.93% for Public Safety Plan C. The new employer contribution rates are similar to the comparative rates of 19.47% for General Plan D participants and 26.33% for Public Safety Plan B participants. The basic benefit structure of Plan G using the PEPRA funding formula is "2.5% at 67" and provides for annual 2.0% cost of living adjustments during retirement, with no benefit reductions for members who retire at age 61 or older. For Safety Plan C, the benefit structure is a "2.7% at 57" formula that provides for annual 2.0% cost of living adjustments during retirement, with no benefit reductions beginning at age 50. Overall, the implementation of General Plan G and Safety Plan C is expected to result in a slight decrease to the total normal cost rate and an increase in the average member contribution rate, thus resulting in a decrease in the total employer contribution rate.

Contributions

Employers and members contribute to LACERA based on rates recommended by the independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments of LACERA (the "Board of Investments")

and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates. The annual contribution rates are based on the results of investments and various other factors set forth in the actuarial valuations and investigations of experience, which are described below.

Investment Policy

The Board of Investments has exclusive control of all Retirement Fund investments and has adopted an Investment Policy Statement. The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Investment Policy Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

Actuarial Valuation

The Retirement Law requires the County to contribute to the Retirement Fund on behalf of employees using rates determined by the plan's independent actuary, which is currently Milliman Consultants and Actuaries ("Milliman"). Such rates are required under the Retirement Law to be calculated at least once every three years. LACERA presently conducts valuations on an annual basis to assess changes in the Retirement Fund's portfolio.

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement (the "2002 Agreement") to enhance certain retirement benefits in response to changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. However, unlike other local governments in California, the County did not agree to major increases in pension benefits as part of its 2002 Agreement. The 2002 Agreement, which expired in July 2010, provided for a 30-year rolling amortization period for any unfunded actuarial accrued liability ("UAAL"). UAAL is defined as the actuarial accrued liability ("AAL") minus the actuarial value of the assets of LACERA at a particular valuation date.

When measuring assets to determine the UAAL, the Board of Investments has elected to "smooth" gains and losses to reduce the potential volatility of its funding requirements. If in any year, the actual investment return on the Retirement Fund's assets is lower or higher than the current actuarial assumed rate of return, then the shortfall or excess is smoothed, or spread, over a multi-year time period. The impact of this valuation method will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss.

In December 2009, the Board of Investments adopted the Retirement Benefit Funding Policy (the "2009 Funding Policy"), which amended the terms of the 2002 Agreement. The impact of the 2009 Funding Policy on the LACERA plans was reflected in the June 30, 2009 Actuarial Valuation prepared by Milliman. The two most significant changes in the 2009 Funding Policy are described as follows:

- Asset Smoothing Period: The smoothing period to account for asset gains and losses increased from three years to five years. This initially resulted in a higher Funded Ratio (as determined by dividing the valuation assets by the AAL) and a lower contribution rate than would have been calculated under the previous three-year smoothing period.
- Amortization Period: The UAAL is amortized over a closed thirty-year layered period, compared to an open thirty-year period under the 2002 Agreement. If LACERA achieves a Funded Ratio in excess of 100%, the surplus funding position will be amortized over a thirty-year open period.

In addition to annual actuarial valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the Investigation of Experience, is accomplished by comparing actual results during the preceding three years to what was expected to occur according to the actuarial assumptions. On the basis of this review, the actuary recommends whether any changes in the assumptions or methodology would allow a more accurate projection of total benefit liabilities and asset growth. Based on the Investigation of Experience for the three-year period ended June 30, 2010, (the "2010 Investigation of Experience"), Milliman recommended that the Board of Investments consider the adoption of some key changes to the economic assumptions related to inflation and investment returns, and other minor changes to the demographic assumptions.

In October 2011, based on the 2010 Investigation of Experience, the Board of Investments lowered the assumed investment rate of return from 7.75% to 7.5%, and phased in the reduction over a three-year period commencing as of June 30, 2011. The assumed rates of return were adjusted to 7.7%, 7.6% and 7.5% for the June 30th year-end actuarial valuations in 2011, 2012 and 2013, respectively.

In December 2013, Milliman released the 2013 Investigation of Experience for Retirement Benefit Assumptions (the "2013 Investigation of Experience"). The 2013 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2013 Actuarial Valuation (the "2013 Actuarial Valuation"). The key changes to the actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return from 7.5% to 7.25%; reductions in the assumed rates for wage growth and price inflation from 3.75% and 3.25% to 3.5% and 3.0%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2013, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions to be used in the 2013 Actuarial Valuation, with the exception of the assumed rate of return, which remained unchanged at 7.5%.

In December 2016, Milliman released the 2016 Investigation of Experience for Retirement Benefit Assumptions (the "2016 Investigation of Experience"). The 2016 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2016 Actuarial Valuation (the "2016 Actuarial Valuation"). The key changes to the actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return from 7.5% to 7.25%; reductions in the assumed rates for wage growth and price inflation from 3.50% and 3.00% to 3.25% and 2.75%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2016, the Board of Investments approved Milliman's recommended

changes to the actuarial assumptions to be used in the 2016 Actuarial Valuation. However, the resulting increase to the employer contribution rate will be phased in over a three-year period beginning in Fiscal Year 2017-18.

UAAL and Deferred Investment Returns

For the June 30, 2016 Actuarial Valuation (the "2016 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 1.1%, which was significantly lower than the 7.25% assumed rate of return. As a result of the weaker than assumed investment performance, the market value of Retirement Fund Assets decreased by \$971 million or 2.0% to \$47.847 billion as of June 30, 2016. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by \$2.030 billion or 4.3% from \$47.328 billion to \$49.358 billion as of June 30, 2016. The 2016 Actuarial Valuation reported that the AAL increased by \$5.380 billion to \$62.199 billion, and the UAAL increased by \$3.350 billion to \$12.841 billion from June 30, 2015 to June 30, 2016.

The 2016 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2017. The County's required contribution rate increased from 17.77% to 19.70% of covered payroll in Fiscal Year 2017-18 after partial phase-in of the new actuarial assumption changes. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 8.49% to 11.24%, and an increase in the normal cost contribution rate from 9.28% to 9.97%.

The increase in the County's required contribution rate for Fiscal Year 2017-18 reflects the first part of a three-year phase in of the 2.87% increase in the contribution rate approved by the Board of Investments in December 2016. If the three-year phase-in had not been adopted by the Board of Investments, the employer contribution rate for Fiscal Year 2017-18 would have been 21.21%.

The 2016 Actuarial Valuation did not include \$2.012 billion of net deferred investment losses that will be partially recognized over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 76.1% as of June 30, 2016, and the required County contribution rate would have been 22.79% for Fiscal Year 2017-18.

For the June 30, 2017 Actuarial Valuation (the "2017 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 12.7%, which was significantly higher than the 7.25% assumed rate of return. As a result of the stronger than assumed investment performance, the market value of Retirement Fund Assets increased by \$4.897 billion or 10.0% to \$52.744 billion as of June 30, 2017. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by \$2.808 billion or 5.7% from \$49.358 billion to \$52.166 billion as of June 30, 2017. The 2017 Actuarial Valuation reported that the AAL increased by \$3.112 billion to \$65.311 billion, and the UAAL increased by \$304 million to \$13.145 billion from June 30, 2016 to June 30, 2017.

After reaching a cyclical high of 94.5%, prior to the economic downturn, the Funded Ratio declined steadily from June 30, 2008 to June 30, 2013. The steady decline in the Funded Ratio over the five-year period was primarily driven by continuous growth in the AAL and the partial recognition of significant actuarial investment losses in Fiscal Years 2008-09 and 2011-12 (especially the losses in Fiscal Year 2008-09). The \$10.428 billion of actuarial investment losses incurred in Fiscal Year

2008-09 were fully accounted for in the valuation of the Retirement Fund as of June 30, 2013. The Funded Ratio as of June 30, 2016 decreased to 79.4% from 83.3% in the prior year, primarily due to changes in the actuarial assumptions for the 2016 Actuarial Valuation. The Funded Ratio as of June 30, 2017 increased slightly to 79.9% from the prior year, primarily due to improved investment performance.

The 2017 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2018. The County's required contribution rate will increase from 19.70% to 20.04% of covered payroll in Fiscal Year 2018-19. The increase in the contribution rate was primarily caused by a 0.55% cost increase from the three-year phase-in of the new actuarial assumption changes approved by the Board of Investments in December 2016, which was partially offset by a decrease in the funding requirement to finance the UAAL over 30 years from 11.24% to 11.06%, and a decrease in the normal cost contribution rate from 9.97% to 9.94%.

The increase in the County's required contribution rate for Fiscal Year 2018-19 also includes the second part of the three-year phase in of the 2.87% increase in the contribution rate attributable to the changes in actuarial assumptions approved by the Board of Investments in December 2016. If the three-year phase-in had not been adopted by the Board of Investments, the employer contribution rate for Fiscal Year 2018-19 would be 21.00%.

The 2017 Actuarial Valuation does not include \$49.907 million of net deferred investment gains that will be partially recognized over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 80.0% as of June 30, 2017, and the required County contribution rate would have been 20.96% for Fiscal Year 2018-19.

As of April 30, 2018, LACERA reported an 8.0% fiscal year to date net return on Retirement Fund assets, which is higher than the actuarial assumed investment rate of return of 7.25%. The asset allocation percentages for the Retirement Fund as of April 30, 2018 were 23.3% domestic equity, 23.6% international equity, 24.2% fixed income, 11.3% real estate, 9.9% private equity, 2.6% commodities, 2.4% hedge funds and 2.8% cash.

An eight-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio"), and a summary of investment returns for the prior eight years is presented in Table 2 ("Investment Return on Retirement Plan Assets") at the end of this Information Statement section.

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% of its annual actuarially required contribution to LACERA. In Fiscal Years 2015-16 and 2016-17, the County's total contributions to the Retirement Fund were \$1.384 billion and \$1.335 billion, respectively. In Fiscal Year 2017-18, the County's required contribution payments are projected to increase by approximately \$165 million or 12.4% to \$1.500 billion. For Fiscal Year 2018-19, the County is estimating retirement contribution payments to LACERA of \$1.617 billion, which would represent a 7.8% or \$117.3 million increase from Fiscal Year 2017-18.

A summary of actual and projected County pension payments to LACERA for the eight-year period ending June 30, 2019 is

presented in Table 3 (“County Pension and OPEB Payments”) at the end of this Information Statement section.

STAR Program

The Supplemental Targeted Adjustment for Retirees program (“STAR Program”) is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2017, \$614 million was available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve was included in the Retirement Fund’s valuation assets. However, there is no corresponding liability for any STAR Program benefits in the 2017 Actuarial Valuation that may be granted in the future. If the STAR Program Reserve was excluded from the valuation assets, the County’s required contribution rate would have increased from 20.04% to 20.51% for Fiscal Year 2018-19, and the Funded Ratio would have decreased from 79.9% to 78.9% as of June 30, 2017. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately \$39 million in Fiscal Year 2018-19.

Pension Accounting Standards

In June 2012, the Governmental Accounting Standards Board (“GASB”) issued new statements to replace the previous pension accounting and reporting requirements for defined pension benefit plans such as LACERA, and employers such as the County. GASB Statement No. 67, Financial Reporting for Pension Plans, replaces the requirements of GASB Statement No. 25 and is focused on pension plan administrators such as LACERA. GASB 67 was implemented with the issuance of LACERA’s Fiscal Year 2013-14 financial statements and expanded the pension-related note disclosures and supplementary information requirements.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of GASB Statement No. 27 and is focused on employers that provide defined pension benefits such as the County. GASB 68 was implemented with the issuance of the County’s Fiscal Year 2014-15 financial statements. Although GASB 68 does not materially affect the existing process for calculating the UAAL, it requires the County to recognize its proportionate share of LACERA’s Net Pension Liability directly on the Statement of Net Position (government-wide balance sheet). The new requirement to recognize a liability in the financial statements represented a significant and material change from the previous standards, which only required the disclosure of such amounts in the notes to the financial statements. GASB 68 also includes additional reporting requirements, which have expanded the pension-related note disclosures and supplementary information requirements.

The new GASB pension standards are only applicable to the accounting and reporting for pension benefits in the County’s financial statements. Accordingly, there will be no impact on the County’s existing statutory obligations and policies to fund pension benefits. For the Fiscal Year ended June 30, 2017 the County reported a Net Pension Liability of \$10.273 billion, which represents a \$2.825 billion or 38% increase from the \$7.448 billion Net Pension Liability reported as of June 30, 2016.

Postemployment Health Care Benefits

LACERA administers a health care benefits program for retirees under an agreement with the County. The program includes medical, dental, vision and life insurance benefit plans for over 88,000 retirees or survivors and their eligible dependents. The Board of Retirement reserves the right to amend or revise the medical plans and programs under the retiree health program at any time. County payments for postemployment benefits are calculated based on the employment service credit of retirees, survivors, and dependents. For eligible members with 10 years of service credit, the County pays 40% of the health care plan premium. For each year of service credit beyond 10 years, the County pays an additional 4% of the plan premium, up to a maximum of 100% for a member with 25 years of service credit.

The County reached an agreement with CCU and SEIU to add a new tier of retiree healthcare benefits for employees who begin County service on or after July 1, 2014. Under the new agreement, the County will provide paid medical coverage at the retiree only premium level and not at the current level of full family coverage. The retiree will have the option to purchase coverage for dependents, but the County will only provide a financial subsidy to the retiree. In addition, Medicare-eligible retirees will be required to enroll in Medicare, with the County subsidy based on a Medicare supplement plan. The same vesting rights and years of service crediting formula of 40% after 10 years and 100% after 25 years will still apply to the new tier. The agreement will not affect current retirees or current employees hired prior to July 1, 2014. The new retiree healthcare benefit tier is projected to save an estimated \$840 million over the next 30 years and reduce the unfunded liability for retiree healthcare by 20.8%. The agreement was approved by the Board of Retirement and by the Board of Supervisors in June 2014.

Financial Reporting for Other Postemployment Benefits

GASB had previously issued two statements that address financial reporting requirements for Other Postemployment Benefits (OPEB), which is defined to include many post-retirement benefits other than pension-related benefits. Health care and disability benefits are the most significant of these benefits provided by the County.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (“GASB 43”), established financial reporting standards for OPEBs in a manner similar to the standards that were previously in effect for pension benefits. GASB 43 was focused on the entity that administers such benefits (which, in the case of the County, is LACERA) and requires an actuarial valuation to determine the funded status of accrued benefits. LACERA has complied with GASB 43 requirements for all annual reporting periods beginning with the Fiscal Year ended June 30, 2008.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (“GASB 45”), established financial reporting standards designed to measure, recognize, and disclose OPEB costs. GASB 45 was focused on the County’s financial statements, and related note disclosures. Starting with the June 30, 2008 Comprehensive Annual Financial Report (“CAFR”), the County implemented the requirements of GASB 45 in its financial reporting process. The core requirement of GASB 45 is that an actuarial analysis must be prepared at least once every two-year period with respect to projected

benefits (“Plan Liabilities”), which would be measured against the actuarially determined value of the related assets (the “Plan Assets”). To the extent that Plan Liabilities exceeded Plan Assets, the difference could be amortized over a period not to exceed 30 years. GASB 45 did not require the funding of any OPEB liability related to the implementation of this reporting standard.

In June 2015, GASB issued Statement No. 74 and Statement No. 75, which will replace the existing OPEB accounting and reporting requirements for entities that administer OPEB plans (LACERA) and employers (the County).

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, replaces the requirements of GASB Statement No. 43 and is focused on the OPEB plan administrator (LACERA). GASB 74 was implemented with the issuance of LACERA’s Fiscal Year 2016-2017 financial statements and expanded the required OPEB-related note disclosures and supplementary information.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of GASB Statement No. 45 and is focused on employers (the County) providing defined OPEB benefits. GASB 75 will be implemented with the issuance of the County’s Fiscal Year 2017-2018 financial statements. Although GASB 75 is not expected to materially affect the existing process which computes the County’s UAAL, it will require the County to recognize the full amount of net OPEB liabilities directly on the Statement of Net Position (government-wide balance sheet). The net OPEB liability is the difference between the total OPEB liability (the present value of projected OPEB benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) held by LACERA to pay OPEB benefits. There are also new requirements which will expand the existing OPEB-related note disclosures and supplementary information.

The new requirement to recognize the full amount of net OPEB liabilities in the financial statements is a substantive and material change to the existing standards. Current accounting standards only require recognition of OPEB liabilities to the extent that OPEB funding is less than the actuarially determined amount. As of June 30, 2017, the County’s Statement of Net Position recognized \$14.527 billion of OPEB liabilities. The new GASB OPEB standards are only applicable to accounting and reporting for OPEB benefits in the County’s financial statements. Accordingly, there is no impact on the County’s existing statutory obligations and policies to fund the OPEB benefits.

OPEB Actuarial Valuation

In order to comply with the requirements of GASB 43 and GASB 45, LACERA engaged Milliman to complete actuarial valuations of OPEB liabilities for the LACERA plans. In their OPEB valuations, Milliman has provided a determination of the AAL for LACERA’s health, dental, vision and life insurance benefit plans. The County’s members comprise approximately 95% of LACERA’s retiree population and the County is responsible for this percentage of OPEB costs. The 5% of LACERA retirees who do not contribute to the County’s OPEB liability are predominantly members of the Los Angeles Superior Court. The demographic and economic assumptions used in the OPEB valuations are modeled on the assumptions used by LACERA for its pension program. The healthcare cost

assumptions are based on discussions with other consultants and actuaries used by the County, LACERA and labor groups.

For the Fiscal Year ended June 30, 2016, the County reported a net OPEB obligation of \$13.109 billion, which represented a \$1.575 billion or 13.6% increase from the \$11.535 billion obligation reported as of June 30, 2015. The net OPEB obligation is comprised of \$12.785 billion for retiree health care benefits and \$324.0 million for long-term disability benefits, which the County has determined to be an additional OPEB liability and reported as a component of the net OPEB obligation in the CAFR.

In August 2017, Milliman released the County’s fifth OPEB actuarial valuation report (“the 2016 OPEB Valuation”) as of July 1, 2016. In the 2016 OPEB Valuation, Milliman reported an AAL of \$25.913 billion for LACERA’s OPEB program (including employees of the Los Angeles Superior Court). The County’s share of this liability is \$24.792 billion, which represents a 9.0% decrease from the previous OPEB Valuation as of July 1, 2014 (the “2014 OPEB Valuation”). The annual required contribution (“ARC”) to fund the OPEB liability as of July 1, 2016 is estimated to be \$1.964 billion, which represents 27.03% of the County’s payroll costs and a 8.7% decrease from the 2014 OPEB Valuation. The decrease in the County’s OPEB liability from 2014 to 2016 was the result of several offsetting factors, with the most significant factors being an increase in the discount rate from 3.75% to 4.50% and lower than expected increases in health insurance premiums.

For the Fiscal Year ended June 30, 2017, the County reported a net OPEB obligation of \$14.527 billion, which represents a \$1.418 billion or 10.8% increase from the \$13.109 billion obligation reported as of June 30, 2016. The net OPEB obligation is comprised of \$14.151 billion for retiree health care benefits and \$376.0 million for long-term disability benefits, which the County has determined to be an additional OPEB liability and reported as a component of the net OPEB obligation in the CAFR.

The June 30, 2017 OPEB ARC of \$2.047 billion, which includes \$1.956 billion for retiree health care benefits and \$90.2 million for long-term disability benefits, represents a \$145.6 million or 6.6% decrease from the \$2.192 billion obligation as of June 30, 2016. The OPEB ARC was partially offset by \$628.6 million in total County contribution payments, resulting in an increase in the net OPEB obligation of \$1.418 billion in Fiscal Year 2016-17. The total County contribution payments in Fiscal Year 2016-17 were 30.7% of the OPEB ARC, which represents an increase from the 28.2% funding level in Fiscal Year 2015-16.

OPEB Funding

In Fiscal Years 2015-16 and 2016-17, the total “pay as you go” payments from the County to LACERA for retiree health care benefits were \$507.7 million and \$528.9 million, respectively. In Fiscal Year 2017-18, payments to LACERA for OPEB are projected to increase by \$30.2 million or 5.7% to \$559.1 million. For Fiscal Year 2018-19, the County is projecting \$599.8 million in OPEB payments to LACERA, which would represent a 7.2% or \$40.7 million increase from Fiscal Year 2017-18.

In May 2012, the Board of Supervisors approved the establishment of a tax-exempt OPEB trust pursuant to a Trust and Investment Services Agreement (the “OPEB Trust”) between LACERA and the County. In accordance with the

OPEB Trust, the LACERA Board of Investments will function as the trustee and investment manager, and the Board of Supervisors will have exclusive discretion over the amount of contributions and/or transfers the County may invest or allocate to the OPEB Trust. In Fiscal Year 2012-13, the County transferred \$448.8 million from the County Contribution Credit Reserve maintained with LACERA for the initial funding of the OPEB Trust. The transfer from the County Contribution Credit Reserve represented the accumulated balance of the County's proportionate share of excess earnings distributions from the Retirement Fund from Fiscal Years 1994 through 1998.

On June 22, 2015, the Board of Supervisors approved a multi-year plan to begin pre-funding the County's unfunded OPEB liability (the "OPEB Pre-funding Plan"). The OPEB Pre-funding Plan requires the County to begin the process to fully fund the OPEB ARC by incrementally increasing the annual contribution to the OPEB Trust. The Fiscal Year 2017-18 Final Adopted Budget appropriates \$121.2 million in pre-funding contributions to the OPEB Trust Fund, which will be funded by a \$50.0 million Net County Cost ("NCC") contribution from the General Fund and \$71.2 million in projected subvention revenue received from Federal, State and other local government entities. In future fiscal years, the County expects to incrementally increase its OPEB funding by approximately \$60 million per year, which includes an annual \$25 million increase in the NCC contribution from the General Fund and a \$35 million annual increase funded by subvention revenue. For Fiscal Year 2018-19, the County is projecting a deposit to the OPEB Trust in the amount of \$182.9 million. Based on current projections for the OPEB Pre-funding Plan, the OPEB ARC will be fully funded by Fiscal Year 2027-28.

In January 2016, LACERA transferred \$50 million to the OPEB Trust from an excess retiree health premium reserve account. The transaction was initiated by LACERA, and is un-related to the County's OPEB Pre-funding Plan. As of April 30, 2018, the balance of the OPEB Trust was \$904.8 million, of which \$863.7 million is attributable to the County.

Long-Term Disability Benefits

In addition to its Retirement Plan, the County administers a Disability Benefits Plan ("DBP") that is separate from LACERA. The DBP covers employees who become disabled as a direct result of an injury or disease while performing assigned duties. Generally, the long-term disability plans included in the DBP provide employees with a basic monthly benefit of between 40% and 60% of such employee's monthly compensation, commencing after 6 months of disability. The benefits under these plans normally terminate when the employee is no longer totally disabled or turns age 65, whichever occurs first. The health plans included in the DBP generally cover qualified employees who are sick or disabled and provide for the payment of a portion of the medical premiums for these individuals.

The County has determined that the liability related to long-term disability benefits is an additional OPEB obligation, which is reported as a component of the OPEB ARC in the CAFR. Following completion of the original OPEB Valuation, the County engaged Buck Consultants to prepare actuarial valuations of the long-term disability portion of its DBP as of (the "2013 LTD Valuation") and July 1, 2015 (the "2015 LTD Valuation"). In the 2015 LTD Valuation, the AAL for the County's long-term DBP was \$1.090 billion, which represents a 15.3% increase from the \$946 million AAL reported in the 2013 LTD Valuation. As of June 30, 2017, the County's net OPEB

obligation of \$14.527 billion includes \$376.2 million for long-term disability benefits.

In Fiscal Years 2015-16 and 2016-17, the County made total DBP payments of \$37.6 million and \$38.8 million, respectively. For Fiscal Year 2017-18, the County is estimating total DBP payments of \$41.3 million. For Fiscal Year 2018-19, the County is projecting total DBP payments in the amount of \$42.2 million. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the OPEB obligation in the CAFR.

FEDERAL AUDIT

In February 2016, the Internal Revenue Service ("IRS") initiated a compliance examination of the County's Tax Year 2014 payroll tax returns and Form 1099 submissions. During the examination, the IRS expanded the scope to include Tax Year 2015. The examination concluded in April 2017 and consisted of a comprehensive review of County salaries, employee benefits, and payments to vendors to determine compliance with federal tax laws and regulations. The IRS identified some minor compliance issues, including the County's underpayment of certain federal employment taxes and penalties related to Form 1099 submissions. These issues were nearly offset by other findings, which concluded the County overpaid the amount of federal employment taxes owed. The net amount owed by the County to the IRS, for both Tax Years examined, was \$601.47.

LITIGATION

The County is routinely a party to various lawsuits and administrative proceedings. The following are summaries of certain pending legal proceedings or potential contingent liabilities, as reported by the Office of the County Counsel. A further discussion of certain legal matters that directly affect the budget and the revenue generating powers of the County is provided in the Budgetary Information section of Appendix A.

Public Safety Cases

A lawsuit was filed against the County in 2013 alleging that the plaintiff had been falsely convicted of murder and served over twenty years in prison. The Court subsequently ordered a new trial based on new evidence. The case was retried and the plaintiff was acquitted. The County settled the case for \$15 million. The first installment of \$8 million was paid in Fiscal Year 2017-18, with the remaining \$7 million to be paid in Fiscal Year 2018-19.

On December 16, 2014, the Board of Supervisors entered into a settlement agreement in the *Rosas v. Baca, et al.* lawsuit. *Rosas v. Baca, et al.* is a Federal class action lawsuit filed by the American Civil Liberties Union (ACLU) alleging a pattern and practice of excessive use of force in the County jails. Under the terms of the agreement, the Sheriff's Department will implement various reforms recommended by a court-appointed panel of monitors. The settlement agreement requires that the Sheriff's Department comply with various recommendations by specific target dates. The County continues to make progress toward compliance with these recommendations.

On June 4, 2014, the U.S. Department of Justice (the "DOJ") issued a public report alleging that systemic deficiencies related to suicide prevention and mental health care existed in the County jails, and that those deficiencies violated inmates' constitutional rights. The Sheriff's Department and the Department of Mental Health have reached a proposed

settlement with the DOJ concerning the DOJ's allegations that the County and the Sheriff's Department are violating inmates' constitutional rights with respect to mental health services and suicide prevention in the County jails as well as DOJ's concerns about the use of excessive force in the County jails. At this time, the cost of compliance for both this DOJ matter, and Rosas is still being evaluated.

In 2010, a lawsuit was filed (*Amador v. Baca, et. al.*) claiming that the County and the Sheriff's Department ("Department") violated the constitutional rights of female inmates through the use of unlawful strip searches. In November 2016, the court certified two classes and three subclasses of female inmates who were searched between 2008 and 2015. In June 2017, the court ruled that the conditions under which the searches occurred rendered them unconstitutional. The potential class has approximately 93,000 members. The County has reached a tentative settlement of \$53 million to be paid in three installments twelve months apart. The first installment will not be paid until after the class has been notified.

Social Services Cases

In September 2011, *Duval v. County of Los Angeles, et al.* was filed against the County pursuant to the Civil Rights Act, alleging that plaintiff's civil rights were violated when the Department of Children and Family Services removed plaintiff's son from her custody without parental consent, a warrant or exigent circumstances. On November 3, 2016, a jury awarded the plaintiff \$3.1 million in damages. The court later awarded the plaintiff attorneys' fees and costs totaling approximately \$3 million, for a total judgment of approximately \$6.1 million. Both the plaintiff and the County have filed notices of appeal.

Tax Cases

In 2007, in *Los Angeles Unified School District v. County of Los Angeles, et al.*, the Los Angeles Unified School District (LAUSD) alleged that the Auditor-Controller improperly calculated statutory pass-through payments related to the Educational Revenue Augmentation Fund ("ERAF") that were payable to LAUSD under redevelopment law. The Court of Appeal reversed a trial court decision in favor of the County, and the County's petition for review was denied by the California Supreme Court. On remand in January 2012, the trial court issued a decision in favor of the County regarding calculation of the statutory payments, which temporarily reduced the County's exposure. On September 7, 2012, LAUSD appealed the trial court's ruling. On June 26, 2013, the Court of Appeal reversed the trial court ruling and sided with LAUSD, holding that the statutory payments to LAUSD should have included a higher share of the ERAF revenue diverted by the "Triple Flip" and Vehicle License Fee swap legislation. The California Supreme Court denied the County's petition for review in October 2013. The Court of Appeal's decisions have resulted in higher statutory pass through payments to school districts and lower pass through payments to the County. Three other districts, Los Angeles Community College District, Montebello Unified School District, and Long Beach Unified School District, subsequently filed lawsuits with the same allegations litigated by LAUSD. The three cases were stayed until August 14, 2014 to allow for a settlement of all ERAF-related litigation. The cases were settled in October and November of 2017. Pursuant to the terms of the settlements, the County paid LAUSD \$57.86 million, Los Angeles Community College District \$6.95 million, Montebello Unified School District \$4.80 million, and Long Beach Unified School District \$12.90 million. The remaining payments under the settlement are for County-controlled special districts estimated

to total \$160,000, which are expected to be fully executed on or before August 1, 2018, bringing the litigation to a close.

Willy Granados v. County of Los Angeles, an action for damages and declaratory and injunctive relief, was filed in November 2006. It seeks to stop the County's collection of the utility user tax ("UUT") to the extent that it is applied to telecommunications services that are no longer subject to the federal excise tax ("FET"). The County Code excludes from the UUT amounts paid for services exempt from the FET. In addition, the suit seeks to recover the allegedly wrongfully collected taxes. The plaintiff also seeks certification as a class action. In 2007, the County filed a demurrer to the complaint, which was sustained. The action was dismissed and the plaintiff appealed. The action was stayed pending a decision in *Ardon v. City of Los Angeles*, where the court ruled in 2011 that a class claim could be brought for a UUT refund. In 2012, the Court of Appeal reversed the dismissal order, resulting in reinstatement of the lawsuit. Litigation activity resumed in 2016, and the plaintiff's motion for class certification was granted in May 2017. The plaintiffs sought \$39 million in refunds. The County authorized settlement of the lawsuit for \$16.9 million and has set aside reserves in this amount. The terms of the settlement agreement also include a provision for unclaimed funds to revert to the County, thereby potentially reducing the \$16.9 million liability. It is anticipated that final resolution of the claim process will occur by early 2019.

Other Cases

In May 2016, the County experienced a phishing email attack that affected multiple departments and resulted in a breach of information for over 750,000 individuals. The County has provided the required notices and is undergoing an investigation into the incident. To date, no evidence suggests that any information has been misused. The County has taken actions to enhance security measures and training for employees to guard against future intrusions. The County does not expect any liability from this incident to adversely affect the County's ability to repay its outstanding lease and debt obligations.

In April 2018, two purported class-action lawsuits—*Ocana v. Renew Financial Holdings, Inc. et al.* and *Nemore v. Renovate America, Inc., et al.*—were filed against the County and the two contractors administering the County's residential Property Assessed Clean Energy Program (the "PACE Program"). The County's PACE Program allows participating homeowners to finance energy-efficient upgrades to their homes through an assessment against their properties that is collected on their annual property tax bills. The lawsuits allege the County and its third-party administrators for the PACE Program (Renew Financial Holdings and Renovate America) engaged in financial elder abuse by approving elderly property owners for PACE assessments who did not have the financial ability to repay the assessments, thus putting them at risk of defaulting and potentially subjecting their properties to foreclosure. The lawsuits seek damages, forgiveness of outstanding assessments, and refunds of prior assessment payments. Both class actions have been consolidated and the County is currently assessing its options for responding. The program administrators are contractually obligated to indemnify the County and provide for its defense. The County does not expect any liability from these cases to adversely affect its ability to repay its outstanding lease and debt obligations.

Pending Litigation

There are a number of other lawsuits and claims pending against the County. In the opinion of the County Counsel, such suits and claims that are presently pending will not impair the ability of the County to make debt service payments or otherwise meet its outstanding lease or debt obligations.

TABLE 1: RETIREMENT PLAN UAAL AND FUNDED RATIO

(in thousands)

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2010	\$33,433,888	\$38,839,392	\$46,646,838	\$7,807,446	83.26%
06/30/2011	39,452,011	39,193,627	48,598,166	9,404,539	80.65%
06/30/2012	38,306,756	39,039,364	50,809,425	11,770,061	76.83%
06/30/2013	41,773,519	39,932,416	53,247,776	13,315,360	74.99%
06/30/2014	47,722,277	43,654,462	54,942,453	11,287,991	79.45%
06/30/2015	48,818,350	47,328,270	56,819,215	9,490,945	83.30%
06/30/2016	47,846,694	49,357,847	62,199,214	12,841,367	79.35%
06/30/2017	52,743,651	52,166,307	65,310,803	13,144,496	79.87%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2017.

TABLE 2: INVESTMENT RETURN ON RETIREMENT PLAN ASSETS

(in thousands)

Fiscal Year	Market Value of Plan Assets	Market Rate of Return	Funded Ratio Based on Market Value
2009-10	\$33,433,888	11.8%	69.9%
2010-11	39,452,011	20.4%	79.4%
2011-12	38,306,756	0.3%	73.7%
2012-13	41,773,519	12.1%	77.6%
2013-14	47,722,277	16.8%	86.0%
2014-15	48,818,350	4.3%	85.0%
2015-16	47,846,694	1.1%	76.1%
2016-17	52,743,651	12.7%	80.0%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2017.

TABLE 3: COUNTY PENSION AND OPEB PAYMENTS

(in thousands)

Fiscal Year	Payments to LACERA			OPEB Disability	Total Retirement & OPEB Payments
	Retirement Fund	OPEB (PAYGO)	OPEB (Prefund)		
2011-12	\$1,026,867	\$424,030	\$0	\$36,701	\$1,487,598
2012-13	1,118,514	441,062	448,819	37,598	2,045,993
2013-14	1,262,754	446,979	0	37,320	1,747,053
2014-15	1,430,462	450,202	0	39,920	1,920,584
2015-16	1,383,897	507,698	72,489	37,306	2,001,390
2016-17	1,334,825	528,908	61,145	38,582	1,963,460
2017-18	1,499,737 *	559,110 *	120,796 *	41,244	2,220,887
2018-19	1,617,026 *	599,784 *	182,887 *	42,200	2,441,897

Source: Milliman Actuarial Valuations (of LACERA), Los Angeles County CAFRs and County of Los Angeles Chief Executive Office.

* Estimated



BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by October 2nd of each year. The CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the State budget, and other projected revenue and expenditure trends. Expanding on this forecast, the CEO prepares a target County budget for the ensuing fiscal year, and projected resources are tentatively allocated to the various County programs and services.

The CEO normally presents the Recommended County Budget to the Board of Supervisors in April. The Board of Supervisors is required to adopt a Recommended Budget no later than June 30th. If a final County Budget is not adopted by June 30th, the appropriations approved in the Recommended Budget, with certain exceptions, become effective for the new fiscal year until the final budget is approved.

The CEO generally recommends revisions to the County Budget after adoption of the final State budget to align County expenditures with approved State funding. After conducting public hearings and deliberating on the details of the budget, the Board of Supervisors is required to adopt the Final County Budget by October 2nd of each year.

Throughout the remainder of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The annual revenues from the State and Federal governments are generally allocated pursuant to formulas specified in State and Federal statutes. For budgetary or other reasons, such statutes are often subject to change that may affect the level of County revenues and budgetary appropriations.

COUNTY BUDGET OVERVIEW

The County Budget is comprised of eight fund groups through which the County's resources are allocated and controlled. These groups include the General Fund and Hospital Enterprise Fund (which represents the General County Budget), Special Revenue Funds, Capital Project Special Funds, Special District Funds, Other Enterprise Funds, Internal Service Fund, and Agency Fund.

The General County Budget accounts for approximately 79.0% of the 2018-19 Adopted Budget and appropriates funding for programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Revenue Funds represent approximately 10.9% of the 2018-19 Adopted Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, road construction and maintenance programs, specific automation projects and Measure H – Los Angeles County Plan to Prevent and Combat Homelessness.

Capital Project Special Funds account for approximately 0.8% of the 2018-19 Adopted Budget and provide funding for the acquisition or construction of major capital facilities that are not financed through other funding sources.

Special District Funds, which account for approximately 6.9% of the 2018-19 Adopted Budget, are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Internal Services and Agency Funds account for 2.4% of the 2018-19 Adopted Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the Full Cash Value of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes required to pay debt service on voter-approved general obligation bonds. Full Cash Value is defined as the County Assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.

The Full Cash Value is subject to annual adjustment to reflect inflation at a rate not to exceed 2%, or a reduction as shown in the consumer price index (or comparable local data), or a decline in property value caused by damage, destruction or other factors. The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on certain types of indebtedness approved by the voters.

Article XIII B of the California Constitution limits the amount of appropriations by local governments to "Proceeds of Taxes." The County's appropriation limit for Proceeds of Taxes for Fiscal Year 2018-19 is \$24,435,884,072. The 2018-19 Adopted Budget included proceeds from taxes of \$9,414,061,000, which is substantially below the statutory limit.

Proposition 62

Proposition 62, a 1986 ballot initiative that amended the California Constitution, requires voter approval of all new taxes or any increases to local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected beginning one year before a claim is filed. Such a claim is a necessary prerequisite to the filing of a lawsuit against a public entity in California.

Proposition 218

Proposition 218, a 1996 ballot initiative that added Articles XIII C and XIII D to the California Constitution, established the following requirements on all taxes and property-related assessments, fees, and charges:

- precluded special purpose districts or agencies, including school districts, from levying general taxes;
- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;
- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate; and
- ensured that voters may reduce or repeal local taxes, assessments, or fees through the initiative process.

An Appellate Court decision determined that Proposition 218 did not supersede Proposition 62. Consequently, voter approval alone may not be sufficient to validate the imposition of general taxes adopted, increased or extended after January 1, 1995.

Proposition 218 also expressly extends to voters the power to reduce or repeal local taxes, assessments, and fees through the initiative process, regardless of the date such charges were imposed. SB 919, the Proposition Omnibus Implementation Act, was enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions to comply with Proposition 218. SB 919 states 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.

In the 2006 case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)*, the State Supreme Court suggested that the initiative power under Proposition 218 is not free of all limitations, and could be subject to restrictions imposed by the contract clause of the United States Constitution. No assurance can be given, however, that voters in the County will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges that are deposited into the County's General Fund. In addition, "fees" and "charges" are not defined by Article XIII C or SB 919, and the scope of the initiative power under Article XIII C could include all sources of General Fund revenue not received from or imposed by the Federal or State government or derived from investment income.

Proposition 1A 2004

Proposition 1A 2004, approved by the voters in November 2004, amended the State Constitution by limiting the State's authority to reduce local sales tax rates or alter their method of allocation, shift property tax revenues from local governments to schools or community college districts, or decrease Vehicle License Fee ("VLF") revenues without providing replacement funding. Proposition 1A 2004 further amended the State Constitution by requiring the State to suspend State laws that create unfunded mandates in any year that the State does not fully reimburse

local governments for their costs to comply with such mandates. Pursuant to Proposition 1A 2004, the State can no longer reallocate local property tax revenues without triggering a constitutional obligation to repay the local taxing agencies within three years. The State is further prohibited from reallocating local property tax revenues on more than two occasions within a ten-year period.

Proposition 26

On November 2, 2010, voters approved Proposition 26, which amended the State Constitution to expand the definition of a tax so that certain fees and charges imposed by the State and local governments will now be subject to approval by two-thirds of each house of the State Legislature or approval by local voters, as applicable. Proposition 26 requires a two-thirds approval by each house of the State Legislature to enact new laws that increase taxes on any taxpayer, and repealed State laws that were in conflict with the measure, unless they were approved again by two-thirds of each house of the State Legislature.

Future Initiatives

Propositions 13, 62, 218, 1A 2004 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting County revenues or the County's ability to expend revenues.

FEDERAL AND STATE FUNDING

A significant portion of the County budget is comprised of revenues received from the Federal and State governments. As indicated in the table "Historical Appropriations by Fund" on page A-22 of this Appendix A, \$4.913 billion of the \$24.787 billion 2018-19 Adopted General County Budget is received from the Federal government and \$6.487 billion is funded by the State. The remaining \$13.387 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 46% of General County funding is provided by the State and Federal government illustrates the County's significant reliance on outside funding sources.

Federal Budget Update

On March 23, 2018, the President signed into law H.R. 1625, the Consolidated Appropriations Act, 2018, which is an omnibus spending package for the remainder of Federal Fiscal Year (FFY) 2018. The \$1.3 trillion spending bill funds Federal government operations through September 30, 2018, the end of FFY 2018. The funding levels reflect those set in the recently enacted Bipartisan Budget Act of 2018 (H.R. 1892), which provided \$143.0 billion in additional spending authority, including \$63.0 billion for non-defense domestic discretionary programs. The package includes increased funding for many programs of interest to the County, including the Community Development Block Grant, Public Housing Operating and Capital Funds, and funding for the 2020 Decennial Census.

On February 12, 2018, the President released his Proposed Federal Budget for FFY 2019, which accounts for the new top-line spending limit enacted in the Bipartisan Budget Act. The \$4.4 trillion budget proposes \$200.0 billion in new infrastructure spending in the form of grants designed to leverage \$1.5 trillion in non-federal funding. The proposal also includes \$3.0 trillion

in spending cuts over the next ten years, including \$1.7 trillion in cuts to mandatory entitlement programs such as Medicaid (\$199.0 billion), Medicare (\$554.0 billion), Supplemental Nutrition Assistance Program (\$213.5 billion), and Temporary Assistance for Needy Families (\$21.3 billion). It also proposes to eliminate or significantly curtail several discretionary spending programs of interest to the County, including the elimination of the Community Development Block Grant, HOME Investment Partnership program, Community Services Block Grant, State Criminal Alien Assistance program grants and the Public Housing Capital Fund.

Notwithstanding release of the President's Proposed Budget for FFY 2019, Congress is responsible for passing appropriations legislation to fund the Federal government. With the Federal budget for FFY 2018 complete, the House and Senate have turned their attention to FFY 2019, and preliminary hearings have already been conducted by several authorizing and appropriations committees. Based on the top-line spending levels for FFY 2019 that have been agreed to, the County expects that FFY 2019 appropriations for individual programs will be consistent with levels provided in the FFY 2018 omnibus spending package.

STATE BUDGET PROCESS

Over the past twenty-five years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in the same decade, the 2001 recession and subsequent recovery, and the most recent economic downturn that started in 2008. With the steady improvement in the State economy since the 2008 recession and the passage of Proposition 30 in the November 2012 election (and the subsequent extension by voters with the passage of Proposition 55 in November 2016), the State has experienced significant improvement to its budget stability and overall financial condition. The State's budgetary decisions in response to the changing economic environment will continue to have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system (the "1991-92 Realignment Program") that removed State funding for certain health and welfare programs, and provided counties with additional flexibility to administer such programs. Under the 1991-92 Realignment Program, certain health and welfare services are funded by a 0.5% increase in sales taxes and increased vehicle license fees. Since counties receive their share of the funding for health and welfare programs under a fixed formula prescribed by State law, the flow of funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will still maintain responsibility for the management and cost of such programs.

On June 27, 2013, Governor Brown signed into law AB 85, which provides a mechanism for the State to redirect certain 1991-92 Realignment Program health care funding to social service programs. With California electing to implement a state-run Medicaid expansion pursuant to the Affordable Care Act, the State anticipates that the cost to counties for providing health care services to the indigent population will decrease as this population becomes eligible for coverage through Medi-Cal or the

State-run health insurance exchange. The impact of the AB 85 legislation to the County is discussed in further detail in the Health Services Budget section

Public Safety Realignment

The approval of the Public Safety Realignment Act of 2011 (AB 109) transferred responsibility for the custody and supervision of specific low-level inmates and parolees from the California Department of Corrections and Rehabilitation to counties. Funding for AB 109 is financed by redirecting 1.0625% of State sales tax revenue and a portion of Vehicle License Fee revenues from the State to the counties. In November 2012, California voters passed Proposition 30, which authorized a constitutional amendment prohibiting the State Legislature from removing AB 109 funding.

Redevelopment Agencies

Effective February 1, 2012, and pursuant to Assembly Bill x1 26 ("ABx1 26"), redevelopment agencies throughout the State were abolished and prohibited from engaging in future redevelopment activities. ABx1 26 requires successor agencies to take over from the former redevelopment agencies and perform the following functions:

- Continue making payments on existing legal obligations without incurring any additional debt.
- Wind down the affairs of the former redevelopment agencies and return the funds of liquidated assets to the county Auditor-Controller, who will in turn distribute these funds to the appropriate local taxing entities.

Under ABx1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes", are to be distributed as property tax revenue to the appropriate local taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County General Fund was approximately \$453.0 million in Fiscal Year 2009-10. In Fiscal Years 2015-16 and 2016-17, the County General Fund received \$144.3 million and \$175.2 million of residual taxes, respectively. The budgeted and estimated residual tax revenue for Fiscal Year 2017-18 is \$186.0 million, while the 2018-19 Adopted Budget includes a projected \$210.7 million of residual tax revenue for the General Fund.

The County's direct involvement in redevelopment activities was limited to unincorporated areas of the County and to a small number of projects. The successor agency for these activities is the County's Community Development Commission. The dissolution of County related projects is not expected to have a material impact, if any, on the financial condition of the County.

2017-18 STATE BUDGET

On June 27, 2017, Governor Brown signed the Fiscal Year 2017-18 State Budget Act (the "2017-18 State Budget Act"), which projected a beginning fund balance surplus from Fiscal Year 2016-17 of \$1.622 billion, total revenues and transfers of \$125.880 billion, total expenditures of \$125.096 billion, and a

year-end surplus of \$2.406 billion for Fiscal Year 2017-18. Of the projected year-end surplus, \$980 million will be allocated to the Reserve for Liquidation of Encumbrances and \$1.426 billion would be deposited to the Special Fund for Economic Uncertainties. The 2017-18 State Budget Act provides for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of \$1.8 billion, bringing the balance to \$8.486 billion, which represented approximately 65% of the Constitutional funding target established under Proposition 2 of 2014.

The 2017-18 State Budget Act did not result in any significant loss of funding to the County with the exception of the following program reductions related to the In-Home Supportive Services Maintenance of Effort (IHSS MOE) and the CalWORKs Single Allocation, as described below.

The 2017-18 State Budget Act included the Governor's proposal to mitigate the impact of eliminating the IHSS MOE to counties by (1) establishing a base funding level of \$1.769 billion in State General Fund contributions to counties over the next four fiscal years; (2) establishing an annual county inflation factor which would be phased in and applied to the base funding level, beginning at zero in Fiscal Year 2017-18, 5% in Fiscal Year 2018-19, and 7% in Fiscal Year 2019-20; and (3) returning collective bargaining to counties. IHSS costs are expected to increase, which will require additional local funding in future years. The primary factors expected to drive up costs include substantial caseload growth, increases in the minimum wage to \$15.00, overtime costs and paid sick leave.

The 2017-18 State Budget Act provided \$108.9 million to partially restore funding related to the Governor's proposal in the May Budget Revision to reduce the CalWORK5 Single Allocation by \$248.0 million. The CalWORKs Single Allocation provides funding for county functions related to employment services, eligibility determination and administration, Stage 1 Child Care and Cal-Learn. The County estimates that the CalWORKs Single Allocation reduction will result in a funding loss of approximately \$46.0 million in Fiscal Year 2017-18.

2018-19 STATE BUDGET

On June 27, 2018, Governor Brown signed the Fiscal Year 2018-19 State Budget Act (the "2018-19 State Budget Act"), which projects a beginning fund balance surplus from Fiscal Year 2017-18 of \$8.483 billion, total revenues and transfers of \$133.332 billion, total expenditures of \$138.688 billion, and a year-end surplus of \$3.127 billion for Fiscal Year 2018-19. Of the projected year-end surplus, \$1.165 billion was to be allocated to the Reserve for Liquidation of Encumbrances and \$1.962 billion would be deposited to the Special Fund for Economic Uncertainties. The 2018-19 State Budget Act continues to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund), which will bring the balance of the Rainy Day Fund to \$13.768 billion, reaching the Constitutional funding target established under Proposition 2 in 2014 by June 2019.

The 2018-19 State Budget Act reflects an overall improvement in the State revenue forecast from Fiscal Year 2016-17 through Fiscal Year 2018-19, resulting in an increase in total resources available of \$6.672 billion over the Fiscal Year 2018-19 Proposed State Budget. The 2018-19 State Budget Act includes an increase in total expenditures of \$6.998 billion over the Fiscal Year 2018-19 Proposed State Budget, with funding for key State

priorities related to counteracting the effects of poverty and combatting homelessness, mental health services, infrastructure and K-12 education. To prepare for a future economic downturn, the 2018-19 State Budget Act will fully fund the Rainy Day Fund by June 2019 in accordance with Proposition 2 and use surplus revenues to provide one-time funding for initiatives such as homelessness, mental health, and infrastructure projects, and pay for increased costs for programs of County interest, such as Medi-Cal, child care, IHSS, and foster care reform.

The items of major interest to the County in the 2018-19 State Budget Act include the following:

No Place Like Home. The 2018-19 State Budget Act includes a proposal to place a measure on the November 2018 ballot to validate the No Place Like Home Program to help address the State's housing shortage and expand housing opportunities for individuals with mental illness. According to the Department of Mental Health, of the \$2.0 billion generated through the No Place Like Home Program, the County would expect to receive approximately \$700.0 million.

Homelessness. The 2018-19 State Budget Act includes \$609.0 million of statewide funding for various programs in Fiscal Year 2018-19 to assist local governments in their immediate efforts to address homelessness. The County will continue to work with its affected departments to determine the fiscal impact of the State's funding proposals.

Children's Mental Health Mandate (AB 3632) Repayment. The 2018-19 State Budget Act includes a repayment of \$280.5 million owed to counties as a result of costs incurred from 2004 to 2011 for three AB 3632 mandates associated with providing mental health services for severely emotionally disturbed children. The total estimated repayment due to the County under AB 3632 is approximately \$68.4 million.

IHSS County Administration. The 2018-19 State Budget Act provides an increase of \$38.0 million in one-time State General Fund expenditures in Fiscal Year 2018-19 to partially fund the shortfall in the county administration allocation.

IHSS County Maintenance of Effort. Although the County IHSS MOE will increase by the statutory required five percent in Fiscal Year 2018-19, according to the State, there is no anticipated net fiscal impact to counties through Fiscal Year 2019-20. The higher 1991 Realignment revenues, combined with the \$330.0 million in State General Fund contributions in Fiscal Year 2018-19 and \$200 million in Fiscal Year 2019-20, are expected to fully cover the increased IHSS MOE costs.

Medi-Cal County Administration. The 2018-19 State Budget Act provides a statewide increase of \$56.6 million in Fiscal Year 2018-19 based on an adjustment to the existing funding level using the increase in the California Consumer Price Index. The increase is based on an interim methodology that will be used until a new budgeting methodology is developed for calculating base costs related to county Medi-Cal administration. The Department of Public Social Services estimates that the County will receive approximately \$16.5 million of the total \$56.8 million statewide funding in Fiscal Year 2018-19.

Medi-Cal County Indigent Savings. The 2018-19 State Budget Act assumes an increase in statewide savings of \$242.7 million in 1991-92 Realignment

Program funding redirected from counties to the State in Fiscal Year 2018-19. At this time, the County estimates that \$77.5 million in 1991-92 Realignment Program funding may be redirected from the County to the State. The actual amount of the redirection to the State will be determined based on a reconciliation to be conducted in two years.

CalWORKs Single Allocation. The 2018-19 State Budget Act allocates \$23.5 million in one-time State General Fund expenditures to backfill the reduction in the May Budget Revision to the employment services portion of the CalWORKs Single Allocation.

State-County Partnerships on Incompetent to Stand Trial (IST). The 2018-19 State Budget Act includes approximately \$15 million annually for the County to support a partnership with the State Hospitals to serve up to 150 felony IST patients by diverting them from the County's jail system for treatment in community based settings.

Emergency Child Care Bridge Program for Foster Children. The 2018-19 State Budget Act includes \$31.0 million of statewide funding in Fiscal Year 2018-19 for the Emergency Child Care Bridge Program for Foster Children. This program will provide emergency child care vouchers for foster youth caregivers, access to a child care navigator, and trauma-informed care training for foster youth child care providers. The County expects to receive \$12.0 million of the statewide funding in Fiscal Year 2018-19.

2011 Public Safety Realignment Funding (AB 109). The 2018-19 State Budget Act estimates a statewide AB 109 Program base allocation of \$1.328 billion in Fiscal Year 2018-19. The County expects to receive \$413.0 million of the statewide base allocation in Fiscal Year 2018-19, which represents an increase of \$27.0 million over the Fiscal Year 2017-18 base funding. In addition, the County is expected to receive \$15.5 million in Fiscal Year 2017-18 growth funds.

Voting Systems Upgrade and Replacement. The 2018-19 State Budget Act includes a one-time expenditure from the State General Fund of \$134.3 million to support voting systems upgrade and replacement. This funding would be made available to all 58 counties with a 50 percent match funding requirement. The County's estimated share of the statewide funding is \$43.0 million.

RECENT COUNTY BUDGETS

General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. As a result of the previous economic downturn, which started to impact the budget in Fiscal Year 2008-09, the County experienced a "cyclical" budget deficit, as revenues declined and spending on safety net programs and pension-related costs increased. The economic downturn had a significant impact on the Net County Cost (NCC) budget gap, which reached a peak of \$491.6 million in Fiscal Year 2010-11. NCC is the portion of the County's budget that is financed with County discretionary funding (also known as locally generated revenues).

In order to manage the budget gaps, the County used a balanced approach of curtailing departmental budgets, and using reserves and capital funding appropriations to achieve a balanced budget.

To control costs, the County achieved significant savings through its efficiency initiative program, and the implementation of a hiring freeze and a freeze on non-essential services, supplies and equipment, which ended as of July 1, 2013. The County eliminated 2,735 budgeted positions from Fiscal Year 2009-10 to Fiscal Year 2011-12, and the County's employee labor groups agreed to zero cost-of-living adjustments and no salary increases for a five-year period beginning in Fiscal Year 2008-09. If the County had relied solely on curtailments, the impact to County services and its residents would have been much more severe and most likely would have resulted in the reduction of critical services and the layoff of large numbers of County employees. The measured approach to managing budgetary challenges, including the use of one-time funding sources, enabled the County to more strategically achieve balanced budgets, and maintain critical core services.

Property Tax Revenue

Property tax revenue represents the largest source of ongoing discretionary revenue for the County. The reliability of property tax revenue is due in large part to Proposition 13, which helps insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that is not reflected on the property tax rolls, which helped to offset a significant decrease in property values during the most recent economic downturn.

To illustrate this point, average median home prices in the County declined by 48% from their peak value in August 2007 (\$562,346) to a low in January 2012 (\$290,015), but the net revenue-producing value of the property tax roll (the "Net Local Roll") decreased by only 0.51% and 1.87% in Fiscal Year 2009-10 and 2010-11, respectively. After the economic downturn, and with the ongoing recovery in the real estate market, the County has experienced seven consecutive years of steady growth in assessed valuation, with increases in the Net Local Roll of 1.36%, 2.20%, 4.66%, 5.47%, 6.13%, 5.58% and 6.04% in Fiscal Years 2011-12 through 2017-18, respectively.

For Fiscal Year 2017-18, the Assessor reported a Net Local Roll of \$1.416 trillion, which represents an increase of 6.04% or \$80.6 billion from Fiscal Year 2016-17. The Fiscal Year 2017-18 Net Local Roll represents the largest revenue-producing valuation in the history of the County, and the seventh consecutive year of growth in assessed valuation. The largest factors contributing to the increase in assessed valuation in Fiscal Year 2017-18 are transfers in ownership (\$43.5 billion), and an increase in the consumer price index (\$24.6 billion).

For the Fiscal Year 2017-18 tax roll, the Assessor estimates that approximately 10.9% of all single-family residential parcels, 11.3% of all residential income parcels and 14.3% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and re-assessed at higher values.

With the downturn in the real estate market that started in 2007, the County Assessor initiated Proposition 8 reviews of 791,000 parcels. As a result of the Assessor's proactive approach to

Proposition 8 reviews, the valuations of 552,000 parcels sold during the height of the real estate market were adjusted downward to reflect current market values at the time of the review. The lower valuations helped to insulate the County from future reductions in the Net Local Roll if these properties were re-sold at lower market values. In response to the improvement in the real estate market, and beginning with the Fiscal Year 2008-09 Assessment Roll, the Assessor initiated a review of the 552,000 parcels to determine if the reductions in assessed value were still warranted under Proposition 13. Based on this review, the Assessor has fully restored approximately 433,000 parcels to their Proposition 13 base year value, with 119,000 parcels still eligible for potential restorations in value.

On May 17, 2018, the Assessor released the Assessment Roll Forecast for Fiscal Year 2018-19. The Assessment Roll Forecast reflects a 6.0% or \$84.9 billion increase from Fiscal Year 2017-18, resulting in a projected Net Local Roll of \$1.5 trillion for Fiscal Year 2018-19. The primary factors driving the increase in the Net Local Roll are property transfers (\$45.4 billion) and a 2.0% increase in the consumer price index (\$26.5 billion).

FISCAL YEAR 2017-18 FINAL ADOPTED BUDGET

The Fiscal Year 2017-18 Final Adopted Budget (the "2017-18 Final Adopted Budget") was approved by the Board of Supervisors on September 26, 2017. The 2017-18 Final Adopted Budget appropriates \$31.605 billion, which reflects a \$1.722 billion or 5.8% increase in total funding requirements from the Fiscal Year 2016-17 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates \$24.324 billion, which represents a \$1.333 billion or 5.8% increase from the Fiscal Year 2016-17 Final Adopted Budget. The 2017-18 Final Adopted Budget appropriates \$7.281 billion for Special Funds/District, reflecting a \$389 million or 5.6% increase from the Fiscal Year 2016-17 Final Adopted Budget.

The primary changes to the NCC component of the 2017-18 Final Adopted Budget are outlined in the following table.

Fiscal Year 2017-18 NCC Budget Changes

Public Assistance Changes	\$ 24,332,000
Unavoidable Cost Increases	
Health Insurance Subsidy	38,464,000
Pension Costs	32,066,000
Employee Salaries	93,621,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	14,476,000
Program Changes	
Correctional Mental Health Services	9,968,000
Juvenile Indigent Defense	6,939,000
Data Center	13,271,000
Women & Girls Initiative	1,115,000
Affordable Housing & Economic Development	10,200,000
Other Public Safety Programs	7,527,000
Health Services Program Changes	2,513,000
Correctional Treatment Facility Debt Service	17,200,000
Other Debt Service	2,826,000
All Other Program Changes	9,128,000
Fiscal Policies	
Appropriation for Contingency	2,379,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	316,025,000
Revenue Changes	
Property Taxes	283,001,000
Property Taxes - CRA Dissolution Residual	14,555,000
Public Safety Sales Tax	13,996,000
Various Revenue Changes	4,473,000
Total Locally Generated Revenue	316,025,000
Total Projected Budget Gap	\$ -

Public Assistance Changes

The increase in funding for Public Assistance in the 2017-18 Final Adopted Budget is primarily related to a \$23.4 million increase in the IHSS Program.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of previously approved increases in salaries and employee benefits. The current labor agreements provide for a 10% increase over three (3) years, beginning in Fiscal Year 2015-16.

Prefund Retiree Healthcare Benefits - The 2017-18 Final Adopted Budget appropriates \$121.2 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of \$50 million in NCC and \$71.2 million in projected subvention revenue to be received from Federal, State and other local government entities. This is the third year of a multi-year plan approved by the Board of Supervisors on June 22, 2015 that is expected to incrementally increase the prefunding of retiree healthcare benefits on an annual basis.

Program Changes

The 2017-18 Final Adopted Budget includes \$80.7 million of adjustments to various County programs, including increases for

public safety, social services and health and mental health services.

Fiscal Policies

The County budget policy (the "Budget Policy") requires the establishment of a Rainy Day Fund as a hedge against future economic uncertainties, with a target funding amount equivalent to 10% of ongoing locally generated revenues. The current balance of the Rainy Day Fund is \$448.3 million, which is approximately 7.4% of discretionary revenues.

On September 30, 2014, the County updated the Budget Policy to require that between 5% to 10% of new ongoing discretionary revenues be set aside during the budget process in the Appropriation for Contingency as a hedge against unforeseen budget issues that may occur during any fiscal year. As part of the 2017-18 Final Adopted Budget, \$29.7 million was set aside in the Appropriation for Contingency, which reflects 10% of discretionary revenues. In addition, the revised Budget Policy requires that \$5.0 million be allocated annually for deferred maintenance needs as part of the Recommended Budget.

Revenue Changes

As the local economy continues to improve, the County's primary revenue sources are expected to show continued growth in Fiscal Year 2017-18. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the 6.04% increase in the Net Local Roll, the 2017-18 Final Adopted Budget includes a \$283.0 million increase in property tax revenues. The 2017-18 Final Adopted Budget also includes a \$14.6 million increase in the property tax residual from the dissolution of redevelopment agencies.

Based on current trends and a survey of local economic forecasts, the County assumed a 2.6% growth factor in its overall statewide sales tax projection for the 2017-18 Final Adopted Budget. Based on the 2.6% growth rate, the County is projecting a \$14.0 million increase in Proposition 172 Sales Tax in Fiscal Year 2017-18.

FISCAL YEAR 2018-19 ADOPTED BUDGET

The Fiscal Year 2018-19 Adopted Budget (the "2018-19 Adopted Budget") was approved by the Board of Supervisors on June 25, 2018. The 2018-19 Adopted Budget appropriates \$31.391 billion, which reflects a \$214 million or 0.7% decrease in total funding requirements from the 2017-18 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates \$24.787 billion, which represents a \$463 million or 1.9% increase from the 2017-18 Final Adopted Budget. The 2018-19 Adopted Budget appropriates \$6.604 billion for Special Funds/District, reflecting a \$677 million or 9.3% decrease from the Fiscal Year 2017-18 Final Adopted Budget.

The primary changes to the ongoing NCC component of the 2018-19 Adopted Budget are outlined in the following table.

Fiscal Year 2018-19 NCC Budget Changes

Public Assistance Changes	\$(852,000)
Unavoidable Cost Increases	
Health Insurance Subsidy	48,024,000
Pension Costs	43,027,000
Employee Salaries	146,837,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Maintenance of Effort Requirements	5,442,000
Program Changes	
Affordable Housing	15,000,000
Public Safety Programs	26,675,000
Debt Service	9,065,000
Other Changes	(3,294,000)
All Other Program Changes	4,305,000
Fiscal Policies	
Appropriation for Contingency	2,429,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	326,658,000
Revenue Changes	
Property Taxes	290,320,000
Property Taxes - CRA Dissolution Residual	24,715,000
Public Safety Sales Tax	6,684,000
Various Locally Generated Revenues	4,939,000
Total Locally Generated Revenue	326,658,000
Total Projected Budget Gap	\$ -

Public Assistance Change

The decrease in funding for Public Assistance in the 2018-19 Adopted Budget is primarily related to a projected \$2.3 million decrease in General Relief expenditures, as well as a \$1.6 million decrease primarily due to a reduction in the CalWORKs caseload. The cost decreases are partially offset by increases in a variety of other Public Assistance programs.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of previously approved salaries and employee benefits increases, as well as yet to be determined salary and benefit increases that are subject to negotiations with the County's collective bargaining units, which are expected to take effect in Fiscal Year 2018-19. The current labor agreements provide for a 10% increase over three (3) years, beginning in 2015-16.

Prefund Retiree Healthcare Benefits - The 2018-19 Adopted Budget appropriates \$182.9 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of \$75.0 million in NCC and \$107.9 million in projected subvention revenue received from Federal, State and other local government entities. This is the fourth year of a multi-year plan approved by the Board of Supervisors on June 22, 2015 that is expected to incrementally increase the prefunding of retiree healthcare benefits on an annual basis.

Program Changes

The 2018-19 Adopted Budget includes \$51.8 million of adjustments to various programs in the 2017-18 Final Adopted Budget, including increases for public safety, social services and health and mental services.

Fiscal Policies

The current balance of the Rainy Day Fund is \$517.1 million, which is approximately 8.1% of ongoing discretionary revenues. The 2018-19 Adopted Budget includes the second year of a multi-year plan to fully fund the Rainy Day Fund by Fiscal Year 2021-22, which would require supplemental funding of approximately \$124.3 million, or \$41.4 million per year over the next three fiscal years. The 2018-19 Adopted Budget adds \$2.4 million to Appropriation for Contingencies, raising the amount to \$32.2 million, which reflects 10% of new discretionary revenues. The 2018-19 Adopted Budget also includes a \$5 million allocation for deferred maintenance needs.

Revenue Changes

As the local economy continues to improve, the County's primary revenue sources are expected to experience continued growth in Fiscal Year 2018-19. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the initial projected growth rate of the Assessment Roll in Fiscal Year 2018-19 of 6.0%, the 2018-19 Adopted Budget includes a \$290.3 million increase in property tax revenues. The 2018-19 Adopted Budget also includes a \$24.7 million increase in the property tax residual from the dissolution of redevelopment agencies.

Based on current trends and a survey of local economic forecasts, the County has assumed a 2.0% growth factor in its overall statewide sales tax projection for the 2018-19 Adopted Budget. Based on the 2.0% growth rate, the County is projecting a \$6.7 million increase in Proposition 172 Sales Tax in Fiscal Year 2018-19.

HEALTH SERVICES BUDGET

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals: LAC+USC Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center. Two of the hospitals, LAC+USC Medical Center and Harbor-UCLA Medical Center, operate trauma centers and emergency rooms; Olive View-UCLA Medical Center provides emergency room services; and Rancho Los Amigos National Rehabilitation Center operates as an acute rehabilitation facility. Outpatient services are provided at all four hospitals as well as multiple other facilities, including one outpatient center, one regional health center, six comprehensive health centers, eleven community health centers, and over 100 contracted Community Partner clinics located throughout the County. DHS also manages the emergency medical services system for the entire County. In collaboration with the University of Southern California and the University of California at Los Angeles, the County provides training for approximately 1,000 physician residents on an annual basis.

As a safety net provider, the County is the medical provider of last resort for indigent County residents. Historically, the cost of

providing health services exceeds the combined total of DHS revenues, which requires annual subsidies from the County General Fund. DHS has been able to limit these subsidies by developing new revenue sources, implementing operational efficiencies and hiring freezes, and using one-time reserve funds.

DHS' fiscal outlook has improved from prior years, primarily due to new revenues that were part of the previous five-year Section 1115 Hospital Financing Waiver which became effective in November 2010 (the "2010 Waiver"), the new Medi-Cal 2020 Waiver (the "2015 Waiver"), which became effective in December 2015 and the implementation of the Affordable Care Act (the "ACA") which became effective January 1, 2014. As a result of the ACA implementation, DHS has experienced a significant reduction in the number of uninsured patients, providing an overall fiscal benefit. Since the ACA has resulted in an expanded revenue base for DHS, the budgetary pressures on DHS have been significantly reduced. Furthermore, as explained below, Assembly Bill (AB) 85 establishes a sum certain for the maintenance of effort ("MOE") requirement for the County's contribution to DHS, as well as providing additional revenue sources

New Section 1115 Hospital Financing Waiver

On December 30, 2015, the Federal Centers for Medicaid and Medicare Services (CMS) approved the 2015 Waiver, which is a five year renewal of the 2010 Waiver. The 2015 Waiver could provide the State with over \$6.2 billion in new Federal funding over its five-year term.

The 2015 Waiver features new programs that are designed to improve care for the State's Medi-Cal and remaining uninsured patients, and may result in additional Federal funding for the County over its five-year term. The primary features of the 2015 Waiver include:

- Public Hospital Redesign and Incentives in Medi-Cal (PRIME) is a pay-for-performance delivery system transformation and alignment program.
- Global Payment Program is a payment reform program for services provided to uninsured patients in California's Public Health Care system.
- Whole Person Care is a series of pilot programs designed to provide more integrated care to the highest-risk and most vulnerable patients. The pilot programs are chosen based on a competitive application process. The Department has been awarded the maximum amount of \$90.0 million annually over the 5-year term.

Affordable Care Act

The ACA provided the framework for the 2010 Waiver by allowing an early implementation of some of the law's coverage expansion provisions, which resulted in early enrollment for many uninsured DHS patients. The ACA's Medicaid Coverage Expansion ("MCE") program provides Medi-Cal coverage for citizens or legal residents who are uninsured adults (ages 19-64) with incomes at or below 138% of the Federal poverty level. As the ACA became effective on January 1, 2014, the early enrollees were automatically transitioned to coverage under the

MCE program. The MCE program has significantly improved DHS' payer mix and provided additional revenues as previously uninsured patients have transitioned to Medi-Cal coverage.

At this time, the Medicaid provisions under the ACA remain in place. Although the Tax Cuts and Jobs Act of 2017 passed by Congress in December 2017 included a repeal of the Affordable Care Act's individual mandate starting in 2019, and a repeal of the individual mandate is likely to result in higher premiums on the health insurance exchanges, DHS does not anticipate any significant revenue impact.

Assembly Bill 85

Based on the implementation of the ACA and the expected reduction in the number of uninsured patients, the State proposed a restructuring of its relationship to the counties in terms of the State's funding of health care and human services programs that have been in place since the 1991-92 Realignment Program. Negotiations between the State and the counties regarding the State's proposed reductions ultimately resulted in the enactment of AB 85 (amended by SB 98). This legislation details the methodology that will be used to determine the amount of realignment revenue that will be "redirected" from the County's Realignment Revenue Health Subaccount to the County's Family Support Subaccount, which benefits social services programs. The County was able to negotiate its own agreement with the State and a formula that is different than that of the other counties in the State.

The County's unique formula takes into account the entire DHS budget and includes cost caps, revenue requirements, specific sharing ratios, and a County MOE. A mathematical formula is used to determine whether there are "excess" funds available for "redirection" of 1991-92 Realignment Program revenue back to the State. The amount of revenue redirection is reconciled to the formula two years after the close of each respective fiscal year. If there are "excess" funds resulting from the formula calculation, the sharing ratio for the excess amount of health care realignment revenue will be 80% State and 20% County. In general under the formula, if the County realizes higher revenue, the amount of redirection to the State will be higher as well, but cannot exceed the realignment amount received for a particular fiscal year. Conversely, if the County realizes less revenue, the amount of redirection to the State will also be less.

The final redirection amount for Fiscal Year 2013-14 was \$0 and for 2014-15, the redirection amount was \$365.5 million. The current projected redirection amounts for Fiscal Years 2015-16, 2016-17, and 2017-18 are \$291.4 million, \$134.6 million, and \$0, respectively. However, the redirection amount for Fiscal Year 2017-18 will have to be recalculated due to the recent CMS approval of two new revenue producing programs that replace programs that expired on June 30, 2017. The County expects the redirection amount to the State will be larger due to increased revenue to DHS from these new programs. The new programs are described in the "Managed Care Rule" section below.

In addition, AB 85 established an MOE funding requirement for an annual County General Fund contribution based on Fiscal Year 2012-13 funding levels, with increases to the MOE of one percent each subsequent fiscal year. The initial MOE funding requirement for Fiscal Year 2013-14 was \$323.0 million. The MOE funding requirement for Fiscal Year 2018-19 is \$342.9

million. The MOE provides a stable and ongoing source of funding for DHS from the County General Fund.

General Fund Contributions

The Fiscal Year 2018-19 NCC contribution to DHS is \$990.6 million, as shown in the chart below. The NCC contribution to DHS is comprised of multiple components, including the AB 85 MOE, other General Fund resources for specific programs, VLF Realignment Revenue, and Tobacco Settlement Revenue. Due to the improvement in DHS' revenue streams as noted previously, the pressure on the County General Fund has stabilized due to the fixed AB 85 MOE. Furthermore, the additional funding from the County General Fund for DHS programs related to correctional health services and other programs represents a strategic initiative by the Board of Supervisors to transfer specific services previously provided by other County departments to DHS, and is not related to cost increases as the result of budgetary pressures from DHS' operations.

DHS NCC Contribution FY 2018-19 Adopted Budget (\$ in million)	
	Amount
County General Fund - AB 85 MOE	\$ 342.9
County General Fund - Correctional Health ^(A)	315.0
County General Fund - Specific Programs ^(B)	19.8
Vehicle License Fees Realignment	279.3
Tobacco Settlement Revenue	57.0
Transfers to Other Budget Units ^(C)	(23.1)
Total	\$ 990.9

(A) Reflects the transfer of Correctional Health Services from the Sheriff and the Department of Mental Health to DHS, which was finalized in May 2017.
 (B) Includes funding for Board initiatives, such as homeless services and health care for Probation youth.
 (C) Includes the transfer for the In-Home Supportive Services Provider Health Care Plan.

General Fund Advances and Cash Flow

The County maintains separate Enterprise Funds to account for hospital and ambulatory care services in various regions of the County, commonly referred to as the Hospital Funds. The County's General Fund provides cash advances to each of the Hospital Funds to provide for the net cash flow requirements of County hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in order to provide the Hospital Funds with a minimal daily cash position of approximately \$10.0 million.

The Federal and State governments are the primary sources of revenue for the Hospital Funds. The Hospital Funds typically receive cash reimbursement several months after the County has delivered and paid for services. As of February 28, 2018, the balance of General Fund cash advances to the Hospital Funds was \$365.7 million.

In addition to the funding sources described above, the County's General Fund also provides cash advances to the Hospital Funds for certain long-term receivables that are owed by the State to the hospitals. The receivables are associated with the Cost Based Reimbursement Clinics ("CBRC") program. Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. The State has preliminarily completed the audit for Fiscal Year 2015-16, with an estimated value of \$57.8 million. The audits for Fiscal Years 2016-17 and 2017-18 are pending at this time. As of March 21, 2018, the total estimated receivable balance is \$122.4 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable since it is not currently available to fund the County's budgetary requirements. The CBRC receivable balance for Fiscal Year 2018-19 will be determined during the fiscal year-end closing process.

As part of the annual process to set rates for the managed care MCE population under the ACA, the California Department of Health Care Services ("DHCS") requested CMS' approval of new MCE rates for Fiscal Year 2017-18. With pending CMS approval of the proposed MCE rates, DHS continues to be paid based on the existing approved rates. Upon CMS' approval of the Fiscal Year 2017-18 rates, retroactive paybacks will be applied and are expected to be completed around June 2018. DHS has set up a reserve to account for the repayment and expects no impact on DHS' revenue.

DHS Reserve Funds

In Fiscal Year 2016-17, DHS closed the year with a Fund Balance of \$661.4 million, and is expected to close Fiscal Year 2017-18 with a Fund Balance of approximately \$700.0 million. The Fund Balance is available to fund DHS operations in the future, as needed.

Managed Care Rule

The new rules governing Medicaid Managed Care (the "Managed Care Rule") prohibit directed payments and pass-through payments effective June 30, 2017. DHS had previously received such payments, and has worked with the State on proposals that would replace this revenue stream by providing additional payments that comply with the limitations and exceptions of the Managed Care Rule.

The two proposals that were submitted to CMS to meet the new managed care requirements are the Quality Improvement Program (QIP) and the Enhanced Payment Program (EPP). The QIP will provide value-based payments for the achievement of clinically-established quality measures for Medi-Cal managed care enrollees. The EPP establishes a pool to supplement the base rates received by public hospitals through their Medi-Cal managed care contracts. The QIP and EPP proposals were recently approved by CMS for Fiscal Year 2017-18. The State is currently preparing a request to CMS to continue the QIP and EPP programs for Fiscal Year 2018-19.

The State has also submitted another proposal for CMS approval to obtain additional payments for public hospitals related to Graduate Medical Education (GME) and Indirect Medical Education (IME) for Medi-Cal managed care beneficiaries. These proposed payments would cover Medi-Cal's share of the salaries and benefits of interns and residents receiving training at public

hospitals, as well as certain indirect costs associated with their training. If approved, the effective date would be January 2017. The GME/IME proposal is currently awaiting CMS approval.

Martin Luther King, Jr. Community Hospital

The County and the University of California ("UC"), have created a wholly independent, non-profit 501(c)(3) entity, the Martin Luther King, Jr. - Los Angeles Healthcare Corporation ("MLK-LA"), to operate a new hospital at the previous MLK hospital site. The new MLK Community Hospital facility opened on May 14, 2015.

To assist with the opening of the MLK Hospital, the County provided MLK-LA with \$50.00 million of coordination start-up funds, \$39.1 million of grant funding, and \$82.0 million of long-term loan funding, which includes a 30-year loan in the amount of \$50.0 million, a 10-year revolving line of credit in the amount of \$20.0 million, and a 2-year loan in the amount of \$12.0 million. On January 5, 2016, the Board of Supervisors approved an additional short-term revolving loan in the amount of \$40.0 million to assist MLK-LA with post-hospital opening expenses. All of the loans have been repaid in full, with the exception of the 30-year loan, which has a current outstanding balance of \$48.2 million. In addition, DHS has committed to make ongoing annual payments of \$18.0 million for indigent care support, and \$50.0 million of intergovernmental transfers for the benefit of the MLK Hospital.

Tobacco Settlement Revenue

In November 1998, the attorneys general of 46 states (including the State of California) and other territories reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities. The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated \$206 billion through 2025. California will receive 12.76%, or approximately \$25.0 billion of the total settlement. In accordance with the terms of the MSA, the annual Tobacco Settlement Revenues ("TSRs") are subject to numerous adjustments, offsets and recalculation. While the County's share of the State settlement was initially expected to average approximately \$100 million per year, the actual amount of TSRs received by the County has fluctuated significantly from year to year. Factors that impact the annual payments to the State include actions of the Federal government, overall declines in smoking participation rates, reduction in cigarette sales and declining market share among the participating manufacturers in the MSA, lawsuits, tobacco company bankruptcies, and various adjustments under the terms of the MSA.

In February 2006, the County issued \$319.8 million in tax-exempt Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds"). The Tobacco Bonds are secured and payable from 25.9% of the County's TSRs beginning in 2011, which represented the initial year for the payment of debt service on the Tobacco Bonds. The proceeds from the sale of the Tobacco Bonds were used to finance a portion of the construction costs related to the LAC+USC Medical Center, as well as to partially insure against the risk of a significant reduction of the County's ongoing TSRs as a result of the various factors described above. The use of this fixed percentage of TSRs as security for the repayment of the Tobacco Bonds is not expected to

materially impact the DHS programs that rely on such revenues for funding.

To date there have been multiple legal challenges to the MSA under a variety of claims, including claims on anti-trust and Commerce Clause grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement. However, previous actions by certain participating manufacturers have reduced the settlement funding received by the State and may adversely impact future payments. Given the terms of the MSA, the fiscal impact to the County of future protests and payment adjustments to the MSA cannot be predicted at this time.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and unused amounts have been set aside as obligated fund balance Committed for Health Services-Tobacco Settlement. In Fiscal Year 2017-18, the County received \$77.0 million in TSRs from the participating manufacturers. The distribution of TSRs to the County are net of the 25.9% of TSRs pledged for the repayment of the Tobacco Bonds, which have been deposited with a trustee for the payment of debt service on the Tobacco Bonds.

BUDGET TABLES

The 2018-19 Adopted Budget is supported by \$5.642 billion in property tax revenue, \$4.913 billion in Federal funding, \$6.487 billion in State funding, \$52 million in cancelled obligated fund balance, \$1.729 billion in Fund Balance and \$5.964 billion from other funding sources. The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2018-19 Adopted Budget with the 2017-18 Final Adopted.

County of Los Angeles: General County Budget						
Historical Appropriations by Fund (in thousands)						
Fund	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Adopted 2018-19
General Fund	\$ 17,206,258	\$ 17,782,636	\$ 18,532,749	\$ 19,589,641	\$ 20,856,959	\$ 21,706,221
Hospital Enterprise Fund	2,803,170	3,165,359	3,195,948	3,401,444	3,466,796	3,080,526
Total General County Budget	\$ 20,009,428	\$ 20,947,995	\$ 21,728,697	\$ 22,991,085	\$ 24,323,755	\$ 24,786,747

County of Los Angeles: General County Budget						
Historical Funding Requirements and Revenue Sources						
	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Adopted 2018-19
Requirements						
Social Services	\$ 5,846,911	\$ 6,206,407	\$ 6,446,374	\$ 6,859,438	\$ 7,200,237	\$ 7,231,539
Health	6,208,232	6,373,399	6,590,413	7,135,235	8,040,428	8,417,723
Justice	5,146,062	5,442,540	5,674,407	5,973,130	5,823,573	5,917,179
Other	2,808,223	2,925,649	3,017,503	3,023,282	3,259,517	3,220,306
Total	\$ 20,009,428	\$ 20,947,995	\$ 21,728,697	\$ 22,991,085	\$ 24,323,755	\$ 24,786,747
Revenue Sources						
Property Taxes	\$ 4,177,683	\$ 4,467,240	\$ 4,765,596	\$ 5,031,658	\$ 5,331,727	\$ 5,642,349
State Assistance	5,024,219	5,366,757	5,542,998	5,965,914	6,290,778	6,486,849
Federal Assistance	4,342,123	4,184,128	4,236,481	4,499,196	4,931,647	4,912,821
Other	6,465,403	6,929,870	7,183,622	7,494,317	7,769,603	7,744,728
Total	\$ 20,009,428	\$ 20,947,995	\$ 21,728,697	\$ 22,991,085	\$ 24,323,755	\$ 24,786,747

County of Los Angeles: General County Budget						
Historical Summary of Funding Requirements by Budgetary Object and Available Financing (in thousands)						
	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Adopted 2018-19
Financing Requirements						
Salaries & Employee Benefits	\$ 9,671,291	\$ 10,353,404	\$ 10,988,705	\$ 11,537,805	\$ 12,254,330	\$ 12,855,828
Services & Supplies	7,138,148	7,362,617	7,696,979	8,148,441	8,511,618	8,987,004
Other Charges	3,901,664	4,082,120	3,878,926	4,252,725	4,483,734	4,484,353
Capital Assets	982,969	946,383	864,488	868,341	951,628	937,399
Other Financing Uses	619,569	263,903	595,100	509,535	723,265	602,568
Appropriations for Contingencies	-	5,000	15,919	27,375	29,754	32,183
Interbudget Transfers ¹	(1,417,786)	(1,054,758)	(1,411,193)	(1,370,514)	(1,678,129)	(1,726,837)
Gross Appropriation	\$ 20,895,855	\$ 21,958,669	\$ 22,628,924	\$ 23,973,708	\$ 25,276,200	\$ 26,172,498
Less: Intrafund Transfers	944,775	990,638	1,008,980	1,063,876	1,259,379	1,533,885
Net Appropriation	\$ 19,951,080	\$ 20,968,031	\$ 21,619,944	\$ 22,909,832	\$ 24,016,821	\$ 24,638,613
Provision for Obligated Fund Balance						
General Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	16,093	-
Assigned for Rainy Day Funds	35,033	24,274	31,414	27,882	39,000	39,000
Committed Fund Balance	23,315	(44,310)	77,339	53,371	251,841	109,134
Total Financing Requirements	\$ 20,009,428	\$ 20,947,995	\$ 21,728,697	\$ 22,991,085	\$ 24,323,755	\$ 24,786,747
Available Financing						
Fund Balance	\$ 1,497,581	\$ 1,566,263	\$ 1,750,126	\$ 1,824,822	\$ 1,982,626	\$ 1,728,613
Cancel Provision for Obligated Fund Balance	239,852	143,419	282,930	216,915	348,499	52,335
Property Taxes: Regular Roll	4,123,069	4,414,842	4,705,966	4,971,696	5,271,414	5,581,754
Supplemental Roll	54,614	52,398	59,630	59,962	60,313	60,595
Revenue	14,094,312	14,771,073	14,930,045	15,917,690	16,660,903	17,363,450
Total Available Financing	\$ 20,009,428	\$ 20,947,995	\$ 21,728,697	\$ 22,991,085	\$ 24,323,755	\$ 24,786,747

¹ This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling \$1.7 billion in 2018-19, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to \$26.5 billion.

Source: Chief Executive Office

**COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF 2017-18 FINAL ADOPTED BUDGET TO 2018-19 ADOPTED BUDGET
Net Appropriation: By Function
(In thousands)**

Function	2017-18 Final ⁽¹⁾	2018-19 Adopted ⁽²⁾	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	\$ 1,097,542.0	\$ 1,275,742.0	\$ 178,200.0	16.24%
General Services	830,636.0	781,073.0	(49,563.0)	-5.97%
Public Buildings	885,459.0	833,671.0	(51,788.0)	-5.85%
Total General	\$ 2,813,637.0	\$ 2,890,486.0	\$ 76,849.0	2.73%
Public Protection				
Justice	\$ 5,471,927.0	\$ 5,600,623.0	\$ 128,696.0	2.35%
Other Public Protection	220,570.0	223,141.0	2,571.0	1.17%
Total Public Protection	\$ 5,692,497.0	\$ 5,823,764.0	\$ 131,267.0	2.31%
Health and Sanitation	8,003,723.0	8,381,018.0	377,295.0	4.71%
Public Assistance	7,033,294.0	7,051,614.0	18,320.0	0.26%
Recreation and Cultural Services	376,556.0	392,188.0	15,632.0	4.15%
Insurance and Loss Reserve	67,360.0	67,360.0	-	0.00%
Provision for Obligated Fund Balance	306,934.0	148,134.0	(158,800.0)	-51.74%
Appropriations for Contingencies	29,754.0	32,183.0	2,429.0	8.16%
Total Requirements	\$ 24,323,755.0	\$ 24,786,747.0	\$ 462,992.0	1.90%
AVAILABLE FUNDS				
Property Taxes	\$ 5,331,727.0	\$ 5,642,349.0	\$ 310,622.0	5.83%
Fund Balance	1,982,626.0	1,728,613.0	(254,013.0)	-12.81%
Cancelled Prior-Year Reserves	348,499.0	52,335.0	(296,164.0)	-84.98%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	\$ 374,639.0	\$ 400,086.0	\$ 25,447.0	6.79%
Homeowners' Exemption	19,000.0	19,000.0	-	0.00%
Public Assistance Subventions	865,158.0	881,390.0	16,232.0	1.88%
Other Public Assistance	2,259,536.0	2,255,965.0	(3,571.0)	-0.16%
Public Protection	1,310,342.0	1,339,219.0	28,877.0	2.20%
Health and Mental Health	1,320,018.0	1,443,528.0	123,510.0	9.36%
Capital Projects	117,670.0	119,794.0	2,124.0	1.81%
Other State Revenues	24,415.0	27,867.0	3,452.0	14.14%
Total State Revenues	\$ 6,290,778.0	\$ 6,486,849.0	\$ 196,071.0	3.12%
Federal Revenues				
Public Assistance Subventions	\$ 2,852,629.0	\$ 2,787,015.0	\$ (65,614.0)	-2.30%
Other Public Assistance	196,816.0	193,123.0	(3,693.0)	-1.88%
Public Protection	116,820.0	115,493.0	(1,327.0)	-1.14%
Health and Mental Health	1,751,152.0	1,806,528.0	55,376.0	3.16%
Capital Projects	105.0	105.0	-	0.00%
Other Federal Revenues	14,125.0	10,557.0	(3,568.0)	-25.26%
Total Federal Revenues	\$ 4,931,647.0	\$ 4,912,821.0	\$ (18,826.0)	-0.38%
Other Governmental Agencies	28,339.0	41,668.0	13,329.0	47.03%
Total Intergovernmental Revenues	\$ 11,250,764.0	\$ 11,441,338.0	\$ 190,574.0	1.69%
Fines, Forfeitures and Penalties	186,601.0	192,065.0	5,464.0	2.93%
Licenses, Permits and Franchises	57,804.0	58,747.0	943.0	1.63%
Charges for Services	3,703,200.0	4,332,204.0	629,004.0	16.99%
Other Taxes	228,302.0	227,203.0	(1,099.0)	-0.48%
Use of Money and Property	184,789.0	198,182.0	13,393.0	7.25%
Miscellaneous Revenues	648,181.0	417,208.0	(230,973.0)	-35.63%
Operating Contribution from General Fund	401,262.0	496,503.0	95,241.0	23.74%
Total Available Funds	\$ 24,323,755.0	\$ 24,786,747.0	\$ 462,992.0	1.90%

(1) Reflects the 2017-18 Final Adopted General County Budget approved by the Board of Supervisors on September 26, 2017

(2) Reflects the 2018-19 Adopted General County Budget approved by the Board of Supervisors on June 25, 2018

**COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2017-18 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)**

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	\$ 1,097,542.0	\$ -	\$ 1,097,542.0
General Services	830,636.0	-	830,636.0
Public Buildings	885,459.0	-	885,459.0
Total General	\$ 2,813,637.0	\$ -	\$ 2,813,637.0
Public Protection			
Justice	\$ 5,471,927.0	\$ -	\$ 5,471,927.0
Other Public Protection	220,570.0	-	220,570.0
Total Public Protection	\$ 5,692,497.0	\$ -	\$ 5,692,497.0
Health and Sanitation	\$ 4,536,927.0	\$ 3,466,796.0	\$ 8,003,723.0
Public Assistance	7,033,294.0	-	7,033,294.0
Recreation and Cultural Services	376,556.0	-	376,556.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	306,934.0	-	306,934.0
Appropriation for Contingency	29,754.0	-	29,754.0
Total Requirements	\$ 20,856,959.0	\$ 3,466,796.0	\$ 24,323,755.0
AVAILABLE FUNDS			
Property Taxes	\$ 5,331,727.0	\$ -	\$ 5,331,727.0
Fund Balance	1,982,626.0	-	1,982,626.0
Cancel Provision for Obligated Fund Balance	115,735.0	232,764.0	348,499.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 374,639.0	\$ -	\$ 374,639.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	865,158.0	-	865,158.0
Other Public Assistance	2,259,536.0	-	2,259,536.0
Public Protection	1,310,342.0	-	1,310,342.0
Health and Mental Health	1,271,956.0	48,062.0	1,320,018.0
Capital Projects	117,670.0	-	117,670.0
Other State Revenues	24,415.0	-	24,415.0
Total State Revenues	6,242,716.0	48,062.0	6,290,778.0
Federal Revenues			
Public Assistance Subventions	\$ 2,842,452.0	\$ 10,177.0	\$ 2,852,629.0
Other Public Assistance	196,816.0	-	196,816.0
Public Protection	116,820.0	-	116,820.0
Health and Mental Health	1,346,067.0	405,085.0	1,751,152.0
Capital Projects	105.0	-	105.0
Other Federal Revenues	14,125.0	-	14,125.0
Total Federal Revenues	\$ 4,516,385.0	\$ 415,262.0	\$ 4,931,647.0
Other Governmental Agencies	28,339.0	-	28,339.0
Total Intergovernmental Revenues	\$ 10,787,440.0	\$ 463,324.0	\$ 11,250,764.0
Fines, Forfeitures and Penalties	186,601.0	-	186,601.0
Licenses, Permits and Franchises	57,678.0	126.0	57,804.0
Charges for Services	1,797,496.0	1,905,704.0	3,703,200.0
Other Taxes	228,302.0	-	228,302.0
Use of Money and Property	184,700.0	89.0	184,789.0
Miscellaneous Revenues	184,654.0	463,527.0	648,181.0
Operating Contribution from General Fund	-	401,262.0	401,262.0
Total Available Funds	\$ 20,856,959.0	\$ 3,466,796.0	\$ 24,323,755.0

(1) Reflects the 2017-18 Final Adopted General County Budget approved by the Board of Supervisors on September 26, 2017

**COUNTY OF LOS ANGELES
ADOPTED BUDGET 2018-19 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)**

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	\$ 1,275,742.0	\$ -	\$ 1,275,742.0
General Services	781,073.0	-	781,073.0
Public Buildings	833,671.0	-	833,671.0
Total General	\$ 2,890,486.0	\$ -	\$ 2,890,486.0
Public Protection			
Justice	\$ 5,600,623.0	\$ -	\$ 5,600,623.0
Other Public Protection	223,141.0	-	223,141.0
Total Public Protection	\$ 5,823,764.0	\$ -	\$ 5,823,764.0
Health and Sanitation	\$ 5,300,492.0	\$ 3,080,526.0	\$ 8,381,018.0
Public Assistance	7,051,614.0	-	7,051,614.0
Recreation and Cultural Services	392,188.0	-	392,188.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	148,134.0	-	148,134.0
Appropriation for Contingency	32,183.0	-	32,183.0
Total Requirements	\$ 21,706,221.0	\$ 3,080,526.0	\$ 24,786,747.0
AVAILABLE FUNDS			
Property Taxes	\$ 5,642,349.0	\$ -	\$ 5,642,349.0
Fund Balance	1,728,613.0	-	1,728,613.0
Cancel Provision for Obligated Fund Balance	49,351.0	2,984.0	52,335.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 400,086.0	\$ -	\$ 400,086.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	881,390.0	-	881,390.0
Other Public Assistance	2,255,965.0	-	2,255,965.0
Public Protection	1,339,219.0	-	1,339,219.0
Health and Mental Health	1,400,243.0	43,285.0	1,443,528.0
Capital Projects	119,794.0	-	119,794.0
Other State Revenues	27,867.0	-	27,867.0
Total State Revenues	6,443,564.0	43,285.0	6,486,849.0
Federal Revenues			
Public Assistance Subventions	\$ 2,782,463.0	\$ 4,552.0	\$ 2,787,015.0
Other Public Assistance	193,123.0	-	193,123.0
Public Protection	115,493.0	-	115,493.0
Health and Mental Health	1,482,303.0	324,225.0	1,806,528.0
Capital Projects	105.0	-	105.0
Other Federal Revenues	10,557.0	-	10,557.0
Total Federal Revenues	\$ 4,584,044.0	\$ 328,777.0	\$ 4,912,821.0
Other Governmental Agencies	41,668.0	-	41,668.0
Total Intergovernmental Revenues	\$ 11,069,276.0	\$ 372,062.0	\$ 11,441,338.0
Fines, Forfeitures and Penalties	192,065.0	-	192,065.0
Licenses, Permits and Franchises	58,621.0	126.0	58,747.0
Charges for Services	2,356,430.0	1,975,774.0	4,332,204.0
Other Taxes	227,203.0	-	227,203.0
Use of Money and Property	198,068.0	114.0	198,182.0
Miscellaneous Revenues	184,245.0	232,963.0	417,208.0
Operating Contribution from General Fund	-	496,503.0	496,503.0
Total Available Funds	\$ 21,706,221.0	\$ 3,080,526.0	\$ 24,786,747.0

(1) Reflects the 2018-19 Adopted General County Budget approved by the Board of Supervisors on June 25, 2018



FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied each fiscal year on taxable real and personal property located in the County as of the preceding January 1st. 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 (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured", and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property 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. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas where 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 districts.

PAYMENT DATES AND LIENS

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, with a ten percent penalty assessed to any delinquent payments. Any property on the secured roll with delinquent taxes as of July 1 is declared tax-defaulted. Such property taxes may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due as of the January 1st lien date and become delinquent, if unpaid, by August 31st. A ten percent penalty attaches to delinquent property taxes on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1st. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

LARGEST TAXPAYERS

The twenty largest taxpayers in the County included on the Fiscal Year 2017-18 secured tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of \$41,246,376,188 which constitutes only 3.02% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2017-18
Southern California Edison Co	\$98,516,731
Maguire Properties	48,602,737
Douglas Emmett Residential	45,967,366
Universal Studios LLC	29,423,472
Chevron USA Inc / TEXACO / UNOCAL	27,776,295
Southern California Gas Co	27,750,212
Tishman Speyer / Archstone Smith / ASN	26,070,775
TESORO Refining and Marketing Co	24,709,467
Prologis / AMB	22,763,134
AT&T Communications	22,411,612
ESSEX Portfolio LP	18,320,770
Phillips 66	15,189,937
Frontier Communications	13,418,057
Macerich / Westside Pavilion	11,811,258
Beacon Oil Co / Ultramar / Valero Energy Co	11,732,538
Kaiser Foundation	11,258,680
FSP South Flower Street	11,184,113
CBS Inc / Paramount Pictures Corp	10,800,510
PBF Energy	10,525,380
Participants in Long Beach Unit	10,226,048
	\$498,459,092

Total may not add due to rounding.
Source: Los Angeles County Treasurer and Tax Collector

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the full cash values, property tax levies and collections from Fiscal Years 2013-14 through 2017-18.

COUNTY OF LOS ANGELES
 COMPARISON OF FULL CASH VALUE
 PROPERTY TAXATION AND COLLECTIONS
 FISCAL YEARS 2013-14 THROUGH 2017-18

Fiscal Year	Full Cash Value ⁽¹⁾	General Fund Secured Property Tax Levies	General Fund Secured Property Tax Collections ⁽²⁾	Current Collection As a Percent of Levies %
2013-14	\$1,085,743,685,894	\$2,662,214,197	\$2,623,480,895	98.55%
2014-15	1,146,946,428,176	2,814,475,757	2,773,124,193	98.53%
2015-16	1,218,549,285,645	2,951,107,847	2,919,629,056	98.93%
2016-17	1,287,688,313,197	3,144,947,550	3,111,401,116	98.93%
2017-18	1,366,276,412,160	3,315,398,792	3,265,818,763 ⁽³⁾	98.50% ⁽³⁾

- (1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by community redevelopment agencies are excluded. See "Redevelopment Agencies".
- (2) Reflects collection within the fiscal year originally levied.
- (3) Preliminary estimate based on Fiscal Year 2016-17 collections.

REDEVELOPMENT AGENCIES

Pursuant to ABX1 26 (the "Redevelopment Dissolution Act"), all redevelopment agencies were dissolved effective February 1, 2012. ABX1 26 prohibited redevelopment agencies from engaging in new business, provided for their eventual wind down and dissolution, and required that successor agencies be created to take over from the former agencies. Any tax increment remaining after the payment of enforceable legal obligations, pass-through payments and limited administrative costs will be distributed as property tax revenue to the appropriate taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County was approximately \$453.0 million. A more detailed discussion of the redevelopment agency dissolution is provided in the Budgetary Information section of this Appendix A.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for Fiscal Years 2013-14 through 2017-18.

COMMUNITY REDEVELOPMENT AGENCY (CRA) PROJECTS IN THE COUNTY OF LOS ANGELES FULL CASH VALUE AND TAX ALLOCATIONS FISCAL YEARS 2013-14 THROUGH 2017-18		
Fiscal Year	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾
2013-14	\$149,910,987,097	\$1,282,940,191
2014-15	159,180,996,812	1,327,755,469
2015-16	171,855,943,160	1,477,752,454
2016-17	184,568,536,419	1,069,567,615
2017-18	197,952,598,205	1,625,180,465 ⁽³⁾

- (1) Equals the full cash value for all redevelopment project areas above their base year valuations. This data represents growth in full cash values which generates tax revenues for use by former community redevelopment agencies and their successor agencies created under ABX1 26.
- (2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid-year changes and Supplemental Roll.
- (3) Total CRA Tax Allocations from November 2017 through June 2018.

CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenue follow an uneven pattern, primarily as a result of unpredictable delays in payments from other governmental agencies and the significant amount of secured property tax revenue received close to the December and April due dates for the first and second installments, respectively.

As a result of the uneven pattern of revenue receipts, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered in part by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. Because such borrowings caused disruptions in the General Fund's management of pooled investments, beginning in 1977, the County eliminated the practice of interfund borrowing and replaced it with a program to manage its cash flow needs by issuing tax and revenue anticipation notes (TRANs) for the General Fund and by using intrafund borrowing.

The use of "intrafund borrowing" for General Fund purposes represents borrowing against funds that are held in trust by the County. Such funds, with the exception of the Hospital Enterprise Funds, are held by the County on a pre-apportionment basis until they are eventually distributed to County operating funds (such as the General Fund) or other governmental agencies. All intrafund borrowings used for General Fund purposes, and all notes issued in connection with the County's cash management program have been repaid in accordance with their required maturity dates.

2018-19 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 15, 2018, the County issued the 2018-19 TRANs with an aggregate principal amount of \$700,000,000 due on June 28, 2019. The 2018-19 TRANs are general obligations of the County attributable to Fiscal Year 2018-19 and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

Under the Resolution and Financing Certificate executed by the Treasurer and Tax Collector, the County pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2018-19 for the purpose of repaying the 2018-19 TRANs on the June 28, 2019 maturity date. The deposits to the Repayment Fund have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2018-19 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	Deposit Amount
December, 2018	\$315,000,000
January, 2019	315,000,000
April, 2019	97,688,889
Total	\$727,688,889

* Includes \$700,000,000 of 2018-19 TRANs principal and 4.00% interest.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2013-14.

COUNTY OF LOS ANGELES
GENERAL FUND
UNRESTRICTED GENERAL FUND RECEIPTS (in thousands)

	2013-14	2014-15	2015-16	2016-17	2017-18 Estimate
Property Taxes	\$4,337,915	\$4,581,797	\$4,806,915	\$5,077,037	\$5,375,842
Other Taxes	203,396	204,173	215,228	225,297	213,580
Licenses, Permits and Franchises	65,260	58,488	58,908	60,487	58,950
Fines, Forfeitures and Penalties	212,676	197,663	182,298	178,105	178,034
Investment and Rental Income	104,422	131,053	165,037	178,804	224,950
State In-Lieu Taxes	344,971	407,316	356,888	303,768	210,218
State Homeowner Exemptions	19,715	20,277	19,892	19,673	19,244
Charges for Current Services	1,582,791	1,577,165	1,597,095	1,792,303	1,777,697
Other Revenue*	541,460	622,329	685,637	746,748	597,897
TOTAL UNRESTRICTED RECEIPTS	\$7,412,606	\$7,800,261	\$8,087,898	\$8,582,222	\$8,656,412

Detail may not add due to rounding.

Source: Los Angeles County Chief Executive Office

* Includes Tobacco Settlement Revenue

Intrafund and Interfund Borrowing

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover its General Fund cash needs, including projected year-end cash requirements. If the County determines that it is necessary to utilize interfund borrowing, then such borrowing may not occur after the last Monday in April of each fiscal year and must be repaid before any other obligation of the County. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

Funds Available for Intrafund Borrowing

After the tax and revenue anticipation note proceeds are utilized, the General Fund may borrow from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group, which consists of collected property taxes that are awaiting apportionment. The great majority of these amounts will be distributed to other governmental agencies such as school districts.

The second most significant borrowing source includes the various Trust Group funds. The largest of these funds is the Departmental Trust Fund, which consists of various collections, such as court fines and other revenues, awaiting distribution. The majority of these funds will eventually be distributed to entities outside the County. Also included in this group is the Payroll Revolving Fund, which is used as a clearing account for County payroll operations and has a cash balance that consists exclusively (except for a small portion related to the County Superior Court) of advances from funds included in the General County Budget.

The last fund group consists of the Hospital Enterprise Funds. The balances in these funds are different from those in the Property Tax Group and Trust Group in that the Hospital Enterprise Funds are included in the General County Budget. Furthermore, these funds are considered as part of the General Fund for purposes of sizing the County's annual TRANs financing.

The Hospital Enterprise Funds generally represent working capital advances from the General Fund and cash generated from the County hospitals. At year-end, the remaining balances are transferred back to the General Fund.

The average daily balances shown for these intrafund sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the Property Tax Group, can fluctuate significantly throughout the month. The General Fund cash balance also fluctuates during the month, with the third week being the lowest and month-end the highest due to the timing of revenue deposits from the State and the receipt of welfare advances on the last business day of the month.

The legality of the County's practice of intrafund borrowing was decided and affirmed by the California Court of Appeals in May 1999, in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County of Los Angeles et al.*

The tables at the end of this Financial Summary Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2016-17 and Fiscal Year 2017-18.

General Fund Cash Flow Statements

The Fiscal Year 2016-17 and Fiscal Year 2017-18 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2016-17, the County had an ending General Fund cash balance of \$2.509 billion. In Fiscal Year 2017-18, the County is estimating an ending cash balance in the General Fund of \$1.948 billion.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of April 30, 2018, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in Billions)
County of Los Angeles and Special Districts	\$16.005
Schools and Community Colleges	16.341
Independent Public Agencies	2.559
Total	\$34.905

Of these entities, the discretionary participants accounted for 6.95% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 20, 2018, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated May 31, 2018, the book value of the Treasury Pool as of April 30, 2018 was approximately \$34.905 billion and the corresponding market value was approximately \$34.437 billion.

The County maintains a strong system of internal controls for monitoring the cash accounting and investment process. The Treasurer's Internal Controls Branch (ICB) operates independently from the Investment Office, and reconciles cash and investments to fund balances on a daily basis. ICB staff also reviews each investment trade for accuracy and compliance with the Board of Supervisor's adopted Investment Policy. On a quarterly basis, the County's external independent auditor (the "External Auditor") reviews the cash and

investment reconciliations for completeness and accuracy, and reviews investment transactions to ensure compliance with the Investment Policy.

The following table identifies the types of securities held by the Treasury Pool as of April 30, 2018:

<u>Type of Investment</u>	<u>% of Pool</u>
U.S. Government and Agency Obligations	56.83
Certificates of Deposit	9.60
Commercial Paper	33.43
Bankers Acceptances	0.00
Municipal Obligations	0.07
Corporate Notes & Deposit Notes	0.07
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of April 30, 2018 approximately 41.05% of the investments mature within 60 days, with an average of 561 days to maturity for the entire portfolio.

The County complements its conservative investment policies with a well-established practice of market research and due diligence. The Treasury Pool did not experience a single investment loss as a result of the global financial crisis in Fiscal Year 2008-09. Furthermore, the County has never purchased any structured investment vehicles nor any securities with material exposure to sub-prime mortgages.

FINANCIAL STATEMENTS-GAAP BASIS

Since Fiscal Year 1980-81, the County has prepared its general purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP) for State and local governments, with annual audits performed by independent certified public accountants.

The basic financial statements for the Fiscal Year ended June 30, 2017, and the unmodified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County budget for the upcoming fiscal year is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements for the current fiscal year. The 2017-18 Final Adopted Budget included an available General Fund balance of \$1,982,626,000 as of June 30, 2017.

The 2017-18 Final Adopted Budget uses the fund balance language of the County Budget Act, which has been updated to reflect Governmental Accounting Standards Board (GASB) Statement No. 54.

The amounts presented for the General Fund in accordance with GAAP are based on the modified accrual basis of accounting and differ from the amounts presented on the budgetary basis of accounting. The major areas of difference are described as follows:

- For budgetary purposes, nonspendable, restricted, committed and assigned fund balances and the portion of unassigned fund balance reserved for the "Rainy Day"

fund are recorded as other financing uses at the time they are established. The County recognizes them as uses of budgetary fund balance. The nonspendable, restricted, committed, and assigned fund balances that are subsequently cancelled or otherwise made available are recorded as changes in fund balance from other financing sources.

- Under the budgetary basis of accounting, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred and amounts are collected within the County's availability period.
- General Fund obligations for accrued compensated absences and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within a one-year period after the fiscal year end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.
- In conjunction with the sale of Tobacco Settlement Asset-Backed Bonds in 2005-06, the County sold a portion of its future tobacco settlement revenues. Under the budgetary basis of accounting, the bond proceeds were recognized as revenues. Under the modified accrual basis of accounting, the bond proceeds were recorded as deferred inflows of resources and were being recognized over the duration of the sale agreement, in accordance with GASB Statements No. 48 and No. 65. This matter is discussed in further detail in Note 11 to the 2016-17 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."
- Under the budgetary basis of accounting, property tax revenues are recognized to the extent that they are collectible within a one-year period after the fiscal year end. Under the modified accrual basis of accounting, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis of accounting, the effects of such fair value changes have been recognized as a component of investment income.
- In conjunction with the implementation of GASB Statement No. 45, the County determined that certain assets were held by LACERA (as the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis of accounting, the expenditures are adjusted to recognize the OPEB Agency assets as of June 30, 2017.

The tables below provide a reconciliation of the General Fund's June 30, 2017 fund balance on a budgetary and GAAP basis, and a summary of the audited Balance Sheets and Statements

of Revenues and Expenditures and Changes in Fund Balance from Fiscal Year 2012-13 to Fiscal Year 2016-17.

COUNTY OF LOS ANGELES

GENERAL FUND

RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS

JUNE 30, 2017 (in thousands of \$)

Unassigned Fund Balance - Budgetary Basis	\$1,982,626
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	177,805
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	157,290
Accrual of liabilities for accrued compensated absences not required by GAAP	78,639
Change in revenue accruals related to encumbrances	(31,095)
Deferral of property tax receivables	(68,582)
Deferral of sale of tobacco settlement revenue	(228,142)
Change in fair value of Investments	(33,538)
Reserve for "Rainy Day" Fund	409,309
	<hr/>
Unassigned Fund Balance - GAAP Basis	\$2,444,312

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES**BALANCE SHEET AT JUNE 30, 2013, 2014, 2015, 2016 and 2017****GENERAL FUND-GAAP BASIS (in thousands of \$)****ASSETS**

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Pooled Cash and Investments	\$1,637,765	\$1,933,794	\$2,678,685	\$3,181,151	\$4,149,612
Other Investments	5,676	4,810	4,655	4,693	4,483
Taxes Receivable	171,919	169,141	157,215	148,485	159,429
Other Receivables	1,777,034	1,996,683	1,888,537	1,875,029	1,930,937
Due from Other Funds	391,605	283,255	460,987	322,883	308,556
Advances to Other Funds	754,376	885,314	434,849	395,511	167,179
Inventories	47,375	56,790	48,186	59,267	48,824
Total Assets	\$4,785,750	\$5,329,787	\$5,673,114	\$5,987,019	\$6,769,020

LIABILITIES

Accounts Payable	\$321,509	\$516,410	\$410,671	\$545,739	\$600,827
Accrued Payroll	309,926	331,045	356,579	374,951	392,096
Other Payables	89,852	111,019	115,998	100,964	102,289
Due to Other Funds	461,480	158,626	271,800	146,886	126,140
Deferred Revenue*	302,656	0	0	0	0
Advances Payable	404,975	575,567	853,441	975,135	1,433,485
Third-Party Payor Liability	15,702	26,207	39,693	39,042	42,051
Total Liabilities	\$1,906,100	\$1,718,874	\$2,048,182	\$2,182,717	\$2,696,888

DEFERRED INFLOWS OF RESOURCES*

	\$508,105	\$435,109	\$420,060	\$421,159
--	-----------	-----------	-----------	-----------

FUND BALANCES

Nonspendable	\$253,836	\$272,007	\$272,384	\$324,555	\$212,281
Restricted	59,786	40,577	55,694	67,880	70,157
Committed	528,865	482,740	334,346	364,679	429,440
Assigned	376,181	538,078	491,954	446,579	494,783
Unassigned	1,660,982	1,769,406	2,035,445	2,180,549	2,444,312
Total Fund Balances	2,879,650	3,102,808	3,189,823	3,384,242	3,650,973
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$4,785,750	\$5,329,787	\$5,673,114	\$5,987,019	\$6,769,020

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2013, 2014, 2015, 2016 and 2017.

*The County implemented GASB Statement 65 "Items Previously Reported as Assets and Liabilities" in FY 2013-14. As of June 30, 2014, deferred inflows and outflows of resources are reported in the new required GASB 65 format.

COUNTY OF LOS ANGELES

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2012-13 THROUGH 2016-17 (in thousands of \$)**

	2012-13	2013-14	2014-15	2015-16	2016-17
REVENUES:					
Taxes	\$4,267,858	\$4,520,755	\$4,772,762	\$5,003,124	\$5,333,532
Licenses, Permits & Franchises	61,412	59,886	61,561	60,666	59,197
Fines, Forfeitures and Penalties	222,226	207,094	207,684	189,312	183,400
Use of Money and Property	89,841	128,501	141,816	186,443	155,878
Aid from Other Government	8,182,687	8,395,672	8,574,288	8,939,412	9,377,215
Charges for Services	1,565,937	1,743,447	1,491,656	1,651,883	1,800,657
Miscellaneous Revenues	216,977	152,663	204,966	159,346	172,055
TOTAL	\$14,606,938	\$15,208,018	\$15,454,733	\$16,190,186	\$17,081,934
EXPENDITURES					
General	\$979,989	\$998,438	\$1,155,070	\$1,039,188	\$1,159,100
Public Protection	4,694,982	4,843,148	5,136,461	5,418,926	5,546,279
Health and Sanitation	2,779,870	3,204,177	2,931,257	3,161,202	3,460,315
Public Assistance	5,247,031	5,430,398	5,682,198	5,892,530	6,034,942
Recreation and Cultural Services	272,835	282,660	304,895	321,414	341,272
Debt Service	30,816	28,928	27,060	29,600	31,079
Capital Outlay	8,065	2,398	866	547	63
Total	\$14,013,588	\$14,790,147	\$15,237,807	\$15,863,407	\$16,573,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$593,350	\$417,871	\$216,926	\$326,779	\$508,884
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to)					
Other Funds-Net	(\$359,171)	(\$197,219)	(\$131,647)	(\$133,714)	(\$243,604)
Sales of Capital Assets	740	770	870	807	1,388
Capital Leases	2,780	1,736	866	547	63
OTHER FINANCING SOURCES (USES)-Net	(\$355,651)	(\$194,713)	(\$129,911)	(\$132,360)	(\$242,153)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	237,699	223,158	87,015	194,419	266,731
Beginning Fund Balance	2,641,951	2,879,650	3,102,808	3,189,823	3,384,242
Ending Fund Balance	\$2,879,650	\$3,102,808	\$3,189,823	\$3,384,242	\$3,650,973

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2013, 2014, 2015, 2016 and 2017.

**COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING**

2016-17: 12 MONTHS ACTUAL

2017-18: 11 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES

AVERAGE DAILY BALANCES: Fiscal Year 2016-17

FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)

	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016
PROPERTY TAX GROUP						
Tax Collector Trust Fund	71,266	39,908	37,582	463,777	1,325,747	2,392,482
Auditor Unapportioned Property Tax	195,195	47,582	124,434	168,076	941,269	2,441,476
Unsecured Property Tax	165,820	180,406	114,969	135,267	103,202	61,742
Miscellaneous Fees & Taxes	6,290	6,292	6,313	6,334	6,349	6,348
State Redemption Fund	27,207	40,822	42,469	43,372	26,632	26,150
Education Revenue Augmentation	281,813	324,086	277,000	274,676	299,463	626,191
State Reimbursement Fund	0	0	0	0	440	10,201
Sales Tax Replacement Fund	80,108	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	19,197	122,641	125,978	126,753	218,193
Property Tax Rebate Fund	6,256	9,156	15,734	8,740	7,233	23,201
Utility User Tax Trust Fund	2,187	2,862	5,652	4,551	5,411	10,598
Subtotal	\$ 836,142	\$ 670,311	\$ 746,794	\$ 1,230,771	\$ 2,842,499	\$ 5,816,582
VARIOUS TRUST GROUP						
Departmental Trust Fund	524,304	534,824	504,282	495,200	505,475	515,442
Payroll Revolving Fund	48,458	45,855	41,627	55,889	42,541	40,983
Asset Development Fund	43,579	43,776	43,801	43,817	43,834	43,851
Productivity Investment Fund	4,552	4,528	4,500	4,423	4,388	4,371
Motor Vehicle Capital Outlays	3,826	759	828	828	734	728
Civic Center Parking	34	220	343	339	325	309
Reporters Salary Fund	522	499	501	330	374	340
Cable TV Franchise Fund	12,853	12,624	12,861	13,064	13,003	13,195
Megaflex Long-Term Disability	12,979	12,836	12,906	12,971	12,876	12,852
Megaflex Long-Term Disability & Health	10,007	10,084	10,139	10,244	10,308	10,398
Megaflex Short-Term Disability	48,998	49,281	49,518	49,754	49,980	50,191
Subtotal	\$ 710,112	\$ 715,286	\$ 681,306	\$ 686,859	\$ 683,838	\$ 692,660
HOSPITAL GROUP						
Harbor-UCLA Medical Center	2,088	(14,039)	3,974	4,672	3,876	32
Olive View-UCLA Medical Center	2,165	2,979	713	3,349	1,484	1,600
LAC+USC Medical Center	1,734	12,684	4,823	6,243	7,802	4,001
MLK Ambulatory Care Center	0	0	0	0	0	0
Rancho Los Amigos Rehab Center	43	4,999	3,655	1,196	639	332
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	\$ 6,030	\$ 6,623	\$ 13,165	\$ 15,460	\$ 13,801	\$ 5,965
GRAND TOTAL	\$ 1,552,284	\$ 1,392,220	\$ 1,441,265	\$ 1,933,090	\$ 3,540,138	\$ 6,515,207

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	
PROPERTY TAX GROUP						
766,283	389,103	816,107	2,543,031	701,865	159,080	Tax Collector Trust Fund
1,517,573	963,587	573,119	1,715,681	923,897	337,829	Auditor Unapportioned Property Tax
57,710	48,316	49,127	45,831	59,913	96,353	Unsecured Property Tax
6,379	6,372	6,306	6,363	6,295	6,299	Miscellaneous Fees & Taxes
19,767	20,410	23,765	22,751	17,628	21,107	State Redemption Fund
443,272	408,286	175,574	449,615	603,428	300,259	Education Revenue Augmentation
19,515	1,152	1,152	4,229	18,740	8,133	State Reimbursement Fund
0	0	0	0	0	0	Sales Tax Replacement Fund
769,359	350,011	677,285	705,509	644,327	0	Vehicle License Fee Replacement Fund
19,605	9,842	7,009	8,277	9,112	7,297	Property Tax Rebate Fund
15,861	4,926	9,430	10,840	6,328	9,626	Utility User Tax Trust Fund
\$ 3,635,324	\$ 2,202,005	\$ 2,338,874	\$ 5,512,127	\$ 2,991,533	\$ 945,983	Subtotal
VARIOUS TRUST GROUP						
501,657	489,740	483,514	467,413	462,161	446,643	Departmental Trust Fund
61,421	37,803	42,379	51,941	43,143	38,612	Payroll Revolving Fund
43,869	44,064	44,143	44,161	44,178	44,252	Asset Development Fund
4,931	7,233	6,936	6,403	6,117	5,971	Productivity Investment Fund
700	685	666	611	578	578	Motor Vehicle Capital Outlays
297	305	281	275	261	283	Civic Center Parking
416	367	654	505	409	360	Reporters Salary Fund
13,552	13,461	13,784	13,767	13,093	13,519	Cable TV Franchise Fund
12,906	12,798	12,708	12,685	12,600	12,628	Megaflex Long-Term Disability
10,520	10,549	10,598	10,680	10,759	10,832	Megaflex Long-Term Disability & Health
50,581	50,983	51,520	51,986	52,390	52,757	Megaflex Short-Term Disability
\$ 700,850	\$ 667,988	\$ 667,183	\$ 660,427	\$ 645,689	\$ 626,435	Subtotal
HOSPITAL GROUP						
(2,599)	(525)	1,798	3,517	7,208	(1,618)	Harbor-UCLA Medical Center
160	3,698	4,440	702	2,886	548	Olive View-UCLA Medical Center
(276)	12,697	2,372	4,402	8,513	3,706	LAC + USC Medical Center
0	10	0	0	0	0	MLK Ambulatory Care Center
(375)	(4,262)	(768)	(114)	2,595	(607)	Rancho Los Amigos Rehab Center
0	0	0	0	0	0	LAC+USC Medical Center Equipment
\$ (3,090)	\$ 11,618	\$ 7,842	\$ 8,507	\$ 21,202	\$ 2,029	Subtotal
\$ 4,333,084	\$ 2,881,611	\$ 3,013,899	\$ 6,181,061	\$ 3,658,424	\$ 1,574,447	GRAND TOTAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES

AVERAGE DAILY BALANCES: Fiscal Year 2017-18

FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)

	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017
PROPERTY TAX GROUP						
Tax Collector Trust Fund	67,815	54,082	42,716	492,879	1,792,023	2,623,580
Auditor Unapportioned Property Tax	350,252	98,109	98,213	168,073	657,500	2,690,644
Unsecured Property Tax	172,319	111,417	122,125	152,745	160,071	68,705
Miscellaneous Fees & Taxes	6,281	6,266	6,308	6,289	6,321	6,260
State Redemption Fund	25,510	51,284	47,722	46,876	33,068	22,396
Education Revenue Augmentation	192,227	260,588	180,968	166,968	178,183	616,955
State Reimbursement Fund	0	0	0	0	438	11,150
Sales Tax Replacement Fund	0	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	21,638	157,643	171,655	171,667	171,667
Property Tax Rebate Fund	3,952	15,922	12,305	8,716	14,817	11,761
Utility User Tax Trust Fund	1,140	2,320	4,056	7,758	8,173	10,670
Subtotal	\$ 819,496	\$ 621,626	\$ 672,056	\$ 1,221,959	\$ 3,022,261	\$ 6,233,788
VARIOUS TRUST GROUP						
Departmental Trust Fund	464,155	480,556	475,529	468,132	580,608	680,975
Payroll Revolving Fund	54,106	43,191	44,360	59,477	38,262	47,729
Asset Development Fund	44,436	44,277	44,342	44,369	44,388	44,415
Productivity Investment Fund	5,859	5,804	5,758	5,597	5,716	5,503
Motor Vehicle Capital Outlays	578	674	703	703	703	664
Civic Center Parking	164	141	242	263	262	232
Reporters Salary Fund	315	457	254	182	238	331
Cable TV Franchise Fund	13,256	12,603	13,020	12,964	12,939	13,307
Megaflex Long-Term Disability	12,623	12,498	12,471	12,316	12,133	12,114
Megaflex Long-Term Disability & Health	10,912	10,962	11,033	11,124	11,214	11,300
Megaflex Short-Term Disability	53,157	53,578	53,935	54,410	54,723	55,086
Subtotal	\$ 659,561	\$ 664,741	\$ 661,647	\$ 669,537	\$ 761,186	\$ 871,656
HOSPITAL GROUP						
Harbor-UCLA Medical Center	1,035	(1,436)	3,145	3,739	98	(2,096)
Olive View-UCLA Medical Center	4,350	(4,060)	2,164	2,726	834	2,279
LAC+USC Medical Center	3,161	(4,331)	5,142	3,116	1,430	6,100
MLK Ambulatory Care Center	0	0	0	0	1	0
Rancho Los Amigos Rehab Center	133	1,693	449	439	121	2,026
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	\$ 8,679	\$ (8,134)	\$ 10,900	\$ 10,020	\$ 2,484	\$ 8,309
GRAND TOTAL	\$ 1,487,736	\$ 1,278,233	\$ 1,344,603	\$ 1,901,516	\$ 3,785,931	\$ 7,113,753

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2018	February 2018	March 2018	April 2018	May 2018	Estimated June 2018	
PROPERTY TAX GROUP						
1,657,829	605,430	594,839	2,086,164	\$ 853,191	\$ 162,443	Tax Collector Trust Fund
1,632,891	1,444,515	595,738	1,725,787	930,765	187,045	Auditor Unapportioned Property Tax
68,272	56,764	54,307	44,439	61,236	128,200	Unsecured Property Tax
6,394	6,403	6,357	6,355	6,322	8,868	Miscellaneous Fees & Taxes
23,112	19,579	17,872	18,407	18,649	25,268	State Redemption Fund
507,917	289,170	234,764	410,440	463,758	168,583	Education Revenue Augmentation
18,471	1,132	1,132	2,154	17,555	11,261	State Reimbursement Fund
0	0	0	0	0	0	Sales Tax Replacement Fund
651,142	441,584	723,359	795,929	576,476	0	Vehicle License Fee Replacement Fund
13,619	25,574	13,008	13,504	16,080	0	Property Tax Rebate Fund
13,224	12,506	8,217	12,009	16,344	11,403	Utility User Tax Trust Fund
\$ 4,592,871	\$ 2,902,657	\$ 2,249,593	\$ 5,115,188	\$ 2,960,376	\$ 703,071	Subtotal
VARIOUS TRUST GROUP						
480,800	472,336	475,234	479,896	\$ 474,779	\$ 542,645	Departmental Trust Fund
66,343	31,973	37,108	51,900	39,546	51,560	Payroll Revolving Fund
44,433	44,458	44,504	44,523	44,532	44,000	Asset Development Fund
5,146	4,990	6,217	8,043	7,880	6,000	Productivity Investment Fund
623	601	601	611	625	6,000	Motor Vehicle Capital Outlays
208	294	304	322	430	143	Civic Center Parking
545	534	622	600	407	413	Reporters Salary Fund
13,443	13,303	13,345	13,553	13,368	13,000	Cable TV Franchise Fund
12,057	11,998	11,993	11,999	11,765	14,893	Megaflex Long-Term Disability
11,387	11,412	11,459	11,545	11,614	9,306	Megaflex Long-Term Disability & Health
55,715	56,065	56,554	57,021	57,244	43,310	Megaflex Short-Term Disability
\$ 690,700	\$ 647,964	\$ 657,941	\$ 680,013	\$ 662,190	\$ 731,270	Subtotal
HOSPITAL GROUP						
4,210	4,656	1,830	1,703	793	0	Harbor-UCLA Medical Center
1,126	(1,371)	1,658	1,332	3,182	0	Olive View-UCLA Medical Center
1,777	6,120	3,970	717	7,489	0	LAC + USC Medical Center
0	0	0	0	0	0	MLK Ambulatory Care Center
4,086	(800)	183	175	(269)	0	Rancho Los Amigos Rehab Center
0	0	0	0	0	0	LAC+USC Medical Center Equipment
\$ 11,199	\$ 8,605	\$ 7,641	\$ 3,927	\$ 11,195	\$ 0	Subtotal
\$ 5,294,770	\$ 3,559,226	\$ 2,915,175	\$ 5,799,128	\$ 3,633,761	\$ 1,434,341	GRAND TOTAL



**COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS**

2016-17: 12 MONTHS ACTUAL

2017-18: 11 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2016-17
(in thousands of \$)

	July 2016	August 2016	September 2016	October 2016	November 2016
BEGINNING BALANCE	\$ 2,162,672	\$ 2,266,486	\$ 1,529,884	\$ 914,444	\$ 900,176
RECEIPTS					
Property Taxes	\$ 35,229	\$ 111,497	\$ 183	\$ 685	\$ 45,414
Other Taxes	12,902	11,160	25,259	22,792	14,493
Licenses, Permits & Franchises	3,035	2,784	5,437	3,301	3,010
Fines, Forfeitures & Penalties	31,949	19,504	8,594	9,581	15,302
Investment and Rental Income	23,156	12,127	12,949	9,975	21,122
Motor Vehicle (VLF) Realignment	0	(100,656)	44,036	33,022	32,532
Sales Taxes - Proposition 172	68,898	56,456	56,383	54,105	68,474
1991 Program Realignment	63,177	37,116	51,876	68,330	65,902
Other Intergovernmental Revenue	143,814	197,214	208,806	274,926	276,601
Charges for Current Services	113,667	208,471	68,460	165,137	110,166
Other Revenue & Tobacco Settlement	95,225	47,172	3,498	11,952	57,152
Transfers & Reimbursements	4,607	3,151	0	5,199	15,288
Hospital Loan Repayment*	130,809	122,048	67,323	807,266	49,628
Welfare Advances	317,231	23,881	534,103	357,517	315,866
Other Financing Sources/MHSA	4,819	52,525	0	18,479	67,935
Intrafund Borrowings	0	0	0	0	0
TRANS Sold	800,000	0	0	0	0
Total Receipts	\$ 1,848,518	\$ 804,450	\$ 1,086,907	\$ 1,842,267	\$ 1,158,885
DISBURSEMENTS					
Welfare Warrants	\$ 186,153	\$ 222,052	\$ 218,878	\$ 217,624	\$ 209,430
Salaries	461,597	461,902	455,180	462,352	468,580
Employee Benefits	278,678	280,385	252,435	289,293	281,718
Vendor Payments	638,616	408,440	330,088	399,154	459,885
Loans to Hospitals*	0	1,752	348,184	363,417	112,944
Hospital Subsidy Payments	167,531	100,443	96,102	2,386	0
Transfer Payments	12,129	66,078	1,480	122,308	10,192
TRANS Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	\$ 1,744,704	\$ 1,541,052	\$ 1,702,347	\$ 1,856,534	\$ 1,542,749
ENDING BALANCE	\$ 2,266,486	\$ 1,529,884	\$ 914,444	\$ 900,177	\$ 516,312
Borrowable Resources (Avg. Balance)	\$ 1,552,284	\$ 1,392,220	\$ 1,441,265	\$ 1,933,090	\$ 3,540,138
Total Cash Available	\$ 3,818,770	\$ 2,922,104	\$ 2,355,709	\$ 2,833,267	\$ 4,056,450

* The net change in the outstanding Hospital Loan Balance is a decrease of \$228.63 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	Total 2016-17
\$ 516,312	\$ 949,816	\$ 1,543,599	\$ 1,583,091	\$ 1,247,137	\$ 2,002,202	\$ 2,992,964	
\$ 1,233,642	\$ 1,170,719	\$ 261,844	\$ 30,021	\$ 852,266	\$ 1,088,752	\$ 246,785	\$ 5,077,037
16,217	13,611	26,750	13,553	25,871	13,207	29,482	225,297
3,831	2,494	5,201	8,834	13,876	3,427	5,257	60,487
7,973	9,209	18,787	14,180	9,671	24,115	9,240	178,105
12,607	8,420	11,873	11,060	24,111	16,024	15,380	178,804
34,156	32,542	33,392	30,979	32,667	118,241	12,857	303,768
54,600	54,065	82,937	50,603	49,580	70,920	56,415	723,436
62,693	55,714	85,714	52,376	51,351	73,578	58,442	726,269
139,094	188,995	377,916	217,684	393,512	193,700	97,558	2,709,820
140,497	277,718	105,271	150,881	155,197	143,369	153,469	1,792,303
88,598	74,516	70,827	84,738	124,741	18,161	70,168	746,748
78,189	22,861	32,863	21,018	15,831	10,889	14,655	224,551
29,918	495,060	49,797	99,209	399,098	180,937	71,442	2,502,535
559,613	358,484	379,361	484,623	389,268	535,288	288,475	4,543,710
14,863	30,542	15,606	29,338	3,381	37,440	50,475	325,403
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	800,000
\$ 2,476,491	\$ 2,794,950	\$ 1,558,139	\$ 1,299,097	\$ 2,540,421	\$ 2,528,048	\$ 1,180,100	\$ 21,118,273
\$ 234,647	\$ 196,682	\$ 232,267	\$ 232,971	\$ 225,494	\$ 223,095	\$ 313,466	\$ 2,712,759
485,114	499,163	482,597	469,419	488,519	465,854	471,607	5,671,884
269,023	310,418	292,506	265,886	291,700	292,795	261,132	3,365,969
360,347	497,092	338,144	337,915	377,678	385,991	397,923	4,931,273
330,987	295,392	161,012	196,512	161,966	94,587	207,148	2,273,901
0	0	(1,750)	0	(6,670)	(3,671)	(958)	353,413
23,936	87,420	13,871	132,348	76,669	78,635	14,069	639,135
338,933	315,000	0	0	170,000	0	0	823,933
0	0	0	0	0	0	0	0
\$ 2,042,987	\$ 2,201,167	\$ 1,518,647	\$ 1,635,051	\$ 1,785,356	\$ 1,537,286	\$ 1,664,387	\$ 20,772,267
\$ 949,816	\$ 1,543,599	\$ 1,583,091	\$ 1,247,137	\$ 2,002,202	\$ 2,992,964	\$ 2,508,677	
\$ 6,515,207	\$ 4,333,084	\$ 2,881,611	\$ 3,013,899	\$ 6,181,061	\$ 3,658,424	\$ 1,574,447	
\$ 7,465,023	\$ 5,876,683	\$ 4,464,702	\$ 4,261,036	\$ 8,183,263	\$ 6,651,388	\$ 4,083,124	

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2017-18
(in thousands of \$)

	July 2017	August 2017	September 2017	October 2017	November 2017
BEGINNING BALANCE	\$ 2,508,677	\$ 2,605,709	\$ 2,140,176	\$ 1,452,843	\$ 1,585,190
RECEIPTS					
Property Taxes	\$ 68,299	\$ 117,118	\$ 1,605	0	\$ 46,480
Other Taxes	14,998	10,702	17,563	21,884	22,628
Licenses, Permits & Franchises	3,207	6,168	2,781	4,575	2,244
Fines, Forfeitures & Penalties	35,590	16,716	7,997	9,466	15,321
Investment and Rental Income	25,251	15,092	13,324	24,363	15,493
Motor Vehicle (VLF) Realignment	0	(167,216)	48,826	64,030	34,904
Sales Taxes - Proposition 172	72,935	61,116	56,981	57,075	71,952
1991 Program Realignment	75,552	26,032	102,517	67,871	73,011
Other Intergovernmental Revenue	133,916	508,397	154,524	231,268	272,552
Charges for Current Services	92,934	198,780	83,723	176,749	98,437
Other Revenue & Tobacco Settlement	120,904	30,197	1,743	166,756	(142,844)
Transfers & Reimbursements	7,858	12,827	(205)	3,476	15,562
Hospital Loan Repayment*	37,283	587,151	101,231	1,004,342	(338,000)
Welfare Advances	341,921	258,213	485,296	401,294	444,597
Other Financing Sources/MHSA	88,110	16,862	0	0	5,164
Intrafund Borrowings	0	0	0	0	0
TRANS Sold	800,000	0	0	0	0
Total Receipts	\$ 1,918,758	\$ 1,698,155	\$ 1,077,906	\$ 2,233,149	\$ 637,501
DISBURSEMENTS					
Welfare Warrants	\$ 191,537	\$ 197,920	\$ 194,706	\$ 299,175	\$ 189,508
Salaries	483,248	480,690	474,480	479,128	482,777
Employee Benefits	324,514	294,144	275,797	309,991	303,996
Vendor Payments	595,479	539,732	328,053	388,105	385,735
Loans to Hospitals*	0	346,253	480,888	371,024	272,000
Hospital Subsidy Payments	205,042	283,161	0	0	(62,147)
Transfer Payments	21,906	21,788	11,315	253,379	18,308
TRANS Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	\$ 1,821,726	\$ 2,163,688	\$ 1,765,239	\$ 2,100,802	\$ 1,590,177
ENDING BALANCE	\$ 2,605,709	\$ 2,140,176	\$ 1,452,843	\$ 1,585,190	\$ 632,514
Borrowable Resources (Avg. Balance)	\$ 1,487,736	\$ 1,278,233	\$ 1,344,603	\$ 1,901,516	\$ 3,785,931
Total Cash Available	\$ 4,093,445	\$ 3,418,409	\$ 2,797,446	\$ 3,486,706	\$ 4,418,445

* The net change in the outstanding Hospital Loan Balance is a increase of \$7.41 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	Estimated June 2018	Total 2017-18
\$ 632,514	\$ 1,370,053	\$ 1,660,492	\$ 1,853,032	\$ 1,311,599	\$ 1,218,507	\$ 2,088,027	
\$ 1,309,725	\$ 1,273,331	\$ 434,542	\$ 12,806	\$ 724,033	\$ 1,138,485	\$ 249,418	\$ 5,375,842
16,475	13,061	27,143	12,995	13,119	27,061	15,951	213,580
4,306	2,743	3,075	7,379	12,065	10,269	138	58,950
7,916	8,981	22,146	13,964	9,682	21,920	8,335	178,034
15,464	15,236	16,635	15,272	18,590	34,389	15,841	224,950
33,755	32,245	44,213	32,568	31,526	34,666	20,701	210,218
56,884	58,836	84,302	54,437	49,395	73,304	50,808	748,025
61,565	63,718	91,229	59,810	54,491	80,546	34,855	791,197
246,274	176,022	189,581	311,856	144,277	258,897	125,483	2,753,047
154,764	305,644	94,907	115,602	205,586	114,638	135,933	1,777,697
107,978	(11,676)	49,210	45,634	112,447	187,277	(69,729)	597,897
51,352	4,135	4,416	59,219	22,509	9,945	8,843	199,937
231,725	264,186	145,012	0	337,090	274,478	647,024	3,291,522
514,006	365,786	376,824	489,513	391,488	302,251	402,589	4,773,778
1,726	1,145	144,549	27,602	54,006	27,836	2,164	369,164
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	800,000
\$ 2,813,915	\$ 2,573,393	\$ 1,727,784	\$ 1,258,657	\$ 2,180,304	\$ 2,595,962	\$ 1,648,353	\$ 22,363,837
\$ 225,584	\$ 330,359	\$ 190,321	\$ 228,457	\$ 269,452	\$ 232,624	\$ 338,829	\$ 2,888,472
505,244	517,511	500,413	486,925	510,433	490,831	513,718	5,925,398
306,347	338,658	318,993	301,720	318,628	323,044	288,308	3,704,140
332,538	411,600	334,420	434,642	524,810	455,988	408,818	5,139,920
355,686	274,269	146,460	330,094	351,111	150,240	220,909	3,298,934
(6,065)	(383)	34,735	0	(250)	0	0	454,093
42,042	95,940	9,902	18,252	89,656	73,715	17,830	674,033
315,000	315,000	0	0	209,556	0	0	839,556
0	0	0	0	0	0	0	0
\$ 2,076,376	\$ 2,282,954	\$ 1,535,244	\$ 1,800,090	\$ 2,273,396	\$ 1,726,442	\$ 1,788,411	\$ 22,924,545
\$ 1,370,053	\$ 1,660,492	\$ 1,853,032	\$ 1,311,599	\$ 1,218,507	\$ 2,088,027	\$ 1,947,969	
\$ 7,113,753	\$ 5,294,770	\$ 3,559,226	\$ 2,915,175	\$ 5,799,128	\$ 3,633,761	\$ 1,434,341	
\$ 8,483,806	\$ 6,955,262	\$ 5,412,258	\$ 4,226,774	\$ 7,017,635	\$ 5,721,788	\$ 3,382,310	



DEBT SUMMARY

INTRODUCTION

The County has issued various types of notes, bonds, and certificates to finance and refinance its cash management requirements, the replacement of essential equipment, and the acquisition, construction and/or improvement of government buildings and public facilities. The County has not entered into any swap agreements, or other similar interest rate derivative contracts, in connection with its outstanding debt.

OUTSTANDING OBLIGATIONS

As of July 1, 2017, approximately \$1.761 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of \$802 million of the outstanding debt. Revenues from Special Districts/Special Funds, Courthouse Construction Fund, and Hospital Enterprise Funds secure the remaining \$959 million of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2017-18.

COUNTY OF LOS ANGELES ADDITIONAL FUNDING SOURCES FOR REPAYMENT OF COUNTY INTERMEDIATE AND LONG-TERM OBLIGATIONS

2017-18 Payments

Funding Source	2017-18 Payment
Total 2017-18 Payment Obligations	\$159,291,461
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	59,369,955
Courthouse Construction Funds	15,010,203
Special Districts/Special Funds	2,771,892
Net 2017-18 General Fund Obligations	\$82,139,411

Source: Los Angeles County Auditor-Controller

As of May 1, 2018, the County has \$1.092 billion of outstanding short-term obligations, which include \$800 million in TRANs, \$25.0 million in Bond Anticipation Notes, and \$267 million in Lease Revenue Tax-exempt Commercial Paper Notes. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2018 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	\$800,000
Bond Anticipation Notes	25,000
Lease Revenue Notes	267,370
Intermediate & Long-Term Obligations	1,704,392
Total Outstanding Principal	\$2,796,762

Source: Los Angeles County Treasurer and Tax Collector and Auditor-Controller

The tables at the end of this section provide a detailed summary of the funding sources for the County's outstanding obligations and future debt service payments.

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

In 1977, the County implemented a cash management program to finance its General Fund cash flow deficits, which occur periodically during the fiscal year. Since the program's inception, the County has annually sold varying amounts of tax anticipation notes and tax and revenue anticipation notes (including commercial paper).

Pursuant to a resolution adopted by the Board of Supervisors on May 9, 2017, the County issued \$800 million of 2017-18 TRANs on July 3, 2017. The 2017-18 TRANs matured on June 29, 2018.

Pursuant to a resolution adopted by the Board of Supervisors on May 15, 2018, the County issued \$700 million of 2018-19 TRANs on July 2, 2018, which will mature on June 28, 2019. The 2018-19 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2018-19, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2018-19 Tax and Revenue Anticipation Notes" of this Appendix A.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of May 1, 2018, \$25.0 million in BANs are outstanding. The County expects to repay the outstanding BANs in full with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before July 1, 2019.

Lease Revenue Note Program

Under the Lease Revenue Note Program (the "Note Program"), the County is authorized to issue up to \$500 million in aggregate principal amount of lease revenue notes. The short-term lease

revenue notes issued through the Note Program will continue to finance construction costs on various capital projects throughout the County. The Note Program consists of a \$300 million Commercial Paper Note Program supported by two Irrevocable, Direct-Pay Letters of Credit (“LOC”) issued by Bank of the West (Series A - \$100 million), and U.S. Bank (Series B - \$200 million); and a Direct Placement Revolving Credit Facility with Wells Fargo (Series C - \$200 million). The Note Program is secured by a lease-revenue financing structure between LAC-CAL and the County, and a portfolio of sixteen County-owned properties pledged as collateral to secure the credit facilities. The two LOCs and the Revolving Credit Facility, which are scheduled to terminate on April 12, 2019, provide credit enhancement and liquidity support for both tax-exempt and taxable commercial paper notes and direct placement revolving notes. As of May 1, 2018, \$267.4 million of tax-exempt commercial paper notes are outstanding. The Note Program provides the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which will eventually be refinanced with the issuance of long-term bonds upon completion.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2017, approximately \$1.761 billion in principal remained outstanding on such obligations. The County’s lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The Fiscal Year 2017-18 Final Adopted Budget and the Fiscal Year 2018-19 Adopted Budget contain sufficient appropriations to fund the debt service on the County’s lease payment obligations. The County’s Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund’s outstanding debt to the net revenue-producing valuation of the property tax roll (the “Net Local Roll”) was 0.124% in Fiscal Year 2017-18. The following table provides the ratio of the General Fund’s outstanding debt to the Net Local Roll over the past ten years.

COUNTY OF LOS ANGELES OUTSTANDING DEBT TO ASSESSED VALUATION AS OF JULY 1

Fiscal Year	Outstanding Principal	Net Local Property Tax Roll	Debt To Value Ratio
2008-09	\$1,180,113,183	\$1,067,594,451,410	0.111%
2009-10	972,937,056	1,062,174,404,954	0.092%
2010-11	805,297,030	1,042,339,975,681	0.077%
2011-12	1,397,467,754	1,056,493,252,156	0.132%
2012-13	1,370,642,758	1,079,685,510,076	0.127%
2013-14	1,622,142,327	1,129,994,170,579	0.144%
2014-15	1,576,510,029	1,191,806,972,618	0.132%
2015-16	1,633,835,517	1,264,906,464,546	0.129%
2016-17	1,785,310,693	1,335,525,121,301	0.134%
2017-18	1,761,081,064	1,416,125,372,989	0.124%

Source: Los Angeles County Assessor and Auditor-Controller

OTHER DEBT OBLIGATIONS

Tobacco Bonds

On February 8, 2006 the California County Tobacco Securitization Agency (the “Agency”), a Joint Exercise of Powers Authority, issued \$319.8 million in Tobacco Settlement Asset-Backed Bonds (the “Tobacco Bonds”) for the purpose of loaning the proceeds to the Los Angeles County Securitization Corporation (the “Corporation”). The Corporation used the Tobacco Bond proceeds to purchase 25.9% of the County’s annual Tobacco Settlement Revenues (the “TSRs”) paid by the tobacco companies participating in the Master Settlement Agreement. The Tobacco Bonds are secured by the 25.9% portion of the annual TSRs, and are not considered a debt obligation of the County.

DPSS Lease Obligations

From January 28, 1999 through July 28, 2005, the County entered into several build to suit operating and capital lease agreements with various organizations whereby the County would lease buildings and improvements for use by County Departments including the Department of Public Social Services (the “DPSS Facilities”). In order to facilitate the construction of the DPSS Facilities, financing was obtained through the sale of Certificates of Participation (“COPs”) and Lease Revenue Bonds with the periodic lease payments pledged as security for repayment of the debt securities. Although these financings are categorized as leases in the County’s financial statements, the ultimate obligor for the outstanding debt is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations is \$228.2 million as of May 1, 2018.

Vermont Corridor Project

The County, working in conjunction with the Community Development Commission (CDC), is developing County-owned property in the area known as the “Vermont Corridor” in the City of Los Angeles. The Vermont Corridor Project includes the development of three sites in the Vermont Corridor area, including: Site 1 – new Department of Mental Health (DMH) headquarters facility and parking garage; Site 2 – mixed-use market rate housing; and Site 3 – affordable senior housing. The County intends to finance the Site 1 project with the issuance of approximately \$302 million of lease revenue bonds in July 2018 through a not-for-profit special purpose entity, Los Angeles County Facilities, Inc., which will also serve as the construction and facility manager for the project. The financing for the Site 1 project is expected to be completed in the first quarter of Fiscal Year 2018-19. The development of Site 2 and Site 3 will be financed with private capital provided through TC LA Development, Inc., the private developer for the Vermont Corridor Project.

**COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES**

REPORTS AS OF JULY 1, 2017

**COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE
OUTSTANDING PRINCIPAL BY FUNDING SOURCE**

REPORTS AS OF MAY 1, 2018

**SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
ESTIMATED OVERLAPPING DEBT STATEMENT**

COUNTY OF LOS ANGELES COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE AS OF JULY 1, 2017						
Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service	
2017-18	\$ 82,139,411	\$ 59,369,955	\$ 15,010,203	\$ 2,771,892	\$ 159,291,462	
2018-19	78,913,983	56,629,774	15,013,314	2,772,901	153,329,972	
2019-20	74,270,204	52,934,921	15,002,335	2,772,114	144,979,574	
2020-21	70,969,646	50,681,389	14,997,342	2,770,155	139,418,531	
2021-22	71,577,391	50,423,184	14,991,788	2,772,727	139,765,090	
2022-23	69,166,614	50,420,052	14,991,568	2,770,179	137,348,413	
2023-24	46,440,195	50,410,165	14,985,583	2,771,524	114,607,466	
2024-25	46,430,339	50,403,888	14,971,366	2,772,880	114,578,474	
2025-26	46,425,341	50,395,048	14,968,875	2,772,804	114,562,067	
2026-27	46,420,826	50,391,691	14,959,875	2,772,537	114,544,928	
2027-28	46,331,986	50,383,353	14,947,750	2,771,073	114,434,161	
2028-29	46,030,081	50,371,753	14,945,875	2,773,632	114,121,341	
2029-30	45,809,454	50,364,260	14,937,625	2,770,541	113,881,879	
2030-31	45,801,510	50,345,701	8,340,500	2,770,790	107,258,501	
2031-32	45,793,532	50,341,280	8,336,375	2,771,350	107,242,537	
2032-33	45,787,862	50,331,926	6,115,375	2,770,272	105,005,435	
2033-34	45,778,791	50,315,721	6,119,250	2,772,755	104,986,516	
2034-35	45,769,504	50,309,705	-	2,774,794	98,854,002	
2035-36	45,766,974	50,294,766	-	2,769,980	98,831,721	
2036-37	45,759,388	50,283,745	-	2,774,430	98,817,563	
2037-38	45,746,294	50,278,866	-	2,772,883	98,798,044	
2038-39	45,737,969	50,259,691	-	2,773,883	98,771,544	
2039-40	45,727,144	50,246,289	-	2,773,659	98,747,093	
2040-41	45,723,835	50,237,761	-	2,772,601	98,734,197	
2041-42	25,100,375	19,945,100	-	2,774,050	47,819,525	
2042-43	25,102,875	19,948,218	-	2,774,482	47,825,575	
2043-44	25,101,625	-	-	808,250	25,909,875	
2044-45	25,099,000	-	-	809,750	25,908,750	
2045-46	15,902,875	-	-	-	15,902,875	
Total	\$ 1,390,625,026	\$ 1,266,318,201	\$ 223,634,999	\$ 73,698,888	\$ 2,954,277,114	

COUNTY OF LOS ANGELES OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE AS OF JULY 1, 2017					
Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2017-18	\$ 802,199,095	\$ 756,258,802	\$ 161,160,000	\$ 41,463,167	\$ 1,761,081,064
2018-19	769,995,063	731,786,176	152,675,000	40,686,165	1,695,142,404
2019-20	740,695,443	708,963,922	144,035,000	39,872,265	1,633,566,630
2020-21	715,755,942	688,722,303	135,205,000	39,017,435	1,578,700,679
2021-22	685,779,023	669,817,455	126,135,000	38,120,777	1,519,852,255
2022-23	645,603,559	650,368,047	116,790,000	37,175,498	1,449,937,104
2023-24	605,987,302	630,069,623	107,130,000	36,184,357	1,379,371,281
2024-25	587,474,815	608,863,906	97,130,000	35,141,008	1,328,609,729
2025-26	568,091,357	586,643,269	86,730,000	34,042,763	1,275,507,389
2026-27	547,761,235	563,319,690	75,825,000	32,888,277	1,219,794,202
2027-28	526,435,089	538,830,160	64,370,000	31,674,859	1,161,310,108
2028-29	504,142,909	513,114,829	52,340,000	30,400,717	1,099,998,455
2029-30	481,046,152	486,115,239	39,695,000	29,058,609	1,035,915,000
2030-31	457,011,720	457,762,435	26,410,000	27,650,845	968,835,000
2031-32	431,769,828	427,999,539	19,210,000	26,170,633	905,150,000
2032-33	405,340,098	396,740,964	11,645,000	24,613,939	838,340,000
2033-34	377,660,124	363,916,356	5,970,000	22,978,519	770,525,000
2034-35	348,589,529	329,453,785	-	21,256,686	699,300,000
2035-36	318,100,780	293,295,333	-	19,448,887	630,845,000
2036-37	286,191,347	255,401,290	-	17,562,363	559,155,000
2037-38	252,797,750	215,683,273	-	15,583,977	484,065,000
2038-39	217,881,190	174,133,219	-	13,515,591	405,530,000
2039-40	181,436,097	130,747,077	-	11,346,826	323,530,000
2040-41	143,408,169	85,416,324	-	9,070,508	237,895,000
2041-42	103,720,000	38,047,845	-	6,682,155	148,450,000
2042-43	83,295,000	19,481,371	-	4,173,629	106,950,000
2043-44	61,820,000	-	-	1,540,000	63,360,000
2044-45	39,245,000	-	-	790,000	40,035,000
2045-46	15,515,000	-	-	-	15,515,000

Source: Los Angeles County Chief Executive Office

**COUNTY OF LOS ANGELES
CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2017**

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	\$ 16,740,000	\$ 16,740,000			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	\$ 731,023	\$ 731,023			
Patriotic Hall Renovation	1,180,471	1,180,471			
Hall of Justice Rehabilitation	6,094,200	6,094,200			
Olive View Medical Center ER/TB Unit	1,360,210		\$ 1,360,210		
Olive View Medical Center Seismic	560,353		560,353		
Harbor/UCLA Surgery/ Emergency	8,523,712		8,523,712		
Harbor/UCLA Seismic Retrofit	1,314,393		1,314,393		
Total 2010 Multiple Capital Projects I, Series A	\$ 19,764,362	\$ 8,005,694	\$ 11,758,669	\$ 0	\$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	\$ 1,166,023	\$ 1,166,023			
Patriotic Hall Renovation	1,882,916	1,882,916			
Hall of Justice Rehabilitation	9,720,589	9,720,589			
Olive View Medical Center ER/TB Unit	2,169,611		\$ 2,169,611		
Olive View Medical Center Seismic	893,795		893,795		
Harbor/UCLA Surgery/ Emergency	13,595,795		13,595,795		
Harbor/UCLA Seismic Retrofit	2,096,529		2,096,529		
Total 2010 Multiple Capital Projects I, Series B	\$ 31,525,258	\$ 12,769,528	\$ 18,755,731	\$ 0	\$ 0
2011 High Desert Solar Complex (Federally Taxable)	\$ 595,899	\$ 595,899			
2012 Refg COPs: Disney Parking Project	\$ 2,533,750	\$ 2,533,750			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	\$ 8,842,053		\$ 8,842,053		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,763,663		10,763,663		
Martin Luther King Jr. Data Center	341,842		341,842		
Fire Station 128	296,973			\$ 296,973	
Fire Station 132	480,322			480,322	
Fire Station 150	745,015			745,015	
Fire Station 156	442,232			442,232	
Total 2012 Multiple Capital Projects II, Series 2012	\$ 21,912,100	\$ 0	\$ 19,947,558	\$ 0	\$ 1,964,542
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	\$ 9,194,450	\$ 9,194,450			
Manhattan Beach Library	807,350			\$ 807,350	
Total 2015 Multiple Capital Projects, Series A	\$ 10,001,800	\$ 9,194,450	\$ 0	\$ 0	\$ 807,350
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	\$ 3,044,500	\$ 3,044,500			
LAX Area Courthouse	2,533,000			\$ 2,533,000	
Chatsworth Courthouse	2,124,500			2,124,500	
Total 2015 Multiple Capital Projects, Series B	\$ 7,702,000	\$ 3,044,500	\$ 0	\$ 4,657,500	\$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	\$ 10,352,703			\$ 10,352,703	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	\$ 15,893,594	\$ 15,893,594			
Total Long-Term Obligations	\$ 137,021,468	\$ 68,777,415	\$ 50,461,957	\$ 15,010,203	\$ 2,771,892
Intermediate-Term Obligations					
Equipment					
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 4,359,750	\$ 2,615,850	\$ 1,743,900		
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 17,910,244	\$ 10,746,147	\$ 7,164,098		
Total Intermediate-Term Obligations	\$ 22,269,994	\$ 13,361,997	\$ 8,907,998	\$ 0	\$ 0
Total Obligations	\$ 159,291,462	\$ 82,139,411	\$ 59,369,955	\$ 15,010,203	\$ 2,771,892

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

**COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2017**

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	\$ 10,623,779	\$ 10,623,779			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	\$ 2,038,905	\$ 2,038,905			
Patriotic Hall Renovation	3,292,463	3,292,463			
Hall of Justice Rehabilitation	16,997,401	16,997,401			
Olive View Medical Center ER/TB Unit	3,793,778		\$ 3,793,778		
Olive View Medical Center Seismic	1,562,888		1,562,888		
Harbor/UCLA Surgery/ Emergency	23,773,579		23,773,579		
Harbor/UCLA Seismic Retrofit	3,665,987		3,665,987		
Total 2010 Multiple Capital Projects I, Series A	\$ 55,125,000	\$ 22,328,769	\$ 32,796,231	\$ 0	\$ 0
2010 Multiple Capital Projects I, Series B:					
Coroners Expansion/ Refurbishment	\$ 25,447,194	\$ 25,447,194			
Patriotic Hall Renovation	41,092,631	41,092,631			
Hall of Justice Rehabilitation	212,141,438	212,141,438			
Olive View Medical Center ER/TB Unit	47,349,441		\$ 47,349,441		
Olive View Medical Center Seismic	19,506,113		19,506,113		
Harbor/UCLA Surgery/ Emergency	296,713,674		296,713,674		
Harbor/UCLA Seismic Retrofit	45,754,510		45,754,510		
Total 2010 Multiple Capital Projects I, Series B	\$ 688,005,000	\$ 278,681,262	\$ 409,323,738	\$ 0	\$ 0
2011 High Desert Solar Complex (Federally Taxable)	\$ 6,302,286	\$ 6,302,286			
2012 Refg COPs: Disney Parking Project	\$ 50,675,000	\$ 50,675,000			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	\$ 131,843,319		\$ 131,843,319		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	160,496,330		160,496,330		
Martin Luther King Jr. Data Center	5,097,184		5,097,184		
Fire Station 128	4,428,149			\$ 4,428,149	
Fire Station 132	7,162,049			7,162,049	
Fire Station 150	11,108,878			11,108,878	
Fire Station 156	6,594,091			6,594,091	
Total 2012 Multiple Capital Projects II, Series 2012	\$ 326,730,000	\$ 0	\$ 297,436,833	\$ 0	\$ 29,293,167
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	\$ 138,590,000	\$ 138,590,000			
Manhattan Beach Library	12,170,000				\$ 12,170,000
Total 2015 Multiple Capital Projects, Series A	\$ 150,760,000	\$ 138,590,000	\$ 0	\$ 0	\$ 12,170,000
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	\$ 14,090,000	\$ 14,090,000			
LAX Area Courthouse	50,660,000			\$ 50,660,000	
Chatsworth Courthouse	42,490,000			42,490,000	
Total 2015 Lease Revenue Refunding Bonds, Series B	107,240,000	\$ 14,090,000	\$ 0	\$ 93,150,000	\$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	\$ 68,010,000			\$ 68,010,000	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	\$ 255,855,000	\$ 255,855,000			
Total Long-Term Obligations	\$ 1,719,326,064	\$ 777,146,095	\$ 739,556,802	\$ 161,160,000	\$ 41,463,167
Intermediate-Term Obligations					
Equipment					
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 4,275,000	\$ 2,565,000	\$ 1,710,000		
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 37,480,000	\$ 22,488,000	\$ 14,992,000		
Total Intermediate-Term Obligations	\$ 41,755,000	\$ 25,053,000	\$ 16,702,000	\$ 0	\$ 0
Total Obligations	\$ 1,761,081,064	\$ 802,199,095	\$ 756,258,802	\$ 161,160,000	\$ 41,463,167

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF MAY 1, 2018

Title	Outstanding Principal	Total Future Payments	2017-18 FY Payment Remaining
Long-Term Obligations			
Long-Term Capital Projects			
1993 COPs: Disney Parking Project	\$ 7,513,152	\$ 45,555,000	\$ 0
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	37,650,000	39,534,669	0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,135,974,418 (1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	5,769,252	6,090,129 (1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	60,830,500	0
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	320,350,000	547,825,600	0
2015 Multiple Capital Projects, Series A	148,220,000	273,809,000	3,705,500
2015 Lease Revenue Refunding Bonds Series B	104,840,000	158,069,250	2,621,000
2015 Lease Revenue Refunding Bonds Series C (Taxable)	59,525,000	66,993,180	901,885
2016 Lease Revenue Bonds Series D	251,510,000	451,069,638	5,730,847
Total Long-Term Obligations	\$ 1,674,057,404	\$ 2,785,751,383	\$ 12,959,231
Intermediate-Term Obligations			
Equipment			
2014 Lease Rev Bonds Series A - LAC-CAL Equipment Program	\$ 1,375,000	\$ 1,395,625	\$ 1,395,625
2017 Lease Rev Bonds Series A - LAC-CAL Equipment Program	\$ 28,960,000	\$ 30,792,500	\$ 8,599,000
Total Intermediate-Term Obligations	\$ 30,335,000	\$ 32,188,125	\$ 9,994,625
Total Obligations	\$ 1,704,392,404	\$ 2,817,939,508	\$ 22,953,856
COPs = Certificates of Participation			
(1) Total Future Payments reflects the County's net future payment obligation after receipt of a Federal interest subsidy authorized by the American Recovery and Reinvestment Act (ARRA) of 2009.			
Source: Los Angeles County Chief Executive Office			
Note: Amounts do not include Tax Exempt Commercial Paper			

COUNTY OF LOS ANGELES		
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF MAY 1, 2018		
2017-18 Assessed Valuation: \$1,442,766,616,736: (includes unitary valuation)		
	Applicable %	Debt as of 5/1/18
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Metropolitan Water District	48.418 %	\$ 29,341,308
Los Angeles Community College District	100.000	4,165,830,000
Other Community College Districts	Various (1)	3,314,043,243
Arcadia Unified School District	100.000	219,448,560
Beverly Hills Unified School District	100.000	382,994,774
Glendale Unified School District	100.000	258,794,986
Long Beach Unified School District	100.000	1,137,920,702
Los Angeles Unified School District	100.000	10,604,150,000
Pasadena Unified School District	100.000	352,160,000
Pomona Unified School District	100.000	277,754,187
Redondo Beach Unified School District	100.000	216,200,712
Santa Monica-Malibu Unified School District	100.000	362,490,614
Torrance Unified School District	100.000	462,594,845
Other Unified School Districts	Various (1)	3,624,892,121
High School and School Districts	Various (1)	1,906,236,928
City of Los Angeles	100.000	700,210,000
City of Industry	100.000	82,730,000
Other Cities	100.000	52,310,000
Community Facilities Districts	100.000	707,522,747
Los Angeles County Regional Park & Open Space Assessment District	100.000	26,575,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	95,128,829
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 28,979,329,556
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	100.000 %	\$ 1,932,592,404
Los Angeles County Office of Education Certificates of Participation	100.000	6,500,306
Community College District Certificates of Participation	Various (2)	24,620,033
Baldwin Park Unified School District Certificates of Participation	100.000	28,680,000
Compton Unified School District Certificates of Participation	100.000	18,910,000
Los Angeles Unified School District Certificates of Participation	100.000	195,975,000
Paramount Unified School District Certificates of Participation	100.000	28,470,000
Other Unified School District Certificates of Participation	Various (2)	188,316,205
High School and Elementary School District General Fund Obligations	Various (2)	124,841,345
City of Beverly Hills General Fund Obligations	100.000	136,835,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,513,142,460
City of Long Beach General Fund Obligations	100.000	137,720,000
City of Long Beach Pension Obligations Bonds	100.000	25,130,000
City of Pasadena General Fund Obligations	100.000	433,872,722
City of Pasadena Pension Obligations Bonds	100.000	119,460,000
Other Cities' General Fund Obligations	100.000	1,530,292,353
Los Angeles County Sanitation Districts Financing Authority	100.000	113,228,705
Antelope Valley Hospital District General Fund Obligation	100.000	16,870,852
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 6,575,457,385
Less: Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds and economically defeased certificates of participation		(6,600,000)
Cities' supported bonds		(464,071,824)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 6,104,785,561
OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies):		\$ 3,584,579,032
GROSS COMBINED TOTAL DEBT		\$ 39,139,365,973 (3)
NET COMBINED TOTAL DEBT		\$ 38,668,694,149
RATIOS TO 2017-18 ASSESSED VALUATION		
Total Gross Overlapping Tax and Assessment Debt	2.01 %	
Total Gross Direct Debt (\$1,963,521,065)	0.13 %	
Gross Combined Total Debt	2.71 %	
Net Combined Total Debt	2.68 %	
Ratios to Redevelopment Successor Agency Incremental Valuation (\$198,208,366,398):		
Total Overlapping Tax Increment Debt	1.81 %	
Source: California Municipal Statistics. The above 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.		

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2017 Gross Product of \$670.0 billion, Los Angeles County's economy is larger than that of 44 states and all but 21 countries. The County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy experienced moderate growth in 2017 with an increase in economic output of 3.2%, as measured by Gross Product, and an estimated increase in total taxable sales of 2.1%. The economic recovery is expected to continue in 2018, with several sectors of the local economy experiencing growth.

The County's unemployment rate fell to 4.6% in 2017, which reflects the ongoing improvement in the job market, and the lowest rate of the post-recession period. In 2018 and 2019, the positive trend in the job market is expected to continue, with a projected decline in the average unemployment rate to 4.3% and 4.1% respectively. The significant job losses which occurred during the recession of 2008 and 2009 were partially offset by the positive impact of major public and private construction projects.

During Fiscal Year 2016-17, voters approved various State and local ballot measures that could generate approximately \$151.0 billion in funding for capital infrastructure and public services in the County. In the June and November 2016 elections, the voters in school and community college districts passed over \$9.4 billion in general obligation bond measures supported by ad valorem taxes to finance new capital construction and improvement projects, with an average approval rate of over 73%. As of December 31, 2017, K-12 schools and community college districts in the County had approximately \$19.3 billion of previously authorized, but unissued bond capacity. The Measure A parcel tax is expected to generate approximately \$94 million per year for the County's local parks, beaches, and open space areas, and will replace the expiring funding from voter approved Propositions A in 1992 and 1996. The success of the ballot measures in 2016 may be an indication that County voters are willing to authorize new taxes to finance critical capital infrastructure and public services.

The increase in sales tax revenue resulting from the 2008 voter-approved Measure R and the corresponding 2016 voter-approved Measure M will continue to provide funding for major highway and transit projects throughout the County. Measure M provides an indefinite extension of the increase in sales tax revenue approved by voters through Measure R, which was originally set to expire on July 1, 2039. Measure M is projected to generate \$120.0 million of sales tax revenue over the next 40 years for the Los Angeles County Metropolitan Transportation Authority ("MTA") to finance new transportation infrastructure projects.

On March 7, 2017, the voters approved Measure H authorizing a one-quarter percent (0.25%) County sales tax for ten years in order to fund homeless services and prevention. The increase in sales tax revenue resulting from the voter-approved Measure H provides funding to prevent and combat homelessness within the County. Measure H is projected to generate approximately \$355.0 million of sales tax revenue per year for the County.

In addition, hospitals throughout the County are engaged in building programs to meet stricter earthquake standards and other regulatory requirements. These major construction projects, combined with the terminal expansions under way at the two primary sea ports (Port of Los Angeles and Port of Long Beach), the expansion of the Los Angeles International Airport ("LAX"), and the expansion of the Metro Light Rail System have provided continued support to an improving job market in the County.

In terms of its industrial base, diversity continues to be the County's greatest strength, with wholesale and retail trade, health care, manufacturing, and leisure and hospitality being the leading employment sectors in the private economy. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and the Port of Long Beach, is the largest customs district in the nation. The Los Angeles region is the largest manufacturing center in the nation, with over 350,100 workers employed in this sector in 2017. The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and is ranked as the ninth largest among the world's port facilities. The County's vibrant technology sector known as Silicon Beach has become a large and growing source of highly compensated jobs in the local economy. According to the Los Angeles Economic Development Corporation ("LAEDC"), the County's information technology sector employed 221,100 workers in 2017.

Quality of Life

Higher Education

The County is home to an extensive education system, with 120 colleges and university campuses, including UCLA; five state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental College and Claremont College; religious-affiliated universities such as Pepperdine and Azusa Pacific; renowned technology schools such as the California Institute of Technology and the affiliated Jet Propulsion Laboratory; and specialized institutions such as the California Institute of the Arts, the Art Center College of Design, the Fashion Institute of Design and Merchandising, and the Otis College of Art and Design.

Culture

The County is the cultural center of the western United States and has been referred to as the "entertainment capital of the world," offering world-class museums, theaters, and music venues. The County is home to the world's leading movie studios, television networks, recording studios, video game developers, publishers and artists, creating one of the largest centers for art and entertainment activity in the nation.

The Performing Arts Center of Los Angeles County, which includes the Dorothy Chandler Pavilion, Ahmanson Theater, Mark Taper Forum and Walt Disney Concert Hall, is one of the three largest performing art venues in the nation. The County features more musical and theatrical productions and has more weekly openings than most major cities in the world. The County is home to the Los Angeles Philharmonic Orchestra, which is recognized as one of the finest symphony orchestras in the world.

The County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, the Huntington Library and the Broad Museum of Contemporary Art. The Broad Museum is located adjacent to the iconic Walt Disney Concert Hall, and will further strengthen and help establish downtown Los Angeles as a premiere cultural destination on the west coast.

In March 2018, the Lucas Museum of Narrative Art in Exposition Park broke ground and is set to open in 2021. The \$1.5 billion museum facility was co-founded by George Lucas, and will include an art exhibition space, archive, library, an expansive lobby, classrooms, two state-of-the-art theaters, a museum shop, and a café. The museum is located directly across the street from the University of Southern California and west of the Natural History Museum.

Recreation

With its geographic size, topography, mild climate, and an average of 329 days of sunshine per year, Los Angeles County offers a full spectrum of recreational activities that are enjoyed by residents and visitors on a year-round basis. The County owns and maintains the world's largest man-made recreational harbor at Marina del Rey, and manages over 182 parks, over 200 miles of horse, biking, and hiking trails, natural habitat and the world's largest public golf course system. Each year, millions of people visit the County's 25 miles of public beaches stretching along its 75-mile coastline, with bike enthusiasts able to enjoy the County's 22-mile beach bikeway.

Millions of visitors continue to enjoy the County's multitude of amusement parks, zoos, museums, theaters, sporting venues, motion picture and television studios, parklands, and world-renowned restaurants and retail centers. In addition, the County is the host to a number of major annual events such as the January 1st Rose Parade & Rose Bowl game, Long Beach Grand Prix, Grammy Awards, and the Academy Awards. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, X Games, BCS College Football National Championship, and the Super Bowl. In July 2017, the City of Los Angeles announced a deal with the International Olympic Committee to host the 2028 Summer Olympics.

Population

The County is the most populous county in the U.S. with over 10.2 million people estimated to be residing within its borders. The County's population makes it equivalent to the tenth largest state in the nation and accounts for approximately 25.9% of the total population of California. According to the U.S. Census Bureau's demographic profile, the County's population is comprised of 48.5% Hispanic, 26.5% White, 15.1% Asian, 9.1% African American and 0.8% other. The County is home to the highest number of foreign-born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 103 consulates, the County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented

across the County. It is estimated that 77.7% of the adult population has a high school diploma or higher, and 30.8% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

After the most recent economic downturn, which started in late 2007 and had a significant adverse impact on the local economy, the County has continued to experience a steady recovery in the job market since 2010. The average unemployment rate increased from 5.1% in 2007 to 12.5% in 2010, but has experienced a steady decrease over the last seven years to 4.6% in 2017. In comparison, the average unemployment rates for the State of California and the United States in 2017 were 4.8% and 4.4%, respectively. The unemployment rate in the County is expected to experience continued improvement over the next two years, falling to 4.3% in 2018 and 4.1% in 2019, as the County approaches full employment. Table E details the County's historical unemployment rates from 2013 through 2017. The employment situation in the County showed additional signs of improvement in 2017, with estimated total net job growth of 72,100 among the various sectors of the local economy. Table F details the non-agricultural employment statistics by sector for the County from 2013 through 2017.

Personal Income

Total personal income in the County grew by an estimated 3.8% in 2017. The 2017 total personal income of \$585.5 billion represents an estimated 25.5% of the total personal income generated in California. The LAEDC is projecting continued growth in personal income of 2.9% for 2018 and 2.8% for 2019. Table C provides a summary of the personal income statistics for the County from 2013 through 2017.

Consumer Spending

As the most populous county in the nation with a vibrant and diverse economy, the County is recognized as a national leader in consumer spending. As reported by LAEDC, the County experienced a 2.1% increase in total taxable sales in 2016, with consistent growth of 2.1% projected for 2017. The \$154.2 billion of total taxable sales in the County in 2016 represents 23.8% of the total taxable sales in California, which underscores the significant importance of the County to the economic health of California. Table D provides a summary of total taxable sales activity in the County from 2012 through 2016.

Industry

With an estimated annual economic output of \$670.0 billion in 2017, the County continues to rank among the world's largest economies. The County's 2017 Gross Product represents approximately 28.2% of the total economic output in California and 3.9% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in technology, electronics, energy, communications, and entertainment. The top industries in the manufacturing sector include computer and electronics, apparel, transportation equipment, fabricated metal products, and food. Table A provides the Gross Product statistics for the County from 2013 through 2017.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, the County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced steady growth over the previous decade, resulting in a record level of \$357.1 billion in 2008. After suffering a substantial decrease in 2009, the value of two-way trade in the LACD has experienced strong growth over the last several years. From 2009 to 2013, the value of two-way trade at LACD increased by 47% which surpassed the record level attained in 2008. LACD experienced a slight increase in 2016, handling approximately \$398.0 billion worth of international trade, which represents a 1.1% increase from 2015.

Transportation/Infrastructure

The County is one of the world's largest transportation centers. The region's ports, airports, integrated rail and highway facilities are part of an extensive transportation infrastructure that provides valuable service to residents, visitors, and industry.

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the fourth busiest airport in the world and second in the United States for passenger traffic. In 2017, LAX served 84.6 million passengers, representing an 4.5% increase from the previous year. The 2.4 million tons of air cargo handled at LAX in 2017, and the corresponding value of \$109.6 billion, represents an increase of 10.3% from 2016 levels. The \$14 billion capital improvement project currently underway at LAX is expected to generate approximately 121,640 local jobs. On May 2, 2016, the Bob Hope Airport changed its branding name to Hollywood Burbank Airport in an effort to increase name recognition outside of Southern California. The Hollywood Burbank Airport is currently in the pre-planning stage to replace its 14-gate terminal with a new state of the art facility. Construction is scheduled to begin on the replacement terminal between 2018 and 2022.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. The combined Los Angeles/Long Beach port complex has been one of the fastest growing port facilities in the United States, and is the busiest port complex in the U.S. and western hemisphere, and the tenth busiest in the world. The port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2017, it was ranked as the busiest container port in the United States and the seventeenth (17th) busiest in the world, as measured by annual container volume. The Port of Los Angeles covers over 7,500 acres and includes 43 miles of waterfront. The Port has 26 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2017, the Port handled over 9.3 million TEUs, which represents an 5.5% increase in container volume from 2016.

The Port of Long Beach is also among the world's busiest container ports, and was ranked behind the Port of Los Angeles as the second busiest port in the nation, and the twenty-first (21st) busiest in the world in 2017. The Port of Long Beach covers over 3,000 acres with 10 separate piers, 80 berths, 66 cranes and 22 shipping terminals. In 2017, the port handled nearly 7.5 million TEUs of container cargo, which represents an increase of 11.4% from 2016.

Port Expansion

The Ports of Los Angeles and Long Beach are currently in the process of major ongoing expansion programs that will facilitate further growth and expansion of trade activity. The expansion of port facilities will continue to have a positive economic impact on the region through the creation of new jobs in the trade-related sectors of the local economy. The various expansion related projects will enable the region to more effectively manage higher volumes of imports and exports and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

Metro System

The Metro System is a multi-modal and integrated passenger transportation system that provides service to the greater Los Angeles area. With over 414 million in annual boardings, the Metro System is the second largest public transportation system in the U.S. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation services that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the MTA, which is responsible for the planning, design, construction and operation of the public transportation system for the County. The Fiscal Year 2017-18 operating budget for the MTA is \$6.1 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2017, the Los Angeles region hosted a record high 31.9 million overnight visitors, representing a 2.9% increase from 2016. According to the Los Angeles Convention and Visitors Bureau, a record high of 7.3 million foreign residents visited the region in 2017, which represents a 3.2% increase compared to 2016. Of all foreign countries visiting the region, China continues to display the fastest growth of any international market with 11.7% more visitors than in 2016. Recently constructed hotels in downtown Los Angeles, Beverly Hills and Hollywood are attracting additional business and leisure travelers to the County.

Real Estate and Construction

After enduring the adverse effects of the economic downturn starting in late 2007, the County's residential housing market has experienced a strong and steady recovery since 2012. The average median price for new and existing homes, decreased by nearly 46% from a peak of \$532,281 in 2007 to a cyclical low of \$290,015 in January 2012. However, the real estate market stabilized in 2012 and began a strong recovery as the average median home price increased by 69.9% from 2012 to 2017.

In 2017, the real estate market continued to experience strong growth, as the average median home price increased by 7.6% to

\$561,317 from 2016. After a record high of 105,433 in 2009, notices of default recorded decreased by 89.2% to 11,402 in 2017 equaling a rate of approximately 950 notices per month, which represents a slight improvement over 2016 when the rate averaged 1,150 notices per month. Foreclosures, as measured by the number of trustees deeds recorded, has experienced a significant decrease of over 94% from a cyclical high of 39,774 in 2008 to 2,570 in 2017. The number of trustees deeds recorded in 2017 represents a 26% decrease from 2016 (3,481 to 2,570).

has been under construction since 2016, and also includes shops, restaurants, and conference space.

Despite the severe downturn in the housing market from 2007 to 2011, the County has maintained stable assessed valuations. The stability of the property tax base is primarily due to the significant amount of "stored value" in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2017-18, the County Assessor reported a Net Local Roll of \$1.416 trillion, which represents a 6.04% increase from the Net Local Roll of \$1.336 trillion in Fiscal Year 2016-17. The Net Local Roll in Fiscal Year 2017-18 represents a 31.2% increase from Fiscal Year 2011-12, and the seventh consecutive year of growth in assessed valuation after the recent economic downturn.

The commercial real estate sector continued to show improvement in 2017. Construction lending experienced robust growth of 13.7% from \$11.979 billion in 2016 to \$13.619 billion in 2017. Office market vacancy rates increased slightly from 2016 to 2017, with the average vacancy rate increased to 14.4% from 14.0%, which is still significantly higher than the 9.7% rate in 2007, prior to the economic downturn. Industrial market vacancy rates increased to 1.1% in 2017 from 0.9% in 2016, which is slightly lower than the 1.5% vacancy rate in 2007 prior to the economic downturn.

On June 23, 2017, the InterContinental hotel in the Wilshire Grand Center in Downtown Los Angeles opened after several years of construction. The 73-story, 1,100-foot tall structure, includes an InterContinental hotel, office space and condominiums, represents a \$1.35 billion private investment in Downtown Los Angeles. In August 2017, the University of Southern California completed a \$700 million mixed-use complex adjacent to its main campus, which is located just south of Downtown Los Angeles. The 1.2 million-square foot complex includes seven residential halls, a 30,000 square-foot fitness center, and is home to commercial tenants such as Trader Joes, Target, CVS, and Wahlburgers.

In January 2016, National Football League (NFL) team owners voted to allow the St. Louis Rams to move to Los Angeles for the 2016 NFL season. A year later, NFL team owners voted to allow the San Diego Chargers to relocate to Los Angeles for the 2017 NFL season. The future home of the Los Angeles Rams and the Los Angeles Chargers is currently under construction and will feature a new 70,000 seat glass-roofed stadium on a 298 acre site in Inglewood. The new stadium is part of a larger privately financed multibillion-dollar entertainment, retail and housing complex located on the former site of Hollywood Park. The Rams' and Chargers' new stadium is projected to open for the 2020 NFL season at a cost expected to exceed \$2 billion. The Rams will play their home games in the Los Angeles Coliseum, and the Chargers will play their home games at the Stub-Hub Center in Carson until the new stadium is completed.

On April 18, 2018, a new soccer stadium in Exposition Park was opened to the public. This Gensler-designed stadium seats 22,000, and is the home stadium to the Major League Soccer franchise the Los Angeles Football Club. This \$350 million facility

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

GROSS PRODUCT

POPULATION LEVELS

TOTAL PERSONAL INCOME

TOTAL TAXABLE SALES

UNEMPLOYMENT RATES

AVERAGE ANNUAL EMPLOYMENT

SUMMARY OF AIRPORT AND PORT ACTIVITY

VALUE OF INTERNATIONAL TRADE AT MAJOR U.S. CUSTOMS DISTRICTS

TOTAL TONNAGE OF MAJOR WEST COAST PORTS

TOTAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS

REAL ESTATE AND CONSTRUCTION INDICATORS

BUILDING PERMITS AND VALUATIONS

LARGEST PRIVATE SECTOR EMPLOYERS

TABLE A: GROSS PRODUCT OF LOS ANGELES COUNTY (in millions of \$)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Los Angeles County	\$587,582	\$610,332	\$634,635	\$649,349	\$669,975
State of California	2,064,534	2,150,580	2,245,876	2,320,345	2,379,111
United States	15,612,200	16,013,300	16,471,500	16,716,200	17,096,200
Los Angeles County as a % of California	28.46%	28.38%	28.26%	27.99%	28.16%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018 & Bureau of Economic Analysis - U.S. Department of Commerce

TABLE B: POPULATION LEVELS (in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Los Angeles County	10,056	10,125	10,179	10,215	10,278
State of California	38,373	38,739	39,059	39,312	39,613
Los Angeles County as a % of California	26.21%	26.14%	26.06%	25.98%	25.95%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

TABLE C: TOTAL PERSONAL INCOME: HISTORICAL SUMMARY BY COUNTY (in millions of \$)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Los Angeles County	\$483,579	\$514,517	\$549,073	\$563,908	\$585,515
Orange County	166,369	174,586	188,471	196,920	202,801
San Diego County	157,757	167,633	177,551	183,032	188,877
Riverside and San Bernardino Counties	141,977	149,935	160,048	166,657	173,019
Ventura County	41,728	43,878	46,269	47,397	48,823
State of California	1,861,956	1,986,025	2,133,664	2,212,691	2,300,034
Los Angeles County as a % of California	25.97%	25.91%	25.73%	25.49%	25.46%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

TABLE D: TOTAL TAXABLE SALES IN LOS ANGELES COUNTY (in millions of \$)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Los Angeles County	\$135,296	\$140,080	\$147,447	\$151,034	\$154,208
State of California	558,387	586,840	615,822	633,884	649,079
Los Angeles County as a % of California	24.23%	23.87%	23.94%	23.83%	23.76%

Source: Board of Equalization

TABLE E: UNEMPLOYMENT RATES

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Los Angeles County	9.8%	8.2%	6.6%	5.2%	4.6%
State of California	8.9%	7.5%	6.2%	5.4%	4.8%
United States	7.4%	6.2%	5.3%	4.9%	4.4%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

TABLE F: ESTIMATED AVERAGE ANNUAL EMPLOYMENT IN LOS ANGELES COUNTY BY SECTOR**Non-Agricultural Wage and Salary Workers (in thousands)**

Employment Sector	2013	2014	2015	2016	2017
Health Care & Social Assistance	584.7	602.1	621.6	645.7	669.0
Wholesale & Retail Trade	624.5	635.6	644.9	646.7	647.0
Government	551.2	556.2	568.5	576.7	585.5
Leisure & Hospitality	438.9	464.1	486.6	510.0	523.9
Manufacturing	375.6	371.1	367.8	360.3	350.1
Professional, Scientific & Technical Services	271.8	271.8	271.8	277.9	284.3
Administrative & Support & Waste Services	254.8	261.3	264.1	268.4	271.7
Information	213.0	211.2	215.5	219.8	221.1
Transportation, Warehousing & Utilities	157.5	163.4	171.5	182.3	191.8
Other	145.7	150.5	151.0	153.3	154.1
Construction	114.6	118.5	126.2	133.9	137.7
Educational Services	117.4	118.6	119.5	121.9	125.3
Finance & Insurance	74.7	76.7	80.0	81.6	83.7
Real Estate & Rental & Leasing	54.6	56.7	59.3	61.0	63.0
Management of Companies & Enterprises	58.2	58.6	57.9	57.0	57.4
Total	4,037.2	4,116.4	4,206.2	4,296.5	4,365.6

Source: Los Angeles Economic Development Corporation

TABLE G: SUMMARY OF AIRPORT AND PORT ACTIVITY (in thousands)

Type of Activity	2013	2014	2015	2016	2017
International Air Cargo (Tons)					
Los Angeles International Airport	1,119.5	1,176.3	1,284.7	1,336.3	1,476.7
As Percentage of Total Air Cargo	58.12%	58.78%	60.25%	60.59%	61.80%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,926.1	2,001.2	2,132.5	2,205.3	2,389.5
Long Beach Airport	24.4	25.5	23.9	25.2	23.0
Hollywood Burbank Airport	52.9	56.3	54.8	53.3	54.4
Total	2,003.4	2,082.9	2,211.1	2,283.9	2,466.9
International Air Passengers					
Los Angeles International Airport	17,852.1	19,105.7	20,740.1	22,850.2	24,829.4
As Percentage of Total Passengers	26.78%	27.04%	27.68%	28.24%	29.36%
Total Air Passengers					
Los Angeles International Airport	66,667.6	70,662.2	74,936.3	80,921.5	84,558.0
Long Beach Airport	2,942.9	2,824.0	2,523.7	2,841.1	3,783.8
Hollywood Burbank Airport	3,844.4	3,861.2	3,943.6	4,142.9	4,739.5
Total	73,454.9	77,347.4	81,403.6	87,916.8	93,081.3
Container Volume (TEUs)					
Port of Los Angeles	7,868.6	8,340.1	8,160.5	8,856.8	9,343.2
Port of Long Beach	6,730.6	6,820.8	7,192.1	6,775.2	7,544.5
Total	14,599.2	15,160.9	15,352.5	15,632.0	16,887.7

Source: Los Angeles World Airports, LAX - Statistics; Hollywood Burbank Airport - Statistics; Long Beach Airport - Statistics; Port of Los Angeles - Statistics; Port of Long Beach - Statistics

TABLE H: VALUE OF INTERNATIONAL TRADE AT MAJOR CUSTOMS DISTRICTS (in millions of \$)

Customs District	2012	2013	2014	2015	2016
Los Angeles, CA	\$403,901	\$414,723	\$417,974	\$393,594	\$397,972
New York, NY	381,877	378,895	387,051	370,181	356,551
Laredo, TX	239,090	253,056	280,572	285,043	283,018
Detroit, MI	253,233	253,613	262,378	245,163	247,973
Chicago, IL	187,491	192,537	210,928	201,734	198,318
New Orleans, LA	243,620	235,038	234,341	199,245	193,507
Seattle, WA	138,780	143,993	152,700	154,755	147,338
Savannah, GA	132,344	129,526	141,954	148,723	143,810
Cleveland, OH	118,664	122,563	131,911	129,889	131,897
Houston-Galveston, TX	273,941	251,731	252,440	195,403	61,424

Source: Los Angeles Economic Development Corporation - 2018-2019 International Trade Report

TABLE I: TOTAL TONNAGE OF MAJOR WEST COAST PORTS (in thousands)

Port	2012	2013	2014	2015	2016
Los Angeles-Long Beach, CA	201,709	207,252	210,440	204,800	209,685
Tacoma, WA	30,975	31,861	34,936	34,149	38,153
Oakland, CA	30,298	30,906	30,540	29,020	31,100
Seattle, WA	25,549	18,104	14,422	14,906	15,134
Kalama, WA	10,199	9,304	9,725	12,080	14,241
Portland, OR	17,948	13,571	14,573	9,798	9,743
San Diego, CA	4,822	5,168	5,358	5,591	5,999
Port Hueneme	4,520	4,921	5,240	5,774	5,381
Vancouver, WA	4,914	2,001	2,855	3,014	2,748

Source: Pacific Maritime Association - 2017 Annual Report and past reports

TABLE J: TOTAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS (TEUs in thousands)

Port	2012	2013	2014	2015	2016
Los Angeles-Long Beach, CA	14,123	14,599	15,161	15,353	16,888
New York-New Jersey, NY	5,530	5,467	5,772	6,372	6,252
Savannah, GA	2,966	3,034	3,346	3,737	3,645
Seattle-Tacoma, WA	3,564	3,456	3,394	3,529	3,616
Norfolk, VA	2,106	2,224	2,393	2,549	2,657
Oakland, CA	2,344	2,347	2,394	2,278	2,370
Houston, TX	1,922	1,950	1,951	2,131	2,183
Charleston, SC	1,515	1,601	1,792	1,973	1,996

Source: Port of Los Angeles, Port of Long Beach, The Port Authority of NY & NJ, Georgia Ports Authority, Port of Oakland, Port of Virginia, The Northwest Seaport Alliance, Port of Houston Authority, and South Carolina Ports - analysis of data provided by ports

TABLE K: REAL ESTATE AND CONSTRUCTION INDICATORS IN LOS ANGELES COUNTY

Indicator	2013	2014	2015	2016	2017
1. Construction Lending (in millions)	\$6,379	\$8,750	\$9,711	\$11,979	\$13,619
2. Residential Purchase Lending (in millions)	\$27,910	\$31,441	\$48,832	\$53,362	\$53,754
3. New & Existing Median Home Prices	\$412,795	\$458,677	\$490,083	\$521,558	\$561,317
4. New & Existing Home Sales	84,229	76,348	81,188	81,061	82,319
5. Notices of Default Recorded	20,970	17,883	17,422	13,802	11,402
6. Unsold New Housing (at year-end)	561	552	620	1,217	N/A*
7. Office Market Vacancy Rates	16.7%	14.9%	14.7%	14.0%	14.4%
8. Industrial Market Vacancy Rates	1.8%	1.5%	0.8%	0.9%	1.1%

*2nd & 3rd Quarter of 2017 data are unavailable.

Source: Real Estate Research Council of Southern California - 4th Quarter 2017

TABLE L: BUILDING PERMITS AND VALUATIONS

	2013	2014	2015	2016	2017
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	3,599	4,286	4,297	4,664	5,559
b. Multi-Family	12,631	14,595	18,638	15,272	16,451
Total Residential Building Permits	16,230	18,881	22,935	19,936	22,010
Building Valuations					
2. Residential Building Valuations (in millions of \$)					
a. Single Family	\$1,507	\$1,740	\$1,868	\$2,096	\$2,376
b. Multi-Family	1,921	2,310	2,877	2,765	3,173
c. Alterations and Additions	1,193	1,429	1,591	1,550	1,692
Residential Building Valuations Subtotal	\$4,621	\$5,479	\$6,336	\$6,411	\$7,241
3. Non-Residential Building Valuations (in millions of \$)					
a. Office Buildings	\$246	\$269	\$347	\$345	\$498
b. Retail Buildings	385	829	472	541	688
c. Hotels and Motels	145	359	327	332	89
d. Industrial Buildings	128	122	85	154	132
e. Alterations and Additions	2,012	3,155	2,629	2,774	2,999
f. Other	669	1,507	1,025	618	876
Non-Residential Building Valuations Subtotal	\$3,585	\$6,241	\$4,885	\$4,764	\$5,282
Total Building Valuations (in millions)	\$8,206	\$11,720	\$11,221	\$11,175	\$12,523

Source: Real Estate Research Council of Southern California - 4th Quarter 2017

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

Company (in order of 2017 Ranking)	Industry	Headquarters	No. of Employees	
			L.A. County	Total
1 Kaiser Permanente	Health Care Provider	Oakland, CA	36,468	277,123
2 University of Southern California	Education-Private University	Los Angeles, CA	20,163	20,499
3 Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	16,600	67,000
4 Providence Health & Services	Health Care	Renton, WA	15,255	87,634
5 Target Corp.	Retailer	Minneapolis, MN	15,000	341,000
6 Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	14,970	443,000
7 Walt Disney Co.	Entertainment	Burbank, CA	13,000	195,000
8 Albertsons/Vons/Pavilions	Grocery Retailer	Boise, Idaho	13,000	273,000
9 Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,500	208,000
10 Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	12,242	12,330
11 NBCUniversal	Entertainment	New York	12,000	N/A
12 AT&T Inc.	Telecommunications	Dallas, TX	11,500	264,000
13 Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	11,200	406,000
14 UPS	Transportation and Freight	Atlanta, GA	10,131	434,000
15 Wells Fargo	Diversified Financial Services	San Francisco, CA	9,001	271,000
16 Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	9,000	144,081
17 California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,702	9,670
18 Allied Universal	Security Professional and Safety Services	Santa Ana, CA/ Conshohocken, PA	8,384	150,000
19 ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,000	110,000
20 FedEx Corp.	Shipping and Logistics	Memphis, TN	7,000	168,000
21 Dignity Health	Hospitals	San Francisco, CA	6,274	57,264
22 Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	6,000	218,000
23 Amgen Inc.	Biotechnology	Thousand Oaks, CA	5,616	19,200
24 SoCalGas	Natural Gas Utility	Los Angeles, CA	5,600	8,500
25 Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	5,500	63,000

N/A - Not Available

Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, August 2017

APPENDIX B

**THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

COUNTY OF LOS ANGELES, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 TABLE OF CONTENTS

	Page
Independent Auditor's Report	B-1
Management's Discussion and Analysis (Unaudited)	B-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	B-27
Statement of Activities	B-28
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	B-30
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	B-32
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B-34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	B-36
Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis:	
General Fund	B-37
Fire Protection District	B-38
Flood Control District	B-39
Public Library	B-40
Regional Park and Open Space District	B-41
Mental Health Services Act.....	B-42
Statement of Net Position - Proprietary Funds	B-44
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	B-46
Statement of Cash Flows - Proprietary Funds.....	B-48
Statement of Fiduciary Net Position - Fiduciary Funds	B-52
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	B-53
Statement of Net Position - Discretely Presented Component Units.....	B-54
Statement of Activities - Discretely Presented Component Units.....	B-55
Notes to the Basic Financial Statements	B-57
Required Supplementary Information (Unaudited):	
Schedule of Net Pension Liability and Related Ratios - Last Ten Fiscal Years	B-153
Schedule of County's Contributions - Last Ten Fiscal Years	B-153
Schedule of Funding Progress - Other Postemployment Benefits	B-155



Independent Auditor’s Report

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC) (discretely presented component unit), the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) (discretely presented component unit) and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/Additions
Discretely presented component units	100%	100%	100%
Aggregate remaining fund information	70%	72%	16%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for CDC, First 5 LA, and LACERA is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire Protection District Fund, Flood Control District Fund, Public Library Fund, Regional Park and Open Space District Fund, and Mental Health Services Act Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 24, the schedule of net pension liability and related ratios, the schedule of County's contributions and the schedule of funding progress – other postemployment benefits on pages 151 through 153 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Macias Gini & O'Connell LLP

Los Angeles, California
December 15, 2017

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the year ended June 30, 2017. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net position (total assets and deferred outflows of resources, reduced by total liabilities and deferred inflows of resources) of the County was negative \$1.138 billion. Net position is classified into three categories and the unrestricted component is negative \$22.112 billion.

During the current year, the County's net position decreased by a total of \$636 million. Net position related to governmental activities decreased by \$755 million, while net position related to business-type activities increased by \$119 million.

At the end of the current year, the County's General Fund reported a total fund balance of \$3.651 billion. The fund balance categories and amounts consisted of nonspendable fund balance of \$212 million, restricted fund balance of \$70 million, committed fund balance of \$430 million, assigned fund balance of \$495 million, and \$2.444 billion of unassigned fund balance.

The County's capital asset balances were \$19.586 billion at year-end and increased by \$346 million during the year.

During the current year, the County's total long-term debt decreased by \$91 million. Newly issued and accreted long-term debt of \$260 million were less than the long-term debt maturities of \$351 million.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also includes other supplementary information in addition to the basic financial statements.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources, which represent net position. Over time, increases and decreases in net position may serve as an indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how the County's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods. For example, property tax revenues have been recorded that have been earned but not yet collected and pension and Other Postemployment Benefits (OPEB) expenses have been accrued but not yet paid.

The government-wide financial statements report the following different types of programs or activities:

- **Governmental Activities** - The majority of County services are reported under this category. Taxes and intergovernmental revenues are the major revenue sources that fund these activities, which include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services, and interest on long-term debt.
- **Business-type Activities** - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, and the Aviation Funds represent the County's business activities.
- **Discretely Presented Component Units** - Component units are separate entities for which the County is financially accountable. The Community Development Commission and First 5 LA are displayed as discretely presented in the financial statements.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

FUND FINANCIAL STATEMENTS

The fund financial statements contain information regarding major individual funds. A fund is a fiscal and accounting entity with a balanced set of accounts. The County uses separate funds to ensure compliance with fiscal and legal requirements.

The County's funds are classified into the following three categories:

- **Governmental Funds** - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds.
- **Proprietary Funds** - These funds are used to account for functions that are classified as "business-type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's four Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. There is one nonmajor enterprise fund (Aviation Funds) and it is displayed with the other major enterprise funds.
- **Fiduciary Funds** - These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the County's programs. The Pension and Other Postemployment Benefit Trust Funds, the Investment Trust Funds, and Agency Funds are reported in this fund category, using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's net pension liability and related ratios, the County's pension contributions and progress in funding its obligation to provide pension benefits, and other postemployment benefits to employees.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1.138 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2017 and 2016 (in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 10,670,204	\$ 9,733,525	\$ 2,523,199	\$ 1,838,199	\$ 13,193,403	\$ 11,571,724
Capital assets	<u>16,427,686</u>	<u>16,194,139</u>	<u>3,157,869</u>	<u>3,045,644</u>	<u>19,585,555</u>	<u>19,239,783</u>
Total assets	<u>27,097,890</u>	<u>25,927,664</u>	<u>5,681,068</u>	<u>4,883,843</u>	<u>32,778,958</u>	<u>30,811,507</u>
Deferred outflows of resources	<u>3,139,442</u>	<u>1,240,744</u>	<u>539,905</u>	<u>206,764</u>	<u>3,679,347</u>	<u>1,447,508</u>
Current and other liabilities	2,781,663	2,252,076	476,147	452,338	3,257,810	2,704,414
Long-term liabilities	<u>26,753,872</u>	<u>22,932,611</u>	<u>6,532,381</u>	<u>5,497,786</u>	<u>33,286,253</u>	<u>28,430,397</u>
Total liabilities	<u>29,535,535</u>	<u>25,184,687</u>	<u>7,008,528</u>	<u>5,950,124</u>	<u>36,544,063</u>	<u>31,134,811</u>
Deferred inflows of resources	<u>873,620</u>	<u>1,440,671</u>	<u>178,415</u>	<u>224,935</u>	<u>1,052,035</u>	<u>1,625,606</u>
Net position:						
Net investment in capital assets	15,165,318	14,982,488	2,305,050	2,269,835	17,470,368	17,252,323
Restricted	3,391,358	3,320,163	112,775	92,699	3,504,133	3,412,862
Unrestricted (deficit)	<u>(18,728,499)</u>	<u>(17,719,601)</u>	<u>(3,383,795)</u>	<u>(3,446,986)</u>	<u>(22,112,294)</u>	<u>(21,166,587)</u>
Total net position	<u>\$ (171,823)</u>	<u>\$ 583,050</u>	<u>\$ (965,970)</u>	<u>\$ (1,084,452)</u>	<u>\$ (1,137,793)</u>	<u>\$ (501,402)</u>

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017

Significant changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources included the following:

Current and Other Assets

Current and other assets increased by \$937 million for governmental activities and by \$685 million for business-type activities. For governmental activities, there was an increase of \$1.111 billion in pooled cash and investments, largely due to the improved cash position of the County's General Fund, which grew by \$968 million over the prior year. For business-type activities, current and other assets increased by \$685 million, as hospital accounts receivable were higher in the current year by \$440 million.

Deferred Outflows of Resources

In the current year, deferred outflows of resources were \$3.139 billion and \$540 million for governmental and business-type activities, respectively. These amounts were almost all pension related and changes from the prior year are due to the changes in the total pension liability and in the pension plan's fiduciary net position that must be recognized as pension expense in future years. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 68 and 71. Employer contributions subsequent to the measurement date of the net pension liability (June 30, 2016) are also required to be recorded as deferred outflows. The total pension related deferred outflows increased by \$2.234 billion primarily because the actual pension plan investment earnings were less than the projected earnings used in the actuarial valuation.

Liabilities

Current and other liabilities increased by \$530 million for governmental activities. The largest component of this increase is \$456 million for advances payable, largely due to higher advances for health, mental health, public protection and social services programs. In addition, accounts payable were higher by \$55 million primarily due to increases in amounts owed for the Managed Care Rate Supplement intergovernmental transfer payments. For business-type activities, a net increase of \$24 million in current and other liabilities was largely associated with increases in accounts payable for the hospitals.

Long-term liabilities increased by \$3.821 billion for governmental activities and by \$1.035 billion for business-type activities. Net pension liabilities increased in the current year by \$2.449 billion and \$375 million for governmental and business-type activities, respectively. Liabilities for other postemployment benefits (OPEB) increased for both governmental and business-type activities by \$1.169 billion and \$249 million, respectively. For business-type activities, amounts owed by the County's hospitals to third party payors was higher by \$377 million as discussed in Note 14. Liabilities were also higher for workers' compensation and compensated absences. Specific disclosures related to pension liabilities, OPEB and other changes in long-term liabilities are discussed and referenced in Notes 8, 9, and 11 to the basic financial statements, respectively.

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017

Deferred Inflows of Resources

In the current year, deferred inflows of resources were \$874 million and \$178 million for governmental and business-type activities, respectively. These amounts were almost all pension related and changes from the prior year are due to the changes in the total pension liability and in the pension plan's fiduciary net position that must be recognized as pension expense in future years. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 68 and 71. The total pension related deferred inflows decreased by \$581 million primarily because the actual pension plan investment earnings recognized in the prior year were greater than the projected earnings used in the actuarial valuation. In the current year, the investment earnings were less than projected, and the difference is now being recognized as a deferred outflow. Pension matters are discussed in more detail in Note 8 to the basic financial statements.

For service concession arrangements, there were also \$90 million of deferred inflows of resources recognized in the current year, which represents an increase of \$8 million from the prior year. This amount represents the present value of installment payments associated with private operators of twenty County golf courses, as discussed in Note 7 to the basic financial statements.

The County's total net position consists of the following three components:

Net Investment in Capital Assets

The largest portion of the County's net position, \$17.470 billion, represents its investment in capital assets (i.e., land, buildings and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt and related deferred outflows of resources used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position

The County's restricted net position at year-end was \$3.504 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net position that pertains to the various separate legal entities included in the basic financial statements is also generally restricted because the entities' funding sources require that funds be used for specific purposes.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

Unrestricted Net Position (Deficit)

The County's total unrestricted net position is negative \$22.112 billion. Both governmental and business-type activities reported deficits in this category of \$18.728 billion and \$3.384 billion, respectively. OPEB related liabilities of \$14.527 billion continued to be the most significant factor associated with the reported deficits, along with pension liabilities totaling \$10.273 billion.

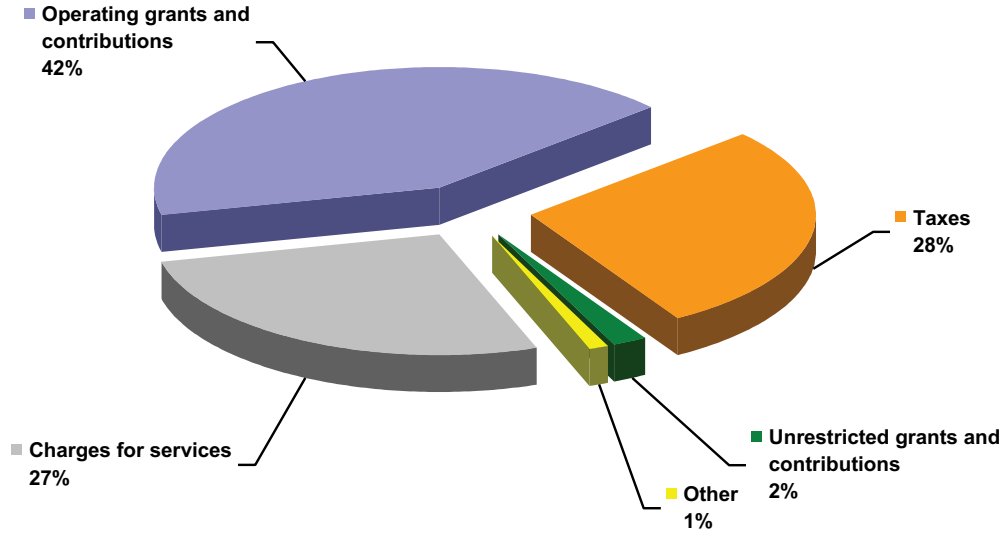
The following table details and identifies changes in net position for governmental and business-type activities:

Summary of Changes in Net Position
For the Years Ended June 30, 2017 and 2016
(in thousands)

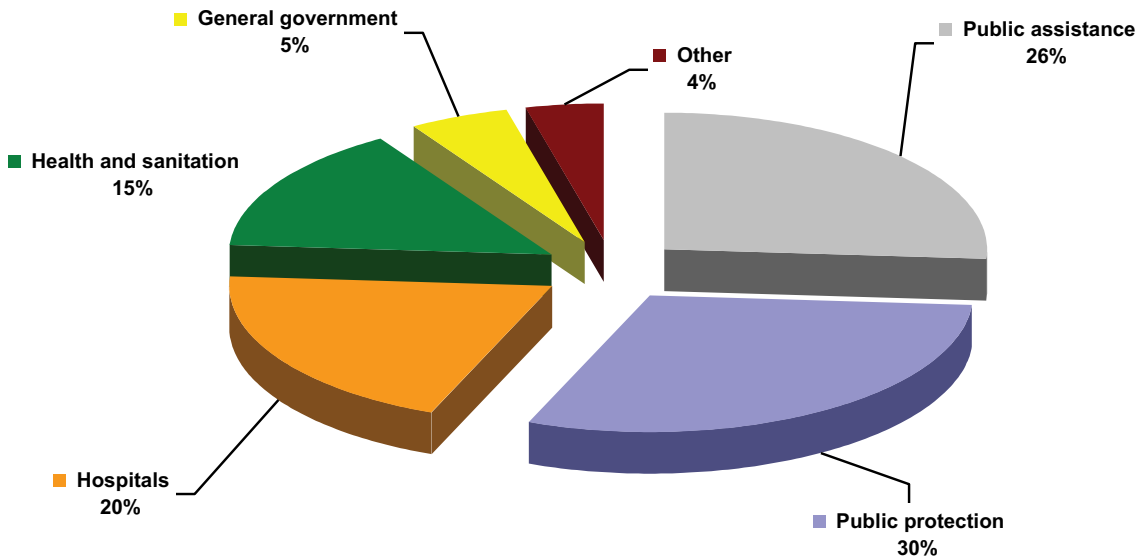
	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,779,483	\$ 2,608,084	\$ 3,959,188	\$ 3,245,260	\$ 6,738,671	\$ 5,853,344
Operating grants and contributions	9,795,607	9,296,996	457,686	315,070	10,253,293	9,612,066
Capital grants and contributions	64,055	24,860	1,195	5,582	65,250	30,442
General revenues:						
Taxes	6,826,908	6,415,494	5,676	5,309	6,832,584	6,420,803
Unrestricted grants and contributions	428,435	374,264			428,435	374,264
Investment earnings	53,363	122,763	898	1,463	54,261	124,226
Miscellaneous	178,922	141,146	122	61	179,044	141,207
Total revenues	20,126,773	18,983,607	4,424,765	3,572,745	24,551,538	22,556,352
Expenses:						
General government	1,354,561	1,235,949			1,354,561	1,235,949
Public protection	7,532,191	7,098,459			7,532,191	7,098,459
Public ways and facilities	397,231	375,295			397,231	375,295
Health and sanitation	3,868,785	3,417,720			3,868,785	3,417,720
Public assistance	6,441,552	6,191,975			6,441,552	6,191,975
Education	127,901	141,195			127,901	141,195
Recreation and cultural services	276,625	388,284			276,625	388,284
Interest on long-term debt	104,899	93,022			104,899	93,022
Hospitals			4,990,891	4,309,615	4,990,891	4,309,615
Waterworks			90,517	86,463	90,517	86,463
Aviation			2,776	5,661	2,776	5,661
Total expenses	20,103,745	18,941,899	5,084,184	4,401,739	25,187,929	23,343,638
Excess (deficiency) before transfers	23,028	41,708	(659,419)	(828,994)	(636,391)	(787,286)
Transfers	(777,901)	(581,699)	777,901	581,699		
Changes in net position	(754,873)	(539,991)	118,482	(247,295)	(636,391)	(787,286)
Net position - beginning	583,050	1,123,041	(1,084,452)	(837,157)	(501,402)	285,884
Net position - ending	\$ (171,823)	\$ 583,050	\$ (965,970)	\$ (1,084,452)	\$ (1,137,793)	\$ (501,402)

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued**

**REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**



**EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**



COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017

Governmental Activities

Revenues from governmental activities increased by \$1.143 billion (6.0%) when compared with the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by \$499 million. For health and sanitation programs, there was net revenue growth of \$377 million. New revenues of \$273 million were associated with the Whole Person Care Los Angeles program. State and federal funding for mental health programs grew by \$33 million. Revenues for public assistance programs grew by \$83 million as there were higher levels of administrative and program costs which are primarily funded from federal and State reimbursement. Pursuant to Assembly Bill 85 (AB85), the County is subject to State withholding of revenues known as "1991 County Health Realignment Funds." The amounts withheld are based on an assumption that County healthcare costs for the indigent population will decrease. The funds will be reconciled and trued-up, two years after the fiscal year in which the amounts were withheld. For the current year, there was a net increase of \$115 million from State Health Realignment revenues for health services.
- Taxes, the County's largest general revenue source, were \$411 million higher than the prior year and were mostly attributable to increased property taxes, which grew by \$397 million. The County's assessed property tax roll grew by 5.6% in the current year. Property tax revenues were also recognized in conjunction with the dissolution of redevelopment agencies. "Pass through" payments from redevelopment dissolution were \$273 million and increased by \$34 million from the prior year. Redevelopment dissolution also provides residual property taxes to local governments, including the County. The County's share of such residual tax revenues in the current year was \$213 million, an increase of \$46 million compared to the prior year.

Expenses related to governmental activities increased by \$1.162 billion (6.1%) during the current year. There were significant cost increases for salaries and wages, which grew by \$334 million. There were general salary increases of 3% during the current year, which became effective for most employees at staggered effective dates throughout the fiscal year. Expenses were also higher for non-salary costs associated with health services, public health and mental health, as costs for contracted services and intergovernmental transfer payments increased by \$244 million. Depreciation expense was \$516 million in the current year, an increase of \$104 million from the prior year amount of \$412 million. Pension costs for governmental activities were \$1.120 billion, or \$633 million higher than the prior year amount of \$487 million. Note 8 to the basic financial statements contains additional information related to pension costs.

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017

Business-type Activities

Revenues from business-type activities for the current year were \$4.425 billion, an increase of \$852 million (23.8%) from the previous year. The most significant increase was in charges for services and operating grants and contributions for the County's hospitals, where revenue grew by \$716 million and \$143 million, respectively. As discussed in Note 14 to the basic financial statements, County hospital revenues are derived from a wide range of federal and State funding sources. In its second year, \$1.378 billion was recognized for the Medi-Cal Demonstration Project, which provides federal funding to the County for health-care programs that shift the focus from hospital-based and inpatient care to outpatient, primary, and preventative care. In addition, the County's hospitals recognized \$770 million of federal funds under the Affordable Care Act for the Hospital Presumptive Eligibility program.

Expenses related to business-type activities increased from the previous year by a net total of \$682 million (15.5%), and were associated entirely with the County's hospitals. Specifically, intergovernmental transfer expenses that are required in order to be eligible for various hospital revenue sources were higher by \$526 million. Costs for salaries and employee benefits were also higher in the current year by \$188 million and attributable to similar factors previously mentioned for the governmental activities. For all Hospital facilities, the average patient census during the current year was 1,149 patients per day, which was slightly lower than the 1,171 for the prior year.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Funds

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of \$7.460 billion, an increase of \$393 million in comparison with the prior year. Of the total fund balances, \$226 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional \$3.533 billion is classified as restricted, \$549 million as committed, and \$708 million as assigned. The remaining balance of \$2.444 billion is classified as unassigned and is entirely associated with the General Fund.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

Governmental Funds-Continued

Revenues from all governmental funds for the current year were \$20.065 billion, an increase of \$1.142 billion (6.0%) from the previous year. Expenditures for all governmental funds in the current year were \$18.930 billion, an increase of \$534 million (2.9%) from the previous year. In addition, other financing uses exceeded other financing sources by \$741 million as compared to \$219 million in the prior year.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by \$267 million (7.9%). At the end of the current fiscal year, the General Fund's total fund balance was \$3.651 billion. Of this amount, \$212 million is classified as nonspendable, \$70 million as restricted, \$430 million as committed, \$495 million as assigned and the remaining \$2.444 billion is classified as unassigned.

General Fund revenues during the current year were \$17.082 billion, an increase of \$892 million (5.5%) from the previous year. General Fund expenditures during the current year were \$16.573 billion, an increase of \$710 million (4.5%) from the previous year. Other financing sources/uses-net was negative \$242 million in the current year as compared to negative \$132 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by \$330 million and property taxes comprised \$232 million of this increase. Residual property tax revenues, which are associated with redevelopment dissolution, were \$185 million in the current year, or \$41 million higher than the prior year. Property tax growth was also reflected in "pass through" property tax revenues, which were \$30 million higher in the current year.
- Intergovernmental revenues increased by \$438 million overall, and were primarily associated with State and federal revenue increases of \$258 and \$154 million, respectively. State and federal revenue growth were attributable to higher levels of reimbursable program and administrative costs for public assistance, children and family services, health, and mental health programs. There was a net revenue increase of \$115 million from the State Health Realignment for health services.
- Charges for services increased by a total of \$149 million. There was a \$105 million increase in revenues associated with health services administration activities from the State Medi-Cal Demonstration Project Global Payment Program, Health Way LA program, and services rendered to the County hospitals. The Registrar-Recorder provides election services to various cities and revenues increased by \$25 million due to the November 2016 Presidential and March 2017 elections. There was also an \$8 million increase in revenues for services provided by the Department of Public Health, primarily for services for environmental inspection fees and Children's Medical Services.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

Governmental Funds-Continued

- General fund expenditures increased by a total of \$710 million, or 4.5%. Within this total, current expenditures increased by \$709 million, and debt service and capital outlay expenditures increased by \$1 million. The most significant increase in current expenditures was reflected in the health and sanitation program, where expenditures grew by \$299 million, and this was primarily due to an increase of \$246 million for managed care and health services administration intergovernmental transfer expenditures. There were also increased costs of \$79 million for medical services in the County jails, which were transferred to the County's Department of Health Services. Public assistance expenditures were higher by \$142 million, of which \$123 million was for salary and benefit increases and \$21 million was for increased spending on the affordable housing program. Public protection programs were higher by \$127 million, of which \$102 million pertained to salaries and employee benefits, largely due to negotiated salary increases. General government spending increased by \$120 million and was associated with \$44 million in salary and benefit increases, an increase of \$46 million was related to costs associated with capital improvements, and \$28 million associated with additional election costs.

The Fire Protection District reported a year-end fund balance of \$206 million, which represented a decrease of \$16 million from the previous year. Revenues increased by \$52 million, of which \$37 million was related to property taxes and primarily associated with growth in assessed property values and \$11 million was for charges for services. Expenditures were also higher by \$49 million, nearly all of which was related to equipment purchases.

The Flood Control District reported a year-end fund balance of \$469 million, which was \$46 million higher than the previous year. Current year revenues were higher by \$30 million while expenditures were higher by \$25 million.

The Public Library Fund reported a year-end fund balance of \$74 million, which was \$9 million higher than the previous year. Revenue growth of \$4 million was primarily from higher property taxes and expenditures were lower by \$2 million.

The Regional Park and Open Space District reported a year-end fund balance of \$278 million, which was \$35 million lower than the previous year. Current year revenues were lower by \$11 million and were associated with decreased charges for services, while expenditures were higher by \$7 million.

The Mental Health Services Act (MHSA) Special Revenue fund, formerly classified as a nonmajor governmental fund, is being reported as a major fund in the current year. The MHSA Special Revenue Fund reported a year-end fund balance of \$1.051 billion, which was \$189 million higher than the previous year. Current year revenues were higher by \$111 million, primarily from an increase in State revenues, while transfers out were higher by \$63 million.

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County's principal proprietary funds consist of four hospital enterprise funds and each one is reported as a major fund. All of the aforementioned funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year as discussed in Note 15 to the basic financial statements. The amount of subsidy, per facility, ranged from \$101 million for Rancho Los Amigos National Rehabilitation Center to \$158 million for the LAC+USC Medical Center. The total subsidy amount was \$539 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as "transfers in." By comparison, the total General Fund subsidy in the prior year was \$370 million. During the current year, the County's hospital operations experienced higher levels of patient care revenues and operating expenses in comparison to the prior year as previously discussed.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund ("Measure B Fund"). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center (\$122 million), Harbor-UCLA Medical Center (\$50 million), and Olive-View UCLA Medical Center (\$36 million). The total current year amount of \$208 million in Measure B transfers was nearly the same as the prior year amount of \$209 million.

Waterworks Funds reported year-end net position of \$801 million, which was \$9 million lower than the previous year. Current year operating revenues were lower by \$3 million while operating expenses were higher by \$4 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 16 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net increase of \$158 million in the General Fund's available (unassigned) fund balance from the previous year.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

Budgetary Summary - Revenues/Financing Sources

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund revenues and other financing sources (in thousands):

<u>Category</u>	Increase (Decrease) From Original <u>Budget</u>	Final Budget <u>Amount</u>	Actual <u>Amount</u>	Variance- Positive (Negative)
Taxes	\$ 76,424	\$ 5,335,399	\$ 5,337,375	\$ 1,976
Intergovernmental revenues	165,229	10,156,636	9,342,484	(814,152)
Charges for services	118,082	1,869,174	1,803,063	(66,111)
All other revenues	10,639	590,018	604,650	14,632
Other sources and transfers in	(948)	778,929	432,530	(346,399)
Total	<u>\$ 369,426</u>	<u>\$ 18,730,156</u>	<u>\$ 17,520,102</u>	<u>\$ (1,210,054)</u>

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources were approximately \$369 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues increased by \$165 million. There was \$279 million to augment federal funds budgeted for the Whole Person Care (WPC) Los Angeles program pursuant to the Medi-Cal 2020 Federal Waiver program in the health department. State Health Realignment estimated revenues were reduced by \$117 million. Net additions of \$37 million were made to budgeted intergovernmental revenues associated with redevelopment dissolution successor agencies. There was also an increase of \$27 million from federal and State funds for the children and family social services programs. Budgeted State revenues for capital projects were increased by \$15 million to reflect additional grant funding. There were other net increases to budgeted intergovernmental revenues of \$8 million.
- The budget for tax revenues increased by \$76 million. Of this increase, \$71 million increase was associated with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues.
- The budget for charges for services increased by \$118 million. Of this increase, \$92 million was associated with revenue received for the General Fund's health services administration activities related to the WPC Medi-Cal 2020 Federal Waiver program and \$21 million for services associated with the November 2016 Presidential Election and March 2017 Special Election. There were other net additions to budgeted charges for services of \$5 million.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately \$17.520 billion. This amount was \$1.210 billion, or 6.5%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, charges for services, and "other sources and transfers in."

- Actual intergovernmental revenues were \$814 million lower than the amount budgeted. Approximately \$352 million was associated with social services and child and family programs, where reimbursable costs were lower than anticipated due to delays in hiring and promoting staff, reduced contractual spending for services and child care provider payments, and delays in implementing new systems. Budgeted intergovernmental revenues of \$186 million were not realized for various capital improvements, disaster recovery programs and emergency preparedness projects, as these initiatives were not completed prior to year-end. Mental health programs accounted for approximately \$121 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. The Sheriff's and Probation Departments under-realized revenues of \$69 million due to lower than expected reimbursement of salaries and services and supplies associated with federal programs. Public health related programs experienced budgeted revenue shortfalls of \$58 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The Office of Diversion and Re-entry budget under-realized \$30 million related to reimbursable expenditures for housing subsidies. The remaining difference of \$2 million was related to a variety of other programs.
- The actual amount of "other sources and transfers in" was \$346 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Special Revenue Fund did not fully materialize at the budgeted level and "transfers in" were \$233 million lower than budgeted. In addition, "transfers in" totaling \$79 million were assumed in the budget for capital improvements and extraordinary building maintenance projects, which did not incur expected costs. Costs associated with Probation Department programs funded by the Other Public Protection Special Revenue Funds were \$17 million less than budgeted. There were various other sources and transfers that comprised the remaining variance of \$17 million.
- Actual charges for services were \$66 million lower than the amount budgeted. The primary variance was associated with public health programs related to substance abuse prevention control and children's medical services, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues by \$66 million.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

Budgetary Summary - Expenditures/Other Financing Uses

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund expenditures, transfers out, and changes in fund balance components (in thousands):

<u>Category</u>	Increase (Decrease)		Actual Amount	Variance- Positive
	From Original Budget	Final Budget Amount		
General government	\$ (137,313)	\$ 2,048,658	\$ 1,163,269	\$ 885,389
Public protection	54,772	5,875,482	5,582,394	293,088
Health and sanitation	122,202	4,074,572	3,704,197	370,375
Public assistance	34,349	6,746,980	6,103,048	643,932
All other expenditures	111,332	1,224,099	445,381	778,718
Transfers out	12,209	445,670	425,878	19,792
Contingencies	43,232	70,607		70,607
Fund balance changes-net	128,643	68,910	(61,869)	130,779
Total	\$ 369,426	\$ 20,554,978	\$ 17,362,298	\$ 3,192,680

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately \$369 million. The most significant changes occurred in the following areas:

- General government appropriations decreased by \$137 million. Provisional appropriations decreased by \$155 million and were transferred to other functional categories to fund capital projects, jail facilities and libraries of \$107 million; increase in public protection programs of \$31 million; to fund financial and cash flow assistance to the Los Angeles Regional Interoperability Communication System Joint Powers Authority of \$8 million; and other various programs of \$9 million. This was offset by an increase of appropriations to the Registrar-Recorder to fully fund costs of the November 2016 Presidential and 2017 March Special elections of \$16 million and \$2 million for other general governmental programs.
- Net fund balance budgetary changes of \$129 million had the effect of reducing the available (unassigned) fund balance component. At the end of the year, the restricted fund balance increased by \$40 million for utility users' taxes that were not expended and remained restricted for programs in unincorporated areas. Committed fund balance of \$28 million was increased for reserve for rainy day funds and \$31 million for Board Budget Policies and Priorities. The remaining variance of \$30 million was attributable to various other fund balance accounts.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

Changes from Amounts Originally Budgeted-Continued

- Health and sanitation appropriations were increased by \$122 million. An increase of \$148 million was to fund the intergovernmental transfers expenditures for the WPC and Medicaid Coverage Expansion programs. This was offset by a \$28 million decrease in appropriation for the transitional costs for medical services in the County's jails which was transferred from the Sheriff's department to the Department of Health Services. The remaining variance of \$2 million was related to other health and sanitation programs.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were \$3.193 billion lower (15.5%) than the final total budget of \$20.555 billion. There were budgetary savings in all functional expenditure categories. Following are the functional areas that recognized the largest variations from the final budget:

- The general government function reported actual expenditures that were \$885 million less than the amount budgeted. Of this amount, \$665 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. Salaries and employee benefits savings of \$74 million were due to hiring delays and vacancies. The County's utility budget had budgetary savings of \$27 million due to continued implementation of the Countywide energy efficiency programs. The remaining \$119 million was spread across County departments comprising general government and was mostly related to savings in the areas of services and supplies.
- The category referred to as "all other expenditures" reflected actual spending of \$779 million less than the budgeted amount. Of this variance, \$758 million was in the capital outlay category, related to numerous capital improvements anticipated in the budget that remained in the planning and development stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.
- Actual public assistance expenditures were \$644 million lower than the final budget. Salaries and employee benefits savings of \$101 million were due to hiring delays and vacancies. Social service and children and family vendor and assistance payments were lower than budget by \$456 million. Administrative costs in these areas were due to lower than anticipated costs for professional, contracted, and information technology services and delays in hiring. There were also direct program savings associated with lower than anticipated caseloads. There were \$74 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance of \$13 million was related to other public assistance programs.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount-Continued

- Overall expenditures for the health and sanitation category were \$370 million less than the budgeted amount. Salaries and employee benefits savings of \$74 million were due to hiring delays and vacancies. In addition, appropriations related to mental health services exceeded actual expenditures by \$276 million, primarily due to lower than anticipated costs for contracted services. The remaining variance of \$20 million was due to lower than expected services and supplies and contracted costs related to other health and sanitation programs.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2017 were \$19.586 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. Specific capital asset changes during the current year are presented in Note 6 to the basic financial statements.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was \$346 million, as shown in the following table.

Changes in Capital Assets, Net of Depreciation
Primary Government - All Activities
(in thousands)

	Current <u>Year</u>	Prior <u>Year</u>	Increase <u>(Decrease)</u>
Land and easements	\$ 7,547,098	\$ 7,531,873	\$ 15,225
Buildings and improvements	5,544,109	5,208,076	336,033
Infrastructure	4,536,386	4,669,187	(132,801)
Equipment	559,203	547,396	11,807
Software	431,623	418,427	13,196
Capital assets, in progress	<u>967,136</u>	<u>864,824</u>	<u>102,312</u>
Total	<u>\$ 19,585,555</u>	<u>\$ 19,239,783</u>	<u>\$ 345,772</u>

The most significant increase in capital assets was in buildings and improvements, which grew by \$336 million. Major capital projects included the Zev Yaroslavsky Family Support Center, totaling \$137 million, the Rancho Los Amigos National Rehabilitation Center Wellness Center, totaling \$12 million, and the Stoneview Nature Center Project, totaling \$11 million, which were completed in the current year. In addition, various refurbishment projects and projects reclassified from construction-in-progress to buildings and improvements contributed to the increase.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

In addition, the County's major capital asset initiatives during the current year continued to focus on new facilities and major improvements. There was significant construction-in-progress at Rancho Los Amigos National Rehabilitation Center, as \$97 million was capitalized for various projects, including the seismic retrofit and new outpatient facilities projects. There was also \$11 million of newly capitalized construction-in-progress costs for the Martin Luther King, Jr. New Parking Structure Project and \$91 million of capitalized costs for various refurbishment construction-in-progress projects. Furthermore, the Department of Public Social Services' Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS) Phase II was completed at the end of the current year and \$72 million was reclassified from software-in-progress to completed software. During the current year, the LEADER legacy system was removed as a software asset and was replaced with LRS. As of June 30, 2017, there were \$112 million of capital asset commitments outstanding.

Debt Administration

During the current year, the County's liabilities for long-term debt, including accreted interest, decreased by \$91 million, as newly issued debt and accretions of \$260 million were less than the debt maturities of \$351 million. Specific changes related to governmental and business-type activities are presented in Note 11 (Long-Term Obligations) to the basic financial statements.

During the current year, significant long-term debt transactions were as follows:

- Lease Revenue Obligations Notes (LRON) of \$195 million were issued for governmental and business-type activities in the amounts of \$35 million and \$160 million, respectively. For governmental activities, debt was issued to finance a new animal care facility, fire station, and museum of art building. For business-type activities, debt was issued to finance hospital improvements.
- New debt of \$63 million was issued to finance the acquisition of equipment for governmental and business-type activities in the amounts of \$45 million and \$18 million, respectively. Equipment debt totaling \$70 million was redeemed during the year in accordance with maturity schedules.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling \$800 million in tax and revenue anticipation notes. The notes matured and were redeemed on June 30, 2017. The General Fund also relied upon periodic borrowing from available agency funds.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

Bond Ratings

The County's debt is rated by Moody's, Standard & Poor's, and Fitch. The following is a schedule of ratings assigned by the respective rating agencies:

	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
General Obligation Bonds	Aa1	AA+	AA-
Facilities	Aa3	AA	AA-
Equipment/Non-Essential Leases	Aa2	AA	AA-
Operating/Non-Essential Leases	Aa2	AA	AA-
Short-Term	MIG1	SP-1+	F1+
Regional Park and Open Space District Bonds	Aa1	AA	AAA

During the current year, the County's bond ratings were upgraded by Moody's assigned ratings for General Obligation Bonds, Facilities, Equipment/Non-Essential Leases, and Operating/Non-Essential Leases from the previous year. A bond rating for the Flood Control District Revenue Bonds is no longer being reported since the bonds were fully redeemed.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2017-18 Budget on June 26, 2017. The Budget was adopted based on estimated fund balances that would be available at the end of 2016-17. The Board updated the Budget on September 26, 2017 to reflect final 2016-17 fund balances and other pertinent financial information. For the County's General Fund, the 2017-18 Budget utilized \$1.982 billion of fund balance, which exceeded the previously estimated fund balance of \$1.480 billion. Of the additional fund balance of \$502 million, \$250 million was used to carryover lapsed appropriations and ensure the continuity of funded program initiatives. The remaining \$252 million was used to fund \$56 million for Information Technology improvement projects, \$49 million of capital improvement projects, \$39 million to augment the County's "Rainy Day Reserve," \$18 million for Homeless and Affordable Housing programs, \$10 million to address stormwater and urban runoff regulatory and compliance requirements, and various other program initiatives of \$80 million.

The County's 2017-18 Budget anticipates the uncertainty of budget proposals from both the federal and State governments that could create significant short and long-term budget challenges for the County. The County is cautiously optimistic that growth will be positive, as assessed property values and unemployment levels continue to trend favorably. The budget addresses homeless and housing programs, child welfare services, the Medi-Cal 2020 healthcare programs, the mental health issues in the County jail system, unfunded liabilities for retiree healthcare benefits, housing, and addressing outdated technology systems, significant deferred maintenance, and capital improvement needs.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2017**

The County's budget outlook, while favorable, continues to be influenced by the fiscal condition and outlook of the State of California. In this regard, the State Legislative Analyst's Office (LAO) reports a positive short-term outlook, foreseeing State budget stability through the end of FY 2018-19 along with adequate reserves. The State is increasingly prepared to weather a moderate recession, assuming no significant changes are made to State policies and programs. For the longer term, the State's outlook is subject to considerable uncertainty, as the State's budget depends on many volatile and unpredictable conditions, including decisions by the federal government or State executive branch and revenue growth.

The County receives substantial federal revenues and operates many programs which are subject to federal rules and regulations. Federal assistance is especially critical to the County's ability to operate its four County hospitals and health care network. The County is carefully monitoring federal policy developments to determine the future impacts, if any, on its ability to administer federal programs and deliver County services that rely upon federal funding.

On March 7, 2017, the voters of Los Angeles County successfully passed a ballot measure (Measure H) to combat homelessness and established a quarter-cent countywide sales tax for a period of ten years. Measure H is estimated to generate \$266 million in revenue during the nine months in which it is effective in FY 2017-18, and approximately \$355 million in the following fiscal year.

Obtaining Additional Information

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-3873.

BASIC FINANCIAL STATEMENTS



COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
JUNE 30, 2017 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	\$ 6,311,686	104,088	\$ 6,415,774	\$ 487,887
Other	1,760,873	28,270	1,789,143	
Total pooled cash and investments	8,072,559	132,358	8,204,917	487,887
Other investments (Note 5)	43,757		43,757	268,021
Taxes receivable	226,547	797	227,344	
Accounts receivable - net (Note 14)		2,157,723	2,157,723	23,148
Interest receivable	35,054	489	35,543	563
Other receivables	2,100,294	220,855	2,321,149	42,228
Internal balances (Note 15)	113,945	(113,945)		
Inventories	68,989	23,299	92,288	14,078
Restricted assets (Note 5)	9,059	101,623	110,682	
Capital assets: (Notes 6 and 10)				
Capital assets, not being depreciated	8,053,187	461,047	8,514,234	96,320
Capital assets, net of accumulated depreciation	8,374,499	2,696,822	11,071,321	89,894
Total capital assets	16,427,686	3,157,869	19,585,555	186,214
TOTAL ASSETS	27,097,890	5,681,068	32,778,958	1,022,139
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	3,139,442	539,905	3,679,347	21,134
LIABILITIES				
Accounts payable	655,405	348,807	1,004,212	39,226
Accrued payroll	455,858	95,576	551,434	
Other payables	108,156	12,172	120,328	7,120
Accrued interest payable	18,494	19,135	37,629	
Advances payable	1,543,750	457	1,544,207	309
Long-term liabilities: (Note 11)				
Due within one year	811,252	773,568	1,584,820	6,006
Due in more than one year	25,942,620	5,758,813	31,701,433	82,903
TOTAL LIABILITIES	29,535,535	7,008,528	36,544,063	135,564
DEFERRED INFLOWS OF RESOURCES (Note 20)	873,620	178,415	1,052,035	8,888
NET POSITION				
Net investment in capital assets	15,165,318	2,305,050	17,470,368	142,941
Restricted for:				
Capital projects	49,526		49,526	
Debt service	293,331	17,956	311,287	295
Permanent funds - nonspendable	2,165		2,165	
Permanent funds - spendable	134		134	
General government	212,281		212,281	
Public protection	969,384		969,384	
Public ways and facilities	345,755	94,819	440,574	
Health and sanitation	1,228,755		1,228,755	
Recreation	282,460		282,460	
Community development				272,439
First 5 LA				422,015
Other	7,567		7,567	
Unrestricted (deficit)	(18,728,499)	(3,383,795)	(22,112,294)	61,131
TOTAL NET POSITION (DEFICIT) (Note 3)	\$ (171,823)	(965,970)	\$ (1,137,793)	\$ 898,821

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

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

FUNCTIONS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 1,354,561	556,361	46,852	36,365
Public protection	7,532,191	1,311,858	1,543,758	21,257
Public ways and facilities	397,231	26,597	170,712	482
Health and sanitation	3,868,785	715,414	2,711,866	56
Public assistance	6,441,552	11,379	5,320,135	
Education	127,901	3,188	84	
Recreation and cultural services	276,625	154,686	2,200	5,895
Interest on long-term debt	104,899			
Total governmental activities	<u>20,103,745</u>	<u>2,779,483</u>	<u>9,795,607</u>	<u>64,055</u>
Business-type activities:				
Hospitals	4,990,891	3,877,494	457,582	
Waterworks	90,517	75,599	84	56
Aviation	2,776	6,095	20	1,139
Total business-type activities	<u>5,084,184</u>	<u>3,959,188</u>	<u>457,686</u>	<u>1,195</u>
Total primary government	<u>\$ 25,187,929</u>	<u>6,738,671</u>	<u>10,253,293</u>	<u>65,250</u>
DISCRETELY PRESENTED COMPONENT UNITS	<u>\$ 585,138</u>	<u>27,365</u>	<u>498,649</u>	<u>4,147</u>

GENERAL REVENUES:

Taxes:

- Property taxes
- Utility users taxes
- Voter approved taxes
- Documentary transfer taxes
- Other taxes

Sales and use taxes, levied by the State

Grants and contributions not restricted to special programs

Investment income

Miscellaneous

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION (DEFICIT), JULY 1, 2016, AS RESTATED
(Note 2)

NET POSITION (DEFICIT), JUNE 30, 2017

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

NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION

PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		FUNCTIONS
\$ (714,983)		\$ (714,983)		PRIMARY GOVERNMENT:
(4,655,318)		(4,655,318)		Governmental activities:
(199,440)		(199,440)		General government
(441,449)		(441,449)		Public protection
(1,110,038)		(1,110,038)		Public ways and facilities
(124,629)		(124,629)		Health and sanitation
(113,844)		(113,844)		Public assistance
(104,899)		(104,899)		Education
(7,464,600)		(7,464,600)		Recreation and cultural services
				Interest on long-term debt
				Total governmental activities
				Business-type activities:
	(655,815)	(655,815)		Hospitals
	(14,778)	(14,778)		Waterworks
	4,478	4,478		Aviation
	(666,115)	(666,115)		Total business-type activities
(7,464,600)	(666,115)	(8,130,715)		Total primary government
			\$ (54,977)	DISCRETELY PRESENTED COMPONENT UNITS
				GENERAL REVENUES:
				Taxes:
6,165,847	5,676	6,171,523		Property taxes
49,572		49,572		Utility users taxes
364,700		364,700		Voter approved taxes
95,022		95,022		Documentary transfer taxes
37,779		37,779		Other taxes
113,988		113,988		Sales and use taxes, levied by the State
428,435		428,435		Grants and contributions not restricted to special programs
53,363	898	54,261	2,210	Investment income
178,922	122	179,044	5,954	Miscellaneous
(777,901)	777,901			TRANSFERS - NET
6,709,727	784,597	7,494,324	8,164	Total general revenues and transfers
(754,873)	118,482	(636,391)	(46,813)	CHANGE IN NET POSITION
583,050	(1,084,452)	(501,402)	945,634	NET POSITION (DEFICIT), JULY 1, 2016, AS RESTATED (Note 2)
\$ (171,823)	(965,970)	\$ (1,137,793)	\$ 898,821	NET POSITION (DEFICIT), JUNE 30, 2017

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
ASSETS					
Pooled cash and investments: (Notes 1 and 5)					
Operating	\$ 2,479,833	191,412	511,344	76,537	286,471
Other	1,669,779	16,771	5,007	1,922	947
Total pooled cash and investments	<u>4,149,612</u>	<u>208,183</u>	<u>516,351</u>	<u>78,459</u>	<u>287,418</u>
Other investments (Notes 4 and 5)	4,483			117	
Taxes receivable	159,429	38,587	11,228	5,932	681
Interest receivable	23,292	510	1,551	251	970
Other receivables	1,907,645	39,387	3,584	1,607	4,466
Due from other funds (Note 15)	308,556	3,843	23,461	656	38
Advances to other funds (Note 15)	167,179		6,474		
Inventories	48,824	11,131	1	561	
TOTAL ASSETS	<u>6,769,020</u>	<u>301,641</u>	<u>562,650</u>	<u>87,583</u>	<u>293,573</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 20)					
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,769,020</u>	<u>301,641</u>	<u>562,650</u>	<u>87,583</u>	<u>293,573</u>
LIABILITIES					
Accounts payable	\$ 600,827	6,725	3,330	1,361	1,442
Accrued payroll	392,096	41,265		3,998	
Other payables	102,289	2,752		547	
Due to other funds (Note 15)	126,140	18,169	28,106	3,154	9,671
Advances payable	1,433,485		54,152		
Third party payor (Notes 11 and 14)	42,051				
TOTAL LIABILITIES	<u>2,696,888</u>	<u>68,911</u>	<u>85,588</u>	<u>9,060</u>	<u>11,113</u>
DEFERRED INFLOWS OF RESOURCES (Note 20)	<u>421,159</u>	<u>26,792</u>	<u>7,863</u>	<u>4,299</u>	<u>4,068</u>
FUND BALANCES (Note 21)					
Nonspendable	212,281	11,131	1	561	
Restricted	70,157	194,807	469,099	15,553	278,392
Committed	429,440				
Assigned	494,783		99	58,110	
Unassigned	2,444,312				
TOTAL FUND BALANCES	<u>3,650,973</u>	<u>205,938</u>	<u>469,199</u>	<u>74,224</u>	<u>278,392</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 6,769,020</u>	<u>301,641</u>	<u>562,650</u>	<u>87,583</u>	<u>293,573</u>

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

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS
\$ 1,111,844	1,599,664		\$ 6,257,105	Pooled cash and investments: (Notes 1 and 5)
1,451	58,512		1,754,389	Operating
1,113,295	1,658,176		8,011,494	Other
	78,052	(38,895)	43,757	Total pooled cash and investments
	10,690		226,547	Other investments (Notes 4 and 5)
3,462	4,687		34,723	Taxes receivable
	43,588		2,000,277	Interest receivable
6,465	35,151		378,170	Other receivables
	11,414		185,067	Due from other funds (Note 15)
	1		60,518	Advances to other funds (Note 15)
1,123,222	1,841,759	(38,895)	10,940,553	Inventories
	228,142		228,142	TOTAL ASSETS
				DEFERRED OUTFLOWS OF RESOURCES (Note 20)
\$ 1,123,222	2,069,901	(38,895)	\$ 11,168,695	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
				LIABILITIES
\$	33,152		\$ 646,837	Accounts payable
	80		437,439	Accrued payroll
			105,588	Other payables
72,230	203,569		461,039	Due to other funds (Note 15)
	55,805		1,543,442	Advances payable
	246		42,297	Third party payor (Notes 11 and 14)
72,230	292,852		3,236,642	TOTAL LIABILITIES
	8,110		472,291	DEFERRED INFLOWS OF RESOURCES (Note 20)
				FUND BALANCES (Note 21)
	2,166		226,140	Nonspendable
1,050,992	1,492,710	(38,895)	3,532,815	Restricted
	119,251		548,691	Committed
	154,812		707,804	Assigned
			2,444,312	Unassigned
1,050,992	1,768,939	(38,895)	7,459,762	TOTAL FUND BALANCES
\$ 1,123,222	2,069,901	(38,895)	\$ 11,168,695	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017 (in thousands)

Fund balances - total governmental funds (page 29)		\$ 7,459,762
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in governmental funds:		
Land and easements	\$ 7,362,462	
Construction-in-progress	690,725	
Buildings and improvements - net	3,636,653	
Equipment - net	317,744	
Intangible software - net	407,743	
Infrastructure - net	<u>3,878,859</u>	16,294,186
Deferred outflows and inflows of resources reported in the statement of net position, but not recognized in the governmental funds:		
Deferred outflows from losses on refunding of debt	\$ 17,360	
Deferred outflows from pension contributions	1,063,930	
Deferred outflows from changes in proportionate share of contributions	95,923	
Deferred outflows from net difference between projected and actual investment earnings on pension plan investments	1,847,036	
Deferred inflows from service concession arrangements	(90,076)	
Deferred inflows from net difference between projected and actual economic experience	(735,044)	
Deferred inflows from changes in proportionate share of contributions	<u>(15,181)</u>	2,183,948
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues when earned in governmental activities:		
Deferred inflows from property taxes	\$ 158,259	
Deferred inflows from long-term receivables	<u>85,890</u>	244,149
Other long-term asset transactions are not available for the current period and are not recognized in governmental funds:		
Payables and receivables related to capital assets	\$ 562	
Accrued interest on long-term receivables	<u>103</u>	665
Installment receivables from service concession arrangements.		90,076
Accrued interest payable is not recognized in governmental funds.		(18,337)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes	\$ (1,354,873)	
Unamortized premiums on bonds and notes	(83,846)	
Accreted interest on bonds and notes	(158,759)	
Capital lease obligations	(151,941)	
Accrued compensated absences	(1,406,670)	
Workers' compensation	(2,256,349)	
Litigation and self-insurance	(212,540)	
Pollution remediation obligations	(22,081)	
Net pension liability	(8,512,689)	
OPEB obligation	(11,565,053)	
Third party payor liability	<u>(19,207)</u>	(25,744,008)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position.		<u>(682,264)</u>
Net position of governmental activities (page 25)		<u>\$ (171,823)</u>

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



COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
REVENUES					
Taxes	\$ 5,333,532	812,898	139,246	87,715	
Licenses, permits and franchises	59,197	18,238	1,167		
Fines, forfeitures and penalties	183,400	2,747	951	436	567
Revenue from use of money and property:					
Investment income (loss) (Note 5)	40,244	(41)	1,687	259	1,068
Rents and concessions (Note 10)	115,382	100	14,805	14	
Royalties	252		548		
Intergovernmental revenues:					
Federal	3,673,996	5,691			
State	5,638,232	15,256	5,771	506	
Other	64,987	3,956	1,745	252	
Charges for services	1,800,657	212,751	129,155	2,139	14,837
Miscellaneous	172,055	2,957	263	1,125	
TOTAL REVENUES	17,081,934	1,074,553	295,338	92,446	16,472
EXPENDITURES					
Current:					
General government	1,159,100				
Public protection	5,546,279	1,086,143	233,359		
Public ways and facilities					
Health and sanitation	3,460,315				
Public assistance	6,034,942				
Education				130,022	
Recreation and cultural services	341,272				51,502
Debt service:					
Principal	7,718	20		6	
Interest and other charges	23,361	2		33	
Capital outlay	63	183		158	
TOTAL EXPENDITURES	16,573,050	1,086,348	233,359	130,219	51,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	508,884	(11,795)	61,979	(37,773)	(35,030)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 15)	437,318	9,669	2,229	47,912	
Transfers out (Note 15)	(680,922)	(14,135)	(18,213)	(1,457)	
Issuance of debt (Note 11)					
Capital leases (Note 10)	63	183		158	
Sales of capital assets	1,388	263	80	6	
TOTAL OTHER FINANCING SOURCES (USES)	(242,153)	(4,020)	(15,904)	46,619	
NET CHANGE IN FUND BALANCES	266,731	(15,815)	46,075	8,846	(35,030)
FUND BALANCES, JULY 1, 2016, AS RESTATED (Note 2)					
	3,384,242	221,753	423,124	65,378	313,422
FUND BALANCES, JUNE 30, 2017	\$ 3,650,973	205,938	469,199	74,224	278,392

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

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES
\$	362,646		\$ 6,736,037	Taxes
	19,952		98,554	Licenses, permits and franchises
	54,736		242,837	Fines, forfeitures and penalties
				Revenue from use of money and property:
3,925	12,214	(2,313)	57,043	Investment income (loss) (Note 5)
	27,289		157,590	Rents and concessions (Note 10)
	1		801	Royalties
				Intergovernmental revenues:
	32,866		3,712,553	Federal
521,464	209,596		6,390,825	State
	15,341		86,281	Other
	166,678		2,326,217	Charges for service
	79,817		256,217	Miscellaneous
<u>525,389</u>	<u>981,136</u>	<u>(2,313)</u>	<u>20,064,955</u>	TOTAL REVENUES
				EXPENDITURES
				Current:
	16,768		1,175,868	General government
	68,959		6,934,740	Public protection
	361,137		361,137	Public ways and facilities
2,862	172,688		3,635,865	Health and sanitation
	8,010		6,042,952	Public assistance
	34		130,056	Education
	8,790		401,564	Recreation and cultural services
				Debt service:
	118,632	(11,715)	114,661	Principal
	92,191	(2,313)	113,274	Interest and other charges
	19,593		19,997	Capital outlay
<u>2,862</u>	<u>866,802</u>	<u>(14,028)</u>	<u>18,930,114</u>	TOTAL EXPENDITURES
<u>522,527</u>	<u>114,334</u>	<u>11,715</u>	<u>1,134,841</u>	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES)
	165,653		662,781	Transfers in (Note 15)
(333,825)	(393,266)		(1,441,818)	Transfers out (Note 15)
	34,642		34,642	Issuance of debt (Note 11)
			404	Capital leases (Note 10)
	912		2,649	Sales of capital assets
<u>(333,825)</u>	<u>(192,059)</u>		<u>(741,342)</u>	TOTAL OTHER FINANCING SOURCES (USES)
188,702	(77,725)	11,715	393,499	NET CHANGE IN FUND BALANCES
862,290	1,846,664	(50,610)	7,066,263	FUND BALANCES, JULY 1, 2016, AS RESTATED (Note 2)
<u>\$ 1,050,992</u>	<u>1,768,939</u>	<u>(38,895)</u>	<u>\$ 7,459,762</u>	FUND BALANCES, JUNE 30, 2017

COUNTY OF LOS ANGELES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

Net change in fund balances - total governmental funds (page 33)		\$ 393,499
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for general capital assets, infrastructure and other related capital asset adjustments	\$ 693,502	
Less - current year depreciation expense	<u>(480,741)</u>	212,761
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net position differs from the change in fund balance.		(3,607)
Contribution of capital assets is not recognized in the governmental funds.		26,364
Amortization of losses on refunding of debt are reported as changes to deferred outflows of resources in governmental activities, but not reported for governmental funds.		(1,951)
Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities.		3,847
Timing differences result in more or less revenues and expenses in the statement of activities.		
Change in accrued interest on long-term receivables	\$ (98)	
Change in unamortized premiums	<u>1,245</u>	1,147
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(35,046)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Certificates of participation and bonds	\$ 45,530	
Notes, loans, and lease revenue obligation notes	49,672	
Assessment bonds	11,715	
Other long-term notes, loans and capital leases	<u>7,744</u>	114,661
Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in workers' compensation	\$ (177,026)	
Change in litigation and self-insurance	(9,386)	
Change in pollution remediation obligations	(5,086)	
Change in accrued compensated absences	(80,223)	
Change in net pension liability, net of related deferred outflows of resources and deferred inflows of resources	(14,571)	
Change in OPEB obligation	(1,124,264)	
Change in third party payor liability	(19,207)	
Change in accrued interest payable	4,773	
Change in accretion of bonds and notes	8,424	
Change in accretion of tobacco settlement bonds	(3,178)	
Transfer of capital assets from governmental fund to enterprise fund	<u>(35)</u>	(1,419,779)
The portion of internal service funds that is reported with governmental activities.		<u>(46,769)</u>
Change in net position of governmental activities (page 27)		<u><u>\$ (754,873)</u></u>

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 5,258,975	5,335,399	5,337,375	1,976
Licenses, permits and franchises	56,870	56,870	59,197	2,327
Fines, forfeitures and penalties	205,256	205,256	183,400	(21,856)
Revenue from use of money and property:				
Investment income	37,759	38,331	79,792	41,461
Rents and concessions	122,043	124,043	115,382	(8,661)
Royalties	570	570	252	(318)
Intergovernmental revenues:				
Federal	4,036,855	4,244,268	3,685,987	(558,281)
State	5,923,091	5,835,415	5,600,943	(234,472)
Other	31,461	76,953	55,554	(21,399)
Charges for services	1,751,092	1,869,174	1,803,063	(66,111)
Miscellaneous	156,881	164,948	166,627	1,679
TOTAL REVENUES	17,580,853	17,951,227	17,087,572	(863,655)
EXPENDITURES				
Current:				
General government	2,185,971	2,048,658	1,163,269	885,389
Public protection	5,820,710	5,875,482	5,582,394	293,088
Health and sanitation	3,952,370	4,074,572	3,704,197	370,375
Public assistance	6,712,631	6,746,980	6,103,048	643,932
Recreation and cultural services	354,540	360,127	339,790	20,337
Debt service-				
Interest	6,458	6,458	6,458	
Capital outlay	751,769	857,514	99,133	758,381
TOTAL EXPENDITURES	19,784,449	19,969,791	16,998,289	2,971,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,203,596)	(2,018,564)	89,283	2,107,847
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	354	354	1,388	1,034
Transfers in	779,523	778,575	431,142	(347,433)
Transfers out	(433,461)	(445,670)	(425,878)	19,792
Appropriations for contingencies	(27,375)	(70,607)		70,607
Changes in fund balance	59,733	(68,910)	61,869	130,779
OTHER FINANCING SOURCES (USES) - NET	378,774	193,742	68,521	(125,221)
NET CHANGE IN FUND BALANCE	(1,824,822)	(1,824,822)	157,804	1,982,626
FUND BALANCE, JULY 1, 2016 (NOTE 16)	1,824,822	1,824,822	1,824,822	
FUND BALANCE, JUNE 30, 2017 (NOTE 16)	\$		1,982,626	1,982,626

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 812,304	814,724	812,973	(1,751)
Licenses, permits and franchises	13,630	14,937	18,238	3,301
Fines, forfeitures and penalties	2,899	2,899	2,747	(152)
Revenue from use of money and property:				
Investment income	700	938	1,350	412
Rents and concessions	81	81	100	19
Intergovernmental revenues:				
Federal	17,875	17,875	5,691	(12,184)
State	18,501	18,536	15,256	(3,280)
Other		2,127	3,956	1,829
Charges for services	206,817	211,993	212,751	758
Miscellaneous	2,883	3,241	2,957	(284)
TOTAL REVENUES	1,075,690	1,087,351	1,076,019	(11,332)
EXPENDITURES				
Current-Public protection:				
Salaries and employee benefits	912,396	950,898	945,408	5,490
Services and supplies	183,631	159,092	143,996	15,096
Other charges	10,693	8,993	4,884	4,109
Capital assets	30,145	31,215	24,733	6,482
TOTAL EXPENDITURES	1,136,865	1,150,198	1,119,021	31,177
DEFICIENCY OF REVENUES OVER EXPENDITURES	(61,175)	(62,847)	(43,002)	19,845
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	297	297	263	(34)
Transfers in	10,155	11,105	9,669	(1,436)
Transfers out	(12,714)	(12,614)	(12,114)	500
Appropriation for contingencies		622		(622)
Changes in fund balance	42,269	42,269	45,785	3,516
OTHER FINANCING SOURCES (USES) - NET	40,007	41,679	43,603	1,924
NET CHANGE IN FUND BALANCE	(21,168)	(21,168)	601	21,769
FUND BALANCE, JULY 1, 2016 (NOTE 16)	21,168	21,168	21,168	
FUND BALANCE, JUNE 30, 2017 (NOTE 16)	\$		21,769	21,769

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 133,443	138,742	139,265	523
Licenses, permits and franchises	865	865	1,167	302
Fines, forfeitures and penalties	1,130	1,130	951	(179)
Revenue from use of money and property:				
Investment income	2,884	2,884	5,299	2,415
Rents and concessions	7,464	7,464	14,805	7,341
Royalties	1,000	1,000	548	(452)
Intergovernmental revenues:				
State	1,158	1,158	5,771	4,613
Other	11,088	11,088	1,745	(9,343)
Charges for services	112,715	112,715	129,034	16,319
Miscellaneous	303	303	263	(40)
TOTAL REVENUES	272,050	277,349	298,848	21,499
EXPENDITURES				
Current-Public protection:				
Services and supplies	222,885	223,625	218,036	5,589
Other charges	19,636	19,636	19,428	208
Capital assets	171	171	106	65
Capital outlay	53,953	53,953	9,875	44,078
TOTAL EXPENDITURES	296,645	297,385	247,445	49,940
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,595)	(20,036)	51,403	71,439
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	50	50	2,309	2,259
Transfers out	(8,972)	(8,232)	(5,318)	2,914
Appropriations for contingencies		(5,299)		5,299
Changes in fund balance	(3,861)	(3,861)	3,274	7,135
OTHER FINANCING SOURCES (USES) - NET	(12,783)	(17,342)	265	17,607
NET CHANGE IN FUND BALANCE	(37,378)	(37,378)	51,668	89,046
FUND BALANCE, JULY 1, 2016 (NOTE 16)	37,378	37,378	37,378	
FUND BALANCE, JUNE 30, 2017 (NOTE 16)	\$		89,046	89,046

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 84,952	84,952	87,750	2,798
Fines, forfeitures and penalties			436	436
Revenue from use of money and property:				
Investment income	437	437	793	356
Rents and concessions	15	15	14	(1)
Intergovernmental revenues:				
Federal	75	75		(75)
State	540	540	506	(34)
Other	165	165	252	87
Charges for services	3,194	3,194	2,139	(1,055)
Miscellaneous	973	1,815	1,125	(690)
TOTAL REVENUES	90,351	91,193	93,015	1,822
EXPENDITURES				
Current-Education:				
Salaries and employee benefits	102,221	102,221	86,901	15,320
Services and supplies	79,456	80,299	46,826	33,473
Other charges	952	952	841	111
Capital assets	2,204	2,474	617	1,857
TOTAL EXPENDITURES	184,833	185,946	135,185	50,761
DEFICIENCY OF REVENUES OVER EXPENDITURES	(94,482)	(94,753)	(42,170)	52,583
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	13	13	6	(7)
Transfers in	54,271	54,542	47,912	(6,630)
Transfers out	(648)	(648)	(648)	
Changes in fund balance	(3,574)	(3,574)	(1,532)	2,042
OTHER FINANCING SOURCES (USES) - NET	50,062	50,333	45,738	(4,595)
NET CHANGE IN FUND BALANCE	(44,420)	(44,420)	3,568	47,988
FUND BALANCE, JULY 1, 2016 (NOTE 16)	44,420	44,420	44,420	
FUND BALANCE, JUNE 30, 2017 (NOTE 16)	\$		47,988	47,988

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Fines, forfeitures and penalties	\$ 264	264	567	303
Revenue from use of money and property- Investment income	833	833	3,238	2,405
Charges for services	28,100	28,100	28,748	648
TOTAL REVENUES	29,197	29,197	32,553	3,356
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	9,694	9,694	8,380	1,314
Other charges	210,253	210,253	47,882	162,371
TOTAL EXPENDITURES	219,947	219,947	56,262	163,685
DEFICIENCY OF REVENUES OVER EXPENDITURES	(190,750)	(190,750)	(23,709)	167,041
OTHER FINANCING SOURCES (USES)				
Transfers in	33,438	33,438	32,920	(518)
Transfers out	(47,662)	(47,662)	(46,982)	680
Changes in fund balance	1,599	1,599	2,842	1,243
OTHER FINANCING SOURCES (USES) - NET	(12,625)	(12,625)	(11,220)	1,405
NET CHANGE IN FUND BALANCE	(203,375)	(203,375)	(34,929)	168,446
FUND BALANCE, JULY 1, 2016 (NOTE 16)	203,537	203,537	203,537	
FUND BALANCE, JUNE 30, 2017 (NOTE 16)	\$ 162	162	168,608	168,446

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

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 MENTAL HEALTH SERVICES ACT
 FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	MENTAL HEALTH SERVICES ACT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Revenue from use of money and property-				
Investment income	\$ 4,471	4,471	11,602	7,131
Intergovernmental revenues-				
State	503,949	503,949	521,464	17,515
TOTAL REVENUES	508,420	508,420	533,066	24,646
EXPENDITURES				
Current-Health and sanitation-				
Services and supplies	26,336	26,336	908	25,428
EXCESS OF REVENUES OVER EXPENDITURES	482,084	482,084	532,158	50,074
OTHER FINANCING USES				
Transfers out	(565,736)	(565,936)	(333,825)	232,111
Appropriations for contingencies	(87,894)	(87,894)		87,894
Changes in fund balance	(245,898)	(245,698)	(245,690)	8
TOTAL OTHER FINANCING USES	(899,528)	(899,528)	(579,515)	320,013
NET CHANGE IN FUND BALANCE	(417,444)	(417,444)	(47,357)	370,087
FUND BALANCE, JULY 1, 2016	417,444	417,444	417,444	
FUND BALANCE, JUNE 30, 2017	\$		370,087	370,087

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



COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating	\$ 1,272	729	1,642	345
Other	7,973	5,104	10,917	2,186
Total pooled cash and investments	<u>9,245</u>	<u>5,833</u>	<u>12,559</u>	<u>2,531</u>
Taxes receivable				
Accounts receivable - net (Note 14)	644,817	438,521	867,311	196,303
Interest receivable	65	39	34	5
Other receivables	16,865	15,303	27,353	4,914
Due from other funds (Note 15)	57,062	39,207	109,333	146,224
Advances to other funds (Note 15)				
Inventories	8,237	4,265	9,012	1,785
Total current assets	<u>736,291</u>	<u>503,168</u>	<u>1,025,602</u>	<u>351,762</u>
Noncurrent assets:				
Restricted assets (Note 5)	63,021	29,673	4,972	433
Other receivables (Note 14 and 15)	54,784	28,260	66,363	7,013
Capital assets: (Notes 6 and 10)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	932,622	363,618	1,090,642	200,848
Equipment	100,909	77,008	115,175	26,118
Intangible - software	16,921	14,359	20,704	5,616
Infrastructure				
Construction in progress	29,180			203,800
Less accumulated depreciation	<u>(294,118)</u>	<u>(180,355)</u>	<u>(372,716)</u>	<u>(133,935)</u>
Total capital assets - net	<u>788,790</u>	<u>291,056</u>	<u>871,988</u>	<u>302,664</u>
Total noncurrent assets	<u>906,595</u>	<u>348,989</u>	<u>943,323</u>	<u>310,110</u>
TOTAL ASSETS	<u>1,642,886</u>	<u>852,157</u>	<u>1,968,925</u>	<u>661,872</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	<u>164,639</u>	<u>105,477</u>	<u>222,071</u>	<u>47,718</u>
LIABILITIES				
Current liabilities:				
Accounts payable	117,769	53,923	128,658	44,718
Accrued payroll	30,008	18,363	39,732	7,473
Other payables	4,631	2,239	4,002	1,255
Accrued interest payable	14,276	4,798		
Due to other funds (Note 15)	91,947	68,010	114,749	22,624
Advances from other funds (Note 15)	16,122	32,323	58,804	57,182
Advances payable			415	18
Current portion of long-term liabilities (Note 11)	270,956	118,316	226,335	150,282
Total current liabilities	<u>545,709</u>	<u>297,972</u>	<u>572,695</u>	<u>283,552</u>
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	64,559	37,096	83,040	15,629
Bonds and notes (Note 11)	518,879	200,034		
Premiums on bonds and notes payable (Note 11)	17,172	14,103		
Workers' compensation (Notes 11 and 18)	91,212	33,055	136,740	27,353
Litigation and self-insurance (Notes 11 and 18)	20,897	1,492	41,486	101
Net pension liability (Notes 8 and 11)	427,499	286,906	594,999	132,160
OPEB obligation (Notes 9 and 11)	703,222	473,203	1,061,257	218,824
Third party payor (Notes 11 and 14)	158,850	71,001	262,797	48,683
Total noncurrent liabilities	<u>2,002,290</u>	<u>1,116,890</u>	<u>2,180,319</u>	<u>442,750</u>
TOTAL LIABILITIES	<u>2,547,999</u>	<u>1,414,862</u>	<u>2,753,014</u>	<u>726,302</u>
DEFERRED INFLOWS OF RESOURCES (Note 20)	<u>59,694</u>	<u>32,544</u>	<u>72,486</u>	<u>13,691</u>
NET POSITION				
Net investment in capital assets	273,790	101,985	871,988	173,100
Restricted:				
Debt service	3,296	9,634	4,972	
Public ways and facilities				
Unrestricted (deficit)	<u>(1,077,254)</u>	<u>(601,391)</u>	<u>(1,511,464)</u>	<u>(203,503)</u>
TOTAL NET POSITION (DEFICIT) (Note 3)	<u>\$ (800,168)</u>	<u>(489,772)</u>	<u>(634,504)</u>	<u>(30,403)</u>

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
\$ 89,971	9,170	\$ 103,129	\$	55,540
1,918	162	28,260		6,494
<u>91,889</u>	<u>9,332</u>	<u>131,389</u>		<u>62,034</u>
797		797		
9,903	868	2,157,723		
286	29	458		259
		64,435		9,276
1,598		353,424		68,009
1,364		1,364		
		23,299		8,471
<u>105,837</u>	<u>10,229</u>	<u>2,732,889</u>		<u>148,049</u>
		98,099		12,583
		156,420		
11,842	134,692	184,636		
119,091	42,227	2,749,048		
1,077	1,565	321,852		340,011
1,322		58,922		
1,203,799	55,044	1,258,843		
34,548	8,883	276,411		
<u>(657,548)</u>	<u>(67,024)</u>	<u>(1,705,696)</u>		<u>(192,658)</u>
<u>714,131</u>	<u>175,387</u>	<u>3,144,016</u>		<u>147,353</u>
<u>714,131</u>	<u>175,387</u>	<u>3,398,535</u>		<u>159,936</u>
<u>819,968</u>	<u>185,616</u>	<u>6,131,424</u>		<u>307,985</u>
		539,905		115,193
3,224	10	348,302		9,073
		95,576		18,419
	45	12,172		2,568
		19,074		218
6,120	881	304,331		34,233
		164,431		22,000
24		457		205
<u>1,836</u>	<u>98</u>	<u>767,823</u>		<u>29,858</u>
<u>11,204</u>	<u>1,034</u>	<u>1,712,166</u>		<u>116,574</u>
		200,324		53,217
7,503	1,715	728,131		26,085
		31,275		
		288,360		47,377
		63,976		
		1,441,564		318,418
		2,456,506		505,703
		541,331		
<u>7,503</u>	<u>1,715</u>	<u>5,751,467</u>		<u>950,800</u>
<u>18,707</u>	<u>2,749</u>	<u>7,463,633</u>		<u>1,067,374</u>
		178,415		33,319
706,442	173,574	2,300,879		112,777
		17,902		186
94,819		94,819		
	9,293	(3,384,319)		(790,478)
<u>\$ 801,261</u>	<u>182,867</u>	<u>(970,719)</u>	<u>\$</u>	<u>(677,515)</u>
		4,749		
		<u>\$ (965,970)</u>		

ASSETS

Current assets:

Pooled cash and investments: (Notes 1 and 5)

Operating

Other

Total pooled cash and investments

Taxes receivable

Accounts receivable - net (Note 14)

Interest receivable

Other receivables

Due from other funds (Note 15)

Advances to other funds (Note 15)

Inventories

Total current assets

Noncurrent assets:

Restricted assets (Note 5)

Other receivables (Note 14 and 15)

Capital assets: (Notes 6 and 10)

Land and easements

Buildings and improvements

Equipment

Intangible - software

Infrastructure

Construction in progress

Less accumulated depreciation

Total capital assets - net

Total noncurrent assets

TOTAL ASSETS

DEFERRED OUTFLOWS OF RESOURCES (Note 20)

LIABILITIES

Current liabilities:

Accounts payable

Accrued payroll

Other payables

Accrued interest payable

Due to other funds (Note 15)

Advances from other funds (Note 15)

Advances payable

Current portion of long-term liabilities (Note 11)

Total current liabilities

Noncurrent liabilities:

Accrued compensated absences (Note 11)

Bonds and notes (Note 11)

Premiums on bonds and notes payable (Note 11)

Workers' compensation (Notes 11 and 18)

Litigation and self-insurance (Notes 11 and 18)

Net pension liability (Notes 8 and 11)

OPEB obligation (Notes 9 and 11)

Third party payor (Notes 11 and 14)

Total noncurrent liabilities

TOTAL LIABILITIES

DEFERRED INFLOWS OF RESOURCES (Note 20)

NET POSITION

Net investment in capital assets

Restricted:

Debt service

Public ways and facilities

Unrestricted (deficit)

TOTAL NET POSITION (DEFICIT) (Note 3)

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

NET POSITION (DEFICIT) OF BUSINESS-TYPE ACTIVITIES (PAGE 25)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:				
Net patient service revenues (Note 14)	\$ 1,168,466	715,018	1,693,046	300,964
Rentals				
Charges for services				
Other (Note 14)	164,389	78,670	119,114	95,409
TOTAL OPERATING REVENUES	1,332,855	793,688	1,812,160	396,373
OPERATING EXPENSES:				
Salaries and employee benefits	760,817	467,988	1,026,754	193,595
Services and supplies	145,746	78,323	228,673	32,571
Other professional services	195,378	125,588	356,585	45,909
Depreciation and amortization (Note 6)	33,211	22,257	29,911	5,084
Medical malpractice		2,524	5,374	437
Rent	8,697	3,330	4,795	62
TOTAL OPERATING EXPENSES	1,143,849	700,010	1,652,092	277,658
OPERATING INCOME (LOSS)	189,006	93,678	160,068	118,715
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income (loss)	279	62	72	9
Interest expense	(34,813)	(11,876)	(1,444)	
Intergovernmental transfers expense (Note 14)	(384,544)	(188,190)	(470,345)	(127,900)
Intergovernmental revenues:				
State				
Federal				
Other				
TOTAL NONOPERATING REVENUES (EXPENSES)	(419,078)	(200,004)	(471,717)	(127,891)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(230,072)	(106,326)	(311,649)	(9,176)
Capital contributions			35	
Transfers in (Note 15)	204,618	164,035	280,637	181,531
Transfers out (Note 15)	(34,683)	(9,257)	(5,775)	(1,459)
CHANGE IN NET POSITION	(60,137)	48,452	(36,752)	170,896
NET POSITION (DEFICIT), JULY 1, 2016	(740,031)	(538,224)	(597,752)	(201,299)
NET POSITION (DEFICIT), JUNE 30, 2017	\$ (800,168)	(489,772)	(634,504)	(30,403)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
\$		\$ 3,877,494	\$	OPERATING REVENUES:
	5,758	5,758	34,013	Net patient service revenues (Note 14)
75,599	337	75,936	508,195	Rentals
86	36	457,704		Charges for services
				Other (Note 14)
75,685	6,131	4,416,892	542,208	TOTAL OPERATING REVENUES
		2,449,154	465,185	OPERATING EXPENSES:
63,932		549,245	43,785	Salaries and employee benefits
2,467	426	726,353	35,870	Services and supplies
23,936	2,350	116,749	43,101	Other professional services
		8,335		Depreciation and amortization (Note 6)
		16,884		Medical malpractice
				Rent
90,335	2,776	3,866,720	587,941	TOTAL OPERATING EXPENSES
(14,650)	3,355	550,172	(45,733)	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
5,676		5,676		Taxes
364	32	818	(172)	Investment income (loss)
(182)		(48,315)	(125)	Interest expense
		(1,170,979)		Intergovernmental transfers expense (Note 14)
				Intergovernmental revenues:
64	4	68		State
	16	16		Federal
20		20		Other
5,942	52	(1,212,696)	(297)	TOTAL NONOPERATING REVENUES (EXPENSES)
(8,708)	3,407	(662,524)	(46,030)	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
56	1,139	1,230		Capital contributions
553		831,374	9,133	Transfers in (Note 15)
(845)		(52,019)	(9,451)	Transfers out (Note 15)
(8,944)	4,546	118,061	(46,348)	CHANGE IN NET POSITION
810,205	178,321		(631,167)	NET POSITION (DEFICIT), JULY 1, 2016
\$ 801,261	182,867		\$ (677,515)	NET POSITION (DEFICIT), JUNE 30, 2017
		421		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		\$ 118,482		CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 27)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from patient services	\$ 1,181,152	641,867	1,703,925	230,769
Rentals received				
Rentals received from other funds				
Cash received from charges for services				
Other operating revenues	164,389	78,670	119,114	95,409
Cash received for services provided to other funds	23,481	24,570	32,606	439
Cash paid for salaries and employee benefits	(676,140)	(411,353)	(907,529)	(171,103)
Cash (paid) returned for services and supplies	24,735	19,830	(16,060)	9,860
Other operating expenses	(210,794)	(128,844)	(359,429)	(46,061)
Cash paid for services from other funds	(183,088)	(68,172)	(163,156)	(40,349)
Net cash provided by operating activities	323,735	156,568	409,471	78,964
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash advances received/returned from other funds	691,805	358,388	984,589	242,219
Cash advances paid/returned to other funds	(723,903)	(430,933)	(1,072,166)	(278,781)
Interest paid on advances	(681)	(860)	(1,444)	(844)
Intergovernmental transfers	(384,544)	(188,190)	(470,345)	(127,900)
Intergovernmental receipts				
Transfers in	195,591	154,714	187,636	172,116
Transfers out	(34,683)	(9,257)	(15,731)	(1,459)
Net cash provided by (required for) noncapital financing activities	(256,415)	(116,138)	(387,461)	5,351
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	29,731			129,997
Interest (paid) returned on capital borrowing	(34,998)	(11,366)		844
Principal payments on bonds and notes	(22,301)	(4,099)		(125,542)
Acquisition and construction of capital assets	(59,892)	(34,413)	(22,903)	(103,872)
Net cash required for capital and related financing activities	(87,460)	(49,878)	(22,903)	(98,573)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (loss)	306	67	62	7
Net increase (decrease) in cash and cash equivalents	(19,834)	(9,381)	(831)	(14,251)
Cash and cash equivalents, July 1, 2016	92,100	44,887	18,362	17,215
Cash and cash equivalents, June 30, 2017	\$ 72,266	35,506	17,531	2,964

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
\$		\$ 3,757,713	\$	CASH FLOWS FROM OPERATING ACTIVITIES
	5,758	5,758	7	Cash received from patient services
			34,155	Rentals received
78,422	2,967	81,389	64,013	Rentals received from other funds
86	36	457,704		Cash received from charges for services
		81,096	453,552	Other operating revenues
		(2,166,125)	(414,644)	Cash received for services provided to other funds
(63,696)	99	(25,232)	(48,818)	Cash paid for salaries and employee benefits
(2,467)	(426)	(748,021)	(35,870)	Cash (paid) returned for services and supplies
		(454,765)		Other operating expenses
				Cash paid for services from other funds
12,345	8,434	989,517	52,395	Net cash provided by operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
(1)		2,277,000	(18)	Cash advances received/returned from other funds
(25)		(2,505,808)		Cash advances paid/returned to other funds
		(3,829)		Interest paid on advances
		(1,170,979)		Intergovernmental transfers
84	20	104		Intergovernmental receipts
553		710,610	9,133	Transfers in
(845)		(61,975)	(9,451)	Transfers out
(234)	20	(754,877)	(336)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
5,632		5,632		Proceeds from taxes
	1,139	1,139		Capital contributions
		159,728	62,480	Proceeds from bonds and notes
(182)		(45,702)	(426)	Interest (paid) returned on capital borrowing
(367)	(95)	(152,404)	(80,265)	Principal payments on bonds and notes
(7,521)	(6,200)	(234,801)	(36,587)	Acquisition and construction of capital assets
(2,438)	(5,156)	(266,408)	(54,798)	Net cash required for capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
289	21	752	(222)	Investment income (loss)
9,962	3,319	(31,016)	(2,961)	Net increase (decrease) in cash and cash equivalents
81,927	6,013	260,504	77,578	Cash and cash equivalents, July 1, 2016
\$ 91,889	9,332	\$ 229,488	\$ 74,617	Cash and cash equivalents, June 30, 2017

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 189,006	93,678	160,068	118,715
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	33,211	22,257	29,911	5,084
(Increase) decrease in:				
Accounts receivable - net	(131,576)	(120,069)	(188,212)	48
Other receivables	(20,972)	3,981	(14,357)	(3,014)
Due from other funds	11,056	20,825	112,682	(83,995)
Inventories	(615)	839	(169)	(405)
Increase (decrease) in:				
Accounts payable	5,374	3,558	(547)	10,973
Accrued payroll	1,983	1,261	1,636	191
Other payables	130	73	118	33
Accrued compensated absences	3,895	2,858	3,689	512
Due to other funds	(17,366)	25,584	50,173	(8,486)
Workers' compensation	8,997	4,101	10,967	2,447
Litigation and self-insurance	(7,632)	2,141	2,285	347
Net pension liability and related changes in deferred outflows and inflows of resources	(2,224)	(612)	(1,852)	(129)
OPEB obligation	73,208	48,768	108,168	19,072
Third party payor	177,260	47,325	134,911	17,571
TOTAL ADJUSTMENTS	134,729	62,890	249,403	(39,751)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 323,735	156,568	409,471	78,964
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-				
Contributions of capital assets	\$		35	
TOTAL	\$		35	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	\$ 9,245	5,833	12,559	2,531
Restricted assets	63,021	29,673	4,972	433
TOTAL	\$ 72,266	35,506	17,531	2,964

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
\$ (14,650)	3,355	\$ 550,172	\$ (45,733)	RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:
				Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by operating activities:
23,936	2,350	116,749	43,101	Depreciation and amortization
				(Increase) decrease in:
2,069	2,580	(435,160)		Accounts receivable - net
1		(34,361)	(1,697)	Other receivables
753	50	61,371	11,058	Due from other funds
		(350)	470	Inventories
				Increase (decrease) in:
99	2	19,459	115	Accounts payable
		5,071	970	Accrued payroll
		354	125	Other payables
		10,954	2,578	Accrued compensated absences
137	97	50,139	(5,618)	Due to other funds
		26,512	3,021	Workers' compensation
		(2,859)		Litigation and self-insurance
		(4,817)	(350)	Net pension liability and related changes in deferred outflows and inflows of resources
		249,216	44,355	OPEB obligation
		377,067		Third party payor
26,995	5,079	439,345	98,128	TOTAL ADJUSTMENTS
\$ 12,345	8,434	\$ 989,517	\$ 52,395	NET CASH PROVIDED BY OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
\$ 56		\$ 91	\$	Contributions of capital assets
\$ 56		\$ 91	\$	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
\$ 91,889	9,332	\$ 131,389	\$ 62,034	Pooled cash and investments
		98,099	12,583	Restricted assets
\$ 91,889	9,332	\$ 229,488	\$ 74,617	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	\$ 86,874	\$ 19,154,906	\$ 1,751,529
Other investments: (Note 5)		128,466	300
Short-term investments	1,597,771		
Equity	26,078,663		
Fixed income	14,180,511		
Private equity	5,050,442		
Real estate	6,139,832		
Hedge funds	1,437,925		
Cash collateral on loaned securities	922,584		
Taxes receivable			203,443
Interest receivable	106,444	51,080	115,482
Other receivables	964,899		
TOTAL ASSETS	56,565,945	19,334,452	2,070,754
LIABILITIES			
Accounts payable	2,078,439		
Other payables (Note 5)	1,000,972		
Due to other governments			2,070,754
TOTAL LIABILITIES	3,079,411		2,070,754
NET POSITION			
Net position restricted for pension benefits and other purposes	\$ 53,486,534	\$ 19,334,452	\$

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

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS		
Contributions:		
Pension and OPEB trust contributions:		
Employer	\$ 1,976,740	\$
Member	571,079	
Contributions to investment trust funds		46,175,102
Total contributions	<u>2,547,819</u>	<u>46,175,102</u>
Investment earnings:		
Investment income	2,724,560	13,306
Net increase in the fair value of investments	3,643,561	
Securities lending income (Note 5)	11,597	
Total investment earnings	<u>6,379,718</u>	<u>13,306</u>
Less - Investment expenses:		
Expense from investing activities	150,736	
Expense from securities lending activities (Note 5)	5,177	
Total net investment expense	<u>155,913</u>	
Net investment earnings	<u>6,223,805</u>	<u>13,306</u>
Miscellaneous	<u>6,372</u>	
TOTAL ADDITIONS	<u>8,777,996</u>	<u>46,188,408</u>
DEDUCTIONS		
Administrative expenses:		
Salaries and employee benefits	51,023	
Services and supplies	16,181	
Total administrative expenses	<u>67,204</u>	
Benefit payments	3,607,062	
Distributions from investment trust funds		44,393,970
Miscellaneous	<u>24,640</u>	
TOTAL DEDUCTIONS	<u>3,698,906</u>	<u>44,393,970</u>
CHANGE IN NET POSITION	5,079,090	1,794,438
NET POSITION, JULY 1, 2016	<u>48,407,444</u>	<u>17,540,014</u>
NET POSITION, JUNE 30, 2017	<u>\$ 53,486,534</u>	<u>\$ 19,334,452</u>

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

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2017 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments			
Operating (Notes 1 and 5)	\$ 76,834	411,053	\$ 487,887
Other investments (Note 5)	268,021		268,021
Accounts receivable - net	23,148		23,148
Interest receivable		563	563
Other receivables	12,082	30,146	42,228
Inventories	14,078		14,078
Capital assets: (Notes 6 and 10)			
Capital assets, not being depreciated	94,281	2,039	96,320
Capital assets, net of accumulated depreciation	80,623	9,271	89,894
Total capital assets	174,904	11,310	186,214
TOTAL ASSETS	569,067	453,072	1,022,139
DEFERRED OUTFLOWS OF RESOURCES	21,134		21,134
LIABILITIES			
Accounts payable	20,089	19,137	39,226
Other payables	7,104	16	7,120
Advances payable	309		309
Long-term liabilities: (Note 11)			
Due within one year	5,908	98	6,006
Due in more than one year	82,408	495	82,903
TOTAL LIABILITIES	115,818	19,746	135,564
DEFERRED INFLOWS OF RESOURCES	8,888		8,888
NET POSITION			
Net investment in capital assets	131,630	11,311	142,941
Restricted for:			
Debt service	295		295
Community development	272,439		272,439
First 5 LA		422,015	422,015
Unrestricted	61,131		61,131
TOTAL NET POSITION	\$ 465,495	433,326	\$ 898,821

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

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expenses	\$ (455,260)	(129,878)	\$ (585,138)
Program revenues:			
Charges for services	27,365		27,365
Operating grants and contributions	409,651	88,998	498,649
Capital grants and contributions	4,147		4,147
Net program (expenses) revenues	<u>(14,097)</u>	<u>(40,880)</u>	<u>(54,977)</u>
GENERAL REVENUES:			
Investment income	1,232	978	2,210
Miscellaneous	5,832	122	5,954
Total general revenues	<u>7,064</u>	<u>1,100</u>	<u>8,164</u>
CHANGE IN NET POSITION	(7,033)	(39,780)	(46,813)
NET POSITION, JULY 1, 2016, AS RESTATED (Note 2)	<u>472,528</u>	<u>473,106</u>	<u>945,634</u>
NET POSITION, JUNE 30, 2017	<u>\$ 465,495</u>	<u>433,326</u>	<u>\$ 898,821</u>

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



COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (County), which was established in 1850, is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected five member Board of Supervisors (Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by generally accepted accounting principles (GAAP), these basic financial statements include both those of the County and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

The basic financial statements include blended, fiduciary and discretely presented component units. The blended component units, although legally separate entities are, in substance, part of the County's operations. The data from these units are combined with data of the primary government. The fiduciary component unit is reported under Fiduciary Funds in the basic financial statements. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements.

Blended Component Units

While each of the component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as the governing board for each of the component units and its ability to impose its will or an existence of a financial benefit/burden relationship. County management has determined that the following related entities should be included in the basic financial statements as blended component units:

Fire Protection District	Waterworks Districts
Flood Control District	Los Angeles County Capital Asset Leasing Corporation (a Non Profit Corporation) (NPC)
Garbage Disposal Districts	Various Joint Powers Authorities (JPAs)
Improvement Districts	Los Angeles County Securitization Corporation (LACSC)
Regional Park and Open Space District	
Sewer Maintenance Districts	
Street Lighting Districts	

The various districts are included primarily because the Board is also their governing board and the County has operational responsibilities for the districts. As such, the Board establishes policy, appoints management and exercises budgetary control. The NPC and JPAs have been included because their sole purpose is to finance and construct County capital assets and because they are dependent upon the County for funding.

The Los Angeles County Capital Asset Leasing Corporation (LACCAL) is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in LACCAL's articles of incorporation or bylaws, and the component unit is included in the financial reporting entity.

The LACSC is a California public benefit corporation created by the County Board of Supervisors in January 2006. Three directors, the County's Auditor-Controller, Treasurer and Tax Collector, and an independent party designated by at least one of the County directors, govern the LACSC. The LACSC purpose is to acquire the County's rights in relation to future tobacco settlement payments and to facilitate the issuance of long-term bonds secured by the County Tobacco Assets. The LACSC provides service solely to the County and is reported as a blended component unit of the County.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fiduciary Component Unit

The County pension plan is administered by the Los Angeles County Employees Retirement Association (LACERA), which was established under the County Employees' Retirement Law of 1937 (CERL). LACERA is a cost-sharing, multi-employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. LACERA also administers a cost-sharing, multi-employer OPEB or Retiree Healthcare Program on behalf of the County. LACERA is reported in the Pension and Other Postemployment Benefit Trust Funds on the Statement of Net Position - Fiduciary Funds of the basic financial statements and has been included because its operations are dependent upon County funding and because its operations, almost exclusively, benefit the County. LACERA issues a stand-alone financial report, which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199 or at www.LACERA.com.

Discretely Presented Component Units

Community Development Commission (CDC) of the County of Los Angeles

CDC, established on July 1, 1982, by ordinance of the Board of Supervisors, is responsible for:

- Directing the County's housing programs, including planning, housing finance, production and conservation, and management of the County's public housing developments;
- Financing community improvements such as resurfacing streets, rehabilitating homes and businesses, and removing graffiti;
- Providing economic development and business revitalization services;
- Redeveloping housing, business, and industry in designated areas; and
- Providing comprehensive planning systems for housing and economic development.

While its Board members are the same as the County Board of Supervisors, CDC does not meet the criteria for blending due to the following: 1) there is no financial burden or benefit relationship with the County nor does management of the County have operational responsibilities over it; 2) the CDC does not provide services entirely or almost entirely to the County; and 3) the CDC total debt outstanding is not expected to be repaid with resources of the County. The financial activity of the CDC is reported within the Discretely Presented Component Units column of the government-wide financial statements. CDC issues a separate financial report that can be obtained at <http://www.lacdc.org/about-cdc/financial-reports> or by writing to the Community Development Commission at 700 W. Main Street, Alhambra, California 91801.

Los Angeles County Children and Families First - Proposition 10 Commission

Los Angeles County Children and Families First - Proposition 10 Commission also known as First 5 LA (First 5) was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. The County's Board established First 5 with nine voting members and four non-voting representatives. Of the nine voting members, one is a member of the Board of Supervisors, three are heads of County Departments (Public Health Services, Mental Health, and Children and Family Services), and five are public members appointed by the Board. The non-voting representatives are from other County commissions and planning groups.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

Los Angeles County Children and Families First - Proposition 10 Commission-Continued

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a discretely presented component unit of the County because the County's Board appoints the voting Commissioners and the County has the ability to impose its will by removing those Commissioners at will. First 5 hires its own employees, including an Executive Director and functions independent of the County. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County. The financial activity of First 5 is reported within the Discretely Presented Component Units column of the government-wide financial statements. First 5 issues a separate financial report that can be obtained by writing to First 5 LA at 750 N. Alameda Street, Suite 300, Los Angeles, California 90012.

Related Organization

Los Angeles County Office of Education (LACOE) is a legally separate entity from the County. LACOE is governed by a seven-member Board of Education appointed by the County Board of Supervisors. However, the County's accountability for LACOE does not extend beyond making appointments and no financial benefit/burden relationship exists between the County and LACOE. LACOE is deemed to be a related organization. LACOE issues a separate financial report that can be obtained by writing to the Los Angeles County Office of Education at 9300 Imperial Highway, Downey, California 90242-2890.

Basic Financial Statements

In accordance with Governmental Accounting Standards Board (GASB) 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," the basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government, the County, and its blended and discretely presented component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular program are also recognized as program revenues. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted and 3) unrestricted. Net position is reported as restricted when it has external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2017, the restricted net position balances were \$3.391 billion and \$112.78 million for governmental activities and business-type activities, respectively. For governmental activities, \$654.40 million was restricted by enabling legislation.

When both the restricted and unrestricted components of net position are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

In accordance with GAAP, the County reports on each major fund. By definition, the general fund is always considered a major fund. Funds other than the general fund must be reported as major funds if they meet both the ten percent and five percent criterion, defined respectively, 1) an individual fund reports at least ten percent of any of the following: a) total fund assets and deferred outflows of resources, b) total fund liabilities and deferred inflows of resources, c) total fund revenues, or d) total fund expenditures/expenses; 2) an individual fund reports at least five percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the ten percent criterion. In addition, a fund may be reported as major if it is believed to be of particular importance to financial statement users.

The County reports the following major governmental funds:

General Fund

The General Fund is available for any authorized purpose and is used to account for and report all financial resources not accounted for and reported in another fund.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Fire Protection District Fund

The Fire Protection District Fund is used to account for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of District property and equipment. Funding comes primarily from the District's statutory share of the Countywide tax levy, voter-approved taxes and charges for services.

Flood Control District Fund

The Flood Control District Fund is used to account for the control and conservation of flood, storm and other waste waters, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways and property located within the District from damage from such flood and storm waters. Funding comes primarily from the District's statutory share of the Countywide tax levy and benefit assessments (charges for services).

Public Library Fund

The Public Library Fund is used to account for free library services to the unincorporated areas of the County and to cities that contract for these services. Funding comes primarily from the District's statutory share of the Countywide tax levy and voter-approved taxes.

Regional Park and Open Space District Fund

The Regional Park and Open Space District Fund is used to account for the programs designed to preserve beaches, parks, and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding comes primarily from voter-approved assessments, charges for services and long-term debt proceeds.

Mental Health Services Act Fund

The Mental Health Services Act Fund is used to account for the Mental Health Services Act (MHSA) to support the County's mental health delivery system for children, transition age youth, adults, older adults, and families. Revenues are derived primarily by the passage of State Proposition 63 in November 2004. Proposition 63 generates mental health revenue through a one percent income surcharge on individuals with State taxable incomes over \$1.0 million. Total assets of the MHSA significantly increased and this Fund has been reclassified as a major fund for FY 2016-2017.

The County's four Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. There is one nonmajor enterprise fund (Aviation Funds). The Hospital Enterprise funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. The Waterworks Enterprise Funds provide water services to County residents. Revenues are derived primarily from the sale of water and water service standby charges. The Aviation Enterprise Funds provide airport services for five County airports. Revenues are derived primarily from airport charges and rentals. A description of each Enterprise Fund is provided below:

Harbor-UCLA Medical Center

The Harbor-UCLA Medical Center (H/UCLA) provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, acute psychiatric services, pediatric and obstetric services, and transplants.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Olive View-UCLA Medical Center

The Olive View-UCLA Medical Center (OV/UCLA) provides acute and intensive care, emergency services, medical/surgical inpatient and outpatient health care services, obstetric and gynecological services, and psychiatric services.

LAC+USC Medical Center

The LAC+USC Medical Center (LAC+USC) provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, a burn center, psychiatric services, renal dialysis, AIDS services, pediatric and obstetric services, and communicable disease services.

Rancho Los Amigos National Rehabilitation Center

The Rancho Los Amigos National Rehabilitation Center (Rancho) specializes in the rehabilitation for victims of spinal cord injuries and strokes, pathokinesiology and polio services, services for liver diseases, pediatrics, ortho diabetes, dentistry, and neuro-science.

Waterworks Funds

The Waterworks Enterprise funds are used to account for the administration, maintenance, operation and improvement of district water systems.

Aviation Funds

The Aviation Enterprise Funds are used to account for the administration, maintenance, operation and improvement of the five airports which are owned by the County.

The following fund types have also been reported:

Internal Service Funds

The Internal Service Funds are used to account for the financing of services provided by a department or agency to other departments or agencies on a cost-reimbursement basis. The County's principal Internal Service Fund is used to account for the cost of services provided by the Department of Public Works to various other County funds and agencies.

Fiduciary Fund Types

Pension and Other Postemployment Benefit Trust Funds

The Pension Trust Fund is used to account for financial activities of the County's Pension Plan administered by LACERA.

The Other Postemployment Benefit (OPEB) Trust Fund is used to account for the financial activities of the OPEB trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program administered by LACERA.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Fiduciary Fund Types-Continued

Investment Trust Funds

The Pooled Investment Trust Fund is used to account for the net position of the County's external investment pool.

The Specific Investment Trust Fund is used to account for the net position of individual investment accounts, in aggregate. The related investment activity occurs separately from the County's investment pool and is provided as a service to external investors.

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including property taxes and departmental funds) account for assets held by the County in an agency capacity for individuals or other government units.

Basis of Accounting

The government-wide, proprietary, pension and other postemployment benefit, and investment trust funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and similar items are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred inflows of resources in the period when an enforceable legal claim to the assets arises. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital lease obligations are reported as other financing sources.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, ad valorem property taxes (except for redevelopment agency dissolution), sales taxes, investment income (loss), charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. When all eligibility requirements are met, except for the timing requirements, a deferred inflow of resources is reported until the time requirements have passed. All other revenues are not considered susceptible to accrual and are recognized when received, including property tax revenues derived from redevelopment agency dissolution.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's four Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the Nonmajor Aviation Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 14, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

Agency funds do not have a measurement focus because they report only assets and liabilities. They do however, use the accrual basis of accounting to recognize receivables and payables.

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting, which is different from GAAP. Annual budgets were not adopted for the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data-Continued

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all budget units within the County, except for capital asset expenditures, which are controlled at the sub-object level. The total budget exceeds \$30.344 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2017. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website at <http://ceo.lacounty.gov/budget.htm>, or can be obtained from the Auditor-Controller's office.

Transfers of appropriations between budget units must be approved by the Board. Supplemental appropriations financed by unanticipated revenue during the year must also be approved by the Board. Transfers of appropriations between objects of expenditure within the same budget unit must be approved by the Board or the Chief Executive Office, depending upon the amount transferred. The original and final budget amounts are reported in the accompanying basic financial statements. Any excess of budgetary expenditures and other financing uses over revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Note 16 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total FY 2016-2017 assessed valuation of the County of Los Angeles approximated \$1.354 trillion.

The property tax levy to support general operations of the various jurisdictions is limited to one percent (1%) of full cash value and is distributed in accordance with statutory formulae. Amounts needed to finance the annual requirements of voter-approved debt are excluded from this limitation and are separately calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

The County is divided into 12,968 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

Property taxes are levied on both real and personal property. Secured property taxes are levied during September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due, and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on August 1 and become delinquent, if unpaid, on August 31.

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x1 26, also referred to as the "Redevelopment Dissolution Act" was approved in 2011. Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes," are distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards have been established for each of the 71 successor agencies within the County. The Oversight Boards are required to evaluate and approve the successor agencies' remaining enforceable legal obligations. The County Auditor-Controller is responsible for disbursing property tax increment revenues in accordance with provisions of AB x1 26 and applicable amendments. For the year ended June 30, 2017, the County's share of residual property tax revenues was \$213.46 million, of which \$184.92 million was recognized in the County's General Fund.

Deposits and Investments

Deposits and investments as discussed in Note 5 are reflected in the following asset accounts:

Pooled Cash and Investments

As provided for by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily deposit balance during the allocation period. Each respective fund's share of the total pooled cash and investments is included among asset balances under the caption "Pooled Cash and Investments."

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Pooled Cash and Investments-Continued

Pooled Cash and Investments are identified within the following categories for all County operating funds:

Operating Pooled Cash and Investments

This account represents amounts reflected in the County's day-to-day financial records. Such amounts are utilized to determine the availability of cash for purposes of disbursing and borrowing funds.

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2017, that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB 34.

Other Investments

This account represents Pension and OPEB Trust Fund investments, various JPAs, NPCs and Public Buildings (bond financed capital assets), and amounts on deposit with the County Treasurer, which are invested separately as provided by the Government Code or by specific instructions from the depositing entity.

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LACCAL bond indenture. All of the above noted assets are included in the various disclosures in Note 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are categorized as nonspendable fund balance as required by GASB 54 because these amounts are not available for appropriation and expenditure.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Certain buildings and equipment are being leased under capital leases as defined in GASB 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The present value of the minimum lease obligation has been capitalized in the statement of net position and is also reflected as a liability in that statement.

Capital outlay is recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds from tax-exempt debt over the same period. For taxable debt, business-type activities interest is capitalized and not netted with interest earnings.

The County's capitalization thresholds are \$5,000 for equipment, \$100,000 for buildings and improvements, \$1 million for software intangible assets, \$100,000 for non-software intangible assets, and \$25,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives are capitalized subject to the threshold in the affected asset category. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation or amortization, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 6. Amortization for software and other intangible assets is included in the reporting of depreciation.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Software	5 to 25 years
Infrastructure	15 to 100 years

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, encumbered, conserved, and preserved by the County. It is the County's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deferred Outflows and Inflows of Resources

Pursuant to GASB 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB 65, "Items Previously Reported as Assets and Liabilities," the County recognizes deferred outflows of resources and/or deferred inflows of resources in the government-wide statement of net position, governmental funds balance sheets, and proprietary funds statement of net position.

In addition to assets, the financial statements report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time, except for pension related deferred inflows of resources, which will be recognized as a credit to expense.

Specific disclosures of items representing deferred outflows and inflows of resources appear in Note 20.

Advances Payable

The County uses certain agency funds as clearing accounts for the distribution of financial resources to other County funds. Pursuant to GASB 34, for external financial reporting purposes, the portions of the clearing account balances that pertain to other County funds should be reported as cash of the appropriate funds. The corresponding liability is included in "Advances Payable" because the amounts represent unearned revenue.

Compensated Absences

Vacation pay benefits accrue to employees ranging from 10 to 25 days per year depending on years of service and the benefit plan. Sick leave benefits accrue at the rate of 10 to 12 days per year for union represented employees depending on years of service. Non-represented employees accrue at a rate of up to 8 days of sick leave per year depending on the benefit plan. Employees can also accumulate unused holiday and compensatory time off benefits throughout the year. All benefits are payable upon termination, if unused, within limits and rates as specified in the County Salary Ordinance.

Liabilities for accrued compensated absences are accrued in the government-wide financial statements and in the proprietary funds. For the governmental funds, expenditures are recorded when amounts become due and payable (i.e., when employees terminate from service).

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Net Pension Liability and Related Balances

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the LACERA and additions to/deductions from LACERA's fiduciary net position have been determined on the same basis as they are reported by LACERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date (VD) - June 30, 2015 rolled forward to June 30, 2016
Measurement Date (MD) - June 30, 2016
Measurement Period (MP) - July 1, 2015 to June 30, 2016

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period issued.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs, are recognized in the period issued. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e., portion that has come due for payment) is reported as a liability in the fund financial statements of the related fund.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Specific details related to Fund Balances appear in Note 21.

Nonspendable Fund Balance - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and long-term notes receivable.

Restricted Fund Balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only by changing the condition of the constraint.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

Committed Fund Balance - amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the County's Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally. The underlying action that imposed the limitation needs to occur no later than the close of the fiscal year.

Assigned Fund Balance - amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Authorization to assign fund balance rests with the County's Board through the budget process. The Board has also delegated authority to the Chief Executive Officer and County Department Heads for contracts and purchasing authority.

Unassigned Fund Balance - the residual classification for the County's General Fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. For its budget, the County utilizes the GASB 54 criteria and an ordinance or resolution is equally binding, for purposes of establishing a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Cash Flows

For purposes of reporting cash flows, all amounts reported as "Pooled Cash and Investments," "Other Investments," and "Restricted Assets" are considered cash equivalents. Pooled cash and investment amounts represent funds held in the County Treasurer's cash management pool. Other investments and restricted assets are invested in money market mutual funds held by outside trustees. Such amounts are similar in nature to demand deposits (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

2. NEW PRONOUNCEMENTS

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current basic financial statements.

GASB 74	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	Requires that notes to the financial statements of all defined benefit OPEB plans that are administered through trusts that meet the specified criteria include descriptive information, such as the types of OPEB provided, the classes of plan members covered, and the composition of the OPEB plan's board. All defined benefit OPEB plans are also required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes the annual money-weighted rate of return on OPEB plan investments for each year. The required supplementary information should also present the sources of changes in the net OPEB liability, and information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll. Refer to note 9.
GASB 77	Tax Abatement Disclosures	Requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The County's FY 2016-2017 total tax abatement was immaterial. While GASB 77 is not applicable for the current period, the County will apply the statement in the future, as needed.
GASB 78	Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans	Amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement did not have an impact on the financial statements.
GASB 80	Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14	Amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement required restatement of beginning net position for CDC, reported as a Discretely Presented Component Unit.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

2. NEW PRONOUNCEMENTS-Continued

GASB 82	Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73	Amends Statements 67 and 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This statement had an impact on the financial statements. Refer to note 8 and the required supplementary information.
---------	---	--

Restatement of Net Position and Fund Balances

Due to the implementation of GASB 80, CDC, a discretely presented component unit, was required to add a new blended component unit to their statements, which resulted in a restatement of net position. The adjustment to the beginning net position is presented below (in thousands):

	July 1, 2016, as previously reported		Net Position Effect of GASB 80		Net Position July 1, 2016, as restated
Government-wide-					
Discretely Presented Component Units	\$ 945,544	\$	90	\$	945,634
Discretely Presented Component Units- CDC	472,438		90		472,528

The MHSA fund met the criteria to be reported as a major fund as of June 30, 2017 and was reclassified from the nonmajor governmental funds statements to the major governmental funds statements, resulting in a restatement of fund balances for these statements. The adjustment to the beginning fund balance is presented below (in thousands):

	July 1, 2016, as previously reported		Fund Balance Effect of New Major Fund		Net Position July 1, 2016, as restated
Government-wide:					
Major Governmental Funds- MHSA	\$		\$ 862,290	\$	862,290
Nonmajor Governmental Funds	2,708,954		(862,290)		1,846,664

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

3. DEFICIT NET POSITION

The following funds had a net deficit at June 30, 2017 (in thousands):

	<u>Accumulated Deficit</u>
Government-wide:	
Governmental Activities	\$ 171,823
Business-type Activities	965,970
Enterprise Funds:	
Harbor-UCLA Medical Center	800,168
Olive View-UCLA Medical Center	489,772
LAC+USC Medical Center	634,504
Rancho Los Amigos National Rehab Center	30,403
Internal Service Fund-	
Public Works	694,537

The government-wide governmental and business-type activities, enterprise and internal service funds' deficits result primarily from the recognition of certain liabilities including accrued compensated absences, net pension liability, OPEB obligation, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice, and third party payors, as required by GAAP. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded.

4. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Various Joint Powers Authorities" (JPAs). Under the terms of the agreement, the RPOSD sold \$510,185,000 of bonds in 1997 that were acquired as an investment by the JPAs. The JPAs financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to the principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The 1997 bonds were partially refunded in FY 2004-2005 and the remaining 1997 bonds were fully refunded in FY 2007-2008. The transactions between the two component units have been accounted for as follows:

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

4. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2017, the governmental funds financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of \$38,895,000 that has been recorded in the nonmajor governmental funds. The governmental funds financial statements do not reflect a liability for the related bonds payable (\$38,895,000), as this obligation is not currently due. Accordingly, the value of the asset represents restricted fund balance in the nonmajor governmental funds.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the governmental funds financial statements. The purpose of the column is to remove the duplication of assets, fund balances, revenues and expenditures that resulted from the consolidation of the two component units into the County's overall financial reporting structure.

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable (\$38,895,000) and investment income and interest expense (\$2,313,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

The bonds payable of \$38,895,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 11 and are captioned "Assessment Bonds."

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension and OPEB Trust Funds investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2017 (in thousands):

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

	Pooled Cash and Investments	Other Investments	Restricted Assets		Total
			Pooled Cash and Investments	Other Investments	
Governmental Funds	\$ 8,011,494	43,757			\$ 8,055,251
Proprietary Funds	193,423		98,956	11,726	304,105
Fiduciary Funds (excluding Pension and OPEB)	20,906,435	128,766			21,035,201
Pension and OPEB Trust Funds	86,874	55,407,728			55,494,602
Discretely Presented Component Units	487,887	268,021			755,908
Total	\$ 29,686,113	55,848,272	98,956	11,726	\$ 85,645,067

A summary of cash and investments (by type) as of June 30, 2017 is as follows (in thousands):

Cash:		Cash and investments are reported as follows:	
County		Governmental Funds	\$ 8,055,251
Imprest Cash	\$ 2,431	Proprietary Funds	304,105
Cash in Vault	211	Investment Trust Funds	19,283,372
Cash in Bank	217,467	Agency Funds	1,751,829
Deposits in Transit	8,975	Pension and OPEB	
CDC	10,835	Trust Funds (LACERA)	55,494,602
Total Cash	239,919	Discretely presented component unit:	
		- First 5	411,053
		- CDC	344,855
		Total Cash and Investments	\$ 85,645,067
Investments:			
In Treasury Pool	29,555,987		
In Specific Purpose Investment (SPI)	132,947		
In Other Specific Investments	300		
Held by Outside Trustees	51,000		
In LACERA	55,407,728		
In Discretely Presented Component Unit - CDC	257,186		
Total Investments	85,405,148		
Total Cash and Investments	\$ 85,645,067		

County Treasurer Cash

As of June 30, 2017, the County Treasurer (Treasurer) maintained accounts in six banks. The carrying amount of the Treasurer's total deposits in financial institutions was \$217.47 million, \$8.98 million were deposits in transit, plus \$0.21 million in cash in the Treasurer's vault.

Under California Government Code Section 53652, each financial institution in California is required to pledge a pool of securities as collateral against all of its public deposits. California Government

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

County Treasurer Cash-Continued

Code Section 53651 delineates the types of eligible securities, and the required collateral percentage, generally at 110%. In addition, under California Government Code Section 53653, the Treasurer has discretion to waive security for the portion of any deposits as insured pursuant to federal law. Through contractual agreement, the Treasurer has opted to waive security for the portion of deposits which is federally insured.

The total balance of deposits in financial institutions was covered by federal depository insurance or collateralized with securities monitored by the California Department of Business Oversight (DBO). DBO confirmed that the pools of collateral related to the County Treasurer's deposits were maintained at required levels as of June 30, 2017.

County Investment Pool

California Government Code Sections 53601, 53635 and 53534 authorize the County Treasurer to invest the External Investment Pool (Pool) and Specific Purpose Investments (SPI) funds in obligations of the United States Treasury, federal agencies, State and local agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Global Rating Services (S&P) or P-1 by Moody's Investors Service (Moody's), and F-1 by Fitch, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission (SEC), the State of California's Local Agency Investment Fund (LAIF), interest rate swaps, and supranational institutions. The investments are managed by the Treasurer, which reports investment activity to the Board on a monthly basis. In addition, Treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The Treasurer also maintains Other Specific Investments, which are invested pursuant to the California Government Code. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2017, to support the value of shares in the Pool.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-six percent (86%) of the Treasurer's Pool consists of these involuntary participants. Voluntary participants in the County's Pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the Pooled Investment Trust Fund. Certain SPI have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's Pool and is reported in the Specific Investment Trust Fund in the amount of \$128,466,000. The Pool is not registered as an investment company with the SEC. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

Investments are stated at fair value and are valued on a monthly basis. The Treasurer categorizes its fair value measurements within the fair value hierarchy established by GAAP. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

Matrix Pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

Investments in LAIF are governed by the California Government Code and overseen by a five member Local Investment Advisory Board as designated by the California Government Code. As of June 30, 2017, the total amount invested by all California local governments and special districts in LAIF was \$22.813 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2017 had a balance of \$77.559 billion. The PMIA is not SEC registered, but is required to invest according to the California Government Code. Included in the PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling \$2.244 billion at June 30, 2017. Collectively, these represent 2.89% of the PMIA balance of \$77.559 billion. The SPI holdings in the LAIF investment pool as of June 30, 2017, were \$42.67 million, which were valued using a fair value factor provided by LAIF.

The County treasurer has the following recurring fair value measurements as of June 30, 2017 (in thousands):

Pool	Fair Value	Fair Value Measurement Using			External Government Investment Pools
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Commercial Paper	\$ 7,582,027	\$	\$ 7,582,027	\$	\$
Corporate and Deposit Notes	50,122		50,122		
Los Angeles County Securities	4,923			4,923	
Negotiable Certificates of Deposit	3,499,893		3,499,893		
U.S. Agency Securities	16,906,177		16,906,177		
U.S. Treasury Securities:					
U.S. Treasury Notes	319,508		319,508		
U.S. Treasury Bills	1,193,337		1,193,337		
Total Investments	\$ 29,555,987	\$	\$ 29,551,064	\$ 4,923	\$
<u>SPI</u>					
Local Agency Investment Fund	\$ 42,672	\$	\$	\$	\$ 42,672
Los Angeles County Securities	4,483			4,483	
Negotiable Certificates of Deposit	50,104		50,104		
U.S. Agency Securities	35,688		35,688		
Total Investments	\$ 132,947	\$	\$ 85,792	\$ 4,483	\$ 42,672
<u>Other Specific Investments</u>					
U.S. Treasury Bills	\$ 300	\$	\$ 300	\$	\$
Total Investments	\$ 300	\$	\$ 300	\$	\$

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

As permitted by the Government Code, the County Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the County Treasurer may invest. The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

Authorized Investment Type	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment In One Issuer		Minimum Rating	
	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
U. S. Treasury Notes, Bills and Bonds	5 years	None (1)	None	None	None	None	None	None
U.S. Agency Securities	5 years	None (1)	None	None	None	None	None	None
Local Agency Obligations	5 years	5 years (2)	None	10%*	None	10%*	None	None (2)
Asset-Back Securities	5 years	5 years	20%	20%	None	\$750 million*	AA	AA (3)
Bankers' Acceptances	180 days	180 days	40%	40%	30%	\$750 million*	None	P-1*
Certificates of Deposit (4)	5 years	3 years*	30%	30%	None	\$750 million*	None	P-1/A*
Commercial Paper	270 days	270 days	40%	40%	10%	\$1.5 billion*	A-1/P-1	A-1/P-1
Corporate and Medium-Term Notes (5)	5 years	3 years*	30%	30%	None	\$750 million*	A	A-1/P-1/A
LAIF	N/A	N/A	None	\$65 million (6)	None	None	None	None
Money Market Mutual Funds	N/A	N/A	20%	15%*	10%	10%	AAA	AAA
Repurchase Agreement	1 year	30 days*	None	\$1 billion*	None	\$500 million*	None	None
Reverse Repurchase Agreement	92 days	92 days	20%	\$500 million*	None	\$250 million*	None	None
Forwards, Futures, and Options	N/A	N/A	None	\$100 million*	None	\$50 million*	None	A*
Interest Rate Swaps	N/A	90 days*	None	None	None	None	None	A*
Securities Lending Agreements	92 days	92 days	20%	20% (7)	None	None	None	None
Supranationals	5 years	5 years	30%	30%	None	None	AA	AA

1. Pursuant to the California Government Code 53601, the Board granted authority to make investments in U.S. Treasury Notes, Bills and Bonds, and U.S. Agency Securities that have maturities beyond 5 years.
2. Any obligation issued or caused to be issued on behalf of other County affiliates must have a minimum rating of A3 (Moody's) or A- (S&P) and the maximum maturity is limited to thirty years. All other Local Agencies are limited to 5 years.
3. All Asset-Backed securities must be rated at least "AA" and the issuer's corporate debt rating must be at least "A".
4. Euro Certificates of Deposit are further restricted to a maximum maturity of one year and a maximum percentage of portfolio of 10%.
5. Floating Rate Notes are further restricted to a maximum maturity of five years, maximum of 10% of the portfolio, and maximum investment in one issuer of \$750 million. The maximum maturity may be seven years, provided that the Board's authorization to exceed maturities in excess of five years is in effect, of which \$100 million par value may be greater than five years to maturity.
6. The maximum percentage of the portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy. Bond proceeds are considered a one-time deposit, have no maximum deposit amount, and may be withdrawn 30-calendar days from the day of deposit and each subsequent 30-day period.
7. The maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

*Represents restriction in which the County's Investment Policy is more restrictive than the California Government Code.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

A summary of investments held by the Pool at June 30, 2017 is as follows (in thousands):

Pool	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Commercial Paper	\$ 7,582,027	\$ 7,582,633	0.95% - 1.32%	07/03/17 - 10/17/17	0.07
Corporate and Deposit Notes	50,122	49,949	1.45% - 2.00%	01/12/18 - 01/24/20	1.56
Los Angeles County Securities	4,923	5,000	1.57%	06/30/19	2.00
Negotiable Certificates of Deposit	3,499,893	3,500,006	0.94% - 1.60%	07/03/17 - 01/19/18	0.14
U.S. Agency Securities	16,906,177	17,078,340	0.55% - 4.65%	08/21/17 - 05/27/22	3.05
U.S. Treasury Securities:					
U.S. Treasury Notes	319,508	322,900	0.75% - 1.25%	02/15/18 - 10/31/21	2.84
U.S. Treasury Bills	1,193,337	1,194,231	0.56% - 1.14%	09/14/17 - 05/24/18	0.51
Total	<u>\$ 29,555,987</u>	<u>\$ 29,733,059</u>			1.83

The unrealized loss on investments held in the Pool was \$177,072,000 as of June 30, 2017. This amount takes into account all changes in fair value that occurred during the year. The method used to apportion the unrealized loss was based on a prorata share of each funds' cash balance as of June 30, 2017 relative to the County Pool balances. A separate financial report is issued for the Pool for the year ended June 30, 2017.

Specific Purpose Investments and Other Specific Investments

A summary of investments held by the SPI and Other Specific Investments at June 30, 2017 is as follows (in thousands):

SPI	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Local Agency Investment Fund	\$ 42,672	\$ 42,717			0.53
Los Angeles County Securities	4,483	4,275	5.00%	12/02/27	10.43
Negotiable Certificates of Deposit	50,104	50,000	1.53% - 1.77%	12/28/17 - 06/24/19	1.24
U.S. Agency Securities	35,688	37,275	0.82% - 3.13%	12/12/17 - 09/13/41	20.96
Total	<u>\$ 132,947</u>	<u>\$ 134,267</u>			5.74

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

Specific Purpose Investments and Other Specific Investments-Continued

Other Specific Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
U.S. Treasury Bills	\$ 300	\$ 301	1.05%	11/30/17	0.42

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment Policy limits most investment maturities to less than five years, with the exception of U.S. Treasury Notes, Bills, and Bonds and U.S. Agency Securities, which may have maturities beyond five years. The County Treasurer manages the Pool and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity.

The Treasurer manages the Pool's exposure to declines in fair value by limiting its weighted average maturity target to a range between 1.0 and 2.0 years, in accordance with the Investment Policy. For purposes of computing weighted average maturity, the maturity date of variable-rate notes is the stated maturity.

42.10% of the Pool's \$29.556 billion in investments at June 30, 2017, mature in six months or less. Of the remainder, 52.14% have a maturity of more than one year. At June 30, 2017, the weighted average maturity in years for the Pool was 1.83.

The California Government Code and the Investment Policy allow the Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The Investment Policy limits the amount invested in floating rate notes to 10% of the Pool portfolio. The Investment Policy prohibits the purchase of inverse floating rate notes and hybrid or complex structured investments and for the year ended June 30, 2017, there were none.

At June 30, 2017, the Pool contained floating rate notes at fair value of \$305.06 million (1.03% of the Pool.) The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable securities is generally less susceptible to changes in value than fixed rate securities because the variable-rate coupon resets back to the market rate on a periodic basis. There were no variable rate notes in the SPI and Other Specific Investments.

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. County management believes the liquidity in the portfolios is adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

Custodial Credit Risk

Custodial credit risk for investments is the risk that the Treasurer will not be able to recover the value of investment securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Treasurer and are held by either the counterparty, or the counterparty's trust department or agent but not in the Treasurer's name. At year-end, all Pool, SPI and Other Specific Investment securities, except for the Rancho Palos Verdes Redevelopment Agency Tax Allocation Bond (Bond), Bond Anticipation Notes (BANs) and LAIF, were either held by the Treasurer or by the custodian bank in the name of the Treasurer. The Bond and the BANs were held in the Treasurer's vault and are recorded in the Los Angeles County Securities line item. The LAIF investments were managed by the State of California and the County is considered a pool participant.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer, or other counterparty to an investment, will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County mitigates these risks by holding a diversified portfolio of high quality investments.

The Investment Policy establishes acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSRO). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's), and F-1 (Fitch) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased during the year ended June 30, 2017 met the credit rating criteria in the Investment Policy, at the issuer level. However, while the NRSROs did rate the issuer of the investments purchased, the NRSRO did not, in all instances, rate the investment itself (e.g., commercial paper, bankers' acceptances, corporate and deposit notes, and negotiable certificates of deposit, and U.S. Treasury bills, bonds and notes). Accordingly, for purposes of reporting the credit quality distribution of investments, some investments are reported as not rated.

The Investment Policy also permits investments in LAIF, pursuant to California Government Code Section 16429.1. At June 30, 2017, a portion of the SPI was invested in LAIF, which is unrated as to credit quality.

The Pool and SPI had the following U.S. Agency and commercial paper securities in a single issuer that represent 5% or more of total investments at June 30, 2017 (in thousands):

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

Issuer	Pool		SPI	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Federal Farm Credit Bank	\$ 4,832,919	16.35%	\$ 7,014	5.28%
Federal Home Loan Bank	3,584,941	12.13%	20,749	15.61%
Federal National Mortgage Association	3,753,311	12.70%		
Federal Home Loan Mortgage Corporation	4,735,006	16.02%		
Rabobank Nederland NY CD			25,077	18.86%
Wells Fargo Bank, NA CD			25,026	18.82%

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2017:

Pool	S&P	Moody's	Fitch	% of Portfolio
Commercial Paper	Not Rated	Not Rated	Not Rated	25.66%
Corporate and Deposit Notes	AA-	A1	AA	0.08%
	AA-	Aa3	A	0.08%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	0.02%
Negotiable Certificates of Deposits	Not Rated	P-1	Not Rated	0.17%
	Not Rated	Not Rated	Not Rated	11.67%
U.S. Agency Securities	AA+	Aaa	AAA	40.14%
	AA+	Aaa	F1+	0.08%
	AA+	Aaa	Not Rated	11.72%
	AA+	Not Rated	AAA	1.33%
	Not Rated	Aaa	AAA	0.36%
	AA+	Not Rated	Not Rated	0.25%
	Not Rated	Aaa	Not Rated	0.08%
	Not Rated	Not Rated	Not Rated	3.24%
U.S. Treasury Securities:				
U.S. Treasury Notes	Not Rated	Aaa	AAA	1.08%
U.S. Treasury Bills	Not Rated	Not Rated	F1+	3.70%
	Not Rated	Not Rated	Not Rated	0.34%
				100.00%
<u>SPI</u>				
Local Agency Investment Fund	Not Rated	Not Rated	Not Rated	32.10%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	3.37%
Negotiable Certificates of Deposits	Not Rated	Not Rated	Not Rated	37.69%
U.S Agency Securities	AA+	Aaa	AAA	11.14%
	AA+	Aaa	Not Rated	15.70%
				100.00%
<u>Other Specific Investments</u>				
U.S. Treasury Bills	Not Rated	Not Rated	F1+	100.00%
				100.00%

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements

The California Government Code permits the County Treasurer to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the broker-dealer a margin against a decline in the fair value of the securities. If the broker-dealer defaults on the obligation to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

The County's investment guidelines limit the maximum par value of reverse repurchase agreements to \$500,000,000 and proceeds from reverse repurchase agreements may only be reinvested in instruments with maturities at or before the maturity of the reverse repurchase agreement. During the fiscal year, the County did not enter into any reverse repurchase agreements.

Securities Lending Transactions

For the year ended June 30, 2017, the Los Angeles County Pool did not enter into any securities lending transactions.

Cash and Investments - Held by Outside Trustees

NPC and JPAs have been established for the purpose of rendering assistance to the County to refinance, acquire, construct, improve, lease and sell properties and equipment, including the construction of buildings, and purchase of equipment, land, and any other real or personal property, for the benefit of County residents, through the issuance of bonds, certificates of participation notes (COPs) and commercial paper.

The NPC and JPAs' cash is invested with the outside trustees. Investment practices are governed by the County's Investment Procedures and Guidelines, established pursuant to the California Government Code and the Los Angeles County Board of Supervisors' action.

Investments are stated at fair value. There were no deposits held by outside trustees as of June 30, 2017. A total of \$167.34 million of investments held by outside trustees are invested in the County's investment pool. In addition, the outside trustees invested \$51.00 million outside of the County's investment pool.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

Cash and Investments - Held by Outside Trustees-Continued

The following is a summary of deposits and investments held by outside trustees as of June 30, 2017 (in thousands):

	Amortized Cost	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Money market mutual funds	\$51,000	\$51,000	0.01%-0.99%	07/01/17	0.00

The following is a summary of the credit quality distribution and concentration of credit risk as of June 30, 2017:

Other Investments	S&P	Moody's	Fitch	% of Portfolio
Money Market Mutual Funds	Not Rated	Not Rated	Not Rated	100.00%

LACERA Investment Portfolio

Narratives and tables presented for the Pension and OPEB Trust funds managed by the LACERA are taken directly from LACERA's Report on Audited Financial Statements for the year ended June 30, 2017 (certain terms have been modified to conform with the County's CAFR presentation). The custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk related to Pension and OPEB Trust Funds investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G, Note I and the fair value measurement disclosures are included in Note P of the LACERA's audited financial statements.

Deposits-Custodial Credit Risk

Pension and OPEB Trust Funds investments are reported at fair value at June 30, 2017, (in thousands) and are as follows:

	Fair Value
Cash collateral on loaned securities	\$ 922,584
Short-term investments	1,597,771
Domestic and international equity	26,078,663
Fixed income	14,180,511
Real estate*	6,139,832
Private equity	5,050,442
Hedge funds	1,437,925
Total	<u>\$ 55,407,728</u>

* Refer to Note J of LACERA's Report on Audited Financial Statements for year ended June 30, 2017, for additional discussion on special purpose entities.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Deposits-Custodial Credit Risk-Continued

The Pension and OPEB Trust Funds also had deposits with the Los Angeles County Pool at June 30, 2017 totaling \$86,874,000. The Pension and OPEB Trust Funds portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments or plan net position.

Deposit and Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the Board of Investments (BOI) with exclusive control over LACERA's investment portfolio. The BOI established an Investment Policy Statement. BOI members exercise authority and control over the management of LACERA's Net Position Restricted for Benefits by setting policy that the investment staff executes either internally or through the use of prudent external experts.

The Investment Policy Statement encompasses the following:

- U.S. Equity Investment Policy
- Non-U.S. Equity Investment Policy
- Private Equity Investment Policy
- Fixed Income Investment Policy
- Cash and Cash Equivalents Investment Policy
- Real Estate Investment Policy
- Commodities Investment Policy
- Corporate Governance Policy and Principles
- Derivatives Investment Policy
- Emerging Manager Policy
- Manager Monitoring and Review Policy
- Securities Lending Policy
- Placement Agent Policy
- Hedge Fund Policy

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations and that the investment will default on its payments or lose value. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension Trust Fund at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established.

The majority of the Core, Core Plus, and High Yield portfolios use the following guidelines in terms of credit quality.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Domestic Fixed Income Core and Core Plus Portfolios

A minimum of 80 percent and 70 percent of Core and Core Plus portfolios, respectively, must be invested in securities rated investment-grade by the major credit rating agencies: Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

In addition:

- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of the Investment Manager, they would not violate LACERA's minimum credit quality criteria.
- Unrated issues and securities rated BBB+, BBB, or BBB- by S&P or equivalent, in combination, may represent up to 30 percent of the portfolio.

Domestic High-Yield Fixed Income Portfolios

By definition, high-yield bonds are securities rated below investment grade. Therefore, the majority of bonds in the high-yield portfolios are rated below investment grade by at least one of the major credit rating agencies: Moody's, S&P, and Fitch.

In addition:

- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.
- At least 95 percent of all rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Consistent with the preceding requirement, a maximum of 5 percent of the portfolio may be invested in issues rated below B- by S&P or equivalent; however, these issues must be rated at least CCC by S&P or Caa by Moody's.
- Unrated issues may be purchased provided, in the judgment of the Investment Manager, they would not violate LACERA's minimum credit criteria.

LACERA's Opportunistic Credit portfolios allow for the assumption of more credit risk than other fixed income portfolios, by investing in securities which include unrated bonds, bonds rated below investment grade issued by corporations undergoing financial stress or distress, junior tranches of structured securities backed by residential and commercial mortgages, and bank loans. LACERA utilizes specific investment guidelines for these portfolios that limit maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Domestic High-Yield Fixed Income Portfolios-Continued

The following is a schedule of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities for the pension plan. Whole loan mortgages included in the Pension Plan portfolio of \$36 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities - Pension Plan
As of June 30, 2017
(In Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Funds	Non U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	\$ 2,229,347	\$ 2,297,738	\$ 876	\$ 324,134	\$	\$ 234	\$ 244,342	\$ 5,096,671	36%
Aa			29,547	226,205	315,536	1,073	61,115	633,476	4%
A			8,907	944,815		40,495	291,383	1,285,600	9%
Baa		2,533	21,681	1,514,842	14,883	5,679	365,703	1,925,321	14%
Ba				561,566		19,718	238,352	819,636	6%
B			88	631,948	30,962	12,889	383,030	1,058,917	8%
Caa			4,344	230,454		772	121,249	356,819	3%
Ca				40,075			9,942	50,017	0%
C			1,129	270			329	1,728	0%
Not Rated		15,163	4,583	393,395	2,152,036	16,743	279,916	2,861,836	20%
<hr/>									
Total Investment in Fixed Income Securities - Pension Plan	\$ 2,229,347	\$ 2,315,434	\$ 71,155	\$ 4,867,704	\$ 2,513,417	\$ 97,603	\$ 1,995,361	\$ 14,090,021	100%

Credit Quality Ratings of Investments in Fixed Income Securities - OPEB Trust
As of June 30, 2017
(In Thousands)

Quality Ratings	U.S. Treasuries	Corporate Debt/Credit Securities	Total	Percentage of Portfolio
Aaa	\$ 9,001	\$ 8,028	\$ 17,029	32%
Aa		7,268	7,268	13%
A		30,026	30,026	55%
<hr/>				
Total Investment in Fixed Income Securities - OPEB Trust	\$ 9,001	\$ 45,322	\$ 54,323	100%

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Custodial Credit Risk

LACERA's contract with its primary custodian (Bank) provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, book-entry form, a clearing house corporation, or a depository, so long as the Bank's records clearly indicate that the securities are held in custody for LACERA's account. The Bank may also hold securities in custody in LACERA's name when required by LACERA. When held in custody by the Bank, the securities are not at risk of loss in the event of the Bank's financial failure, because the securities are not property (assets) of the Bank. Cash invested overnight in the Bank's depository accounts is subject to the risk that in the event of the Bank's failure, LACERA might not recover all or some of its deposits. This risk is mitigated when the overnight deposits are insured or collateralized.

LACERA's policy as incorporated in its current contract with the Bank requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by "pass-through insurance," in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a "prompt corrective action" capital category of "well capitalized," and identifying on the Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance and to maintain a financial institution bond, which will cover the loss of money and securities with respect to any and all property the Bank or its agents hold in or for LACERA's account, up to the amount of the bond. To implement certain investment strategies in a cost-effective manner, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian.

Counterparty Risk

Counterparty risk for investments is the risk that, in the event of the failure of the counterparty to complete a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk

No more than 5 percent of the Core, Core Plus, or High-Yield portfolios may be invested in securities of a single issuer, except: U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and manager's approved commingled funds.

As of June 30, 2017, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of Pension Plan Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk

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

To manage interest rate risk, the modified adjusted duration of the Domestic Fixed Income Core, Core Plus, and High-Yield portfolios is restricted to +/- 25.0 percent of the duration of the portfolios' respective benchmarks. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Duration in Fixed Income Securities - Pension Plan schedule presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of \$36 million are excluded from this presentation.

Duration in Fixed Income Securities - Pension Plan
As of June 30, 2017
(In Thousands)

Investment Type	Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasury, U.S. Government Agency and Municipal Instruments:		
U.S. Treasury	\$ 2,229,347	7.74
U.S. Government Agency	2,315,434	2.89
Municipal / Revenue Bonds	71,155	7.92
Subtotal U.S. Treasury, U.S. Government Agency and Municipal Instruments	4,615,936	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	387,503	0.73
Commercial Mortgage-Backed Securities	373,618	2.92
Corporate and Other Credit	4,100,817	4.20
Fixed Income Swaps	5,766	N/A
Pooled Investments	2,513,417	N/A
Subtotal Corporate Bonds and Credit Securities	7,381,121	
Non-U.S. Fixed Income	97,603	5.07
Private Placement Fixed Income	1,995,361	3.61
Subtotal Non-U.S. and Private Placement Securities	2,092,964	
Total Fixed Income Securities - Pension Plan	\$ 14,090,021	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a modified duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk-Continued

Duration in Fixed Income Securities - OPEB Trust
As of June 30, 2017
(In Thousands)

Investment Type	Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasury Instruments:		
U.S. Treasury	\$ 9,001	0.59
Subtotal U.S. Treasury Instruments	9,001	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	5,755	0.19
Corporate and Other Credit	39,567	0.49
Subtotal Corporate Bonds and Credit Securities	45,322	
Total Fixed Income Securities - OPEB Trust	\$ 54,323	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a modified duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines. To mitigate foreign currency risk, LACERA has in place a passive currency hedging program, which hedges into U.S. dollars approximately 50 percent of LACERA's foreign currency exposure for developed market equities.

The following schedule represents LACERA's exposure to foreign currency risk in U.S. dollars. LACERA is invested in several non-U.S. commingled funds. This means LACERA owns units of commingled funds, and the fund holds the actual securities and/or currencies. The values shown include LACERA's pro rata portion of non-U.S. commingled fund holdings.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Holdings at Fair Value - Pension Plan
As of June 30, 2017
(In Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AFRICA							
CFA Franc (W. African)	\$ 1,151	\$	\$	\$	\$	\$	\$ 1,151
Ghana New Cedi	1,914						1,914
GSC	26						26
Kenyan Shilling	3,024						3,024
Moroccan Dirham	3,086						3,086
Nigerian Naira	10,639						10,639
South African Rand	212,212		772				212,984
Tunisian Dinar	1,409						1,409
AMERICAS							
Argentine Peso	204					(5,253)	(5,049)
Bermudan Dollar	9,354						9,354
Brazilian Real	166,376		40				166,416
Canadian Dollar	899,858	581	360			(14,912)	885,887
Chilean Peso	22,608						22,608
Colombian Peso	9,196						9,196
Mexican Peso	109,196	40,436	1,783			(60)	151,355
Peruvian New Sol	15,769						15,769
Uruguayan Peso		1,139					1,139
ASIA							
Australian Dollar	576,788		3,731				580,519
Chinese Renminbi	65,469						65,469
Hong Kong Dollar	980,759		9,976			685	991,420
Indian Rupee	316,121						316,121
Indonesian Rupiah	57,956		19				57,975
Japanese Yen	2,049,184	1,350	1,976			21,625	2,074,135
Malaysian Ringgit	56,348		112				56,460
New Taiwan Dollar	302,870		1,565				304,435
New Zealand Dollar	20,153	234	355			(626)	20,116
Pakistan Rupee	2,874						2,874
Philippine Peso	26,606						26,606
Singapore Dollar	164,277		5,104			(790)	168,591
South Korean Won	469,837		38				469,875
Thai Baht	84,470		10				84,480
Vietnamese Dong	23,553						23,553
EUROPE							
British Pound Sterling	1,729,802	11,224	4,924	2,020	22,057	(16,314)	1,753,713
Czech Republic Koruna	2,208						2,208
Danish Krone	189,600	892	37			(3,050)	187,479
Euro	2,860,597	36,109	13,170	180,545	262,137	(52,238)	3,300,320
Hungarian Forint	9,252						9,252
Norwegian Krone	68,322		90			(482)	67,930
Polish Zloty	33,480						33,480
Romanian New Leu	5,945						5,945
Russian Ruble	95,323	5,638	402				101,363
Swedish Krona	321,249					(6,805)	314,444
Swiss Franc	720,515		33			(9,267)	711,281
MIDDLE EAST							
Egyptian Pound	4,543						4,543
Israeli New Shekel	62,533		18			(678)	61,873
Lebanese Pound	1,062						1,062
Qatari Rial	10,605		31				10,636
Turkish Lira	70,687		2				70,689
UAE Dirham	11,511						11,511
Total Holdings Subject to Foreign Currency Risk - Pension Plan							
	\$ 12,860,521	\$ 97,603	\$ 44,548	\$ 182,565	\$ 284,194	\$ (88,165)	\$ 13,381,266

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Holdings at Fair Value - OPEB Trust
As of June 30, 2017
(In Thousands)

Currency	Equity
AFRICA	
South African Rand	\$ 4,374
AMERICAS	
Brazilian Real	4,314
Canadian Dollar	19,198
Chilean Peso	790
Colombian Peso	304
Mexican Peso	2,491
Peruvian New Sol	243
ASIA	
Australian Dollar	13,974
Chinese RNB	18,348
Hong Kong Dollar	6,805
Indian Rupee	6,501
Indonesian Rupiah	1,701
Japanese Yen	49,454
Malaysian Ringgit	1,701
New Taiwan Dollar	9,052
New Zealand Dollar	608
Pakistan Rupee	182
Philippine Peso	790
Singapore Dollar	2,734
South Korean Won	10,693
Thai Baht	1,458
EUROPE	
British Pound Sterling	36,028
Czech Republic Koruna	122
Danish Krone	3,645
Euro	63,549
Hungarian Forint	182
Norwegian Krone	1,519
Polish Zloty	911
Russian Ruble	1,944
Swedish Krona	6,683
Swiss Franc	16,221
MIDDLE EAST	
Egyptian Pound	122
Israeli New Shekel	1,640
Qatari Rial	486
Turkish Lira	790
UAE Dirham	486
<hr/>	
Total Holdings Subject to Foreign Currency Risk - OPEB Trust	<u>\$ 290,043</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program

The BOI's policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower), and in turn, LACERA receives cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower.

LACERA's securities lending program is managed by two parties: LACERA's custodian bank, State Street Bank and Trust, and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). State Street Bank and Trust lends LACERA's non-U.S. equities, U.S. Treasury, agency, and mortgage-backed securities. GSAL lends LACERA's U.S. equities and corporate bonds. All non-U.S. loans are collateralized at 105 percent, while the U.S. loans are collateralized at 102 percent of the loan market value.

State Street Global Advisors invests the collateral received from both lending programs. The collateral is invested in short-term, highly liquid instruments with maturities that do not generally match the duration of securities on loan. The collateral is marked-to-market daily and if the market value of the securities on loan rises, LACERA receives additional collateral. Earnings generated above and beyond the interest paid to the borrowers represent net income. LACERA shares this net income with the two lending agents based on contractual agreements.

Under the terms of their lending agreements, both lending agents provide borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities" when loaned securities are not returned. In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent shall be liable to LACERA for the amount of such excess, with interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At year-end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2017, there were no known violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2017.

As of June 30, 2017, the fair value of securities on loan was \$1.352 billion, with a value of cash collateral received of \$922.58 million and non-cash collateral of \$495.46 million. Securities lending assets and liabilities of \$922.58 million are recorded in the Pension and OPEB Trust Funds. LACERA's income, net of expenses from securities lending, was \$6.42 million for the year ended June 30, 2017.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program-Continued

Securities Lending
As of June 30, 2017
(In Thousands)

<u>Securities on Loan</u>	Fair Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received
U.S. Equities	\$ 297,066	\$ 303,905	\$
U.S. Fixed Income	974,874	599,557	428,428
Non-U.S. Equities	80,056	19,122	67,028
Total	<u>\$ 1,351,996</u>	<u>\$ 922,584</u>	<u>\$ 495,456</u>

Derivative Financial Instruments

LACERA's Investment Policy Statement and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument that represents direct ownership of an asset or an obligation of an issuer whose payments are based on or derived from the performance of some agreed-upon benchmark. Managers are required to mark-to-market derivative positions daily and may trade only with counterparties with a credit rating of A3/A-, as defined by Moody's and S&P, respectively. Trades with counterparties with a minimum credit rating of BBB/Baa2 may also be allowed with the posting of initial collateral. Substitution, risk control, and arbitrage are the only derivative strategies permitted. Speculation is prohibited. Gains and losses from derivatives are included in net investment income. For financial reporting purposes, all LACERA derivatives are classified as investment derivatives. The following types of derivatives are permitted: futures contracts, currency forward contracts, option contracts, and swap agreements. Given that hedge fund managers may already have discretion to use derivatives in the funds they manage, LACERA's Derivatives Policy applies to hedge fund investments.

Futures

Futures are financial agreements to buy or sell an underlying asset at a specified future date and price. Futures are standardized instruments traded on organized exchanges, and they are marked-to-market daily. The futures exchange reduces counterparty credit risk by acting as a central counterparty. It does this by collecting a daily margin payment from one trade participant and crediting it to the other, based on price changes in the underlying asset.

Currency Forwards

Similar to futures agreements, forwards represent an agreement to buy or sell an underlying asset at a specified future date and price. However, forwards are non-standardized agreements tailored to each specific transaction. Payment for the transaction is generally delayed until the settlement or expiration date. Forward contracts are privately negotiated and do not trade on a centralized exchange; therefore, they are considered "over the counter" instruments. Currency forward contracts are used to manage currency exposure, to implement the passive currency hedge, and to facilitate the settlement of international security purchases and sales.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Currency Forwards-Continued

Currency Forwards Analysis
As of June 30, 2017
(In Thousands)

Currency Forward Contracts

Currency Name	Options	Net Receivables	Net Payables	Swaps	Total Exposure
Australian Dollar	\$ 19	\$ 1,883	\$ (7,135)	\$	\$ (5,233)
British Pound Sterling	172	10,263	(26,577)	(401)	(16,543)
Canadian Dollar		1,578	(16,490)		(14,912)
Danish Krone		411	(3,460)		(3,049)
Euro	262	13,459	(65,697)	(443)	(52,419)
Hong Kong Dollar		(12)	698		686
Israeli New Shekel		183	(861)		(678)
Japanese Yen		(3,695)	25,320	638	22,263
Mexican Peso		96	(156)	(182)	(242)
New Zealand Dollar	(120)	31	(657)		(746)
Norwegian Krone		66	(548)		(482)
Singapore Dollar		7	(797)		(790)
Swedish Krona		2,130	(8,934)		(6,804)
Swiss Franc		1,536	(10,803)		(9,267)
Total	\$ 333	\$ 27,936	\$ (116,097)	\$ (388)	\$ (88,216)

Option Contracts

An option contract is a type of derivative in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Swap Agreements

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. The cash flows the counterparties exchange are tied to a notional amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The fair value represents the gains or losses as of the prior marking-to-market.

Investment Derivatives

The Investment Derivatives schedule below reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the year ended June 30, 2017, classified by type.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Investment Derivatives-Continued

Investment Derivatives
As of June 30, 2017
(In Thousands)

Derivative Type	Net Increase/ (Decrease) in Fair Value For the Year Ended June 30, 2017	Fair Value at June 30, 2017	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	\$ (28,672)	\$	\$	339,359
Commodity Futures Short	241			(44,579)
Credit Default Swaps Bought	(2,225)	(6,916)	80,357	
Credit Default Swaps Written	1,659	1,900	76,486	
Equity Options Bought	(1,131)	124		71
Fixed Income Futures Long	(12,938)			762,545
Fixed Income Futures Short	12,104			(534,113)
Fixed Income Options Bought	(1,754)	1,490		103,625
Fixed Income Options Written	3,079	(1,088)		(491,241)
Foreign Currency Options Bought	(760)	378		199,331
Foreign Currency Options Written	272	(494)		(58,795)
Futures Options Bought	(7,922)	2,318		10,517
Futures Options Written	7,641	(1,346)		(9,612)
FX Forwards	92,137	(88,164)	8,501,246	
Index Futures Long	(45)			
Pay Fixed Interest Rate Swaps	44,630	2,512	849,472	
Receive Fixed Interest Rate Swaps	(1,325)	(550)	52,951	
Rights	1,003	275	1,130	
Total Return Swaps Bond	(5,813)	(216)	42,935	
Total Return Swaps Equity	(18,295)	6,992	(416,628)	
Warrants	39	39	31,412	
Total	\$ 81,925	\$ (82,746)	\$ 9,219,361	277,108

All investment derivative positions are included as part of Investments at Fair Value in the statement of fiduciary net position. All changes in fair value are reported as part of the Net Increase/(Decrease) in the fair value of investments in the statement of changes in fiduciary net position.

Investments information was provided either by investment managers or LACERA's custodian bank, State Street Bank and Trust.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Counterparty Credit Risk

LACERA is exposed to counterparty credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to counterparty credit risk include currency forward contracts and swap agreements. To minimize counterparty credit risk exposure, LACERA's investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, LACERA would be exposed to the loss of the fair value of derivatives that have unrealized gains and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. LACERA requires investment managers to have Master Agreements in place that permit netting in order to minimize credit risk. Netting arrangements provide LACERA with a legal right of set off in the event of bankruptcy or default by the counterparty. Collateral provided by the counterparty reduces LACERA's counterparty credit risk exposure.

The schedule below displays the fair value of investment derivatives with each counterparty's S&P, Fitch and Moody's credit rating by counterparty's name alphabetically.

Counterparty Credit Risk Analysis
As of June 30, 2017
(In Thousands)

<u>Counterparty Name</u>	<u>Total Fair Value</u>	<u>S&P Rating</u>	<u>Fitch Rating</u>	<u>Moody's Rating</u>
Bank of America N.A.	\$ 22	A+	A+	A1
Barclays	51	A-	A	A1
Barclays Bank PLC	353	A-	A	A1
Barclays De Zoete Wedd	10	A-	A	A1
BNP Paribas SA	474	A	A+	A1
Citibank N.A.	2,293	A+	A+	A1
Credit Suisse FOB CME	3,147	A	A	A1
Credit Suisse FOB ICE	237	A	A	A1
Credit Suisse FOB LCH	2,785	A	A	A1
Credit Suisse International	6,745	A	A	A1
Credit Suisse Securities (USA) LLC	234	A	A	A1
Deutsche Bank AG	6,998	A-	A-	Baa2
Goldman Sachs Bank USA	38	BBB+	A	A3
Goldman Sachs CME	2,168	BBB+	A	A3
Goldman Sachs International	12,720	A+	A	A1
JP Morgan Chase Bank	802	A+	AA-	Aa3
JP Morgan Securities INC	1,888	A-	A+	A3
Macquarie Bank Limited	1,229	A	A	A2
Merrill Lynch Capital Services	128	BBB+	A	Baa1
Merrill Lynch International	596	BBB+	A	Baa1
Morgan Stanley and Co. International PLC	98	BBB+	A	A3

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investments Portfolio-Continued

Counterparty Credit Risk-Continued

Royal Bank of Scotland PLC	8,463	BBB+	BBB+	A3
Societe Generale	769	A	A	A2
Standard Chartered Bank	57	A	A+	A1
State Street Bank and Trust Company	79	AA-	AA	Aa3
UBS AG	156	A+	A+	A1
UBS AG London	13,735	A+	A+	A1
Westpac Banking Corporation	10,764	AA-	AA-	Aa3
Total	<u>\$ 77,039</u>			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. These investments are disclosed in the following table (in thousands):

Interest Rate Risk Analysis

As of June 30, 2017

(In Thousands)

Investment Type	Notional Value	Investment Maturities (in years)					No Maturity
		Fair Value	Less Than 1	1 - 5	6 - 10	More than 10	
Credit Default Swaps Bought	\$ 80,357	\$ (6,916)	\$	\$(6,916)	\$	\$	\$
Credit Default Swaps Written	76,486	1,900	31	1,844	30	(5)	
Fixed Income Futures Long	762,545						
Fixed Income Futures Short	(534,113)						
Fixed Income Options Bought	103,625	1,490	585	905			
Fixed Income Options Written	(491,241)	(1,088)	(382)	(690)		(16)	
Pay Fixed Interest Rate Swaps	849,472	2,512		1,656	3,953	(3,097)	
Receive Fixed Interest Rate Swaps	52,951	(550)	(25)	(340)	(101)	(84)	
Total Return Swaps Bond	42,935	(216)	(216)				
Total Return Swaps Equity	(416,628)	6,992	7,065	(150)			77
Total	<u>\$ 526,389</u>	<u>\$ 4,124</u>	<u>\$ 7,058</u>	<u>\$(3,691)</u>	<u>\$ 3,882</u>	<u>\$(3,202)</u>	<u>\$ 77</u>

Hedge Funds

The hedge fund category of investments is not a separate asset class but is comprised of strategies that: 1) invest in securities within LACERA's existing asset classes or across multiple asset classes; 2) have an absolute return objective; and 3) include the ability to use specialized techniques, such as leverage and short-selling, and instruments such as derivatives. LACERA employs two hedge fund of funds managers with specialized knowledge and expertise to construct four hedge fund portfolios. The hedge fund of fund managers identify, select, implement, and monitor these investment strategies in the portfolios consistent with LACERA's stated objectives, constraints, and Investment Policy.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Hedge Funds-Continued

In September 2011, LACERA began investing in hedge funds with a goal of reducing the volatility of the Pension Trust Fund without materially decreasing Pension Trust Fund returns. This initial investment consisted of a portfolio of hedge funds invested in a diversified strategy.

In December 2012, LACERA began investing in a second portfolio of hedge funds focused on opportunistic credit strategies.

In April 2015, LACERA began investing in a third portfolio, managed in a diversified strategy by Goldman Sachs Asset Management (GSAM). Within this portfolio, LACERA directly invests in underlying fund vehicles, while GSAM maintains discretion over fund selection and overall portfolio development.

In January 2016, LACERA began investing in a fourth portfolio, also focused on opportunistic credit strategies and managed by Grosvenor Capital Management (GCM).

The three hedge fund portfolios managed by GCM are each structured in a limited partnership in which LACERA is the sole limited partner, and each was created to hold the interests in the underlying hedge funds. GCM serves as General Partner and owns a 0.01 percent stake in each partnership.

Each underlying fund investment in the entire hedge fund program is in an entity legally structured to limit liability for each investor to the capital invested with that investor.

The investment performance for this strategy is measured separately from other asset classes. The fair value of assets invested in hedge funds as of June 30, 2017 was \$1.44 billion.

Fair Value

For the fiscal year ended June 30, 2016, LACERA adopted GASB Statement No. 7 (GASB 72), Fair Value Measurement and Application. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by GAAP in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP.

Equity and Fixed Income Securities

Equity securities, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities, classified in Level 2 of the fair value hierarchy, are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities, classified in Level 3 are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by LACERA's custodian bank.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Hedge Fund, Private Equity, and Real Estate Funds

Investments in hedge fund, private equity, and real estate funds are valued at estimated fair value, as determined in good faith by the General Partner (GP) in accordance with fair value principles in accordance with GAAP. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are reported as a practical expedient by LACERA.

Real Estate Investments

Investments in real estate are valued at estimated fair value, as determined in good faith by the Investment Manager. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the Investment Manager. Properties are subject to independent third party appraisals every three years.

Investments and Derivatives Measured at Fair Value - Pension Plan

As of June 30, 2017

(In Thousands)

Investments by Fair Value Level	Total	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	\$ 387,503		\$ 387,503	
Commercial Mortgage-Backed Securities	373,618		373,618	
Corporate and Other Credit	4,100,816	19	4,095,607	5,190
Municipal/Revenue Bonds	71,155		71,155	
Non-U.S. Fixed Income	97,603		97,603	
Pooled Investments	37	37		
Private Placement Fixed Income	1,995,362	924	1,989,137	5,301
U.S. Government Agency	2,315,433		2,315,076	357
U.S. Treasury	2,229,347		2,229,347	
Whole Loan Mortgages	36,167			36,167
Total Fixed Income Securities	11,607,041	980	11,559,046	47,015
Equity Securities				
Non-U.S. Equity	1,844,424	1,844,009		415
Pooled Investments	261,997	261,997		
U.S. Equity	3,266,281	3,261,231	3,827	1,223
Total Equity Securities	5,372,702	5,367,237	3,827	1,638
Real Estate	5,296,802			5,296,802
Collateral from Securities Lending	922,584		922,584	
Total Investments by Fair Value Level	\$ 23,199,129	\$ 5,368,217	\$ 12,485,457	\$ 5,345,455

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Real Estate Investments-Continued

Investments by Fair Value Level	Total	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments Measured at NAV				
Fixed Income	\$ 2,513,380			
Equity	20,098,859			
Hedge Funds	1,437,925			
Private Equity	5,050,442			
Real Estate	843,030			
Total Investments Measured at NAV	<u>29,943,636</u>			
Total Investments	<u>\$ 53,142,765</u>			
Derivatives				
Foreign Exchange Contracts	\$ (88,164)	\$	\$ (88,164)	\$
Foreign Fixed Income Derivatives	255		255	
U.S. Equity Derivatives	(490)	(308)	(182)	
U.S. Fixed Income Derivatives	5,511	1,358	4,153	
Total Derivatives	<u>\$ (82,888)</u>	<u>\$ 1,050</u>	<u>\$ (83,938)</u>	<u>\$</u>

Investments Measured at the Net Asset Value
As of June 30, 2017
(In Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds ⁽¹⁾	\$ 2,513,380	\$	Daily, Monthly or Not Eligible	1-30 days or NA
Commingled Equity Funds ⁽²⁾	20,098,859	28,809	Daily, Monthly or Not Eligible	1-30 days or NA
Hedge Funds				
Commodities ⁽³⁾	16,056		Monthly	30 days
Credit ⁽⁴⁾	584,766		Monthly, Quarterly, Semi-Annual; Self-Liquidating	45-180 days
Equity Long / Short ⁽⁵⁾	243,054		Monthly, Quarterly, Annual	20-90 days
Event Driven ⁽⁶⁾	71,690		Quarterly, Annual	45-90 days
Macro and Tactical Trading ⁽⁷⁾	231,003		Monthly, Quarterly	5-93 days
Multi-Strategy ⁽⁸⁾	51,636		Monthly, Quarterly, Self-Liquidating	60-90 days
Relative Value ⁽⁹⁾	172,034		Monthly, Quarterly	15-90 days
Other ⁽¹⁰⁾	67,686		Daily or Not Eligible	N/A
Private Equity ⁽¹¹⁾	5,050,442	3,969,408	Not Eligible	N/A
Real Estate ⁽¹¹⁾	843,030	139,047	Not Eligible	N/A
Total Investments Measured at the NAV	<u>\$29,943,636</u>			

(1) *Commingled Fixed Income Funds* 14 fixed income funds are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; two of the funds representing 7% of Commingled Fixed Income assets have liquidity available at the end of the fund terms which range from 3 to 7 years.

(2) *Commingled Equity Funds* 15 equity funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; three of the funds representing 3% of Commingled Equity assets have liquidity available subject to lock up periods that limit or prohibit redemptions for the next three to four years.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Real Estate Investments-Continued

- (3) *Commodities Hedge Funds* Consisting of 2 funds, this strategy invests across the global commodity markets based on an analysis of factors, including supply and demand, legislative and environmental policies, trends in growth rates and resource consumption, global monetary and trade policy, geopolitical events and technical factors. These investments are valued at NAV per share. When considering liquidity terms, 100% of assets in this strategy category are available within 12 months.
Credit Hedge Funds Consisting of 32 funds, this strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit. These investments are valued at NAV per share. When considering liquidity terms, approximately 49% of assets in this strategy category are available within 12 months. Twelve funds in this category are self-liquidating funds that have an agreed upon investment duration. By the end of each fund's stated timeframe, distributions are expected to be made to investors.
- (4) *Equity Long / Short Hedge Funds* Consisting of 18 funds, this strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors. These investments are valued at NAV per share. When considering liquidity terms, 100% of assets in this strategy category are available within 12 months.
- (5) *Event Driven Hedge Funds* Consisting of 5 funds, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at NAV per share. When considering liquidity terms, approximately 93% of assets in this strategy category are available within 12 months. One fund in this category is self-liquidating and not all of its capital is expected to be received within the next 12 months.
- (6) *Macro and Tactical Trading Hedge Funds* Consisting of 16 funds, this strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis. These investments are valued at NAV per share. When considering liquidity terms, 100% of assets in this strategy category are available within 12 months.
- (7) *Multi-Strategy Hedge Funds* The three funds that make up this group aim to pursue varying strategies in order to diversify risks and reduce volatility. These investments are valued at NAV per share. When considering liquidity terms, approximately 52% of assets in this strategy category are available within 12 months. One fund in this category is self-liquidating.
- (8) *Relative Value Hedge Funds* Consisting of 11 funds, this strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing and/or selling these instruments. These investments are valued at NAV per share. When considering liquidity terms, approximately 98% of assets in this strategy category are available within 12 months.
- (9) *Other* This category contains three funds where all liquid capital has been redeemed and remainder balances represent designated or illiquid investments that will be distributed over time. In addition to these funds, cash held by managers and accrued expenses in the fund of funds vehicles were also included and consisted of approximately 99% of the total.
- (10) *Private Equity and Real Estate Funds* LACERA's Private Equity portfolio consists of 245 funds, investing primarily in Buyout Funds, with some exposure to Venture Capital, Special Situations, and Non-U.S. Funds. The Real Estate portfolio, comprised of 22 funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds has been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years.

Investments Measured at Fair Value - OPEB Trust

As of June 30, 2017

(In Thousands)

Investments by Fair Value Level	Total	Quoted prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	\$ 5,755	\$	\$ 5,755	\$
Corporate and Other Credit	39,567		39,567	
U.S. Treasury	9,001		9,001	
Total Fixed Income Securities	<u>54,323</u>		<u>54,323</u>	
Equity Securities				
Pooled Investments	607,593	607,593		
Total Equity Securities	<u>607,593</u>	<u>607,593</u>		
Total Investments by Fair Value Level	<u>\$ 661,916</u>	<u>\$ 607,593</u>	<u>\$ 54,323</u>	<u>\$</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 is as follows (in thousands):

<u>Governmental Activities</u>	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 2,406,891	9,655	(19)	\$ 2,416,527
Easements	4,940,402	10,862	(5,329)	4,945,935
Software in progress	60,075	55,753	(93,822)	22,006
Construction in progress-buildings and improvements	336,142	196,027	(202,410)	329,759
Construction in progress-infrastructure	309,641	103,902	(74,583)	338,960
Subtotal	<u>8,053,151</u>	<u>376,199</u>	<u>(376,163)</u>	<u>8,053,187</u>
Capital assets, being depreciated:				
Buildings and improvements	5,103,121	504,196	(2,775)	5,604,542
Equipment	1,554,173	122,437	(65,988)	1,610,622
Software	846,888	97,011	(328,294)	615,605
Infrastructure	7,832,258	68,505	(26,332)	7,874,431
Subtotal	<u>15,336,440</u>	<u>792,149</u>	<u>(423,389)</u>	<u>15,705,200</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (1,782,389)	(186,521)	1,021	\$ (1,967,889)
Equipment	(1,114,333)	(109,655)	64,610	(1,159,378)
Software	(456,468)	(60,826)	309,432	(207,862)
Infrastructure	(3,842,262)	(159,185)	5,875	(3,995,572)
Subtotal	<u>(7,195,452)</u>	<u>(516,187)</u>	<u>380,938</u>	<u>(7,330,701)</u>
Total capital assets, being depreciated, net	8,140,988	275,962	(42,451)	8,374,499
Governmental activities capital assets, net	<u>\$ 16,194,139</u>	<u>652,161</u>	<u>(418,614)</u>	<u>\$ 16,427,686</u>
<u>Business-type Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 153,058			\$ 153,058
Easements	31,522	56		31,578
Construction in progress-buildings and improvements	123,111	122,238	(12,369)	232,980
Construction in progress-infrastructure	35,855	9,392	(1,816)	43,431
Subtotal	<u>343,546</u>	<u>131,686</u>	<u>(14,185)</u>	<u>461,047</u>
Capital assets, being depreciated:				
Buildings and improvements	2,661,548	87,500		2,749,048
Equipment	330,976	30,639	(6,821)	354,794
Software	58,922			58,922
Infrastructure	1,257,027	1,816		1,258,843
Subtotal	<u>4,308,473</u>	<u>119,955</u>	<u>(6,821)</u>	<u>4,421,607</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

6. CAPITAL ASSETS-Continued

Business-type Activities-Continued

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Less accumulated depreciation for:				
Buildings and improvements	\$ (774,204)	(67,388)		\$ (841,592)
Equipment	(223,420)	(29,408)	5,993	(246,835)
Software	(30,915)	(4,127)		(35,042)
Infrastructure	(577,836)	(23,480)		(601,316)
Subtotal	<u>(1,606,375)</u>	<u>(124,403)</u>	<u>5,993</u>	<u>(1,724,785)</u>
Total capital assets, being depreciated, net	<u>2,702,098</u>	<u>(4,448)</u>	<u>(828)</u>	<u>2,696,822</u>
Business-type activities capital assets, net	<u>\$ 3,045,644</u>	<u>127,238</u>	<u>(15,013)</u>	<u>\$ 3,157,869</u>
Total capital assets, net	<u>\$ 19,239,783</u>	<u>779,399</u>	<u>(433,627)</u>	<u>\$ 19,585,555</u>

Depreciation Expense

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:

General government	\$ 40,703
Public protection	176,830
Public ways and facilities	90,613
Health and sanitation	45,703
Public assistance	31,670
Education	7,266
Recreation and cultural services	87,955
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	35,447
Total depreciation expense, governmental activities	<u>\$ 516,187</u>

Business-type activities:

Hospitals	\$ 90,463
Waterworks	23,936
Aviation	2,350
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	7,654
Total depreciation expense, business-type activities	<u>\$ 124,403</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units

CDC

Capital assets activity for the CDC component unit for the year ended June 30, 2017, was as follows (in thousands):

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 92,611			\$ 92,611
Construction in progress-buildings and improvements	3,621	1,448	(3,399)	1,670
Subtotal	<u>96,232</u>	<u>1,448</u>	<u>(3,399)</u>	<u>94,281</u>
Capital assets, being depreciated:				
Buildings and improvements	224,678	3,802	3,147	231,627
Equipment	9,332	349	(599)	9,082
Subtotal	<u>234,010</u>	<u>4,151</u>	<u>2,548</u>	<u>240,709</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (147,903)	(4,566)		\$ (152,469)
Equipment	(7,213)	(1,089)	685	(7,617)
Subtotal	<u>(155,116)</u>	<u>(5,655)</u>	<u>685</u>	<u>(160,086)</u>
Total capital assets being depreciated, net	<u>78,894</u>	<u>(1,504)</u>	<u>3,233</u>	<u>80,623</u>
CDC capital assets, net	<u>\$ 175,126</u>	<u>(56)</u>	<u>(166)</u>	<u>\$ 174,904</u>

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2017, was as follows (in thousands):

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated-				
Land	\$ 2,039			\$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	2,739	27		2,766
Subtotal	<u>14,815</u>	<u>27</u>		<u>14,842</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (2,678)	(243)		\$ (2,921)
Equipment	(2,583)	(67)		(2,650)
Subtotal	<u>(5,261)</u>	<u>(310)</u>		<u>(5,571)</u>
Total capital assets being depreciated, net	<u>9,554</u>	<u>(283)</u>		<u>9,271</u>
First 5 LA capital assets, net	<u>\$ 11,593</u>	<u>(283)</u>		<u>\$ 11,310</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB 60, "Accounting and Financial Reporting for Service Concession Arrangements (SCA)" defines an SCA as a type of public-private or public-public partnership. An SCA is an arrangement, which meets specific criteria under GASB 60, between a government (the transferor) and an operator.

The County determined that golf courses met the criteria set forth in GASB 60 (where the County is the transferor) and therefore included these SCAs in the County's financial statements as deferred inflows of resources. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as an operator.

Golf Courses

The County manages a public golf course system, which offers affordable greens fees, discount programs for senior citizens and students, and a junior golf program. Each golf course is leased under agreement with an operator, which provides for activities such as golf course management, clubhouse operations, and food and beverage concessions. The operators collect user fees and are responsible for the day-to-day operations of the golf courses. The operators are required to operate and maintain the golf courses, and make installment payments to the County, in accordance with their respective contracts.

As of June 30, 2017, the present value of the installment payments under contract is estimated to be \$90.08 million and reported as deferred inflows of resources in the statement of net position. The present values of the installment payments were calculated using discount rates of 5.12% and 3.55% for the term of the agreement for each SCA. The lease terms for the twenty golf courses cover remaining periods ranging from 4 months to 22 years as of June 30, 2017. The FY 2016-2017 total monthly installment payments are approximately \$681,000. The County primarily uses the proceeds to fund parks and recreation operations, 10% of which is set aside for future golf course capital improvements. The acquisition value of the golf courses, including buildings and land, is reported at \$23.60 million as of June 30, 2017.

8. PENSION PLAN

Plan Description

The County pension plan is administered by LACERA, which was established under the County Employees' Retirement Law of 1937 (CERL). LACERA is a cost-sharing, multi-employer defined benefit plan. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

- Los Angeles Superior Court
- Little Lake Cemetery District
- Local Agency Formation Commission
- Los Angeles County Office of Education
- South Coast Air Quality Management District

New employees of the latter two agencies are not eligible for LACERA benefits.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

8. PENSION PLAN-Continued

Plan Description-Continued

Benefits are authorized in accordance with the California Constitution, the CERL, the bylaws, and procedures and policies adopted by LACERA's Boards of Retirement and Investments. The Board may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members.

LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Vesting occurs when a member accumulates five years of creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service are required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

LACERA issues a stand-alone financial report, which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199 or at www.LACERA.com.

Contributions

LACERA has nine benefit tiers known as A, B, C, D, E and G, and Safety A, B and C. All tiers except E are employee contributory. Tier E is employee non-contributory. Prior to December 31, 2012, new general members were only eligible for tier D or E and new safety members were only eligible for Safety B. As of January 1, 2013, new general employees are only eligible for tier G and new safety members are only eligible for Safety C. These new tiers were added as a result of the California Public Employees' Pension Reform Act of 2013 (PEPRA) and became effective January 1, 2013. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board of Supervisors.

The following employer rates were in effect for FY 2016-2017:

July 1, 2016 - June 30, 2017	A	B	C	D	E	G
General Members	24.11%	15.94%	15.32%	16.19%	17.49%	16.07%
Safety Members	32.25%	25.94%	21.93%			

The rates were determined by the actuarial valuation performed as of June 30, 2015. Some of the assumptions used in the actuarial valuation performed as of June 30, 2016 were updated, including lowering the investment rate of return from 7.50% to 7.25%. The LACERA Board of Investments adopted the recognition of the increase in the calculated employer contribution rates due to the new assumptions over a three year period. As a result, the employer contribution rates used in fiscal year 2017-2018 will increase from 1.48% to 2.20% over the rates used in 2016-2017 and may increase again during the following two fiscal years.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

8. PENSION PLAN-Continued

Contributions-Continued

Employee rates vary by option and employee entry age from 5% to 16% of their annual covered salary.

During fiscal year 2016-2017, the County contributed the full amount of the Actuarial Determined Contribution, as determined by the actuarial valuations, in the form of semi-monthly cash payments in the amount of \$1.301 billion.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the County reported a liability of \$10.273 billion for its proportionate share of the net pension liability in accordance with the parameters of GASB 68 and 71. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, projected forward to the measurement date taking into account any significant changes between the valuation date and the measurement date. The County's proportion of the net pension liability was based on a projection of the County's future contribution effort to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2016, the County's proportionate share was 96.17%, which was an increase of 0.09% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1.310 billion which is reported as \$1.120 billion for governmental activities and \$190.33 million for business-type activities. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	\$	\$ 2,258,100
Change in experience	898,630	
Change in proportion and differences between County contributions and proportionate share of contributions	63,329	103,176
Contributions made subsequent to measurement date		1,300,711
Total	\$ 961,959	\$ 3,661,987

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner in accordance with GASB 68. Investment gains or losses are recognized in pension expense over a five year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members, which is 8 years.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

8. PENSION PLAN-Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-Continued

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to pension, will be recognized in pension expense as follows (in thousands):

	<u>Deferred Outflows/(Inflows) of Resources</u>
Year Ending June 30:	
2018	\$ 146,782
2019	146,784
2020	869,816
2021	558,829
2022	(133,969)
Thereafter	(188,925)

Deferred outflows of \$1.301 billion related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Actuarial Assumptions

Valuation Timing	June 30, 2015, rolled forward to June 30, 2016
Actuarial Cost Method	Individual Entry Age Normal
Inflation	3.00%
Investment Rate of Return	7.63%, net of investment expense
Cost of Living Adjustments	Based on changes in the Consumer Price Index from the previous January 1 to the current January 1, to the nearest 0.50% to 1.00%, limited to a maximum of 3.00%.
Mortality	Various rates based on RP-2000 mortality tables and using static projection of improvement to 2025 using Projection Scale AA. See June 30, 2015 actuarial valuation for details. It can be found at www.LACERA.com .
Experience Study	Covers the three year period ended June 30, 2013.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

8. PENSION PLAN-Continued

Actuarial Assumptions-Continued

The long-term expected rate of return on pension plan investments (7.50%, net of all expenses) was determined using a building block method in which a median, or expected, geometric rate of return was developed for each major asset class. The median rates were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentages.

For the year ended June 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Rate of Return (Geometric)</u>
Global Equity	41.40%	8.20%
Fixed Income	27.80%	5.10%
Real Estate	11.00%	7.10%
Private Equity	10.00%	9.40%
Commodities	2.80%	4.10%
Hedge Funds	5.00%	5.60%
Other Opportunities	0.00%	7.00%
Cash	2.00%	2.30%
TOTAL	100.00%	7.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.63%. This is equal to the 7.50% long-term investment return assumption adopted by LACERA (net of investment and administrative expenses), plus 0.13% assumed administrative expenses. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to pay all projected future benefit payments of current active and inactive plan members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the County's proportionate share of the net pension liability calculated using the discount rate of 7.63%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.63%) or 1-percentage point higher (8.63%) than the current rate (in thousands):

	1% Decrease (6.63%)	Discount Rate (7.63%)	1% Increase (8.63%)
Net Pension Liability	\$17,454,587	\$10,272,671	\$ 4,266,892

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

8. PENSION PLAN-Continued

Pension Plan Fiduciary Net Position

Detailed information about pension plan fiduciary net position as of June 30, 2016 is available in the separately issued LACERA financial report, which can be found at www.LACERA.com.

Deferred Compensation Plans

The County offers to its employees three deferred compensation plans created in accordance with Sections 401 and 457 of the Internal Revenue Code. One or more of these plans are available to substantially all employees and allow participants to defer a portion of their current income until future years.

Plan Description and Funding Policy

The Deferred Compensation and Thrift Plan was established as a Section 457 defined contribution plan covering employees who have achieved full time and permanent employment status. The Plan is designed to permit these employees to voluntarily defer a portion of their compensation and provide for retirement and death benefits. The plan is funded by employer and employee contributions. As of June 30, 2017, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2017, were \$226.27 million.

The Savings Plan is a Section 401(k) defined contribution plan covering eligible full-time permanent employees of the County not covered by collective bargaining agreements and who desire to participate in the Plan. Employees eligible for voluntary participation in this plan are also eligible for participation in the Deferred Compensation and Thrift Plan. The plan is funded by employer and employee contributions. As of June 30, 2017, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2017, were \$60.04 million.

The Pension Savings Plan is a Section 457 defined contribution plan covering part-time, temporary and seasonal County employees who are not eligible to participate in the retirement programs provided through the LACERA. The Plan was established in lieu of employee coverage under Social Security. Participation in the plan is mandatory and employees must contribute a minimum of 4.5% of their eligible earnings and the County makes a contribution equal to 3% of compensation. Participants may contribute additional amounts beyond the required 4.5%. Total employer contributions for the year ended June 30, 2017, were \$7.82 million.

The plans are administered through a third-party administrator. The assets of the plans are held in trust by Wells Fargo Bank, N.A. and invested at the direction of the participants. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost-sharing, multi-employer OPEB or Retiree Healthcare Program on behalf of the County, its affiliated Superior Court, and four outside districts. The outside districts include: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education and the South Coast Air Quality Management District.

In April 1982, the County of Los Angeles adopted an ordinance pursuant to Government Code Section 31691, which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreements to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

In June 2014, the LACERA Board approved the County's request to modify the agreements to create a new retiree healthcare benefit plan in order to lower its Retiree Healthcare Program (RHP) costs. Structurally, this means the County will be segregating all current retirees and current employees into RHP Tier 1 and placing all employees hired after June 30, 2014, into RHP Tier 2. Under the new RHP Tier 2, retirees who are eligible for Medicare will be required to enroll in that program. In addition, coverage will be available for employees or eligible survivors only.

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199 or www.LACERA.com.

Funding Policy

Health care benefits earned by County employees are dependent on the number of completed years of retirement service credited to the retiree by LACERA upon retirement; it does not include reciprocal service in another retirement system. The benefits earned by County employees range from 40% of the benchmark plan cost with ten completed years of service to 100% of the benchmark plan cost with 25 or more completed years of service. In general, each completed year of service after ten years reduces the member's cost by 4%. Service includes all service on which the member's retirement allowance was based.

Health care benefits include medical, dental, vision, Medicare Part B reimbursement and death benefits. In addition to these retiree health care benefits, the County provides long-term disability benefits to employees, and these benefits have been determined to fall within the definition of OPEB, per GASB 45. These long-term disability benefits provide for income replacement if an employee is unable to work because of illness or injury. Specific coverage depends on the employee's employment classification, chosen plan and, in some instances, years of service.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable OPEB Trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program, which LACERA administers. On May 15, 2012, the Board entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. During FY 2016-2017, the County made contributions of \$528.91 million on a pay-as-you-go basis. Included in this amount was \$56.20 million for Medicare Part B reimbursements and \$7.40 million in death benefits. Additionally, \$44.50 million was paid by member participants. The County also made payments of \$38.58 million for long-term disability benefits. During FY 2016-2017, the County also contributed \$61.14 million in excess of the pay-as-you-go amounts. As of June 30, 2017, the net position of the OPEB Trust Fund was \$742.88 million.

The OPEB Trust does not modify the County's benefit programs.

Annual OPEB Cost and Net OPEB Obligation

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2016, and the OPEB long-term disability actuarial valuation as of July 1, 2015. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

	Retiree Health Care	LTD	Total
Annual OPEB required contribution (ARC)	\$ 1,885,600	\$ 89,253	\$ 1,974,853
Interest on Net OPEB obligation	575,321	12,169	587,490
Adjustment to ARC	(504,674)	(11,199)	(515,873)
Annual OPEB cost (expense)	1,956,247	90,223	2,046,470
Less: Contributions made	590,053	38,582	628,635
Increase in Net OPEB obligation	1,366,194	51,641	1,417,835
Net OPEB obligation, July 1, 2016	12,784,915	324,512	13,109,427
Net OPEB obligation, June 30, 2017	<u>\$ 14,151,109</u>	<u>\$ 376,153</u>	<u>\$ 14,527,262</u>

Retiree Health Care Trend Information (in thousands)

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 2,097,128	21.46%	\$ 11,263,053
June 30, 2016	2,102,048	27.60%	12,784,915
June 30, 2017	1,956,247	30.16%	14,151,109

LTD Trend Information (in thousands)

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 80,125	49.82%	\$ 271,752
June 30, 2016	90,066	41.42%	324,512
June 30, 2017	90,223	42.76%	376,153

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 2.23%. The actuarial value of assets was \$552.90 million. The actuarial accrued liability (AAL) was \$24.792 billion, resulting in an unfunded AAL of \$24.239 billion. The covered payroll was \$6.966 billion and the ratio of the unfunded AAL to the covered payroll was 347.98%. Covered payroll represents the pensionable payroll of employees that are provided pensions through the pension plan.

As of July 1, 2015, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The actuarial value of assets was zero. The AAL was \$1.090 billion, resulting in an unfunded AAL of \$1.090 billion. The covered payroll was \$6.949 billion and the ratio of the unfunded AAL to the covered payroll was 15.69%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules present multi-year trend information.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms; with some differences in the methods and assumptions used. In both valuations, the projected unit credit cost method was used. The valuation of OPEB health care benefits assumed an annual investment rate of return of 4.50%, a projected general wage increase of 3.25% per annum, and an annual inflation rate of 2.75%. The valuation of OPEB long-term disability benefits assumed an annual investment rate of return of 3.75%, a projected general wage increase of 3.50% per annum, and an annual inflation rate of 3.00%. The increases in salary due to promotions and longevity do not affect the amount of the OPEB program benefits. The valuation for OPEB health care included an actuarial asset valuation, however, the valuation for OPEB long-term disability benefits did not. Finally, both the OPEB health care and the OPEB long-term disability valuation reports used the level percentage of projected payroll over a rolling (open) 30-year amortization period.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions-Continued

The healthcare cost trend initial and ultimate rates, based on the July 1, 2016, OPEB actuarial valuation, are as follows:

	<u>Initial Year</u>	<u>Ultimate</u>
LACERA Medical Under 65	4.40%	4.40%
LACERA Medical Over 65	4.60%	4.40%
Part B Premiums	6.80%	4.35%
Dental (all)	2.00%	3.70%

For the year ended June 30, 2017, LACERA implemented GASB 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Implementation of GASB 74 required changes and additions in the Notes to the Basic Financial Statements, Required Supplementary Information (RSI), and Other Supplementary Information in LACERA's financial report. Significant changes include more extensive note disclosures and new RSI schedules related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments.

10. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2017 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 89,169
2019	77,154
2020	57,717
2021	40,360
2022	27,430
2023-2027	75,722
2028-2032	51,605
2033-2037	18,734
2038-2042	14,278
2043-2047	14,278
2048-2052	3,570
Total	<u>\$ 470,017</u>

Rent expenses related to operating leases were \$96,136,000 for the year ended June 30, 2017.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

10. LEASES-Continued

Capital Lease Obligations

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of future minimum lease payments as of June 30, 2017 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 23,059
2019	22,967
2020	22,830
2021	22,579
2022	22,221
2023-2027	96,461
2028-2032	80,967
2033-2037	43,165
2038-2042	1,431
Total	<u>335,680</u>
Less: Amount representing interest	<u>183,739</u>
Present value of future minimum lease payments	<u>\$ 151,941</u>

The following is a schedule of property under capital leases by major classes at June 30, 2017 (in thousands):

	<u>Governmental Activities</u>
Land	\$ 18,695
Buildings and improvements	139,555
Equipment	58,097
Accumulated depreciation	(58,937)
Total	<u>\$ 157,410</u>

Future rent revenues to be received from noncancelable subleases are \$930,000 as of June 30, 2017.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, regional parks, asset development projects and Whiteman Airport. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain regional parks are leased under agreements, which provide for activities such as food and beverage concessions, and recreational vehicle camping. The asset development projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. Whiteman Airport lease is for hanger space. The asset development leases cover remaining periods ranging generally from 5 to 81 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 18 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 51 years and are accounted for in the General Fund. The airport lease covers a remaining period of 15 years and is accounted for in the Aviation Enterprise Fund.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

10. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the asset development project ground leases and the Marina del Rey Project area leases is \$616,835,000. The carrying value of the capital assets associated with the regional park and Whiteman Airport operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2017 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2018	\$ 42,533	\$ 182
2019	42,072	187
2020	43,399	192
2021	43,315	197
2022	43,113	201
Thereafter	1,566,964	2,055
Total	<u>\$ 1,781,396</u>	<u>\$ 3,014</u>

The following is a schedule of rental income for these operating leases for the year ended June 30, 2017 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Minimum rentals	\$ 42,440	\$ 174
Contingent rentals	20,237	
Total	<u>\$ 62,677</u>	<u>\$ 174</u>

The minimum rental income is a fixed amount based on the lease agreements. The contingent rental income is a percentage of revenue above a certain base for the asset development leases or a calculated percentage of the gross revenue less the minimum rent payment for the other leases.

11. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans, pension (see Note 8), OPEB (see Note 9), capital lease obligations (see Note 10) and other liabilities, which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. LONG-TERM OBLIGATIONS-Continued

A summary of bonds, notes and loans recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2017
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.00% to 5.25%	\$ 275,535	\$ 41,718
NPC Bonds, 2.00% to 5.00%	48,740	30,107
Public Buildings Bonds and Notes, 0.32% to 7.62%	1,075,096	1,102,737
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	404,296
NPC Bond Anticipation Notes, 1.57%	3,557	3,557
Marina del Rey Loans, 4.50% to 4.70%	23,500	14,085
Lease Revenue Obligation Notes, 0.85% to 0.97%	34,642	34,642
Total	<u>\$ 1,780,897</u>	<u>\$ 1,631,142</u>

A summary of bonds and notes recorded within business-type activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2017
NPC Bonds, 2.00% to 5.00%	\$ 18,540	\$ 11,648
Public Buildings Bonds and Notes, 0.32% to 7.62%	774,228	767,034
NPC Bond Anticipation Notes, 1.57%	1,443	1,443
Lease Revenue Obligation Notes, 0.85% to 0.97%	159,728	159,728
Waterworks District Loans, 2.28%	8,869	7,689
Aviation Loan, 2.95%	2,000	1,813
Total	<u>\$ 964,808</u>	<u>\$ 949,355</u>

Assessment Bonds

The Regional Park and Open Space District (District) issued voter approved assessment bonds in 1997, some of which were advance refunded in FY 2004-2005 and the remainder in FY 2007- 2008, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the pledged proceeds of annual assessments levied on parcels within the District's boundaries.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds-Continued

The bonds mature in FY 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is \$41,978,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were \$14,028,000 and \$28,899,000, respectively.

Principal and interest requirements on assessment bonds are as follows (in thousands):

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 12,320	\$ 1,692
2019	12,955	1,039
2020	13,620	352
Subtotal	38,895	<u>\$ 3,083</u>
Add: Unamortized bond premiums	2,823	
Total assessment bonds	<u>\$ 41,718</u>	

Certificates of Participation and Bonds

The County has issued lease revenue bonds through various financing entities that have been established and are component units of the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During FY 2016-2017, LACCAL, an Internal Service Fund, issued lease revenue bonds of \$37,480,000 primarily to retire BANs of \$70,000,000. The difference was paid with lease revenue collected. The allocation of debt between governmental activities and business-type activities was \$26,986,000 and \$10,494,000, respectively.

Principal and interest requirements on Certificates of Participation (COPs) and Bonds (NPC bonds, Public Buildings Bonds and COPs for governmental activities and NPC bonds and Public Buildings Bonds and COPs for business-type activities) are as follows (in thousands):

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds-Continued

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 43,544	\$ 66,791	\$ 21,862	\$ 45,595
2019	40,057	66,076	20,980	44,717
2020	34,892	65,375	19,430	43,783
2021	39,571	56,608	18,728	42,815
2022	50,020	46,521	19,340	41,779
2023-2027	174,862	201,612	110,903	189,984
2028-2032	180,960	152,268	141,290	149,123
2033-2037	174,232	100,504	180,043	96,822
2038-2042	182,198	46,555	194,917	32,372
2043-2047	87,765	8,137	19,185	460
Subtotal	1,008,101	<u>\$ 810,447</u>	746,678	<u>\$ 687,450</u>
Add: Accretions	43,720			
Unamortized bond premiums	81,023		32,004	
Total certificates of participation and bonds	<u>\$ 1,132,844</u>		<u>\$ 778,682</u>	

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of \$ 319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2017 were \$131,514,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be \$ 1.438 billion. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was \$309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$	\$ 19,592
2019		19,592
2020		19,593
2021		19,593
2022	29,710	17,136
2023-2027		85,680
2028-2032	46,370	72,585
2033-2037	62,196	64,767
2038-2042	53,157	42,665
2043-2047	97,824	21,564
Subtotal	289,257	\$ 382,767
Add: Accretions	115,039	
Total tobacco settlement asset-backed bonds	\$ 404,296	

Notes, Loans, and Lease Revenue Obligation Notes

Notes and Loans

BANs are issued by the LACCAL to provide interim financing for equipment purchases. BANs are purchased by the County Treasury Pool and are payable within five years. In addition, the BANs are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital lease obligations with a three-year term secured by County real property. During FY 2016-2017, LACCAL, an Internal Service Fund, issued additional BANs in the amount of \$17,957,000 as reflected in governmental activities and \$7,043,000 as reflected in business-type activities.

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues.

In June 2010, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of \$3,410,000 and \$5,473,000 from the California Department of Public Health to fund the Sepulveda Feeder Interconnection project (Malibu) and the Marina del Rey Waterline Replacement project (Marina), respectively. The loans will be repaid over 20 years and are secured by revenues from surcharges collected for capital improvements. Annual

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Notes and Loans-Continued

principal and interest payments of the loans are expected to require less than 46.73% of the annual surcharge revenues. During FY 2016-2017, the County did not obtain any additional loans. As of June 30, 2017, total loans drawn are \$3,396,000 on the Sepulveda Feeder Interconnection project and \$5,473,000 on the Marina del Rey Waterline Replacement project.

In July 2014, the Board approved the Whiteman Airport Leasehold Interest Acquisition Project, with a total Project cost of \$4,020,000. To partially finance the acquisition, the Aviation Fund obtained an Airport Development Loan from the State of California Department of Transportation, Aeronautics Program for \$2,000,000 with an annual interest rate of 2.95%. The Airport Development Loan will be repaid over 17 years with revenue generated by rental income. During FY 2016-2017, the County did not obtain any additional airport development loans.

Lease Revenue Obligation Notes

Lease revenue obligation notes (LRON) provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of LRON are secured by two irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON, and one revolving credit facility with an additional bank supporting the issuance of direct placement revolving notes. This program is secured by sixteen County-owned properties pledged as collateral in a lease-revenue financing structure with the LACCAL. The LOCs and the revolving credit facility were issued for a three-year period and have a termination date of April 12, 2019. The County has the option to extend the LOCs and the revolving credit for an additional one-year period or to some other term mutually agreed to with the participating banks.

The aggregate maximum principal amount of the two LOCs is \$300,000,000, which consists of \$100,000,000 of Series A (Bank of the West), and \$200,000,000 of Series B (U.S. Bank). The maximum principal amount of the Series C (Wells Fargo) direct placement revolving credit facility is \$200,000,000. The County is responsible for the payment of a non-refundable letter of credit fee for each LOC and a non-refundable commitment fee for the revolving credit facility on a quarterly basis in an amount equal to the rate per annum corresponding to the lowest long-term unenhanced debt ratings assigned by any of Moody's, S&P, or Fitch to any Lease Obligation Debt of the County. The letter of credit fee for Series A is equal to 0.35% of the maximum principal amount of the LOC. For Series B, the letter of credit fee is equal to 0.43% of the maximum principal amount of the LOC. The commitment fee for the Series C revolving notes issued through the Wells Fargo credit facility is equal to 0.30% of the maximum principal amount. As of June 30, 2017, \$194,370,000 of LRON issued under the program were outstanding, including \$13,100,000 of Series A, \$181,270,000 of Series B, and \$0 of Series C.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes-Continued

LRON are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of LRON, the notes are reissued at the prevailing interest rates in the note market, which reflects the term of the note and the perceived credit quality of the supporting letter of credit bank. During FY 2016-2017, the County redeemed \$18,530,000 and reissued \$31,142,000 for governmental activities and reissued \$131,428,000 for business-type activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with an additional \$31,800,000 of new County LRON, which is reported as \$3,500,000 for governmental activities and \$28,300,000 for business-type activities, are reflected as notes payable. The total outstanding LRON as of June 30, 2017 is \$194,370,000, which is reported as \$34,642,000 for governmental activities and \$159,728,000 for business-type activities. The average interest rate on LRON issued in FY 2016-2017 was 0.67%.

Principal and interest requirements on NPC BANS, Marina del Rey Loans and LRON for governmental activities and NPC BANS, Waterworks District Loans, Aviation Loan and LRON for business-type activities are as follows (in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 35,553	\$ 634	\$ 160,012	\$ 141
2019	4,509	593	1,923	220
2020	995	550	491	208
2021	1,039	505	503	196
2022	1,086	458	516	184
2023-2027	6,210	1,513	2,774	725
2028-2032	2,892	197	3,129	369
2033-2037			1,325	46
Total notes, loans, and LRON	<u>\$ 52,284</u>	<u>\$ 4,450</u>	<u>\$ 170,673</u>	<u>\$ 2,089</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

The following summarizes total future principal and interest requirements for the various debt issues referenced above (in thousands):

<u>Debt Type</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Assessment bonds	\$ 38,895	\$ 3,083	\$	\$
Certificates of participation and bonds	1,008,101	810,447	746,678	687,450
Tobacco settlement asset-backed bonds	289,257	382,767		
Notes, loans, and LRON	52,284	4,450	170,673	2,089
Subtotal	1,388,537	<u>\$ 1,200,747</u>	917,351	<u>\$ 689,539</u>
Add: Accretions	158,759			
Unamortized premiums on bonds payable	83,846		32,004	
Total bonds and notes	<u>\$ 1,631,142</u>		<u>\$ 949,355</u>	

Long-term liabilities recorded in the government-wide statement of net position include accreted interest on zero coupon bonds and unamortized bond premiums.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related debt service payments for the defeased bonds are not reflected in the County's statement of net position. At June 30, 2017, there were no outstanding bonds and certificates of participation considered defeased.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2017 (in thousands):

	Balance July 1, 2016	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Bonds and notes payable	\$ 1,471,906	79,585	162,954	\$ 1,388,537	\$ 91,417
Add: Unamortized premium on bonds payable	85,091		1,245	83,846	1,688
Total bonds and notes payable	<u>1,556,997</u>	<u>79,585</u>	<u>164,199</u>	<u>1,472,383</u>	<u>93,105</u>
Interest accretion on capital appreciation bonds payable	164,005	3,178	8,424	158,759	12,801
Other long-term liabilities:					
Capital lease obligations (Note 10)	158,410	404	6,873	151,941	6,502
Accrued compensated absences	1,380,265	185,107	102,306	1,463,066	89,843
Workers' compensation (Note 18)	2,129,688	566,513	386,466	2,309,735	405,714
Litigation and self-insurance (Note 18)	203,154	74,950	65,564	212,540	157,696
Pollution remediation obligation (Note 19)	16,995	7,245	2,159	22,081	3,294
Net pension liability (Note 8)	6,381,654	2,449,453		8,831,107	
OPEB obligation (Note 9)	10,902,137	1,168,619		12,070,756	
Third party payor	39,306	77,854	55,656	61,504	42,297
Total governmental activities	<u>\$22,932,611</u>	<u>4,612,908</u>	<u>791,647</u>	<u>\$ 26,753,872</u>	<u>\$ 811,252</u>
Business-type activities:					
Bonds and notes payable	\$ 917,589	177,265	177,503	\$ 917,351	\$ 181,874
Add: Unamortized premium on bonds payable	32,905		901	32,004	729
Total bonds and notes payable	<u>950,494</u>	<u>177,265</u>	<u>178,404</u>	<u>949,355</u>	<u>182,603</u>
Other long-term liabilities:					
Accrued compensated absences	202,709	26,012	15,058	213,663	13,339
Workers' compensation (Note 18)	303,306	62,510	35,998	329,818	41,458
Litigation and self-insurance (Note 18)	91,838	7,446	10,305	88,979	25,003
Net pension liability (Note 8)	1,066,720	374,844		1,441,564	
OPEB obligation (Note 9)	2,207,290	249,216		2,456,506	
Third party payor (Note 14)	675,429	377,067		1,052,496	511,165
Total business-type activities	<u>\$ 5,497,786</u>	<u>1,274,360</u>	<u>239,765</u>	<u>\$ 6,532,381</u>	<u>\$ 773,568</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the Public Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued compensated absences, pension and OPEB, and litigation and self-insurance.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes. Accretions decreased during FY 2016-2017, thereby decreasing liabilities for Bonds and Notes by \$5,246,000 for governmental activities. Note 18 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance.

Discretely Presented Component Unit

Long-term debt obligations and corresponding activity for the CDC discretely presented component unit for the year ended June 30, 2017, was as follows (in thousands):

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Maturities</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and notes payable	\$ 19,444	672	2,581	\$ 17,535	\$ 3,382
Compensated absences	869	1,046	1,059	856	770
Capital lease obligations	611	32	614	29	6
Claims payable	4,369	1,980	2,112	4,237	424
Net pension liability	7,918	8,049		15,967	
OPEB obligation	15		4	11	
Total governmental activities	<u>\$ 33,226</u>	<u>11,779</u>	<u>6,370</u>	<u>\$ 38,635</u>	<u>\$ 4,582</u>
Business-type activities:					
Bonds and notes payable	\$ 37,457	183	635	\$ 37,005	\$ 665
Compensated absences	718	961	945	734	661
Net pension liability	5,946	5,996		11,942	
Total business-type activities	<u>\$ 44,121</u>	<u>7,140</u>	<u>1,580</u>	<u>\$ 49,681</u>	<u>\$ 1,326</u>
Total long-term obligations	<u>\$ 77,347</u>	<u>18,919</u>	<u>7,950</u>	<u>\$ 88,316</u>	<u>\$ 5,908</u>

12. SHORT-TERM DEBT

On July 1, 2016, the County issued \$800,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.67%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2016. The notes matured and were redeemed on June 30, 2017.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2017, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling \$33,107,000 and limited obligation improvement bonds totaling \$3,530,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements, which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund.

Industrial Development and Other Conduit Bonds

Industrial development bonds, and other conduit bonds, have been issued to provide financial assistance to private sector entities and nonprofit corporations for the acquisition of industrial and health care facilities, which provide a public benefit. The bonds are secured by the facilities acquired and/or bank letter of credit and are payable solely from project revenue or other pledged funds. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2017, the amount of industrial development and other conduit bonds outstanding was \$69,060,000.

Redevelopment Refunding Bonds

The County of Los Angeles Redevelopment Refunding Authority, a joint powers authority between the County and the Public Works Financing Authority, was established to issue bonds that would enable successor agencies to former redevelopment agencies within the County to refund their outstanding tax allocation bonds in order to achieve debt service savings and to provide significant economies of scale through reduced costs of issuance and lower interest rates. The bonds are secured by a lien on future tax revenues of successor agencies. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2017, the amount of redevelopment refunding bonds outstanding was \$717,846,000.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

14. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Medi-Cal Demonstration Project: Medi-Cal 2020

On December 30, 2015, the federal Centers for Medicaid and Medicare Services (CMS) approved the special terms and conditions (STCs) for Medi-Cal 2020 - a five-year renewal of California's Section 1115(a) Medi-Cal Demonstration Project, which provides California with new federal funding through programs with an intent to shift focus away from hospital-based and inpatient care, towards outpatient, primary, and preventative care. Medi-Cal 2020 covers the period January 1, 2016 to December 31, 2020.

Revenues for the public hospitals under Medi-Cal 2020 are comprised of:

- 1) Global Payment Program
- 2) Public Hospitals Redesign and Incentives in Medi-Cal
- 3) Whole Person Care

Global Payment Program

The Global Payment Program (GPP) is a payment reform program that aims to change the way county-owned and operated Public Hospital Systems (PHS) in California are compensated for providing care to the remaining uninsured. The program encourages a shift away from cost-based, hospital-centric models of care, through financial incentives to provide cost-effective primary and specialty care.

The GPP funds are comprised of Disproportional Share Hospital (DSH) funds that otherwise would have been allotted to a PHS, and Safety Net Uncompensated Care Pool (SNCP). DSH is a federal program to support safety-net hospital caring for a disproportionate share of low-income patients. SNCP was established under California's 2005 waiver to support services provided to uninsured patients. The GPP lifts restrictions that have historically impeded providing services for the remaining uninsured in the most appropriate setting for each patient, and now includes non-traditional methods of care delivery that have not been covered under either program.

The shift from volume to value is done through a value-based point methodology, which takes into account both the value of care to the patient, and the recognition of costs to the health care system.

Each participating PHS has an opportunity to earn a global budget for care to the remaining uninsured, and must meet service thresholds to receive full funding. Points are assigned to services in the following categories:

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Global Payment Program-Continued

- Traditional Outpatient (e.g., primary or specialty care visit, dental, ER/urgent care, mental health visit)
- Non-Traditional Outpatient (e.g., health coaching, care navigation, community wellness encounters)
- Technology-Based Outpatient (e.g., nurse advice line, email consultation, provider-to-provider eConsult for specialty care)
- Inpatient and Facility Stays (e.g., trauma care, ICU stays, recuperative care, respite care, sober center stays, skilled nursing facility stays).

The County provides funding for the State of California’s (State's) share of the program by “using Intergovernmental Transfers (IGTs)” to draw down federal matching funds.

The estimated GPP revenues and related IGTs recorded in FY 2016-2017, in thousands, were as follows:

	GPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA	\$ 294,714	\$ 186,310
Olive View-UCLA	119,930	74,866
LAC+USC	502,550	289,122
Rancho	87,150	75,685
Total	<u>\$ 1,004,344</u>	<u>\$ 625,983</u>

The General Fund received \$78.40 million for GPP, which were recorded as “Charges for Services” revenue on the governmental funds statement.

Public Hospital Redesign and Incentives in Medi-Cal

The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program is the successor to the 2010 Bridge to Reform waiver’s Delivery System Reform Incentive Program (DSRIP), a pay-for-performance program that improves care delivery to prepare California’s PHS for an influx of newly covered patients through the implementation of the Affordable Care Act (ACA).

PRIME directs PHS, district, and municipal hospitals to use evidence-based quality improvement methods to achieve ambitious, year-over-year performance targets. All federal funding for this program is contingent on meeting these targets.

Efforts within PRIME include (1) increasing the capability to furnish patient-centered, data driven, team-based care, (2) improving the capacity to provide point-of-care services, complex care management and population health management, (3) improving population and health outcomes, (4) high quality care that integrates physical and behavioral health services in the most appropriate setting and (5) moving towards value-based payments. The estimated revenues below, in thousands, were recorded as “other operating revenues” in FY 2016-2017:

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Public Hospital Redesign and Incentives in Medi-Cal-Continued

	PRIME Revenues	Intergovernmental Transfers Expense
Harbor-UCLA	\$ 139,747	\$ 91,327
Olive View-UCLA	66,726	36,229
LAC+USC	74,652	59,371
Rancho	92,102	25,927
Total	<u>\$ 373,227</u>	<u>\$ 212,854</u>

The General Fund received \$52.48 million for PRIME, and were recorded as "Intergovernmental Revenue Federal" on the governmental funds statement.

Whole Person Care

Whole Person Care (WPC) pilot program focuses on coordination of health, behavioral health, and social services in a patient-centered manner with the goals of improved beneficiary health and well-being through more efficient and effective use of resources.

WPC program is on a calendar year basis, starting with 2016. The General Fund received \$142.51 million for WPC revenues, which were recorded as "Intergovernmental Revenue Federal" on the governmental funds statements. In addition, the General Fund recorded \$71.23 million of WPC IGT expenditures, which were recorded as health and sanitation expenditures on the governmental funds statement.

Medi-Cal Demonstration Project: Bridge to Reform

Bridge to Reform was approved in November 2010 by CMS, pursuant to Section 1115(a) of the Social Security Act. This waiver affected many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State drew down federal matching funds. Bridge to Reform covered the period November 1, 2010 to October 31, 2015, with a temporary extension to December 31, 2015.

The estimated Bridge to Reform revenues for DSH and SNCP included amounts collected and accrued for FY 2016-2017 as adjusted for over/under-realization of revenues for FYs 2006-2007 through 2014-2015.

The County also provided funding for the State's share of the DSH program by using IGTs to draw down federal matching funds. The IGTs made during FY 2016-2017 were for services provided in FYs 2013-2014. The amounts reported below, in thousands, also include IGTs returned by the State for overpayment.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Bridge to Reform-Continued

	Program Revenues		Intergovernmental Transfers Expense
	DSH	SNCP	
Harbor-UCLA	\$ (12,415)	\$ 3,439	\$ 904
Olive View-UCLA	2,376	1,230	(4,376)
LAC+USC	25,958	7,245	(4,158)
Rancho	(2,706)	1,245	(2,871)
Total	<u>\$ 13,213</u>	<u>\$ 13,159</u>	<u>\$ (10,501)</u>

Managed Care for Seniors and Persons with Disabilities

Under the Medi-Cal Demonstration Project, in an effort to provide more coordinated care and contain costs, Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) are required to enroll in managed care plans, rather than using a fee for service system. In FY 2016-2017, an estimated \$320.66 million of SPD revenues were recorded as part of net patient service revenue.

The Medi-Cal Demonstration Project requires the County make IGTs to the State to fund the non-federal share of Medi-Cal inpatient payments for the SPD managed care population and expenses associated with such IGTs were \$147.59 million in FY 2016-2017.

The General Fund received \$0.60 million for SPD, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Affordable Care Act

On January 1, 2014, when the federal health care reform of the Patient Protection went into effect, the Hospital Presumptive Eligibility program also provided individuals with temporary Medi-Cal benefits while a formal, permanent Medi-Cal application is being processed.

Medicaid Coverage Expansion

The Medicaid Coverage Expansion (MCE), also known as the Optional Medicaid Expansion program, provides Medi-Cal coverage for adult citizens or legal residents (ages 19-64) who are uninsured and have incomes at or below 138% of the Federal Poverty Level. The Federal Medical Assistance Percentage (FMAP) for the MCE Program is 100% from July 1, 2016 through December 31, 2016, and 95% effective January 1, 2017.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Affordable Care Act-Continued

Medicaid Coverage Expansion-Continued

During FYs 2015-2016 and 2016-2017, LA Care Health Plan (LA Care), one of the health plans which subcontracts with the County to provide services for their Medi-Cal managed care members, continued to pay the County managed care capitation payments based on the FY 2014-2015 contract rates. The two organizations worked together to determine the new rates and the negotiated rates have been finalized in October 2017 but the agreements have not yet been executed. For the MCE capitated lives, the official MCE rates decreased for these two fiscal years. The County will pay back LA Care in FY 2017-2018 approximately \$494.33 million (\$228.96 million and \$265.37 million for the respective two fiscal years), which was reflected as third party payor liability due within one year. Refer to Third Party Payor Liability section of this Note below for additional information.

In FY 2016-2017, the total estimated MCE revenues and related estimated IGTs, including prior year over/under-realization were as follows (in thousands):

	Program Revenues	Intergovernmental Transfers Expense
MCE	\$ 601,505	\$ 16,297
MCRS - MCE	168,068	4,230
Total	\$ 769,573	\$ 20,527

The General Fund received \$0.49 million for MCE, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Other Medi-Cal Programs

Medi-Cal Fee-For-Service

The Medi-Cal Demonstration Project restructured the financing method by which the State draws down federal matching funds for the inpatient hospital fee-for service (FFS) to cost-based reimbursement. The nonfederal share of the Medi-Cal FFS are provided by the hospitals primarily through certified public expenditures (CPE) whereby the hospital expends its local funding for services to draw down the federal financing participation, currently provided at a 50% match. For FY 2016-2017, an estimated \$344.99 million of Medi-Cal FFS revenues were recorded as part of net patient service revenue.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Physician State Plan Amendment

The Medi-Cal Demonstration Project payment for inpatient and other facility services excluded professional services. State Plan Amendment 05-23 allows professional services provided by public entities to be paid similarly to the inpatient hospital services under the Medi-Cal Demonstration Project. Hospitals are allowed to claim federal reimbursement for unreimbursed costs of Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services), which is matched at the applicable FMAP rate for the year.

Revenues of \$28.02 million were recognized and recorded as part of net patient service revenue during FY 2016-2017 and included adjustments for the over/under-realization of revenues associated with FY 2006-2007 and FYs 2013-2014 through 2016-2017.

Cost Based Reimbursement Clinics

Cost Based Reimbursement Clinics (CBRC) reimburses 100% of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, outpatient centers and Ambulatory Care Network health centers (excluding clinics that provide predominately public health services). CBRC revenues in FY 2016-2017 were \$261.66 million. As of June 30, 2017, the County estimated that approximately \$156.42 million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a noncurrent asset in the proprietary fund statements of net position for each hospital. Refer to Third Party Payor Liability section of this Note for additional information.

The General Fund received \$0.45 million for CBRC, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Medi-Cal Cost Report Settlements

In FY 2016-2017, the County recognized favorable audit settlements of \$40.73 million for FY 2014-2015. The County's various level appeals to the Office of Administrative Appeals of certain audit adjustments have been favorably resolved resulting in \$17.48 million of final settlement revenues.

The State auditors are in the process of auditing the FY 2012-2013 and FY 2015-2016 CBRC cost reports and audit reports and settlements are expected by January 2018.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplements

The State is obtaining CMS' approval to continue the Medi-Cal Managed Care Rate Supplements (MCRS) paid to LA Care and Health Net Health Plans for FYs 2015-2016 and 2016-2017. The supplements are funded by IGTs made by the County. The County does not receive the supplemental payments directly from the State; rather, the State contracts with LA Care and Health Net, which then subcontract for services with various provider networks.

In addition, in order to receive the supplemental payments, the County is required by Welfare and Institutions Code Section 14301.4, to pay the State a 20% administrative fee that is assessed on the full amount of the IGTs. This amount is also recorded as part of the IGT.

The total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2016-2017, including prior year over/under realization, were as follows (in thousands):

	MCRS Revenues	Intergovernmental Transfers Expense
LA Care	\$ 253,834	\$ 145,866
Health Net	47,936	28,657
Total	<u>\$ 301,770</u>	<u>\$ 174,523</u>

Revenues from the various Medi-Cal programs represent approximately 83% of the hospitals' patient care revenue for the year ended June 30, 2017.

Third Party Payor Liability

The County's Hospitals reported third party payor liabilities of \$1.052 billion (see Note 11) as of June 30, 2017, as reported on the statement of net position for proprietary funds. The current liabilities for amounts due within one year are \$511.17 million. Due to a decrease in MCE rates for FYs 2015-2016 and 2016-2017, the County will pay back LA Care in FY 2017-2018 approximately \$494.33 million (\$228.96 million and \$265.37 million for the respective two fiscal years). In addition, it is estimated that the County's Hospitals will pay \$16.84 million in additional CBRC unallowable costs in FY 2017-2018. The noncurrent liabilities for third party payors are \$541.33 million. The primary programs associated with third party payors liabilities include DSH (\$240.27 million), Medi-Cal Inpatient (\$83.29 million), SNCP (\$54.95 million), GPP (\$53.98 million), Medicare (\$30.43 million), and SPD (\$27.29 million).

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2017 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	\$ 3,281,948	\$ 1,988,695	\$ 4,706,662	\$ 788,053	\$ 10,765,358
Less: Allowance for uncollectible amounts	2,637,131	1,550,174	3,839,351	591,750	8,618,406
Accounts receivable - net	<u>\$ 644,817</u>	<u>\$ 438,521</u>	<u>\$ 867,311</u>	<u>\$ 196,303</u>	<u>\$ 2,146,952</u>

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through the Department's Ability-to-Pay program, through other collection efforts by the Department, by the Treasurer and Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter. The total amount of such charity care provided by the hospitals for the year ended June 30, 2017 is as follows (in thousands):

Estimated cost of charity care	\$ 578,382
Charity care at established rates	1,141,571
Charges forgone	1,123,754

Realignment

As a result of the ACA, the State of California (State) adopted and passed Assembly Bill 85 (AB85), as amended by Senate Bill 98, which lays out the process by which a portion of the 1991 County Health Realignment funds will be redirected to support Social Services programs based on a formula. The redirection is based on the assumption that the counties will decrease their cost for healthcare for the indigent population. These savings will be shared between the counties' health departments and the State. The sharing ratio is 80% State and 20% County for FYs 2014-2015 and beyond. AB85, as amended, provides a unique formula for the County to determine the amount to be redirected.

In FY 2016-2017, the State withheld \$5.61 million from the County's Health Realignment funds. This amount withheld is expected to be reconciled against actual revenues and expenses for FY 2016-2017 within two years. The redirection amount will be subject to the State's review and approval. The financial impact of the potential redirection of realignment funding in future years is not yet known.

In FY 2015-2016, the State withheld \$100.73 million from the County's Health Realignment funds. However, based on updated revenues realized for FY 2015-2016 services in FY 2016-2017, the projected redirection amount is \$291.41 million. As a result, the "Intergovernmental Revenue State" revenue has been reduced by \$190.68 million in the County's General Fund in FY 2016-2017.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Realignment-Continued

In FY 2014-2015, the State withheld \$238.23 million from County's Health Realignment funds. However, based on updated revenues realized for FY 2014-2015 services in FY 2016-2017, the County determined that an additional \$127.28 million will most likely be returned to the State. As a result, the "Intergovernmental Revenue State" revenue has been reduced by \$127.28 million in the County's General Fund in FY 2016-2017.

In FY 2013-2014, the State withheld \$87.50 million from County's Health Realignment funds. However, pursuant to Section 17612.3(d) of the Welfare and Institutions Code, the State Department of Health Care Services (DHCS) completed its reconciliation in July 2016 of the FY 2013-2014 final redirection and determined that the redirection amount for the County of Los Angeles is zero and all \$87.50 million was returned to the County. The General Fund received the returned funds which were recorded as "Intergovernmental Revenues State" on the governmental fund statement.

Martin Luther King, Jr. Community Hospital

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3) entity, the Martin Luther King, Jr. - Los Angeles Healthcare Corporation (MLK-LA), to operate a new hospital at the MLK-MACC site. The hospital will: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010. The new MLK Community Hospital opened on May 14, 2015.

To assist with the opening of the MLK Hospital, the County provided MLK-LA with \$50.00 million of coordination start-up funds, \$39.10 million of grant funding, and \$82.00 million of long-term loan funding, which includes a 30-year loan in the amount of \$50.00 million, a 10-year revolving line of credit in the amount of \$20.00 million, and a 2-year loan in the amount of \$12.00 million. On January 5, 2016, the Board of Supervisors approved an additional short-term revolving loan in the amount of \$40.00 million to assist MLK-LA with post-hospital opening expenses. All the loans have been repaid in full, with the exception of the 30-year loan, which has a current outstanding balance of \$48.20 million. In addition, the DHS has committed to make ongoing annual payments of \$18.00 million for indigent care support, and \$50.00 million of intergovernmental transfers for the benefit of the MLK Hospital.

15. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided; (2) the recording of those transactions in the accounting system; and (3) payments between the funds were made. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2017.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2017 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	\$ 17,705
	Flood Control District	3,774
	Public Library	3,153
	Regional Park and Open Space District	9,671
	Mental Health Services Act	72,230
	Nonmajor Governmental Funds	58,478
	Harbor-UCLA Medical Center	52,641
	Olive View-UCLA Medical Center	30,778
	LAC+USC Medical Center	44,574
	Rancho Los Amigos Nat'l Rehab Center	9,051
	Waterworks Enterprise Funds	876
	Nonmajor Aviation Funds	11
	Internal Service Funds	5,614
	<u>308,556</u>	
Fire Protection District	General Fund	3,205
	Nonmajor Governmental Funds	638
	<u>3,843</u>	
Flood Control District	General Fund	3,138
	Nonmajor Governmental Funds	6,967
	Waterworks Enterprise Funds	1,177
	Nonmajor Aviation Funds	169
	Internal Service Funds	12,010
	<u>23,461</u>	
Public Library	General Fund	619
	Fire Protection District	3
	Nonmajor Governmental Funds	34
	<u>656</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Regional Park and Open Space District	General Fund	\$ 38
Mental Health Services Act	General Fund	6,465
Nonmajor Governmental Funds	General Fund	9,233
	Fire Protection District	15
	Flood Control District	38
	Public Library	1
	Nonmajor Governmental Funds	10,661
	Internal Service Funds	15,203
		<u>35,151</u>
Harbor-UCLA Medical Center	General Fund	19,969
	Fire Protection District	46
	Nonmajor Governmental Funds	23,130
	Olive View-UCLA Medical Center	195
	LAC+USC Medical Center	1,887
	Rancho Los Amigos Nat'l Rehab Center	11,835
		<u>57,062</u>
Olive View-UCLA Medical Center	General Fund	24,634
	Fire Protection District	97
	Nonmajor Governmental Funds	14,205
	Harbor-UCLA Medical Center	42
	LAC+USC Medical Center	10
	Rancho Los Amigos Nat'l Rehab Center	219
		<u>39,207</u>
LAC+USC Medical Center	General Fund	37,319
	Fire Protection District	74
	Nonmajor Governmental Funds	66,926
	Harbor-UCLA Medical Center	2,036
	Olive View-UCLA Medical Center	1,531
	Rancho Los Amigos Nat'l Rehab Center	1,443
	Internal Service Funds	4
		<u>109,333</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Rancho Los Amigos Nat'l Rehab Center	General Fund	\$ 5,983
	Fire Protection District	37
	Harbor-UCLA Medical Center	36,541
	Olive View-UCLA Medical Center	35,506
	LAC+USC Medical Center	68,157
		<u>146,224</u>
Waterworks Enterprise Funds	General Fund	71
	Fire Protection District	125
	Internal Service Funds	1,402
		<u>1,598</u>
Internal Service Funds	General Fund	15,466
	Fire Protection District	67
	Flood Control District	24,294
	Nonmajor Governmental Funds	22,530
	Harbor-UCLA Medical Center	687
	LAC+USC Medical Center	121
	Rancho Los Amigos Nat'l Rehab Center	76
	Waterworks Enterprise Funds	4,067
Nonmajor Aviation Funds	701	
		<u>68,009</u>
Total Interfund Receivables/Payables		<u>\$ 799,603</u>

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the four hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to augment funding for programs operated in the General Fund and hospitals.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2017 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	\$ 1,076
	Public Library	45,024
	Nonmajor Governmental Funds	95,188
	Harbor-UCLA Medical Center	152,263
	Olive View-UCLA Medical Center	128,270
	LAC+USC Medical Center	158,241
	Rancho Los Amigos Nat'l Rehab Center	100,721
	Internal Service Funds	139
	<u>680,922</u>	
Fire Protection District	General Fund	2,270
	Nonmajor Governmental Funds	11,865
		<u>14,135</u>
Flood Control District	Nonmajor Governmental Funds	12,895
	Internal Service Funds	5,318
		<u>18,213</u>
Public Library	General Fund	148
	Nonmajor Governmental Funds	1,309
		<u>1,457</u>
Mental Health Services Act	General Fund	<u>333,825</u>
Nonmajor Governmental Funds	General Fund	101,075
	Fire Protection District	8,593
	Public Library	2,888
	Nonmajor Governmental Funds	22,313
	Harbor-UCLA Medical Center	52,355
	Olive View-UCLA Medical Center	35,765
	LAC+USC Medical Center	122,396
	Rancho Los Amigos Nat'l Rehab Center	44,974
Internal Service Funds	2,907	
	<u>393,266</u>	
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	4,961
	Rancho Los Amigos Nat'l Rehab Center	29,722
		<u>34,683</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	\$ 3,143
	Rancho Los Amigos Nat'l Rehab Center	6,114
		<u>9,257</u>
LAC+USC Medical Center	Nonmajor Governmental Funds	<u>5,775</u>
Rancho Los Amigos Nat'l Rehab Center	Nonmajor Governmental Funds	<u>1,459</u>
Waterworks Enterprise Funds	Nonmajor Governmental Funds	76
	Internal Service Funds	769
		<u>845</u>
Internal Service Funds	Flood Control District	2,229
	Nonmajor Governmental Funds	6,669
	Waterworks Enterprise Funds	553
		<u>9,451</u>
Total Interfund Transfers		<u>\$ 1,503,288</u>

Interfund Advances

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term and long-term advances to assist the Hospital Funds in meeting their cash flow requirements. The County estimates that a portion of Hospital revenue is not collectible within one year and has identified long-term receivables in each Hospital Enterprise Fund. To assist the Hospital Funds in meeting their cash flow requirements, the General Fund provided a \$110.20 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

15. INTERFUND TRANSACTIONS-Continued

Interfund Advances-Continued

Advances from/to other funds at June 30, 2017 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
General Fund	Harbor-UCLA Medical Center	\$	\$ 16,122	\$ 16,122
	Olive View-UCLA Medical Center	4,063	28,260	32,323
	LAC+USC Medical Center		58,804	58,804
	Rancho Los Amigos Nat'l Rehab Center	50,169	7,013	57,182
	Internal Service Funds	2,748		2,748
		<u>56,980</u>	<u>110,199</u>	<u>167,179</u>
Flood Control District	Internal Service Funds	6,474		6,474
Nonmajor Governmental Funds	Internal Service Funds	11,414		11,414
Waterworks Enterprise Funds	Internal Service Funds	1,364		1,364
Total Interfund Advances		<u>\$ 76,232</u>	<u>\$ 110,199</u>	<u>\$186,431</u>

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP

The County's statement of revenues, expenditures and changes in fund balances-budget and actual on budgetary basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The amounts presented for the governmental funds statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- For budgetary purposes, nonspendable, restricted, committed and assigned fund balances and the portion of unassigned fund balance reserved for the "Rainy Day" fund are recorded as other financing uses at the time they are established. The County recognizes them as uses of budgetary fund balance. The nonspendable, restricted, committed and assigned fund balances that are subsequently cancelled or otherwise made available are recorded as changes in fund balance in other financing sources.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred and amounts are collected within the County's availability period.
- For the General Fund, obligations for accrued compensated absences and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation 6.
- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in FY 2005-2006, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as deferred inflows of resources and are being recognized over the duration of the sale agreement, in accordance with GASB 48 and 65. This matter is also discussed in Note 11, under the caption, "Tobacco Settlement Asset-Backed Bonds."
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.
- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2017.

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Mental Health Services Act
Fund balance - budgetary basis	\$ 1,982,626	\$ 21,769	\$ 89,046	\$ 47,988	\$ 168,608	\$ 370,087
Budgetary fund balances	1,615,971	191,111	384,774	26,921	111,173	687,517
Subtotal	<u>3,598,597</u>	<u>212,880</u>	<u>473,820</u>	<u>74,909</u>	<u>279,781</u>	<u>1,057,604</u>
Adjustments:						
Accrual of estimated liability for litigation and self-insurance claims	177,805	1,483	2,776	737		
Accrual of compensated absences	78,639					
Unamortized balance of sale of tobacco settlement revenue	(228,142)					
Change in revenue accruals	(133,216)	(17,481)	(7,397)	(2,894)	(1,389)	(6,612)
Change in OPEB	157,290	9,056		1,472		
Subtotal	<u>52,376</u>	<u>(6,942)</u>	<u>(4,621)</u>	<u>(685)</u>	<u>(1,389)</u>	<u>(6,612)</u>
Fund balance - GAAP basis	<u>\$ 3,650,973</u>	<u>\$ 205,938</u>	<u>\$469,199</u>	<u>\$ 74,224</u>	<u>\$ 278,392</u>	<u>\$1,050,992</u>

17. OTHER COMMITMENTS

Construction and Other Significant Commitments

At June 30, 2017, there were contractual commitments of approximately \$7.27 million for various general government construction projects and approximately \$104.54 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2017, LACERA had outstanding capital commitments to various investment managers, approximating \$4.500 billion.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

17. OTHER COMMITMENTS-Continued

Encumbrances

The County uses “encumbrances” to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2017, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Total</u>
General Fund	\$	\$	\$ 462,464	\$ 462,464
Fire Protection District	67,227			67,227
Flood Control District	43,011			43,011
Public Library			10,791	10,791
Regional Park and Open Space District	101,038			101,038
Mental Health Services Act	3,721			3,721
Nonmajor Governmental Funds	83,898	2,885	9,932	96,715
Total Encumbrances	<u>\$ 298,895</u>	<u>\$ 2,885</u>	<u>\$ 483,187</u>	<u>\$ 784,967</u>

18. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as property, aviation, employee fidelity, boiler and machinery, cyber, catastrophic workers’ compensation, art objects, volunteers, special events, public official bonds, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been settlements related to these programs that exceeded self-insured retention in the last three years. Losses did not exceed coverage in FY 2014-2015, FY 2015-2016 or FY 2016-2017.

The County retains the risk for all other loss exposures. Major areas of risk include workers’ compensation, medical malpractice, law enforcement, natural disasters, inverse condemnation, non-tort and tort liability. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and recovery/subrogation of approximately 10% of the total liability expenditures. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

18. RISK MANAGEMENT-Continued

As indicated in the following table, the County's workers' compensation balance as of June 30, 2017 was approximately \$2.640 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2017. Approximately \$67,804,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2017, the County's best estimate of these liabilities is \$2.941 billion. Changes in the reported liability since July 1, 2015 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year- End
<u>2015-2016</u>				
Workers' Compensation	\$ 2,167,899	\$ 672,439	\$ (407,344)	\$ 2,432,994
Other	266,853	97,924	(69,785)	294,992
Total	<u>\$ 2,434,752</u>	<u>\$ 770,363</u>	<u>\$ (477,129)</u>	<u>\$ 2,727,986</u>
<u>2016-2017</u>				
Workers' Compensation	\$ 2,432,994	\$ 629,023	\$ (422,464)	\$ 2,639,553
Other	294,992	82,396	(75,869)	301,519
Total	<u>\$ 2,727,986</u>	<u>\$ 711,419</u>	<u>\$ (498,333)</u>	<u>\$ 2,941,072</u>

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately \$204.83 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

19. POLLUTION REMEDIATION

GASB 49 establishes accounting and reporting guidelines for the recognition and measurement of a pollution remediation obligation (liability).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or cleanup activities, and recognizes a pollution remediation obligation when estimates can reasonably be determined. The pollution remediation obligation is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, and removal of storage tanks, asbestos tiles and other hazardous materials.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

19. POLLUTION REMEDIATION-Continued

As of June 30, 2017, the County's estimated pollution remediation obligation totaled \$22,081,000. This obligation was associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liability was determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust the estimated obligation when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligation.

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources balances in the government-wide and the proprietary funds statement of net position as of June 30, 2017 are described as follows:

- The deferred outflows of resources, included on the government-wide statement of net position, relates to the unamortized losses on refunding of debt and changes in the net pension liability as discussed in Note 8. The unamortized losses on refunding of debt are a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- The deferred inflows of resources, included on the government-wide statement of net position, relates to the future installment payments of service concession arrangements as discussed in Note 7 and from changes in the net pension liability as discussed in Note 8.

Government-wide
Statement of Net Position (in thousands)

	Governmental Activities	Business-type Activities	Total
Deferred outflows of resources:			
Unamortized losses on refunding of debt	\$ 17,360		\$ 17,360
Pensions	3,122,082	539,905	3,661,987
Total government-wide deferred outflows of resources	\$ 3,139,442	539,905	\$ 3,679,347
Deferred inflows of resources:			
Service concession arrangements	\$ 90,076		\$ 90,076
Pensions	783,544	178,415	961,959
Total government-wide deferred inflows of resources	\$ 873,620	178,415	\$ 1,052,035

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

Proprietary Funds
Statement of Net Position (in thousands):

	<u>H-UCLA</u>	<u>OV-UCLA</u>	<u>LAC+USC</u>	<u>Rancho</u>	<u>Total</u>	<u>ISF Funds</u>
Deferred outflows of resources- Pensions	<u>\$ 164,639</u>	<u>105,477</u>	<u>222,071</u>	<u>47,718</u>	<u>\$ 539,905</u>	<u>\$ 115,193</u>
Deferred inflows of resources- Pensions	<u>\$ 59,694</u>	<u>32,544</u>	<u>72,486</u>	<u>13,691</u>	<u>\$ 178,415</u>	<u>\$ 33,319</u>

Deferred outflows and inflows of resources balances in the governmental funds balance sheet as of June 30, 2017 are described as follows:

- The intra-entity sales of future tobacco settlement revenues are reported as deferred inflows of resources in the General Fund and deferred outflows of resources in the nonmajor governmental funds.
- Under the modified accrual basis of accounting, earning revenues during the current period is not sufficient for revenue recognition in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenues not susceptible to accrual as deferred inflows of resources. The County has included two such items, which are property tax revenues to be collected beyond the 60 day accrual period, plus other long-term receivables, related mostly to SB90 claims, expected to be collected beyond the 12 month accrual period.

Governmental Funds
Balance Sheet (in thousands):

	<u>General Fund</u>	<u>Fire Protection District</u>	<u>Flood Control District</u>	<u>Public Library</u>	<u>Regional Park and Open Space District</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Deferred outflows of resources - Tobacco settlement revenues	<u>\$</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>228,142</u>	<u>\$ 228,142</u>
Deferred inflows of resources:							
Tobacco settlement revenues	\$ 228,142						\$ 228,142
Property tax revenues	108,044	25,977	7,763	4,299	4,068	8,108	158,259
Other long-term receivables	84,973	815	100			2	85,890
Total governmental funds deferred inflows of resources	<u>\$ 421,159</u>	<u>26,792</u>	<u>7,863</u>	<u>4,299</u>	<u>4,068</u>	<u>8,110</u>	<u>\$ 472,291</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

21. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balances for all the major and nonmajor governmental funds at June 30, 2017 (in thousands) are as follows:

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Government Funds
Fund Balances:							
Nonspendable:							
Inventories	\$ 48,824	11,131	1	561			1
Long-term receivables	163,457						
Permanent fund principal							2,165
Total Nonspendable	<u>212,281</u>	<u>11,131</u>	<u>1</u>	<u>561</u>			<u>2,166</u>
Restricted for:							
Purpose of fund		194,807	469,099	15,553	278,392	1,050,992	1,020,597
Purpose of utility user tax	60,581						
Grand Avenue project	4,600						
Sheriff Pitchess landfill	2,976						
La Alameda project	2,000						
Capital projects							84,663
Debt service							387,316
Endowments and annuities							134
Total Restricted	<u>70,157</u>	<u>194,807</u>	<u>469,099</u>	<u>15,553</u>	<u>278,392</u>	<u>1,050,992</u>	<u>1,492,710</u>
Committed to:							
Purpose of fund							42,531
Capital projects and extraordinary maintenance	100,190						76,720
Health services-tobacco settlement	44,180						
Budget uncertainties	100,483						
Low to moderate income housing							
Assessor tax system	2,907						
Health services operations	16,000						
Interoperable and countywide communication	7,005						
Services to unincorporated areas	11,877						
Financial system	9,121						
Department of children and family services	8,840						
Health services future financial requirements	6,513						
Affordable Housing	5,558						
Public works-permit tracking system	5,402						

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

21. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Government Funds
TTC remittance processing and mailroom equipment	\$ 8,400						
Information technology enhancements	66,863						
Live scan	2,000						
Board budget policies and priorities	33,548						
TTC unsecured property tax system	463						
Sheriff unincorporated patrol	90						
Total Committed	429,440						119,251
Assigned to:							
Purpose of fund			99	58,110			111,658
Future purchases	493,352						
Capital projects							43,154
Imprest cash	1,431						
Total Assigned	494,783		99	58,110			154,812
Unassigned	2,444,312						
Total Fund Balances	\$3,650,973	205,938	469,199	74,224	278,392	1,050,992	1,768,939

Reserve for "Rainy Day" Fund

On June 22, 2009, the Board established a Reserve for "Rainy Day" fund. The Reserve for "Rainy Day" fund was established and maintained to protect essential County programs against unforeseen emergencies and economic downturns. The Reserve cap should be 10.00% of on-going locally generated revenue. Transfers, at a minimum of ten percent (10.00%) of excess fund balance, less Board approved carryovers, will be set aside in the Rainy Day Fund and/or OPEB trust fund each year until the 10.00% cap is met. Excess fund balance is defined as the difference between the actual year-end fund balance amount as determined by the Auditor-Controller, less the estimated fund balance amount included in the Adopted Budget. Board approved carryover is defined as unspent funding that was previously approved by the Board for critical programs and/or uncompleted projects.

When the Reserve cap of 10.00% is reached, the annual 10.00% of excess fund balance amount should be deposited into the OPEB trust fund to be made available for unfunded retiree health obligations. The objective is to avoid on-going commitments with funding that may not be sustainable in an economic downturn.

The County's "Rainy- Day" fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Reserve for "Rainy Day" funds in the amount of \$409,309,000 is reported as unassigned fund balance in the General Fund.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

22. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 3, 2017, the County issued \$800,000,000 in 2017-2018 TRANS, which will mature on June 29, 2018. The TRANS are collateralized by taxes and other revenues attributable to the 2017-2018 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 0.90%.

Lease Revenue Obligation Notes

On October 2, 2017, the Los Angeles County Capital Asset Leasing Corporation issued an additional \$30,000,000 in Lease Revenue Obligation Notes (LRON) with an initial weighted average interest rate of 0.94%. The proceeds are being used to fund capital requirements of various capital projects. The LRON are supported and secured by two separate series of letters of credit, a revolving credit agreement, and pledged County properties.

LACCAL Lease Revenue Bond Anticipation Notes

On October 16, 2017, the LACCAL issued a \$10,000,000 Bond Anticipation Note with an initial interest rate of 1.752%. The rates are adjustable on January 2 and July 1 of each year. The note was purchased by the Los Angeles County Treasury Pool and is due on June 30, 2020. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of Net Pension Liability and Related Ratios
Last 10 Fiscal Years¹
(Dollar amounts in thousands)

	06/30/2016	06/30/2015	06/30/2014
Pension Plan's fiduciary net position as percentage of total pension liability	81.749%	86.296%	86.804%
County's proportionate share of the collective net pension liability	\$ 10,272,671	\$ 7,448,374	\$ 6,957,082
County's proportion as percentage of the collective net pension liability	96.170%	96.081%	95.897%
Covered payroll	\$ 6,986,004	\$ 6,948,738	\$ 6,672,228
County's proportionate share of the collective net pension liability as a percentage of its covered payroll	147.046%	107.190%	104.269%

Schedule of County's Contributions
Last 10 Fiscal Years¹
(Dollar amounts in thousands)

	2017	2016	2015
Actuarially Determined Contribution (ADC)	\$ 1,300,711	\$ 1,389,628	\$ 1,437,555
Less: Contributions in relation to the ADC	1,300,711	1,389,628	1,437,555
Contribution Deficiency (excess)	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 7,320,575	\$ 6,986,004 ²	\$ 6,948,738
Contributions as a percentage of total covered payroll	17.768%	19.892%	20.688%

- (1) Historical information is required only for measurement periods for which GASB 68 and 71 is applicable. Eventually, 10 years of data will be shown.
- (2) The amount previously reported for June 30, 2016, \$7,279,091, included the covered payroll for County and Superior Court employees. The amount shown above, \$6,986,004, represents the covered payroll only for County employees.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Notes to Required Supplementary Information

Changes of benefit terms

There were no plan changes after June 30, 2013.

Changes of assumptions

None

COUNTY OF LOS ANGELES
 REQUIRED SUPPLEMENTARY INFORMATION
 (Unaudited)

Schedule of Funding Progress-Other Postemployment Benefits
 (Dollar amounts in thousands)

Retiree Health Care

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll' (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2012	\$ 0	\$ 25,733,300	\$ 25,733,300	0%	\$ 6,619,816	388.73%
July 1, 2014	483,800	27,287,900	26,804,100	1.77%	6,672,228	401.73%
July 1, 2016	552,900	24,791,900	24,239,000	2.23%	6,965,700	347.98%

Long-Term Disability

July 1, 2011	\$ 0	\$ 1,018,898	\$ 1,018,898	0%	\$ 6,650,674	15.32%
July 1, 2013	0	945,687	945,687	0%	6,595,902	14.34%
July 1, 2015	0	1,090,408	1,090,408	0%	6,948,738	15.69%

(1) Covered payroll represents the pensionable payroll of employees that are provided pensions through the pension plan.



APPENDIX C

FORMS OF PRINCIPAL LEGAL DOCUMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C-1

FORM OF INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

INDENTURE OF TRUST

by and between

LOS ANGELES COUNTY FACILITIES INC.

and

U.S. BANK NATIONAL ASSOCIATION

Dated as of July 1, 2018

LOS ANGELES COUNTY FACILITIES INC.

**Lease Revenue Bonds, Series 2018A
(Vermont Corridor County
Administration Building)
(Tax-Exempt)**

**Lease Revenue Bonds, Series 2018B
(Vermont Corridor County
Administration Building)
(Federally Taxable)**

TABLE OF CONTENTS

		Page
ARTICLE I	DEFINITIONS; INTERPRETATION	4
Section 1.01.	Definitions	4
Section 1.02.	Interpretation.....	13
Section 1.03.	Indenture and Bonds Constitute a Contract; Pledge	14
Section 1.04.	General Provisions Regarding the County and LACF	14
ARTICLE II	THE BONDS; ADDITIONAL BONDS	14
Section 2.01.	Authorization of Bonds.....	14
Section 2.02.	Terms of the Bonds.....	16
Section 2.03.	Execution of Bonds.....	19
Section 2.04.	Transfer of Bonds	19
Section 2.05.	Exchange of Bonds	19
Section 2.06.	Bond Register	20
Section 2.07.	Bonds Mutilated, Lost, Destroyed or Stolen	20
Section 2.08.	Additional Bonds	20
ARTICLE III	REDEMPTION OF BONDS.....	21
Section 3.01.	Terms of Redemption	21
Section 3.02.	Notice of Redemption.....	23
Section 3.03.	Partial Redemption of Bonds.....	24
Section 3.04.	Effect of Redemption.....	24
Section 3.05.	Purchase of Bonds	24
ARTICLE IV	CREATION OF FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL OF AND INTEREST ON BONDS.....	25
Section 4.01.	Cost of Issuance Fund.....	25
Section 4.02.	Project Fund.....	25
Section 4.03.	Capitalized Interest Fund.....	27
Section 4.04.	Deposits of Funds Other Than Bond Proceeds Into the Project Fund and Capitalized Interest Fund.....	28
Section 4.05.	Revenue Fund	29
Section 4.06.	Bond Fund	30
Section 4.07.	Liens	32
Section 4.08.	Bonds Not Presented for Payment.....	32

TABLE OF CONTENTS
(continued)

		Page
Section 4.09.	Money Held in Trust.....	32
Section 4.10.	Payment to the County.....	32
Section 4.11.	Investment of Money.....	32
Section 4.12.	Arbitrage Rebate.....	33
Section 4.13.	Rebate Fund.....	33
Section 4.14.	Additional Accounts and Subaccounts.....	34
Section 4.15.	Capital Repairs Fund.....	35
Section 4.16.	Funds and Accounts.....	35
ARTICLE V	GENERAL COVENANTS.....	35
Section 5.01.	Not General Obligations.....	35
Section 5.02.	Performance of Covenants of LACF; Representations.....	36
Section 5.03.	Maintenance of Corporate Existence; Compliance With Laws.....	36
Section 5.04.	Enforcement of Obligations of Third Parties to LACF.....	37
Section 5.05.	Further Instruments.....	37
Section 5.06.	Duty to Reconvey.....	37
Section 5.07.	Amendments to the Other Documents; Assignment of Facilities Lease.....	37
Section 5.08.	Disposition of Project; Insurance of Premises.....	37
Section 5.09.	Tax Covenants.....	38
ARTICLE VI	OPTIONS TO PREPAY FACILITIES LEASE AND PURCHASE PROJECT.....	38
Section 6.01.	Option to Purchase.....	38
Section 6.02.	Exercise of Option.....	38
Section 6.03.	Conveyance of Premises.....	38
ARTICLE VII	EVENTS OF DEFAULT AND REMEDIES OF OWNERS.....	39
Section 7.01.	Events of Default.....	39
Section 7.02.	Acceleration of Maturity; Remedies.....	39
Section 7.03.	Application of Revenues and Other Funds After Default.....	41
Section 7.04.	Trustee to Represent Owners.....	42
Section 7.05.	Owners' Direction of Proceedings.....	42
Section 7.06.	Limitation on Bond Owners' Right to Sue.....	42

TABLE OF CONTENTS
(continued)

	Page
Section 7.07. Termination of Proceedings.....	43
Section 7.08. Remedies Not Exclusive.....	43
Section 7.09. No Waiver of Default	43
Section 7.10. Notice of Default; County’s Right to Retire Bonds.....	43
ARTICLE VIII THE TRUSTEE	44
Section 8.01. Duties, Immunities and Liabilities of Trustee	44
Section 8.02. Conflicting Interests.....	46
Section 8.03. Merger or Consolidation.....	47
Section 8.04. Liability of Trustee	47
Section 8.05. Right to Rely on Documents.....	49
Section 8.06. Preservation and Inspection of Documents	51
Section 8.07. Compensation and Indemnification.....	51
ARTICLE IX MODIFICATION OF THIS INDENTURE AND OTHER DOCUMENTS	52
Section 9.01. Limitations.....	52
Section 9.02. Supplemental Indentures Without Consent of Owners	52
Section 9.03. Supplemental Indentures With Consent of Owners.....	53
Section 9.04. Effect of Supplemental Indenture.....	54
Section 9.05. Consent for Supplemental Indentures.....	54
Section 9.06. Amendment of Other Documents Without Consent of Owners.....	55
Section 9.07. Amendment of Other Documents With Consent of Owners.....	56
ARTICLE X DISCHARGE AND DEFEASANCE.....	56
Section 10.01. Discharge of Indenture	56
Section 10.02. Defeasance	57
ARTICLE XI MISCELLANEOUS	58
Section 11.01. Successor Is Deemed Included in All References to Predecessor	58
Section 11.02. Limitation of Rights to Parties and Bond Owners.....	58
Section 11.03. Waiver of Notice.....	58
Section 11.04. Destruction of Bonds	58
Section 11.05. Severability of Invalid Provisions	58

TABLE OF CONTENTS
(continued)

	Page
Section 11.06. Notices	58
Section 11.07. Notice to Rating Agencies	59
Section 11.08. Evidence of Rights of Bond Owners	59
Section 11.09. Applicable Provisions of Law	60
Section 11.10. Execution in Several Counterparts	60
Section 11.11. No Recourse on Bonds	60
Section 11.12. LACF's Compliance With Continuing Disclosure Requirements of the SEC.....	60
Section 11.13. Continuing Disclosure by County	62
Section 11.14. Force Majeure	62
Section 11.15. Non-Business Day	63
EXHIBIT A FORM OF BONDS.....	1
EXHIBIT B REQUISITION CERTIFICATE	1
EXHIBIT C FINAL COMPLETION CERTIFICATE.....	1
EXHIBIT D FORM OF LACF'S ANNUAL DISCLOSURE REPORT.....	1

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and dated as of July 1, 2018, by and between **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation (“LACF”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America, with a corporate trust office at Los Angeles, California, not in its individual capacity but solely as trustee, as Trustee (the “Trustee”);

WITNESSETH:

WHEREAS, LACF is a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”); and

WHEREAS, the County of Los Angeles, California (the “County”), desires to have LACF finance or refinance costs of designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment on a site (consisting of 510, 526 and 532 South Vermont Avenue and 523 Shatto Place) owned by the County in the City of Los Angeles, California (the “Land”) consisting of (i) a new office building with (A) approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and (B) approximately 965 structured parking spaces, and (ii) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “Project”); and

WHEREAS, LACF and the County have entered into a Ground Lease Agreement, dated as of July 1, 2018 (the “Ground Lease”), under which the County is leasing the Land to LACF; and

WHEREAS, LACF and the County have entered into a Facilities Lease Agreement, dated as of July 1, 2018 (the “Facilities Lease”), under which LACF will undertake the Project and lease the Land, the Project and such other improvements as may be located on the Land from time to time (collectively, the “Premises”) to the County; and

WHEREAS, by Ordinance No. 2018-0017, adopted on May 29, 2018, and by subsequent actions, the Board of Supervisors of the County has approved the Ground Lease, the Facilities Lease, the Project, the issuance of the Bonds (hereinafter defined) and the future acceptance of the title to the Premises; and

WHEREAS, LACF and the County have determined that the most cost-effective method of financing the Project is through the issuance of a series of tax-exempt bonds pursuant to Rev. Rul. 63-20 of the U.S. Treasury, as further amended and updated by Rev. Proc. 82-26 (together, the “Ruling”) under the Code and a series of taxable bonds as hereinafter described; and

WHEREAS, on June 28, 2018, the Board of Directors of LACF adopted its resolution approving the issuance by LACF of the Bonds and providing that unencumbered title to the Premises shall be delivered to the County at the time that all Bonds are paid or defeased (the “Resolution”); and

WHEREAS, to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest thereon, LACF has authorized the execution and delivery of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by LACF, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special, limited obligations of LACF, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE

W I T N E S S E T H:

GRANTING CLAUSES

LACF, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, to secure the payment of the principal of and interest on the Bonds and any Additional Bonds according to their tenor and effect and the performance and observance by LACF of all the covenants expressed or implied herein and in the Bonds and any Additional Bonds, does hereby bargain, sell, convey, mortgage, assign, pledge and grant, without recourse, the Trust Estate in trust to the Trustee and its successors and assigns forever:

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, to the Trustee and its respective successors and assigns in trust forever:

I.

All right, title and interest of LACF in and to all rents, issues, income, revenues and receipts derived by LACF from all sources, including the Facilities Lease (except for payments under the Facilities Lease for deposit into the Capital Repairs Fund), with respect to the use of the Premises, including all right, title and interest and security interest, if any of LACF, in and to all money, earnings, revenues, rights to the payment of money, receivables, accounts, contract rights, whether now owned or hereafter acquired, including, without limitation, all rents, issues, profits, income, revenues and receipts derived by LACF in any fashion from the Premises;

II.

The Premises pursuant to the Deed of Trust, the Assignment of Construction Documents and the Assignment of Leases, including all proceeds thereof;

III.

Any and all other property of every kind and nature from time to time hereafter conveyed, pledged, assigned or transferred by delivery or by writing of any kind, as and for additional security hereunder by LACF, the County or by anyone on its or their behalf to the Trustee, which is hereby authorized to receive the same at any time as additional security hereunder; provided, however, that any real property may be conveyed to the Trustee only with its prior written consent, which consent shall not be unreasonably withheld;

IV.

All Revenues;

V.

All choses in action and all choses in possession now or hereafter existing to the benefit of or arising for the benefit of LACF with respect to the Bonds, including all proceeds of all the foregoing;

VI.

All funds and accounts established under this Indenture and the investments thereof, if any, and money, securities and obligations therein (subject to disbursements from any such fund or account upon the conditions set forth in this Indenture), except for money held in the Rebate Fund and Capital Repairs Fund; and

VII.

To the extent not covered hereinabove, all proceeds of all of the foregoing;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of Bonds and any Additional Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds or Additional Bonds over any other Bonds or Additional Bonds;

PROVIDED, HOWEVER, that if LACF, its successors or its assigns shall well and truly pay, or cause to be paid, the principal of and interest on all outstanding Bonds and any Additional Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds and any Additional Bonds and as provided in Article II hereof according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article IV hereof, or shall provide, as permitted hereby, for the payment thereof in accordance with Article X hereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the

terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as provided in Article X hereof, this Indenture and the rights hereby granted shall cease, terminate and be void, and the Trustee shall thereupon cancel and discharge this Indenture and execute and deliver to LACF such instruments in writing as shall be requisite to evidence the discharge hereof.

THIS INDENTURE FURTHER WITNESSETH, that LACF does hereby covenant to and agree with the Trustee, for the benefit of the Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Account” means any of the Accounts created in Article IV.

“Additional Bonds” means any revenue bonds of LACF issued pursuant to Section 2.08 hereof after the issuance of the Bonds having a lien and charge on the Trust Estate equal to the lien thereon of the Bonds.

“Additional Rent” has the meaning given such term in the Facilities Lease.

“Administrative Fees and Expenses” means all acceptance, service, administrative or similar fees charged, or reimbursement for administrative or other expenses incurred, by LACF or the Trustee.

“Allocable Percentage of Series 2018A Bonds” means (a) with respect to the period commencing on the Closing Date and ending on the first Project Component Completion Date, 100% of the Series 2018A Bonds, (b) with respect to the period commencing on the day immediately following the first Project Component Completion Date and ending on the second Project Component Completion Date, the fraction of the Series 2018A Bonds, the numerator of which is the sum of the actual costs of the two Project Components for which no Project Component Completion Dates have occurred as of the first Project Component Completion Date plus the remaining estimated costs of such Project Components as of the first Project Component Completion Date and the denominator of which is the total budget of all three Project Components (taking into account costs to date and estimated remaining costs) as of the first Project Component Completion Date, and (c) with respect to the period commencing on the day immediately following the second Project Component Completion Date and ending on the final Project Component Completion Date, the fraction of the Series 2018A Bonds, the numerator of which is the sum of the actual costs of the remaining Project Component for which no Project Component Completion Date has occurred as of the second Project Component Completion Date plus the remaining estimated costs of such Project Component as of the second Project Component Completion Date and the denominator of which is the total budget of all three Project Components (taking into

account costs to date and estimated remaining costs) as of the second Project Component Completion Date.

“Allocable Tower Garage Percentage of Series 2018A Bonds” means (a) with respect to the period commencing on the Closing Date and ending on the first Project Component Completion Date, 0%, (b) with respect to the period commencing on the day immediately following the first Project Component Completion Date and ending on the second Project Component Completion Date, the fraction of the Series 2018A Bonds, the numerator of which is the sum of the actual costs of the Project Component constituting the Tower Garage Project as of the first Project Component Completion Date plus any remaining estimated costs of such Project Component as of the first Project Component Completion Date and the denominator of which is the total budget of all three Project Components (taking into account costs to date and estimated remaining costs) as of the first Project Component Completion Date, and (c) with respect to the period commencing on the day immediately following the second Project Component Completion Date and ending on the final Project Component Completion Date, the fraction of the Series 2018A Bonds, the numerator of which is the sum of the actual costs of the Project Component constituting the Tower Garage Project as of the second Project Component Completion Date plus any remaining estimated costs of such Project Component as of the second Project Component Completion Date and the denominator of which is the total budget of all three Project Components (taking into account costs to date and estimated remaining costs) as of the second Project Component Completion Date.

“Architect” has the meaning set forth in the Development Agreement.

“Architect’s Agreement” has the meaning set forth in the Development Agreement.

“Assignment of Construction Documents” means the document of that name, dated as of July 1, 2018, pursuant to which LACF assigns the General Construction Contract (when executed), the Development Agreement, the Architect’s Agreement, and all other documents executed in connection with the design, development or construction of the Project to the Trustee for security purposes.

“Assignment of Leases” means the Assignment of Leases and Cash Collateral, dated as of July 1, 2018, from LACF to the Trustee.

“Authorized Denomination” means \$5,000 or any integral multiple thereof within a maturity.

“Authorized Officer” means (i) with respect to LACF, its President, Vice President or any other person or persons designated as an Authorized Officer of LACF by a resolution of the Board of Directors of LACF and filed with the Trustee, and (ii) with respect to the County, the Treasurer and Tax Collector of the County, the Chief Executive Officer of the County, the Executive Director of the Community Development Commission of the County or any other person or persons designated by the Treasurer and Tax Collector of the County, the Chief Executive Officer of the County or the Executive Director of the Community Development Commission of the County in writing and filed with the Trustee.

“Base Rent” has the meaning given such term in the Facilities Lease.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond, including persons holding Bonds through nominees or depositories, while the Bonds are held in fully immobilized (book-entry) form.

“Board” means the Board of Supervisors of the County.

“Bond” or **“Bonds”** means the Series 2018A Bonds and the Series 2018B Bonds issued pursuant to Section 2.01 of this Indenture.

“Bond Fund” means the fund of that name established pursuant to Section 4.06 hereof.

“Bond Proceeds Account” means the account of that name created within the Project Fund pursuant to Section 4.02(a) of this Indenture

“Bond Purchase Agreement” means the Bond Purchase Agreement between LACF, the County and the Underwriter.

“Bond Register” means the books for registration of Bonds kept for LACF by the Trustee as provided in Section 2.06 hereof.

“Bond Year” has the meaning given such term in the Tax Certificate.

“Business Day” means a day (i) other than a day on which banks located in the State of California, the City of New York, New York, or the city in which the Corporate Trust Office of the Trustee is located are required or authorized to close and (ii) on which the New York Stock Exchange is not closed.

“Capital Repairs Fund” means the fund of that name created pursuant to Section 4.15 hereof.

“Capitalized Interest Fund” means the fund of that name created pursuant to Section 4.03 hereof.

“County” means the County of Los Angeles and its successors and permitted assigns as “Tenant” under the Facilities Lease.

“Code” means the Internal Revenue Code of 1986. Any reference to a provision of the Code shall include the applicable regulations of the Department of the Treasury promulgated or proposed with respect to such provision.

“Corporate Trust Office” means, with respect to the Trustee, the office of the Trustee located in Los Angeles, California, as described in Section 11.06 hereof, and solely for purposes of the presentation of Bonds for transfer, payment or exchanges, the corporate trust operations or agency office designated by the Trustee, or such other or additional offices, as may be specified by the Trustee in writing to LACF.

“Cost” or “Costs” means any cost in respect of the Project, including without limiting the generality of the foregoing: (i) labor and materials and related costs; (ii) contract bonds and insurance of all kinds that may be required or necessary during the course of acquisition, construction, manufacture or fabrication that are not paid by the contractors, suppliers or manufacturers thereof; (iii) surveys, estimates, plans and specifications and preliminary investigations therefor, supervision of manufacture, fabrication or construction, and the performance of all other duties required by or reasonably necessary for the acquisition of the Project; (iv) Costs of Issuance; (v) all other actual costs that LACF shall be required to pay under the terms of any contract or contracts for the Project including Project Costs as defined in the Facilities Lease and any increase in the cost of the Project resulting from Owner-initiated change orders in accordance with Section 8.3 of the Development Agreement; (vi) interest on the Bonds to the extent permitted by the Code and the Tax Certificate; (vii) the costs of clearing title to the Premises; and (viii) any other actual costs incurred by LACF, including but not limited to Administrative Fees and Expenses, professional fees and real estate taxes (if any) prior to the Rent Commencement Date, which are properly chargeable to a capital account with respect to the acquisition or construction of the Project and the financing thereof (or would be so chargeable with a proper election) under general federal income tax principles.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to LACF, the County, or the Trustee and related to the authorization, execution, issuance, sale and delivery of the Bonds, including (without limitation) costs of preparation and reproduction of documents, filing and recording fees, fees and charges of LACF, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of financial or other consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds, and any other cost, charge or fee in connection with the issuance of the Bonds.

“Cost of Issuance Fund” means the fund of that name created pursuant to Section 4.01 hereof.

“Date of Issue” means the date the Bonds are issued and delivered to the Underwriter for redelivery to the initial purchasers thereof.

“Deed of Trust” means the Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Fixture Filing, dated as of July 1, 2018 executed by LACF, as trustor, to Commonwealth Land Title Insurance Company, as trustee, for the benefit of the Trustee as beneficiary, as originally executed and as the same may be supplemented, modified or amended from time to time in accordance with the provisions thereof and this Indenture.

“Development Agreement” means the Development Agreement between LACF and the Developer, dated as of July 1, 2018, as originally executed and as the same may be supplemented, modified or amended from time to time in accordance with the provisions thereof and this Indenture.

“Developer” means TC LA Development, Inc. a Delaware corporation, and its successors and permitted assigns under the Development Agreement.

“DTC” means The Depository Trust Company, New York, New York.

“Environmental Claim” shall mean, with respect to any person, any action, suit, proceeding, investigation, notice, claim, complaint, demand, request for information or other communication (written or oral) by any other person (including any governmental authority, citizens group or employee or former employee of such person) alleging, asserting or claiming any actual or potential: (a) violation of any Environmental Law, (b) liability under any Environmental Law or (c) liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, fines or penalties arising out of, based on, or resulting from, the presence or release into the environment of any Hazardous Substance at any location, whether or not owned by such person.

“Environmental Laws” has the meaning given such term in the Facilities Lease.

“Event of Bankruptcy” means the filing of a petition in bankruptcy or the commencement of a proceeding under Title 11 of the United States Code, as amended (or any successor federal statutory provisions) or under any other applicable law concerning insolvency, reorganization or bankruptcy by or against LACF, as debtor, other than any involuntary proceeding that has been finally dismissed without entry of an order for relief or similar order and without effect on any amounts held in the Bond Fund or the Project Fund and as to which dismissal all appeal periods have expired.

“Event of Default” means any of the events specified in Section 7.01 hereof.

“Facilities Lease” means that certain Facilities Lease Agreement, dated as of July 1, 2018, by and between LACF and the County, as originally executed and as the same may be supplemented, modified or amended from time to time in accordance with the provisions thereof, the Deed of Trust, and this Indenture.

“Facilities Lease Default Event” means any of the events specified in Section 22 of the Facilities Lease as “Events of Default,” other than an Event of Default for failure to provide the notices required under Section 5.11 of the Facilities Lease.

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Bond Counsel, to the effect that such action is permitted under the Indenture (if applicable) and will not, in and of itself, result in the inclusion of interest on the Series 2018A Bonds in gross income for federal income tax purposes.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody’s) designated in writing to the Trustee by LACF.

“Fund” means any of the Funds created in Article IV of this Indenture.

“General Contractor” means the Office Project General Contractor or the Shatto Garage Project General Contractor, as applicable, as defined in the Development Agreement.

“General Construction Contract” means the Office Project General Construction Contract of the Shatto Garage Project General Construction Contract, as applicable, as defined in the Development Agreement.

“Government Obligations” means direct, non-callable (a) United States Treasury Obligations, (b) United States Treasury Obligations — State and Local Government Series, (c) non-prepayable obligations that are fully and unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

“Ground Lease” means the Ground Lease Agreement, dated as of July 1, 2018, by and between the County and LACF, as originally executed and as the same may be supplemented, modified or amended from time to time in accordance with the provisions thereof, the Deed of Trust, and this Indenture.

“Hazardous Substance” has the meaning given such term in the Facilities Lease.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Indenture Act” means the Trust Indenture Act of 1939 (Act of August 3, 1939, 53 Stat. 1149, 15 U.S.C., §§ 77aaa-77bbb), as amended.

“Interest Account” means the account of that name created within the Bond Fund pursuant to Section 4.06 hereof.

“Interest Payment Date” means each June 1 and December 1, commencing on December 1, 2018, and each date on which a Bond is redeemed or accelerated for maturity in accordance with the terms hereof.

“Investment Securities” means (i) obligations of the U.S. government fully and unconditionally guaranteed by the U.S. government as to timely payment; obligations of U.S. government agencies or of corporations wholly owned by the U.S. government; and obligations of government-sponsored corporations that are, or may become, eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve; (ii) repurchase agreements utilizing any of the securities identified in clause (i); (iii) money market mutual funds registered with the Securities and Exchange Commission under Rule 2a-7 of the Investment Company Act of 1940 that invest in any of the securities identified in clause (i); (iv) banker’s acceptances that are eligible for purchase by the Federal Reserve System and having a maturity period no greater than 180 days; (v) time deposits with collateral equal to at least 102% of principal and accrued interest on each time deposit and having a maturity period no greater than three years; (vi) commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from Moody’s and S&P of A1 and P1, respectively; (vii) repurchase and reverse repurchase agreements collateralized with Government Obligations, including those of the Trustee or any of its affiliate; (viii) investment in money market mutual funds having a rating in the highest investment category granted thereby from S&P or Moody’s, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that

(a) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (b) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; (ix) demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and LACF, or bankers acceptances of depository institutions, including the Trustee or any of its affiliates, rated in the A long-term ratings category or higher by S&P or Moody's or that are fully FDIC-insured, and (x) the Los Angeles County Treasury Pool. The term **Investment Securities** shall not include any guaranteed investment contract.

"LACF" means Los Angeles County Facilities Inc., a California nonprofit public benefit corporation formed pursuant to Sections 5110 *et seq.* of the California Corporations Code.

"Letter of Representations" means the Blanket Issuer Letter of Representations from LACF to DTC.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **"Moody's"** shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch) designated in writing to the Trustee by LACF.

"MSRB" means the Municipal Securities Rulemaking Board or any successors to its functions. Until otherwise designated by the MSRB or the SEC, any information, reports or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org.

"Non-Bond Proceeds Account" means the account of that name created within the Project Fund pursuant to Section 4.02 of this Indenture.

"Official Statement" means the Preliminary Official Statement dated July 3, 2018, and the Official Statement dated July 12, 2018, including any amendment or supplement thereto, pursuant to which the Bonds are initially sold.

"Opinion of Bond Counsel" means a written opinion of nationally recognized bond counsel selected by LACF, acceptable to the Trustee and, so long as no Facilities Lease Default Event has occurred and is continuing, the County.

"Other Document" means any or all of the Ground Lease, Facilities Lease, the Deed of Trust, the Development Agreement, the applicable Uniform Commercial Code financing statements, the Assignment of Construction Documents, the Subordination, Non-Disturbance and Attornment Agreement and the Assignment of Leases.

"Outstanding", when used as of any particular time with reference to the Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this

Indenture except (1) the Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) the Bonds with respect to which all liability of LACF shall have been discharged in accordance with Section 10.01 hereof; (3) the Bonds paid pursuant to Section 2.07 hereof; and (4) the Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to Sections 2.04 and 2.05 hereof.

“Owner or Bond Owner”, whenever used herein with respect to a Bond, means the person in whose name such Bond is registered on the Bond Register.

“Person” or **“person”** means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Premises” has the meaning given such term in the Facilities Lease.

“Principal Account” means the account of that name created within the Bond Fund pursuant to Section 4.06 hereof.

“Principal Payment Date” means December 1 of each year in which principal is due on any Bonds.

“Project” has the meaning set forth in the Facilities Lease.

“Project Component” means each of the Tower Garage Project, the Office Project and the Shatto Garage Project, as applicable.

“Project Component Completion Date” means the date a temporary or final certificate of occupancy is issued for a Project Component or there is substantial completion of a Project Component.

“Project Costs” has the meaning given such term in the Facilities Lease.

“Project Fund” means the fund of that name established pursuant to Section 4.02 hereof.

“Rating Agency” means S&P if the Bonds are then rated by S&P, Moody’s if the Bonds are then rated by Moody’s and Fitch if the Bonds are then rated by Fitch.

“Rebatable Arbitrage” means the rebate amount calculated as provided in the Tax Certificate and Section 4.13 of this Indenture.

“Rebate Analyst” means the firm of independent certified public accountants or other rebate service provider selected by LACF to perform the rebate calculations as provided pursuant to Sections 4.12 and 4.13 hereof.

“Rebate Fund” means the fund of that name created pursuant to Section 4.13 hereof.

“Record Date” means the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day.

“Redemption Account” means the account of that name created within the Bond Fund pursuant to Section 4.06 hereof.

“Rent” means the sum of Base Rent and Additional Rent paid pursuant to the Facilities Lease and rental payments made pursuant to any other lease by LACF of the Premises.

“Rent Commencement Date” has the meaning given that term in the Facilities Lease.

“Rent Payment Date” has the meaning given that term in the Facilities Lease.

“Resolution” means the resolution adopted by LACF’s Board of Directors on June 28, 2018.

“Revenue Fund” means the fund of that name created pursuant to Section 4.05 hereof.

“Revenues” means all amounts received by LACF or by the Trustee for the account of LACF pursuant to the Facilities Lease (or any other lease by LACF of the Premises) or otherwise with respect to the Premises, including, without limiting the generality of the foregoing, all Rent (including both timely and delinquent payments and any late charges, paid from any source), prepayments, any payments received under any policy of title insurance with respect to the Premises, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture (except as otherwise provided herein), but not including (i) Administrative Fees and Expenses, (ii) Rebateable Arbitrage, (iii) money deposited in the Capital Repairs Fund; and (iv) any and all revenue, income and receipts of LACF not derived from or received with respect to the Facilities Lease, the Premises, or any fund or account established pursuant to this Indenture.

“Rule” means United States Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, a New York corporation, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or Fitch) designated in writing to the Trustee by LACF.

“SEC” means the United States Securities and Exchange Commission.

“Series 2018A Bonds” means the Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt), in the aggregate principal amount of \$297,280,000, issued pursuant to Section 2.01 of this Indenture.

“Series 2018B Bonds” means the Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable), in the aggregate principal amount of \$5,100,000, issued pursuant to Section 2.01 of this Indenture.

“**State**” means the State of California.

“**Subordination, Non-Disturbance and Attornment Agreement**” means the agreement of that name, between the County, LACF, and the Trustee, as originally executed and as the same may be supplemented, modified or amended from time to time in accordance with the provisions thereof and this Indenture.

“**Substantial Completion**” has the meaning given such term in the Facilities Lease.

“**Supplemental Indenture**” means any indenture hereafter duly authorized and entered into between LACF and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“**Tax Certificate**” means the Tax Certificate executed by LACF and the County as of the date of issuance of the Bonds, setting forth certain expectations of LACF and the County regarding the use of the Series 2018A Bond proceeds.

“**Tax-Exempt Capitalized Interest Period**” means the period commencing on the Closing Date and ending on the final Project Component Completion date.

“**Trust Estate**” means the trust estate pledged by LACF and described in the Granting Clauses of this Indenture.

“**Trustee**” means U.S. Bank National Association, or its successor, as Trustee hereunder as provided in Section 8.01 hereof.

“**Underwriter**” means Barclays Capital Inc., as representative of itself and the co-underwriters named in the Bond Purchase Agreement.

Section 1.02. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

(d) Certain terms are defined in Section 1.01 of this Indenture by reference to the meaning given such terms in other documents, e.g., the Facilities Lease and the Development Agreement. To the extent that the meaning of any term thus defined is amended through an

amendment to the respective document, the meaning of such defined term herein or for purposes of this Indenture shall be construed as amended upon receipt by the Trustee of written notice of any such amendment.

Section 1.03. Indenture and Bonds Constitute a Contract; Pledge. With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under this Indenture by the Owners from time to time: (a) this Indenture shall be deemed to be and shall constitute a contract among LACF, the Trustee, and the Owners, from time to time, of such Bonds; (b) the pledge made herein and duties, covenants, obligations and agreements set forth herein to be observed and performed by or on behalf of LACF shall be for the equal and ratable benefit, protection and security of the Owners of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction as to lien or otherwise, except as expressly provided herein or permitted hereby; (c) LACF, as security for the payment of the principal of, premium, if any, and interest on, the Bonds and as security for the observance and performance of any other duty, covenant, obligation or agreement of LACF under this Indenture, all in accordance with the provisions thereof and hereof, does hereby grant, bargain, sell, convey, pledge, assign and confirm to the Trustee the Trust Estate; (d) the pledge made hereby is valid and binding from the time when the pledge is made, the Trust Estate shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against LACF irrespective of whether such parties have notice thereof; (e) the Bonds shall be special, limited obligations of LACF payable solely from and secured solely by a pledge of the Trust Estate as provided hereby; (f) no revenue, income, receipts, donations, earnings, property or assets of LACF other than the Trust Estate shall ever be subject to any lien or claim for the payment of the Bonds or the performance of any other obligation of LACF under this Indenture; and (g) wherever in this Indenture provision is made that LACF shall pay or cause to be paid any amount necessary to pay the principal of, premium, if any, or interest on the Bonds or any other amounts required to be paid under this Indenture or the Deed of Trust, such amounts shall be payable solely from and be secured by the Trust Estate, and LACF shall have no legal, moral or other obligation to pay such amounts from any other source whatsoever.

Section 1.04. General Provisions Regarding the County and LACF. Whenever in this Indenture the County is entitled to direct the Trustee in a particular matter or to approve acts of LACF, such entitlement of the County is predicated upon the Facilities Lease being in effect and the County not then being in default under the Facilities Lease. With respect to such respective entitlements, if the Facilities Lease is no longer in effect or if a Facilities Lease Default Event has occurred and is continuing, then LACF shall be entitled to direct the Trustee in a particular matter and the County's approval of acts of LACF shall not be required, whether or not the applicable provision of this Indenture so provides.

ARTICLE II

THE BONDS; ADDITIONAL BONDS

Section 2.01. Authorization of Bonds. LACF hereby authorizes the issuance of the Series 2018A Bonds to be issued hereunder in the principal amount of \$297,280,000. The Series

2018A Bonds shall be issued and designated as “Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt).” LACF hereby authorizes the issuance of the Series 2018B Bonds to be issued hereunder in the principal amount of \$5,100,000. The Series 2018B Bonds shall be issued and designated as “Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable).” No Additional Bonds may be issued under the terms set forth in Section 2.08 of this Indenture unless the County authorizes their issuance and LACF authorizes their issuance and executes a Supplemental Indenture for that purpose. This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds to secure the full payment of the principal of and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

At any time after the execution of this Indenture, LACF may execute and, upon satisfaction of the conditions set forth in this Section, the Trustee shall authenticate and, upon request of LACF, deliver the Bonds. Prior to the authentication and delivery of any Bonds by the Trustee, the Trustee shall have received the purchase price therefor and there shall have been filed with the Trustee each of the following:

- (a) This Indenture, duly executed;
- (b) A conformed copy of the duly executed Ground Lease;
- (c) A conformed copy of the duly executed Facilities Lease;
- (d) A conformed copy of the duly executed Memorandum of Facilities Lease and Memorandum of Ground Lease, together with evidence that they have been delivered to Commonwealth Land Title Insurance Company for recordation;
- (e) A conformed copy of the duly executed Development Agreement;
- (f) The original or conformed copy of the duly executed Deed of Trust, together with evidence that it has been delivered to Commonwealth Land Title Insurance Company for recordation;
- (g) The original or conformed copy of the duly executed Assignment of Leases, together with evidence that it has been delivered to Commonwealth Land Title Insurance Company for recordation;
- (h) The duly executed Ground Lessor Consent, Estoppel, Recognition and Non-Disturbance Agreement and Subordination, Non-Disturbance and Attornment Agreement with respect to the Facilities Lease, together with evidence that they have been delivered to Commonwealth Land Title Insurance Company for recordation;
- (i) The Assignment of Construction Documents, executed by LACF;
- (j) Evidence of filing and a copy of the UCC financing statements;

(k) Evidence of an irrevocable commitment by Commonwealth Land Title Insurance Company to issue the mortgagee’s policy of title insurance with liability in the principal amount of the Bonds for the benefit of the Trustee;

(l) Evidence of Developer’s general liability insurance in accordance with the Development Agreement, and evidence of LACF’s builder’s risk and general liability insurance in accordance with the Facilities Lease; and

(m) The final approving opinion of Bond Counsel, duly executed.

The Trustee shall be authorized to rely upon the fact of such delivery in authenticating and delivering the Bonds, but shall not be required to make any independent investigation of the contents or underlying facts of any such agreements, policies, opinions or other documents.

Section 2.02. Terms of the Bonds.

(a) Dated Date, Maturity, Interest Rates of the Bonds. The Series 2018A Bonds shall be issued in the aggregate principal amount of \$297,280,000. The Series 2018A Bonds shall be dated as of the date of their delivery to the Underwriter, shall be fully registered as to both principal and interest, shall be in Authorized Denominations, provided that no Series 2018A Bond shall represent more than one maturity, shall be numbered separately for purposes of identification, shall bear interest from their date payable on each Interest Payment Date, at the following per annum interest rates, and shall mature on the Principal Payment Dates of the following years in the following principal amounts:

<u>Maturity Years (December 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2023	\$ 5,275,000	5.00%
2024	5,550,000	5.00
2025	5,830,000	5.00
2026	6,125,000	5.00
2027	6,440,000	5.00
2028	6,775,000	5.00
2029	7,120,000	5.00
2030	7,485,000	5.00
2031	7,870,000	5.00
2032	8,275,000	5.00
2033	8,700,000	5.00
2034	7,950,000	5.00
2035	8,355,000	5.00
2036	8,780,000	5.00
2037	9,235,000	5.00
2038	9,710,000	5.00
2043	56,545,000	5.00
2048	70,730,000	4.00
2051	50,530,000	5.00

The Series 2018B Bonds shall be issued in the aggregate principal amount of \$5,100,000. The Series 2018B Bonds shall be dated as of the date of their delivery to the Underwriter, shall be fully registered as to both principal and interest, shall be in Authorized Denominations, provided that no Series 2018B Bond shall represent more than one maturity, shall be numbered separately for purposes of identification, shall bear interest from their date payable on each Interest Payment Date, at the following per annum interest rates, and shall mature on the Principal Payment Dates of the following years in the following principal amounts:

Maturity Years (December 1)	Principal Amounts	Interest Rates
2022	\$5,100,000	3.25%

(b) Interest Accrual. Each Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid in full or duly provided for (provided, however, that, initially the Bonds shall bear interest from the dated date of the Bonds), until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions hereof, whether at maturity, upon redemption or otherwise. Interest on the Bonds shall be computed on the basis of a year of 360 days and twelve 30-day months. Each Bond shall bear interest on overdue principal and interest at the rate or rates borne by the Bonds during such time.

(c) Bonds Held in Book-Entry Form. Notwithstanding anything herein to the contrary, the Bonds initially shall be held in book-entry form by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations. To induce DTC to accept the Bonds as eligible for deposit at DTC, LACF has authorized execution and delivery to DTC of the Letter of Representations. Neither LACF nor the Trustee shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal or redemption price of or interest on the Bonds, any notice that is permitted or required to be given to Owners hereunder (except such notice as is required to be given by LACF to the Trustee or to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds, or any consent given or other action taken by DTC as Owner of the Bonds. For so long as any Bonds are held in fully immobilized form hereunder, DTC, its successor or any substitute depository appointed by LACF, as applicable, shall be deemed to be the Owner for all purposes hereunder, and all references to Owners or Bond Owners shall mean DTC or its nominee or its successor and shall not mean any Beneficial Owners of the Bonds.

(d) Use of Depository.

(1) The Bonds shall be registered initially in the name of CEDE & Co., as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by LACF

pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by LACF to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), LACF may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Trustee shall, upon receipt of all outstanding Bonds, together with a written request on behalf of LACF, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or its nominee, as the case may be, all as specified in such written request of LACF.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) LACF determines that it is in the best interest of the Beneficial Owners of the Bonds that such owners be able to obtain such Bonds in certificated form, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. LACF shall deliver a written request to the Trustee, together with a supply of definitive Bonds in certificated form, to issue Bonds as herein provided in any Authorized Denomination. Upon receipt by the Trustee of all then outstanding Bonds together with a written request on behalf of LACF to the Trustee, new Bonds shall be issued in the appropriate Authorized Denominations and maturities and registered in the names of such persons as are requested in such written request.

(e) Payments of Principal and Interest. Principal and interest with respect to the Bonds shall be payable in lawful money of the United States of America. For so long as all Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by the Trustee by check mailed on the applicable Interest Payment Date to the Owner as of close of business on the applicable Record Date, at his address as it appears on the Bond Register or at such other address as is furnished in writing by such Owner to the Trustee (provided, however, that the Trustee shall, at the request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds, make payments of interest on such Bonds by wire transfer to the account at any bank in the United States designated by such Owner in writing on or before the Record Date), and the principal of the Bonds shall be payable in lawful money of the United States of America upon surrender thereof at the Corporate Trust Office of the Trustee. No payment of principal shall be made on any certificated Bond unless and until such Bond is surrendered to the Trustee for payment.

(f) Special, Limited Obligations. The Bonds are special, limited obligations of LACF payable solely from and secured solely by a pledge of the Trust Estate, including amounts payable under the Facilities Lease assigned by LACF and to be received by the Trustee from the County

pursuant to the Facilities Lease. The Trustee is only obligated to pass-through such payments to Bond Owners in accordance with their relative interests; the Bonds shall not be obligations of the Trustee.

(g) Form of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 2.03. Execution of Bonds. The Bonds shall be executed in the name and on behalf of LACF with the manual or facsimile signature of its President, attested by the manual or facsimile signature of its Secretary. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officials who shall have signed or attested any of the Bonds shall cease to be such official or officials of LACF before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by LACF, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon LACF as though those who signed and attested the same had continued to be such officials of LACF, and also any Bond may be signed and attested on behalf of LACF by such persons as at the actual date of execution of such Bond shall be the proper officials of LACF although at the nominal date of such Bond any such person shall not have been such officer of LACF.

Only those Bonds that bear thereon a certificate of authentication substantially in the form as that set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.04. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.06 hereof, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Beneficial Owners shall not have any right to cause a transfer of Bonds as provided in this Section 2.04.

Whenever any Bond or Bonds shall be surrendered for transfer, LACF shall execute and the Trustee shall authenticate and date the Bond or Bonds and shall deliver a new Bond or Bonds of a like aggregate principal amount and of the same maturity and interest rate. The Trustee shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and may in addition require the payment of a reasonable sum to cover expenses incurred by LACF or the Trustee in connection with such transfer.

Section 2.05. Exchange of Bonds. If the Bonds are no longer held in fully immobilized form, Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other Authorized Denominations and of the same maturity and interest rate. The Trustee shall require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange, and may in

addition require the payment of a reasonable sum to cover expenses incurred by LACF or the Trustee in connection with such exchange.

Section 2.06. Bond Register. The Trustee will keep or cause to be kept, at the Corporate Trust Office of the Trustee, sufficient books for the registration and transfer of the Bonds (the “Bond Register”), which shall at all times be open to inspection during regular business hours by LACF; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided. Records of beneficial ownership of the Bonds shall not be maintained by the Trustee.

Section 2.07. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, LACF, at the expense of the Owner of that Bond, shall execute, and the Trustee thereupon shall authenticate and deliver, a new Bond of like tenor and amount 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 cancelled by it and delivered to, or upon the order of, LACF. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to LACF and the Trustee and, if such evidence is satisfactory to them and indemnity satisfactory to them is given, LACF, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, LACF may pay the same without surrender thereof). LACF may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses that may be incurred by LACF and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of LACF whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.08. Additional Bonds. LACF shall not issue any series of obligations payable from or secured by a pledge of the Trust Estate other than the Bonds, except that LACF reserves the right, at the direction of an Authorized Officer of the County, to issue future obligations only for the purpose of refunding all or a portion of the Bonds or for the purpose of financing the repair or replacement of tenant improvements to the Premises, with a lien and charge on the Trust Estate equal to the lien thereon of the Bonds (“Additional Bonds”) upon compliance with the following conditions:

(a) the Ground Lease and the Facilities Lease are in effect and no Facilities Lease Default Event has occurred and is then continuing as evidenced to the Trustee by a certificate of the County;

(b) the County and LACF enter into and approve an amendment to or restatement of the Facilities Lease providing for Base Rent payments sufficient to pay all payments of principal of, interest and premium, if any, on all Outstanding Bonds and Additional Bonds;

(c) the amendment or restatement of the Facilities Lease or a memorandum thereof must be recorded;

(d) appropriate title insurance endorsements, as necessary, are delivered to the Trustee; provided, that the Trustee has no duty to request or examine any such endorsements or to determine the adequacy or sufficiency of any such endorsements;

(e) LACF and the Trustee enter into a Supplemental Indenture pursuant to Section 9.02(h) providing for the creation of a bond fund for the payment of principal of and interest on the Additional Bonds and other funds required to effect the refunding of all or a portion of the Bonds;

(f) the Other Documents, as applicable, are amended as necessary to provide that such Other Documents secure the principal of and interest on all Outstanding Bonds and Additional Bonds; and

(g) LACF and the Trustee receive an opinion of Bond Counsel to the effect that the issuance of such Additional Bonds is authorized under this Indenture, shall not adversely affect the tax-exempt status of other Bonds originally issued on a tax-exempt basis, and that all conditions to the issuance of such Additional Bonds set forth in this Indenture and the Other Documents have been complied with.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Terms of Redemption.

(a) Optional Redemption. The Series 2018A Bonds are subject to redemption prior to their stated maturity as described below (i) upon the written direction of the County given to LACF and the Trustee at least 30 days prior to the date fixed for redemption; and (ii) otherwise upon the written direction of LACF given to the Trustee at least 30 days prior to the date fixed for redemption, in either case as a whole or in part (and if in part with maturities to be selected by the County, so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise by LACF).

The Series 2018A Bonds maturing on and prior to December 1, 2028 are not subject to optional redemption prior to their scheduled maturity. The Series 2018A Bonds maturing on and after December 1, 2029, are subject to redemption, in whole or in part, in Authorized Denominations, on any date on and after December 1, 2028, from (i) prepaid Base Rent paid pursuant to Section 4.3 of the Facilities Lease, or (ii) any other source of available funds, at a price of par plus accrued interest to the date of redemption.

The selection of Series 2018A Bonds to be redeemed within a maturity shall be made as provided in Section 3.03 of this Indenture.

The Series 2018B Bonds are not subject to optional redemption prior to their scheduled maturity.

(b) Mandatory Sinking Fund Redemption. The Series 2018A Bonds maturing in 2043, 2048 and 2051 are Term Series 2018A Bonds subject to mandatory sinking fund redemption (in such a manner as DTC or the Trustee, as applicable, shall determine) at a price of 100% of the principal amount of the Series 2018A Bonds to be redeemed plus accrued interest to the date of redemption on December 1 in years and amounts as follows:

2043 Term Series 2018A Bonds	
Redemption Years (December 1)	Redemption Amounts
2039	\$10,210,000
2040	10,725,000
2041	11,280,000
2042	11,860,000
2043*	12,470,000

* Final maturity

2048 Term Series 2018A Bonds	
Redemption Years (December 1)	Redemption Amounts
2044	\$13,040,000
2045	13,570,000
2046	14,125,000
2047	14,700,000
2048*	15,295,000

* Final maturity

2051 Term Series 2018A Bonds	
Redemption Years (December 1)	Redemption Amounts
2049	\$16,005,000
2050	16,835,000
2051*	17,690,000

* Final maturity

The principal amount of any term Series 2018A Bonds optionally redeemed pursuant to Section 3.01(a) shall be credited against the scheduled redemptions of such Series 2018A Bonds in the manner designated by an Authorized Officer of the County or LACF, as applicable.

(c) Extraordinary Optional Redemption. The Bonds are subject to extraordinary optional redemption in whole, and not in part, on any date (and will be redeemed on the first practical date for which notice may reasonably be given by the Trustee), at a price of par plus accrued interest to the date of redemption, upon the receipt by the Trustee of (i) insurance proceeds under the circumstances described in Section 19.2(b) of the Facilities Lease or (ii) condemnation proceeds under the circumstances described in Section 20 of the Facilities Lease. Upon receipt of notice from the County of the occurrence of circumstances described in Section 19.2(b) or Section

20 of the Facilities Lease and setting a redemption date, the Trustee will call Bonds for extraordinary redemption on the first practical date for which notice may reasonably be given and on which the redemption price is or will be available.

Section 3.02. Notice of Redemption. As long as the Bonds are held in book-entry only form, notice of redemption (which may be conditional) shall be given by DTC solely in accordance with the operational arrangements of DTC as then set forth. If the Bonds are no longer held in book-entry form, notice of redemption shall be given as provided hereinafter. The Trustee shall give notice of redemption by first class mail, postage prepaid, mailed no fewer than 20 nor more than 60 days prior to the redemption date to each Owner of Bonds to be redeemed at the address of such Owner appearing in the Bond Register. Any notice of optional redemption may be conditional and may be revocable at any time prior to the conditions set forth therein being satisfied in full.

Neither the failure of any Owner to receive notice mailed as provided herein nor any defect in notice so mailed shall affect the validity of the proceedings for redemption in accordance herewith.

All notices of redemption shall state:

- (a) the redemption date and the conditions, if any, of redemption;
- (b) the redemption price;
- (c) the amount of accrued interest payable on the redemption date (if such amount can be calculated at the time the notice is mailed);
- (d) the designation of the Bonds to be redeemed, the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed;
- (e) that (unless the notice of redemption is a conditional notice, in which case the notice shall state that interest shall cease to accrue from the date fixed for redemption if and to the extent that funds have been provided to the Trustee for the redemption of Bonds) on the redemption date the redemption price of each such Bond will become due and payable and that interest on each such Bond shall cease to accrue on and after such date;
- (f) the place or places where such Bonds must be surrendered for payment of the redemption price thereof; and
- (g) such additional information as LACF shall deem appropriate.

Notice of redemption having been given to the Owners as aforesaid and if the notice of redemption is conditional and the conditions stated in the notice of redemption have been met, such Bonds to be redeemed shall become due and payable on the redemption date at the redemption price specified, and on and after such date (unless LACF shall default in the payment of the redemption price) such Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond shall be paid at the redemption price

thereof, to the extent of funds on deposit with the Trustee and available therefor. To the extent possible, each check or other transfer of funds issued for the payment of the redemption price of Bonds being redeemed shall bear the CUSIP number identifying, by maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

If any Bond called for redemption shall not be so paid upon surrender thereof for redemption, the redemption price and, to the extent lawful, interest thereon shall, until paid, bear interest from the redemption date at the rate borne by the Bond immediately before the redemption date.

Section 3.03. Partial Redemption of Bonds. For so long as the Bonds are held in fully immobilized form, the selection of particular Bonds within a maturity to be redeemed, whether by optional or mandatory redemption, will be made in accordance with the operational arrangements then in effect at DTC.

If less than all of the Bonds of a particular maturity shall be called for any optional redemption or mandatory sinking fund redemption: (1) if the Bonds are not registered in book-entry only form, the Trustee will select by lot the Bonds to be redeemed; and (2) if the Bonds are in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, Bonds to be redeemed will be selected in accordance with DTC's procedures in effect at such time.

Upon surrender of any Bond redeemed in part only, LACF shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at no expense to the Owner, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered. Costs of printing and/or authentication of new Bonds shall be paid by LACF.

Section 3.04. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and money for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue on the redemption date, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said principal and interest accrued to the date fixed for redemption.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled by the Trustee upon surrender thereof.

Section 3.05. Purchase of Bonds. At the written direction of an Authorized Officer of the County, so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise at the written direction of LACF and with the sources of funds specified by the County and/or LACF, the Trustee shall purchase Bonds offered to the County or LACF at prices deemed acceptable to the County or LACF, as applicable. The principal amount of any term Bonds purchased pursuant to this Section 3.05 shall be credited against the scheduled redemptions of such

Bonds in the manner designated by an Authorized Officer of the County or LACF, as applicable, in accordance with the provisions of Section 3.01(b) hereof.

ARTICLE IV

CREATION OF FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL OF AND INTEREST ON BONDS

Section 4.01. Cost of Issuance Fund. The Trustee shall establish and maintain a separate fund designated the “Cost of Issuance Fund” for the purpose of paying Costs of Issuance. On the Date of Issue, proceeds of the Series 2018A Bonds in the amount of \$878,693.10 and proceeds of the Series 2018B Bonds in the amount of \$36,233.44 shall be deposited in the Cost of Issuance Fund. On or after the Date of Issue, the Trustee shall make payments from the Cost of Issuance Fund upon receipt of a requisition from LACF in substantially the form attached hereto as Exhibit B. On the earlier of (i) six months from the Date of Issue, or (ii) the date the Trustee receives written direction from an Authorized Officer of LACF that LACF has determined that all Costs of Issuance have been paid, the Trustee shall transfer the balance on hand in the Cost of Issuance Fund to the Project Fund, and the Cost of Issuance Fund shall then be closed. All payments made from the Cost of Issuance Fund pursuant to a requisition in proper form shall be presumed to be made properly and the Trustee shall not be required to see to the application of any such payments or to make any investigation or inquiry into the purposes for which withdrawals are being made from the Cost of Issuance Fund. The Trustee shall be fully protected in relying upon any such requisitions.

Section 4.02. Project Fund.

(a) Establishment. The Trustee shall establish and maintain a separate fund designated the “Project Fund” for the purpose of paying Costs of the Project (other than Costs of Issuance and the capitalized interest described in (vi) of the definition of Costs), and shall establish therein (i) a Bond Proceeds Account, into which shall be deposited \$297,129,955.40 from proceeds of the Bonds, and (ii) a Non-Bond Proceeds Account, into which may be deposited, from time to time, certain funds pursuant to Section 4.04 hereof.

All amounts in the Project Fund, until applied as hereinafter provided, shall be held for the security of all Bonds Outstanding hereunder.

The Trustee shall maintain records sufficient to permit calculation of the income on investments and interest earned on deposit of amounts held in the Project Fund and in each account therein separately. Copies of such records shall be made available monthly to LACF, the County and the Developer. The income and interest from the Accounts within the Project Fund shall be retained in the respective Accounts within the Project Fund.

(b) Payments From Accounts Within Project Fund. The Trustee shall disburse money from the Accounts within the Project Fund to pay Costs of the Project (other than Costs of Issuance and the capitalized interest described in (vi) of the definition of Costs (which capitalized interest will be paid from the Capitalized Interest Fund)) upon receipt of requisitions from LACF, signed by its Authorized Officer, in the form attached hereto as Exhibit B and incorporated herein by this

reference. In the event that any portion of the Developer's Fee is forfeited pursuant to the terms of the Development Agreement, all or a portion of such amount may, at the direction of the Authorized Officer of LACF, be transferred to the Interest Account and/or the Principal Account and applied to pay debt service on the Bonds subject to the limitations described in the Tax Certificate. Amounts deposited to the Non-Bond Proceeds Account under Section 4.04 may also be used to pay costs to repair or restore the Project as provided therein. All payments made from Accounts within the Project Fund pursuant to such requisitions shall be presumed to be made properly, and the Trustee shall not be required to see to the application of any payments made from the Accounts within the Project Fund, to determine the propriety of any such requisition, including without limitation pursuant to the Development Agreement (except that the Trustee shall be required to determine that any such requisition has been signed by the Authorized Officer of LACF as set forth on Exhibit B to this Indenture) or otherwise to make any investigation or inquiry into the purposes for which disbursements are made from the Accounts within the Project Fund.

Any requisition received by the Trustee by 1:00 p.m., Pacific time, on any Business Day shall be paid by the Trustee in immediately available funds no later than 1:00 p.m. Pacific time on the next succeeding Business Day. Any requisition received by the Trustee after 1:00 p.m., Pacific time, on any Business Day shall be paid by the Trustee in immediately available funds no later than 1:00 p.m., Pacific time, on the second succeeding Business Day. The Trustee shall retain copies or records of each requisition and shall not destroy such records for a period of at least seven years after receipt without the prior consent of LACF and the County, which consent will not unreasonably be withheld.

(c) Final Payment. Upon "Final Acceptance," as defined in the Facilities Lease, LACF shall promptly deliver to the County and the Trustee a final completion certificate in the form attached hereto as Exhibit C. Upon receipt of such completion certificate, and after making any transfer to the Rebate Fund, the Trustee shall retain certain funds in the Accounts within the Project Fund as may be indicated on such completion certificate, and at the written direction of LACF (consented to in writing by the County so long as no Facilities Lease Default Event has occurred and is continuing), the Trustee shall transfer any funds remaining in the Project Fund in excess of the amounts specified to the Trustee by LACF in the completion certificate to the Principal Account promptly upon receipt of such direction. Any such funds transferred to the Principal Account shall be applied to pay principal of the Bonds as described and permitted in the Tax Certificate. The balance remaining in the Project Fund shall be retained by the Trustee and applied as directed in writing by LACF, and any amount remaining after receipt by the Trustee of written notice from LACF that all conditions for paying retained funds have been satisfied or waived shall be transferred to the Principal Account promptly upon receipt of such notice, and the Bond Proceeds Account within the Project Fund shall then be closed. Any such funds transferred to the Principal Account shall be applied to pay principal of the Bonds as described and permitted in the Tax Certificate. The Non-Bond Proceeds Account shall remain open for the purpose of receiving, from time to time, certain funds pursuant to Section 4.04 hereof. LACF shall promptly send a copy to the County of any such written directions to the Trustee.

(d) Notices to Trustee. LACF shall provide written notice to the Trustee and the County promptly upon its actual knowledge of the occurrence of the following:

(1) Final completion of the Project (through delivery of notice in the form of Exhibit C); and

(2) Any Facilities Lease Default Event.

(e) Disclaimer of LACF. LACF makes no representation that the amounts deposited or to be deposited in the Project Fund or any Account therein will be sufficient to complete the Project, and LACF has no obligation to deposit any funds in the Project Fund or any Account therein except from proceeds of the Bonds, from other funds and accounts under this Indenture, and from such other sources as may be provided for under the Facilities Lease.

Section 4.03. Capitalized Interest Fund.

(a) Creation of Fund and Accounts Therein. The Trustee shall establish and maintain a separate fund designated the "Capitalized Interest Fund," and shall establish therein, the Series 2018A Account and the Series 2018B Account.

(b) Deposit of Proceeds. The Trustee shall deposit \$42,404,376.54 into the Series 2018A Account from the proceeds of the Series 2018A Bonds. The Trustee shall deposit \$5,045,817.76 into the Series 2018B Account from the proceeds of the Series 2018B Bonds.

(c) Notice of Project Component Completion Dates, Allocable Percentage of Series 2018A Bonds and Allocable Tower Garage Percentage of Series 2018A Bonds. LACF agrees to provide the Trustee with written notice of each Project Component Completion Date and, upon the first and second Project Completion Date, the Allocable Percentage of Series 2018A Bonds and the Allocable Tower Garage Percentage of Series 2018A Bonds applicable as of such dates as soon as practicable after such dates.

(d) Series 2018A Account.

(1) The Trustee shall use the moneys deposited in the Series 2018A Account to make transfers to the Interest Account to pay interest accrued on the Allocable Percentage of Series 2018A Bonds until the end of the Tax-Exempt Capitalized Interest Period.

(2) Upon providing the Trustee with notice of a Project Component Completion Date, LACF shall direct the Trustee as to the amount that can be transferred to the Interest Account to pay interest accrued but unpaid on the Allocable Percentage of the Series 2018A Bonds until such Project Component Completion Date.

(e) Series 2018B Account. The Trustee shall use the moneys deposited in the Series 2018B Account to make transfers to the Interest Account to pay interest accrued on all of the Series 2018B Bonds until the Rent Commencement Date. The Trustee shall also use the moneys deposited in the Series 2018B Account to pay interest accrued on the Allocable Tower Garage Percentage of Series 2018A Bonds until the Rent Commencement Date.

(f) Application of Amounts in Capitalized Interest Fund. To the extent of funds on deposit therein and available therefor, transfers from the Accounts of the Capitalized Interest Fund to the Interest Account shall be made without requisition in accordance with Section 4.06(c)

hereof. All amounts in the Capitalized Interest Fund and Accounts therein, until applied as hereinafter provided, shall be held for the security of all Bonds Outstanding hereunder. All investment earnings on money in each Account of the Capitalized Interest Fund shall be credited to such Account.

(g) Use of Funds in Capitalized Interest Fund After Rent Commencement Date. Effective on the Rent Commencement Date, the balance on hand in the Series 2018A Account, at the written direction of the County, with a copy to LACF, shall be transferred to the Bond Proceeds Account of the Project Fund to be disbursed to pay any unpaid Costs of the Project or shall be transferred to the Principal Account or the Redemption Account to be applied to pay principal of the Bonds as described and permitted in the Tax Certificate. Effective on the Rent Commencement Date, the balance on hand in the Series 2018B Account, at the written direction of the County, with a copy to LACF, shall be transferred to the Interest Account to be applied to pay interest on the Bonds indicated in such direction, or transferred to the Bond Proceeds Account of the Project Fund to be disbursed to pay any unpaid Costs of the Project or shall be transferred to the Principal Account or the Redemption Account to be applied to pay principal of the Bonds. At the time when all amounts in the Capitalized Interest Fund and Accounts therein are expended, the Trustee shall then close the Capitalized Interest Fund and all Accounts therein.

Section 4.04. Deposits of Funds Other Than Bond Proceeds Into the Project Fund and Capitalized Interest Fund.

(a) Insurance Proceeds.

(1) *To Non-Bond Proceeds Account.* If the Trustee receives (A) any payments from LACF or the County with written direction to the Trustee, with a copy to LACF or the County, as applicable, that such payments be deposited in the Non-Bond Proceeds Account or (B) proceeds of insurance for damage to the Project, including proceeds of the “Builder’s Risk” insurance, the Trustee shall deposit such funds in the Non-Bond Proceeds Account and LACF shall direct the Trustee to apply such funds in accordance with Section 19 of the Facilities Lease either (i) to pay the costs to repair and restore the Project or to pay Costs of the Project, pursuant to written requisitions in accordance with Section 4.02(b) hereof submitted to the Trustee, or (ii) to redemption of the Bonds pursuant to Section 3.01(c).

(2) *To Interest Account.* If the Trustee receives (A) any insurance proceeds attributable to delays in completing the Project under the “Builder’s Risk” insurance required pursuant to Exhibit G of the Development Agreement, and such proceeds are designated for such purpose by LACF in writing to the Trustee, with a copy to the County, such funds shall be deposited in the Interest Account to be used (before using funds in the Capitalized Interest Fund) to pay interest on the Bonds, in accordance with Section 4.06(c) hereof or (B) any insurance proceeds in connection with partial destruction of the Premises and such funds are not disbursed from the Non-Bond Proceeds Account to pay costs of restoration, pursuant to Section 19.2(c) of the Facilities Lease, such funds shall be transferred from the Non-Bond Proceeds Account to the Interest Account to be used to pay interest on the Bonds.

(b) Condemnation Proceeds.

(1) If prior to completion of the Project, LACF receives condemnation proceeds with respect to the Premises pursuant to Section 20 of the Facilities Lease, it shall pay those condemnation proceeds over to the Trustee, with written instructions, with a copy to the County, to apply them as follows:

(A) *Project Cannot Be Completed.* If the Project cannot be completed, LACF shall give the Trustee written notice that all or a portion of such condemnation proceeds shall be deposited into the Non-Bond Proceeds Account in the specified amount necessary to pay the parties entitled thereto for all Costs of the Project incurred as of the date of such condemnation (provided, however, that upon the written direction of LACF the Trustee shall first apply for such purpose any funds then available in the Bond Proceeds Account), and the balance shall be applied by the Trustee at the direction of LACF, with a copy to the County, to defease such Bonds as are directed by LACF pursuant to Section 10.02 hereof and to reimburse the Trustee for any costs incurred by the Trustee for which it is entitled under the Indenture for reimbursement.

(B) *Project Can Be Completed.* If the Trustee receives written notice from LACF that the Project can be completed, such condemnation proceeds shall be deposited into the Non-Bond Proceeds Account to pay Costs of the Project, as directed by LACF in writing, with a copy to the County (provided, however, that upon the written direction of LACF, with a copy to the County, the Trustee shall first apply for such purpose any funds then available in the Bond Proceeds Account).

(2) If after completion of the Project, LACF receives condemnation proceeds with respect to the Premises pursuant to Section 20 of the Facilities Lease, it shall pay those condemnation proceeds over to the Trustee, with written instructions, with a copy to the County, for deposit into the Capital Repairs Fund and application by the Trustee as follows: (A) to pay costs of restoring the Premises and/or (B) for transfer of a specified amount to a specified account in the Bond Fund.

(c) LACF Deposits to Non-Bond Proceeds Account. If the Trustee receives any payment from LACF or the County for any additional Costs of the Project that the County is obligated to pay under the Facilities Lease, then upon written instructions from LACF, with a copy to the County, the Trustee shall deposit any such funds into the Non-Bond Proceeds Account. Upon the written direction of LACF, with a copy to the County, the Trustee shall (i) apply such funds to pay Costs of the Project and/or (ii) shall transfer a specified amount to a specified account in the Bond Fund.

Section 4.05. Revenue Fund.

(a) The Trustee shall establish and maintain a separate fund designated the “Revenue Fund” into which the Trustee shall deposit:

- (1) the Base Rent described in Section 4 of the Facilities Lease;
- (2) all net earnings on investments of money in the Revenue Fund;

(3) all monies received by the Trustee pursuant to the Development Agreement;
and

(4) all other money (including without limitation Additional Rent received for deposit to the Revenue Fund) received by the Trustee with written instructions by LACF, with a copy to the County, to deposit it in the Revenue Fund.

All Base Rent determined in accordance with Section 4 of the Facilities Lease shall be paid directly to the Trustee for deposit in the Revenue Fund. Following the Rent Commencement Date, the Trustee shall notify LACF and the County by the close of business on each Rent Payment Date if Base Rent due on such Rent Payment Date has not been received.

(b) The money and investments in the Revenue Fund are irrevocably pledged and shall be used and transferred by the Trustee, as follows and in the following order of priority:

(1) On or prior to each Interest Payment Date, the amount necessary to pay the interest on the Bonds coming due on the Interest Payment Date to the Interest Account;

(2) On or prior to each Principal Payment Date, the amount necessary to pay the regularly scheduled principal (including mandatory redemption amounts pursuant to Section 3.01(b) hereof) of Bonds maturing on such Principal Payment Date to the Principal Account;

(3) On or prior to each day on which Bonds shall be subject to redemption prior to scheduled maturity, the redemption price of Bonds to be redeemed to the Redemption Account; and

(4) To pay Administrative Fees and Expenses, but only upon the written direction of an Authorized Officer of LACF; provided, that such written direction shall not be required if an Event of Default has occurred and is continuing.

Upon the occurrence and continuation of an Event of Default and acceleration of all Bonds for maturity pursuant to Section 7.02 hereof, and subject to the lien of all Bonds, all money in the Revenue Fund and all funds that are then on deposit with the Trustee pursuant to this Indenture (other than funds on deposit in the Rebate Fund and the Capital Repairs Fund) shall be transferred to the Principal Account.

Section 4.06. Bond Fund.

(a) Establishment. The Trustee shall establish and maintain a separate fund designated the “Bond Fund” for purposes of paying the principal of and interest on the Bonds as the same shall become due and payable, and shall establish therein (i) an Interest Account, (ii) a Principal Account, and (iii) a Redemption Account.

(b) Deposits Into Bond Fund. The Trustee shall deposit the following sums into the Bond Fund:

(1) On each Interest Payment Date, to the Interest Account an amount that, together with any other money then available therefor in the Interest Account, will be equal to the interest on all of the Bonds then Outstanding to become due and payable on that Interest Payment Date;

(2) On each Principal Payment Date for as long as any of the Bonds are Outstanding and unpaid, to the Principal Account an amount that, together with any other money available therefor in the Principal Account, will be equal to the principal (including mandatory redemption amounts pursuant to Section 3.01(b) hereof) of the Bonds to become due and payable on that Principal Payment Date;

(3) On each date on which the Bonds are subject to redemption prior to maturity, whether by optional redemption or acceleration prior to maturity, to the Redemption Account the redemption price of the Bonds to be redeemed;

(4) As received, all investment earnings on the Bond Fund to the respective account; and

(5) All other money directed in writing by LACF or the County, with a copy to LACF or the County, as applicable, to be deposited therein.

(c) Source of Funds for Deposits to Bond Fund. Following the Date of Issue and until the Rent Commencement Date, the deposits to the Interest Account referred to in Section 4.06(b)(1) shall be made from funds on hand in the Capitalized Interest Fund.

Following the Rent Commencement Date, the deposits to the Bond Fund are expected to be made from the following sources (not identified in order of priority) (i) transfers made pursuant to Section 4.02(c) from the Bond Proceeds Account and/or the Non-Bond Proceeds Account in the Project Fund, (ii) transfers made pursuant to Section 4.03 from the Capitalized Interest Fund; and (iii) money on hand in the Revenue Fund. Notwithstanding the foregoing, the Trustee may accept deposits from any source, with written instructions from LACF or the County, as applicable, with a copy to the other, to deposit the same into the Bond Fund.

(d) Balance in Bond Fund. The Trustee shall provide LACF and the County with monthly reports regarding balances on hand in the Project Fund, Revenue Fund and the Bond Fund from time to time. In the event that monthly statements from the Trustee reflect balances on hand in the Revenue Fund and the Bond Fund available to pay upcoming maturities of debt service, the County and LACF, with written notice to the Trustee from LACF, may adjust upcoming payments of Base Rent.

(e) Use of Money in Bond Fund. Except as otherwise provided in Sections 4.09, 4.11, 4.12, 4.13, 7.03 and Article X hereof, money in the Bond Fund shall be used solely for the payment of the principal of and interest on the Bonds as the same shall become due and payable at maturity, upon redemption or acceleration or otherwise, and the lien of the Owners of Bonds on such money shall be first and prior to the lien of any other Person thereon.

Section 4.07. Liens. LACF shall not create any lien upon the Bond Fund or upon the Revenues other than the lien hereby created or permitted to be created hereby for the benefit of Additional Bonds, by the Deed of Trust or by the Assignment of Leases.

Section 4.08. Bonds Not Presented for Payment. In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, if money sufficient to pay such Bonds is held by the Trustee for the benefit of the Owners thereof, the Trustee shall segregate and hold such money in trust, without investing such money and without liability for interest thereon, for the benefit of Owners of such Bonds, who shall, except as provided in the following paragraph, thereafter be restricted exclusively to such fund or funds for the satisfaction of any claim of whatever nature on their part under this Indenture or relating to said Bonds.

Any money that the Trustee shall segregate and hold in trust for the payment of the principal of or interest on any Bond and remaining unclaimed for five years after such principal or interest shall have become due and payable shall be remitted by the Trustee in accordance with applicable escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations, and thereafter Owners of Bonds shall be entitled to look only to such Owners' rights provided under the laws of the jurisdiction of any such pertinent escheat authority, as applicable, and all liability of the Trustee with respect to such money shall thereupon cease; provided, however, that before such money is remitted as aforesaid, the Trustee may at the written request of the County (at the cost of the County), so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise at the written request of LACF (at the cost of LACF), first mail to the Owners of Bonds that have not yet been paid, at the addresses shown on the Bond Register, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to such Owners' rights under applicable law. Any such delivery to any such escheat authority shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. Any money held by the Trustee pursuant to this Section shall be held uninvested and without any liability for interest.

Section 4.09. Money Held in Trust. All money required to be deposited with or paid to the Trustee for deposit into any fund or account under any provisions hereof, and all money held by the Trustee hereunder, shall be held by the Trustee (or any of its affiliates satisfying the requirements of Section 8.01(e) hereof) in trust, and such money (other than money held pursuant to Sections 4.08, 4.13 and 4.15 hereof) shall, while so held, constitute part of the Trust Estate and be subject to the lien hereof.

Section 4.10. Payment to the County. Any money remaining in the Bond Fund after the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of LACF under this Indenture shall have ceased, terminated and become void and shall have been satisfied and discharged in accordance with Article X hereof, shall be paid to the County as a rebate of or credit to Rent under the Facilities Lease.

Section 4.11. Investment of Money. All money held in the Project Fund, the Cost of Issuance Fund, the Capitalized Interest Fund, the Bond Fund, the Capital Repairs Fund and the Revenue Fund shall be invested by the Trustee at the written direction of an Authorized Officer of

LACF, with the written consent of the County, solely in Investment Securities which shall mature not later than the date when the amounts will foreseeably be needed for purposes set forth in this Indenture. Upon completion of the Project, LACF shall not direct the investment of Bond proceeds in any manner inconsistent with the limitations set forth in Section 3.3.5 and Section 4.3 of the Tax Certificate (which outlines certain yield limitations). The Trustee shall have no obligation to determine whether any such directed investment is authorized under the definition of Investment Securities, to determine whether any such direction is in compliance, or has become noncompliant, with the Tax Certificate, or to otherwise approve or disapprove of any such direction and shall suffer no liability whatsoever in following any such direction. The Trustee may rely conclusively on the written direction of an Authorized Officer of LACF as to the suitability and legality of the directed investments. In the event that the Trustee shall not have received written direction as to the investment of such funds, the Trustee shall hold such funds uninvested pending its receipt of investment instruction from an Authorized Officer of LACF.

Investment Securities acquired as an investment of money in any fund or account established under this Indenture and earnings thereon shall be credited to such fund or account, except as otherwise provided herein. Investments in any and all funds and accounts may be commingled for purposes of making, holding, and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular funds and accounts amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell or present for redemption any Investment Securities so purchased whenever it shall be necessary to provide money to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee may make any and all such investments through its own trust or investment department, or through any of its affiliates or subsidiaries. LACF acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the right to receive brokerage confirmations of security transactions, at no additional cost, LACF waives receipt of such confirmations. The Trustee shall furnish to the County and LACF periodic statements of account which include detail of all investment transactions made by the Trustee.

Section 4.12. Arbitrage Rebate. LACF shall perform or cause to be performed the rebate calculations and will direct the Trustee to pay any required amounts to the United States of America in accordance with the provisions of the Tax Certificate. The Trustee shall not be responsible for performing rebate calculations and shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken by LACF in performing such calculations or making any necessary payments.

Section 4.13. Rebate Fund.

(a) **Establishment.** The Trustee shall establish and maintain a separate fund designated the “Rebate Fund,” into which the Trustee shall deposit amounts received as provided in this Section 4.13. Notwithstanding any provision hereof to the contrary, funds deposited in the Rebate Fund shall be free and clear of any lien hereunder, but shall be held in trust for the purposes described in this Section 4.13. At the direction of LACF, the Trustee shall apply funds on deposit

in the Rebate Fund to make the payments of Rebatable Arbitrage required pursuant to Section 4.12 hereof.

(b) Rebate Calculations and Deposits. LACF will, at its cost, hire a Rebate Analyst, which shall calculate (i) by no later than August 30 of each year, commencing August 30, 2019, the Rebatable Arbitrage as of June 30 of the preceding fiscal year for each year following the Date of Issue, and (ii) within 15 days of final completion, the Rebatable Arbitrage as of the date of final completion. Based on each such calculation, the Trustee shall deposit into the Rebate Fund the amount, if any, from such fund or account as directed by LACF, with the written approval of the County, promptly upon receipt of each such calculation from the Rebate Analyst.

(c) Investment of Money in the Rebate Fund. Money in the Rebate Fund shall be invested by the Trustee, upon written direction of an Authorized Officer of LACF in Investment Securities that mature no later than a date that is earlier than the date any payment of Rebatable Arbitrage is due.

(d) Rebate Withdrawals. If the annual calculation of Rebatable Arbitrage under subsection (b) of this Section 4.13 hereof indicates that the balance in the Rebate Fund exceeds the Rebatable Arbitrage as of the date thereof, then the Trustee shall, if directed in writing by LACF, transfer all or any portion of such excess, (i) if prior to the Rent Commencement Date, to the fund or account from which it came, and (ii) if following the Rent Commencement Date, to the Revenue Fund.

(e) Remaining Balance. Any funds remaining in the Rebate Fund after the Bonds are no longer Outstanding and after the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of LACF under this Indenture shall have ceased, terminated and become void and shall have been satisfied and discharged in accordance with Article X hereof, shall be paid to the County, so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise to LACF.

(f) Amendment. The intent of this Section 4.13 is to require funding of the Rebate Fund so that money in that account will be available to pay Rebatable Arbitrage when it is required to be paid under Section 148 of the Code. Notwithstanding anything stated to the contrary in this Indenture, LACF shall not be required to retain a Rebate Analyst or continue to perform arbitrage rebate calculations as provided in this Section 4.13 if LACF provides the Trustee with an Opinion of Bond Counsel to the effect that LACF has met one of the permitted exceptions from the payment of Rebatable Arbitrage, no Rebatable Arbitrage is due and owing and/or rebate computations are no longer required (which opinion may rely upon the mathematical computations of a Rebate Analyst).

Section 4.14. Additional Accounts and Subaccounts. The Trustee may, in its discretion, establish such additional accounts within the Project Fund, the Capital Repairs Fund, the Capitalized Interest Fund, and the Bond Fund, and subaccounts within any of the accounts within those funds, as the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from the Project Fund and Bond Fund and their accounts, respectively, or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such account or subaccount shall not alter or

modify any of the requirements of this Indenture with respect to a deposit or use of money in the Project Fund or the Bond Fund, or result in commingling of funds not permitted hereunder. In establishing such accounts or subaccounts, the Trustee may at any time request, receive and rely with full acquittance upon an Opinion of Bond Counsel, addressed to the Trustee and LACF, that the establishment of such accounts or subaccounts will not cause any part of the Bonds to become arbitrage bonds within the meaning of the Code.

Section 4.15. Capital Repairs Fund. The Trustee shall establish and maintain a separate fund designated the “Capital Repairs Fund,” for purposes of holding and disbursing certain funds under the Facilities Lease for capital repairs under to Section 5.11 of the Facilities Lease. Notwithstanding any provision hereof to the contrary, funds deposited in the Capital Repairs Fund shall be free and clear of any lien hereunder, but shall be held in trust for the purposes described in this Section 4.15.

If LACF receives payments with a direction that they are to be used to fund a capital replacement reserve pursuant to Section 5.11 of the Facilities Lease, such payments shall be delivered to the Trustee for deposit to the Capital Repairs Fund. Such proceeds shall be disbursed at the written direction of LACF, with the written consent of the County, to pay the costs of capital improvements and major maintenance of the Premises. The Trustee shall have no duty to monitor or determine the necessity, adequacy or propriety of any funding of the Capital Repairs Fund or the use of any disbursements therefrom, whether or not a Facilities Lease Default Event has occurred and is then continuing.

Any funds remaining in the Capital Repairs Fund upon the final payment or defeasance of Bonds shall be disbursed to the County. The Bondholders shall have no right to direct the use and application of the proceeds of the Capital Repairs Fund. The Capital Repairs Fund is not a part of the Trust Estate, and the Bondholders shall not have any rights or obligations with respect to money in the Capital Repairs Fund.

Section 4.16. Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

ARTICLE V

GENERAL COVENANTS

Section 5.01. Not General Obligations. Each and every covenant herein made, including all covenants made in the various sections of this Article V, is predicated upon the condition that the Bonds shall not be general obligations of LACF, but shall be special, limited obligations of LACF payable solely from and secured solely by the Trust Estate pledged under this Indenture. LACF is a single-purpose entity, is not a governmental entity and does not have taxing power.

LACF shall execute and deliver the Deed of Trust and the Assignment of Leases and authorize the filing of the UCC Financing Statements related thereto and related to the Trust Estate in favor of the Trustee as the beneficiary on behalf of the Owners. LACF shall record the Deed of Trust and Assignment of Leases with the County Recorder of Los Angeles County and shall file a central UCC Financing Statement with the California Secretary of State's Office, and the Trustee shall file continuation statements as described herein to maintain the security interests granted therein. At the expense of LACF, the Trustee shall prepare and file in a timely manner in such places as the initial filings (copies of which shall be provided to the Trustee by LACF) were made a continuation statement with respect to each UCC Financing Statement on which the Trustee is listed as a secured party filed by LACF under this Section 5.01 on the Date of Issue; provided that the Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by amendments of the UCC; and provided further, that unless the Trustee shall have been notified by the County or LACF that any such initial filing or description of collateral was or has become defective, including without limitation because of any amendment of the UCC, the Trustee shall be fully protected in relying on such initial filing in filing continuation statement(s) or modifications thereto pursuant to this Section and in filing any continuation statements in the same filing offices as the initial filings were made.

LACF shall promptly cause to be paid, solely from the sources stated herein, the principal of and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning thereof.

Section 5.02. Performance of Covenants of LACF; Representations. LACF shall faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder, and in all proceedings pertaining thereto. LACF represents that it is authorized under the laws of the State to issue the Bonds authorized hereby, to enter into this Indenture, the Development Agreement, the Deed of Trust, the Assignment of Leases and the Facilities Lease, and to pledge and assign to the Trustee the Trust Estate, and that the Bonds in the hands of the Owners thereof are and will be valid and binding obligations of LACF except as their enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other applicable laws in effect from time to time affecting the rights of creditors generally and (ii) the application of general principles of equity. LACF shall also comply with all of its covenants, warranties and representations under the Deed of Trust, the Assignment of Leases, the Development Agreement and the Facilities Lease.

Section 5.03. Maintenance of Corporate Existence; Compliance With Laws. LACF shall at all times while any Bonds remain Outstanding maintain its existence as a California nonprofit public benefit corporation and an organization exempt from taxation under Section 501(c)(3) of the Code, and it shall comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body known to it to be applicable to its obligations under the Development Agreement, the Facilities Lease, the Deed of Trust, the Assignment of Leases and this Indenture.

Section 5.04. Enforcement of Obligations of Third Parties to LACF. LACF shall monitor the Project and shall enforce (i) the obligations of the Developer under the Development Agreement; (ii) the obligations of the Architect and the General Contractor under LACF's contracts therewith; (iii) the obligations of the County under the Facilities Lease, including specifically, but without limitation, the County's obligation to maintain insurance under the Facilities Lease, and (iv) the obligations of any other tenant under any other lease by LACF of the Premises. The Trustee shall cooperate with LACF in enforcing the foregoing obligations; provided, however, that the Trustee shall have no independent duty to enforce the foregoing obligations.

Section 5.05. Further Instruments. LACF shall execute, and the Trustee shall accept, assignment of LACF's rights (except for LACF's rights of approval or consent), but none of its obligations, under the Development Agreement, the Architect's Agreement, the General Construction Contract (as or when the same become available) and any other construction-related agreements, as additional security for the performance of its obligations hereunder. LACF shall, upon the reasonable request of the Trustee, from time to time execute and deliver such further instruments as may be reasonable and as may be required to carry out the purposes of this Indenture; provided, however, that the Trustee shall have no responsibility for the adequacy or sufficiency of any such security or assignments thereof.

Section 5.06. Duty to Reconvey. LACF will convey to the County title to the Premises (unencumbered by management contracts or any leases by LACF of the Premises), and, upon receipt of an executed deed from LACF, the Trustee is authorized and directed to (i) request a full reconveyance of the Deed of Trust, and (ii) release such other liens and security interests of record in the Premises that it may hold without recourse, representation or warranty, then LACF shall record the grant deed with the County Recorder for Los Angeles County, without recourse or warranty and in its then condition, with any costs associated with such reconveyance and releases to be borne by LACF and with such recording to be borne by the County, upon the full payment and retirement or defeasance of all the Outstanding Bonds pursuant to the terms of this Indenture (including but not limited to the provisions of Article VI and Section 7.10 hereof), unless such payment and retirement of the Bonds occurs upon foreclosure on the Deed of Trust and a Facilities Lease Default Event has occurred and is continuing.

The Trustee shall be fully protected in relying upon any such direction to convey and grant the Premises by LACF, and upon any such grant deed delivered to it by LACF.

Section 5.07. Amendments to the Other Documents; Assignment of Facilities Lease. Any amendment of the Other Documents or assignment of the Facilities Lease by either LACF or the County shall be in accordance therewith and with this Indenture. LACF shall provide a copy of any such amendment or assignment to the Trustee.

Section 5.08. Disposition of Project; Insurance of Premises. LACF and the Trustee shall not sell, mortgage, lease or otherwise dispose of the Premises if prohibited by the Deed of Trust. If the Facilities Lease terminates by its terms at any time that Bonds remain Outstanding hereunder, LACF covenants to obtain and maintain, or cause the County to obtain and maintain liability and property insurance substantially as described in Sections 15 and 16 and Exhibit K of the Facilities Lease.

Section 5.09. Tax Covenants.

(a) LACF shall 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 interest on the Series 2018A Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, LACF shall comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Series 2018A Bonds.

(b) In the event that at any time LACF is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established hereunder, LACF shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions

(c) Notwithstanding any provisions of this Section, if LACF shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2018A Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

ARTICLE VI

OPTIONS TO PREPAY FACILITIES LEASE AND PURCHASE PROJECT

Section 6.01. Option to Purchase. The County shall have the option to purchase the Premises and thereby terminate the Facilities Lease pursuant to and subject to the limitations set forth in the Facilities Lease. On or after the date the Bonds are subject to optional redemption, the purchase price of the Premises shall be an amount sufficient to pay all Outstanding Bonds, plus interest accrued thereon to the date of redemption. Prior to the date the Bonds are subject to optional redemption, the purchase price of the Premises shall be an amount sufficient to pay all Outstanding Bonds, plus interest accrued thereon to the date of redemption, plus the additional amount, if any, required to fully defease the Outstanding Bonds in accordance with Article X.

Section 6.02. Exercise of Option. The County shall give the Trustee not less than forty-five (45) days prior written notice of its irrevocable election to exercise its option to purchase under Section 6.01 hereof. The notice and direction shall include a direction to deposit funds with the Trustee at a time and in a manner sufficient to redeem and defease the Bonds as provided in Article X. The purchase price shall be paid to the Trustee in cash or same-day available funds timely paid to the Trustee on the closing date specified in such notice (or such other date as the County and the Trustee may mutually agree).

Section 6.03. Conveyance of Premises. On the closing date specified in the notice of election to exercise purchase option, or such other date as the County, LACF and the Trustee may mutually agree and if the purchase price has been paid by the County in immediately available funds, LACF shall convey the Premises to the County by grant deed, free and clear of all liens and

encumbrances, except those liens and encumbrances approved by the County, but without recourse against the Trustee, and this Indenture, the Ground Lease, and the Facilities Lease shall automatically terminate. Neither LACF nor the Trustee shall be required to make any representations or warranties regarding the conditions of the Premises and the County shall agree to accept the Premises in an “as is” condition. Nothing herein shall be construed to require the County to exercise the purchase option herein granted.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

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

(b) default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise;

(c) default by LACF in the observance of any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, 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 LACF and the County by the Trustee, or to LACF, the County and the Trustee by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding;

(d) except with respect to matters constituting Events of Default as set forth in subsections (a), (b) and (c) above, any failure by LACF to observe or perform any covenant, condition, agreement or provision in the Deed of Trust on its part to be observed or performed which failure continues at least for a period of 30 days following written notice given by the Trustee to LACF and the County specifying such failure and requesting that such failure be remedied by LACF or the County; or

(e) the occurrence of an Event of Bankruptcy.

Section 7.02. Acceleration of Maturity; Remedies. If any Event of Default identified in (a) or (b) of Section 7.01 occurs, then, and in each and every such case during the continuance of such 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 shall be entitled and upon notice in writing to LACF, the Trustee and the County, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding, and interest on the Bonds shall cease to accrue on the date of such declaration. The Trustee shall give notice of such declaration by mail to the

respective Owners of the Bonds at their addresses appearing on the Bond Register. Notwithstanding the foregoing, payments of Base Rent under the Facilities Lease are not subject to acceleration.

Upon the occurrence and continuance of an Event of Default, then and in every such case the Trustee in its discretion may, or upon written demand of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and receipt of indemnity against anticipated expenses and liability to its satisfaction (which indemnity is a condition precedent to its duties hereunder), shall, in its own name and as the Trustee of an express trust take any or all of the following actions if the Bonds are not fully paid:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require LACF or the County to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Facilities Lease and this Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Facilities Lease or this Indenture, as the case may be;

(b) bring suit upon the Bonds (as provided in Section 7.04 hereof);

(c) by action or suit in equity require LACF to account as if it were the trustee of an express trust for the Owners of Bonds;

(d) upon the occurrence of Event of Default described in (a) or (b) of Section 7.01, foreclose the Deed of Trust or exercise any other remedies thereunder, including the reletting of the Premises for any commercial purpose;

(e) exercise any remedy under the Facilities Lease by LACF of the Premises or any other lease by LACF of the Premises;

(f) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds; or

(g) take any action or exercise any remedy under the Construction Contracts (as such term is defined in the Development Agreement) and the Development Agreement, if such contracts and agreement remain in effect.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Anything in this Indenture to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the Premises unless the Trustee is satisfied that the Trustee will not be subject to any liability under Environmental

Laws or from any circumstances present at the Premises relating to the presence, use, management, disposal or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees and charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel and agents) incurred in and in connection with the performance of its powers and duties under this Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on any overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference;

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon those Bonds, with interest on the overdue principal at the rate borne by the Bonds and to the payment of the principal of and interest due on other Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and

(c) All other amounts due to any other Person legally entitled thereto.

Section 7.04. Trustee to Represent Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture, the Facilities Lease and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified against anticipated expenses and liabilities to its satisfaction therefor (which indemnity is a condition precedent to its duties hereunder, except that Trustee may not seek indemnification as a condition precedent to accelerating the Bonds or making payments on Bonds when due to the extent of funds available therefor), shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under this Indenture, the Facilities Lease or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Trust Estate, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise 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 suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Section 7.05. Owners' Direction of Proceedings. Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, upon indemnification satisfactory to the Trustee, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction that in the sole discretion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction (the Trustee having no obligation to make such determination).

Section 7.06. Limitation on Bond Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Development Agreement, the Facilities Lease or any other applicable law with respect to such Bond, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a

period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under this Indenture, the Facilities Lease or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.07. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners of Bonds on account of any Event of Default are discontinued or abandoned for any reason or are determined adversely to the Trustee or the Owners, then in every such case LACF, the Trustee and the Owners, subject to any determination in such proceedings, will be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of LACF, the Trustee and the Owners will continue as though no such proceedings had been taken.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.10. Notice of Default; County's Right to Retire Bonds. The Trustee shall, within 30 days after the occurrence of an Event of Default, give written notice by first class mail to Owners of Bonds of all Events of Default actually known to the Trustee and, unless such Event of Default has been remedied, shall send a copy of such notice to LACF, the County and, until the Project Fund is closed pursuant to Section 4.02(d) hereof, the Developer. Upon the occurrence of an Event of Default, the County has the right to acquire the Premises by defeasing all of the Bonds then Outstanding in accordance with Section 10.02 hereof and/or purchasing Bonds in accordance with Section 3.05 hereof.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture, represents and covenants that it is fully empowered to accept said trusts, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture, the Other Documents or any other documents related to the transactions contemplated hereunder against the Trustee:

(a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default that may have occurred, perform such duties and only such duties as are specifically imposed upon it as set forth in this Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured) except in accordance with directions of the Owners in accordance with this Indenture and subject to Section 8.04(f) of this Indenture, 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 or her own affairs.

Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture that occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(b) Upon 30 days' advance written notice to the Trustee, LACF may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or, without the necessity of advance written notice, if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon LACF shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to LACF and the County and by giving the Owners notice of such resignation by mail at the addresses shown on the Bond Register. Upon receiving such notice of resignation, LACF shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of

giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to LACF and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the money, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the request of LACF or the request of the successor Trustee, such predecessor Trustee shall, at the expense of the County and upon prior payment or full assurance therefor, execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the rights, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, LACF shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such money, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder to the Rating Agency and to the Bond Owners at the addresses shown on the Bond Register.

(e) It is the intention that there shall at all times be one or more trustees under this Indenture qualified under the Indenture Act, at least one of whom shall at all times be a bank, banking association, or corporation organized and doing business under the laws of the United States or of any state or of the District of Columbia or a bank, banking association, corporation or other person permitted to act as trustee by the SEC (herein and in the Indenture Act referred to as the “institutional trustee”), which (A) is authorized under such laws to exercise corporate trust powers, and (B) is subject to supervision or examination by federal, state or District of Columbia authorities. Any Trustee appointed under the provisions of this Section in succession to U.S. Bank National Association, as the initial Trustee, shall be a trust company, bank, or banking association having the powers of a trust company qualified under the Indenture Act to act as trustee, having a combined capital, surplus and undivided profits of at least \$50,000,000, 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 purpose of this subsection 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. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section. Any co-trustee shall be subject to the same qualification limitations imposed upon the Trustee. Upon any appointment of a co-trustee in addition to the institutional trustee, the rights, powers, duties, and obligations conferred or imposed upon any trustee shall be deemed to be conferred or imposed upon and exercised or performed by such institutional trustee or the institutional trustee and co-trustees jointly, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed, the institutional trustee shall be incompetent or unqualified to perform

such act or acts, in which event such rights, powers, duties, and obligations shall be exercised and performed by such co-trustee(s). In no event shall the County serve as trustee under this Indenture.

(f) Notwithstanding anything to the contrary herein, the Trustee shall not be responsible for the preliminary or final official statement or any other offering materials relating to the Bonds (except for statements prepared or approved by the Trustee under the caption “The Trustee” in any such offering materials), or for any recital or statement herein or in the Bonds, the Other Documents or any assignments to the Trustee hereunder or under any instrument or any supplemental instrument by LACF, the County or the Developer, as appropriate. The Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds, for the validity of the execution by LACF of this Indenture, or for the validity of the execution of the Deed of Trust, the Assignment of Leases or any other assignments to the Trustee hereunder or under any instrument or any supplemental instrument by LACF, the County or the Developer, as appropriate, or for the validity or sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value of or title to the Trust Estate, or otherwise as to the maintenance of the security hereof, or for the creditworthiness of LACF, the Developer or any other party to any Bond Document. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the County, the Developer or LACF, as appropriate and shall have no duty to collect, preserve, exercise or enforce rights in the property or assets pledged hereunder to the Bonds (against prior parties or otherwise), except as set forth herein, but the Trustee may require of LACF, the Developer and the County full information and advice as to the performance of the covenants, conditions and agreements aforesaid and of the condition of the physical property included in the Trust Estate. The Trustee shall not be accountable for the use of any Bonds, or the proceeds thereof, authenticated or delivered 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 for the use contemplated by LACF, the County or the Developer of the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Other Documents, this Indenture or any other document related hereto or thereto for the existence, furnishing or use of the Premises.

(g) The Trustee’s rights to indemnity, immunities and protection from liability hereunder and its rights to payment of fees and expenses shall survive its resignation or removal and the final payment or defeasance of the Bonds or the discharge of this Indenture. The Trustee’s rights, protections, immunities and indemnities hereunder shall also be afforded to the Trustee, in acting or omitting to act under the Other Documents.

(h) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any money that is released or withdrawn in accordance with the provisions hereof.

Section 8.02. Conflicting Interests. If the Trustee has or shall acquire any “conflicting interest” as such term is defined in the Indenture Act, then, within 90 days after ascertaining that it has such conflicting interest, and if the Event of Default to which such conflicting interest relates

has not been cured or duly waived or otherwise eliminated before the end of such 90-day period, the Trustee shall either eliminate such conflicting interest or LACF shall take prompt steps to have a successor appointed as provided by Section 8.01(b) of this Indenture.

In the event that LACF shall fail to cause appointment of a successor, the Trustee shall, within 10 days after the expiration of such 90-day period, transmit notice of such failure to the Owners; and any Owner who has been a bona fide owner of Bonds for at least six months may, on behalf of him/her/itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee, and the appointment of a successor, if LACF fails, after written request thereof by such Owner, to cause appointment of a successor.

Section 8.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its municipal corporate trust business, provided such company shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee without the executing or filing of any paper or any further act, anything herein to the contrary notwithstanding. Notice of such merger or consolidation shall be given to LACF, the County, and, until the Project Fund is closed pursuant to Section 4.02(c), the Developer.

Section 8.04. Liability of Trustee.

(a) The recitals of facts herein, in the Bonds and in the Other Documents shall be taken as statements of LACF or the other parties thereto, as applicable, and the Trustee shall have no responsibility for the correctness of the same or for the validity or sufficiency of this Indenture, or any representations therein. Whether or not therein expressly so provided, every provision of this Indenture, the Bonds, and the Other Documents or related documents relating to the conduct of or affording protection to the Trustee shall be subject to the provisions of this Article VIII. The Trustee shall incur no responsibility in respect of any such documents, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable for following any instruction that it is directed to follow hereunder, and shall not be liable otherwise in connection with the performance of its duties or exercise of discretion hereunder, except for its own negligence or willful misconduct and except as otherwise provided in this Indenture. The Trustee may become the Owner of Bonds as principal with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. Notwithstanding anything to the contrary contained herein, the Trustee shall have no duty, and nothing herein shall be read to confer or imply that the Trustee has standing, to assert any claims under the federal securities laws on behalf of any Owners, or Beneficial Owners, or any class thereof.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) Notwithstanding anything to the contrary contained herein or in the Other Documents, the Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or Facilities Lease Default Event or Event of Default under the Deed of Trust or any duty to give notice of any such event, unless and until a trust officer of the Trustee responsible for the administration of the Trust Estate at the Corporate Trust Office shall have actual knowledge thereof or shall have received written notice thereof, at its Corporate Trust Office, and in the absence of that notice so received, the Trustee may conclusively assume that there is no such Event of Default or Facilities Lease Default Event. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of a default or event of default (however defined) thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(e) No provision of this Indenture shall require the Trustee to expend, advance 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, or take any action (including but not limited to the institution or defense of legal proceedings or the institution of foreclosure proceedings), and if in the reasonable opinion of the Trustee any such action may tend to invoke expense or liability to the Trustee, it shall not be obligated to take such action unless it is first furnished with funds for payment of such expense or with indemnity therefor satisfactory to it including without limitation indemnity for Environmental Claims, which indemnity shall include payment of its fees, extraordinary expenses, outlays and reasonable attorneys' fees and expenses (whether incurred before trial, at trial or appeal and in any arbitration or bankruptcy proceeding), and other reasonable disbursements in connection therewith, and satisfactory indemnity against all risk and liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any such action. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator is a condition precedent to taking the action and such approval cannot be obtained. However, the Trustee may, but shall have no obligation to, begin suit, or appear in and defend any suit, or intervene, or do anything else in its judgment proper to be done by it as such Trustee, without assurance of reimbursement or indemnity. In all such cases the Trustee shall be reimbursed or indemnified for all fees and expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith, unless such liability or disbursement is adjudicated to have resulted from the negligence or willful default of the Trustee. If the Owners shall fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of this Indenture prior to making any payments to Owners of the Bonds, subject only to the provisions of this Indenture. Notwithstanding the above, the Trustee shall not seek indemnity before (1) making payments on the Bonds when due to the extent funds are available therefor, or (2) causing an acceleration when required by the Indenture.

(f) Except as provided in Sections 5.01 and 5.06 hereof, the Trustee shall have no responsibility for the recording or filing of this Indenture or any financing statements or any other document or instrument whatsoever. The Trustee shall not be responsible for the sufficiency or form of any insurance maintained with respect to the Project and shall not be required to obtain, maintain or review any policy of insurance.

(g) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through affiliates, attorneys, accountants and other experts, agents, servicers, receivers, officers or employees and shall not be answerable for the conduct of attorneys, accountants, experts, agents, servicers and receivers appointed by it with due care. All reasonable costs incurred by the Trustee and all reasonable compensation to all such attorneys, accountants and other experts, agents and receivers as may reasonably be employed in connection with the trusts hereof shall be paid by LACF.

(h) The Trustee shall not be required to enter into any Supplemental Indenture or other supplement or amendment contemplated under Article VIII hereof that in the sole discretion of the Trustee may tend to involve it in liability or expense, or enlarge its duties hereunder or under any other instrument or agreement to which the Trustee is a party.

(i) Notwithstanding any provision of this Indenture to the contrary, under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds. In accepting the trust hereby created, the Trustee acts solely as trustee for the Owners and not in its individual capacity and, except as otherwise expressly provided herein, all Persons, including the Owners, the County, LACF and the Developer, having any claim against the Trustee arising from this Indenture shall look for payment only to the Funds held by the Trustee hereunder.

(j) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty of the Trustee, and the Trustee shall be answerable only for its own negligence or willful misconduct in accordance with the provisions of this Article. The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of the premises. The Trustee shall have no liability in respect of any investment advice rendered to any Owner or for the management of the Project.

(k) Notwithstanding any other provision herein or in the Deed of Trust, the Trustee shall not be required to acquire possession of or take any action with respect to the Project or other security hereunder that could cause it to be considered an “owner” or “operator” within the meaning of the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended from time to time, or which could result in personal liability, expense, or loss under any other law dealing with environmental matters or hazardous substances. It is acknowledged and agreed that the Trustee has no authority to manage or operate the Project, or any portion thereof, except as necessary to exercise remedies upon default.

Section 8.05. Right to Rely on Documents. The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee must have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of those designated persons, which incumbency

certificate must be amended and replaced whenever a person is to be added or deleted from the listing. If LACF elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall control. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. LACF agrees: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Trustee and that there may be more secure methods of transmitting instructions than the method(s) selected by LACF; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

The Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, direction, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. At the expense of LACF, the Trustee may consult with counsel, who may be counsel of or to LACF, and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith; provided, however, that with respect to legal questions concerning interpretation of this Indenture, the Trustee shall be entitled to rely only on the advice of a firm of nationally recognized bond counsel selected by LACF and, so long as no Facilities Lease Default Event has occurred and is continuing, acceptable to the County.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Indenture 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 LACF, and such certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable. In furtherance and not in limitation of the foregoing, the Trustee may in any instance where the Trustee determines that it lacks or is uncertain as to its authority to take or refrain from taking certain action, or as to the requirements of this Indenture, any Other Document, or any other documents related to the transactions contemplated hereunder under any circumstance before it, delay or refrain from taking action unless and until it has received such certificate from LACF, or if the Trustee deems necessary, further instructions from LACF or, at the expense of LACF, advice from legal counsel (or other appropriate advisor), satisfactory to it in its sole discretion, as the case may be, subject to the requirements of the preceding paragraph concerning interpretations of the Indenture.

LACF shall annually prepare a certificate of insurance coverage (“Insurance Coverage Certificate”) affirming that, to the best of LACF’s knowledge, (1) all insurance coverage, each as required under the Indenture, the Deed of Trust, the Ground Lease, the Facilities Lease and the Development Agreement, has been obtained from eligible insurers, or, in the case of self-insurance permitted under any such document, has been provided for by the responsible party; (2) the required coverage is then in effect; and (3) no event of default has occurred under the Indenture, the Deed of Trust, the Facilities Lease and the Development Agreement with respect to required insurance coverage, or if such an event has occurred, how and when the event of default has been addressed. LACF shall submit the Insurance Coverage Certificate to County and shall seek the written concurrence of County that, to the best of County’s knowledge, the statements made therein by LACF are true and correct (the “Concurrence”). Not later than January 30, 2019, and each January 30 thereafter, the Insurance Coverage Certificate and Concurrence shall be provided to the Trustee by LACF, and the Trustee shall be entitled to rely on the statements set forth therein without independent investigation or verification. Receipt of the Insurance Coverage Certificate and Concurrence in the form required hereunder shall further suffice to satisfy any requirement under any such documents that the Trustee consent to or approve certain matters with respect to insurers or insurance, including without limitation, the requirements of Section 1.06 of the Deed of Trust.

Section 8.06. Preservation and Inspection of Documents. All documents maintained by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of LACF and its agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.07. Compensation and Indemnification. LACF shall pay the Trustee as compensation for its ordinary services hereunder the fees set forth in the written fee schedule of the Trustee in effect as of the Date of Issue based upon its proposal, payable semiannually in advance, or as of the date of appointment of any successor Trustee, and also all reasonable fees, expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Indenture. In the event that it should become necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation by LACF therefor, and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided, that if such extraordinary services are due to the willful misconduct or negligence of the Trustee it shall not be entitled to compensation or reimbursement therefor. The Trustee’s rights to receive compensation under this Section shall be secured by, and there is hereby granted, a lien on the Trust Estate, which lien shall be subordinate to the lien in favor of the Owners for payment of the principal of and premium, if any, and interest on the Bonds, except that, upon an Event of Default, but only upon an Event of Default, the Trustee shall have a prior lien upon the Trust Estate for its extraordinary fees, charges and attorney fees (whether incurred before trial, at trial, on appeal or in any bankruptcy or arbitration proceeding) costs incurred in enforcing the provisions of the Indenture or any other agreement referred to herein.

LACF covenants and agrees to indemnify and hold the Trustee and its directors, officers, agents and employees (collectively, the “Indemnitees”) harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-

house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim (“Losses”) that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Trustee is authorized to rely pursuant to the terms of this Indenture, or for loss, or damage to any property, or injury to or death of any person, asserted by or on behalf of any Person arising out of, resulting from, or in any way connected with (1) the Project or the Premises, or the conditions, occupancy, use, possession, conduct, environmental condition or management of, or any work done in or about the Project or the Premises, including any use, presence, storage, disposal, or release of any substance (whether solid, liquid, or gaseous) which is or may be hazardous or toxic to the environment or to the health or safety of persons on the Premises, including without limitation Environmental Claims arising therefrom or related thereto, or from the planning, design, acquisition or construction of any Project facilities or any part thereof; (2) except those statements provided by the Trustee for inclusion therein, any untrue statement or alleged untrue statement of any material fact or the omission or alleged omission to state a material fact necessary to make the statements made not misleading in any statement, information or material furnished by LACF or the County, including, but not limited to, the official statement utilized in connection with the sale of the Bonds. In addition to and not in limitation of the immediately preceding sentence, LACF also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Trustee’s performance under this Indenture or under the Other Documents, provided the Trustee has not acted with negligence or engaged in willful misconduct. The provisions of this Section shall survive the termination of this Indenture and the resignation or removal of the Trustee for any reason.

ARTICLE IX

MODIFICATION OF THIS INDENTURE AND OTHER DOCUMENTS

Section 9.01. Limitations. Neither this Indenture nor the Other Documents shall be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as may be expressly provided therein and in accordance with and subject to the provisions of this Article IX. The Trustee shall not be obligated to enter into or consent to any Supplemental Indenture or any modification, alteration, amendment or supplement to an Other Document that affects the duties, liabilities and immunities of the Trustee hereunder or the rights of the Trustee under Article VIII hereof. Notice of any Supplemental Indenture or any modification, alteration, amendment or supplement to an Other Document shall be given in writing to each Rating Agency, the County and, until the Project Fund is closed, pursuant to Section 4.02(c), the Developer.

Section 9.02. Supplemental Indentures Without Consent of Owners. LACF may, and, subject to the provisions of Section 9.01 hereof, the Trustee shall, from time to time and at any time (without the consent of or, except as provided below, notice to the Owners of the Bonds) enter into Supplemental Indentures as follows:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in this Indenture;
- (b) to grant to or confer or impose upon the Trustee for the benefit of the Owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which

may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(c) to add to the covenants and agreement of, and limitations and restrictions upon, LACF in this Indenture other covenants, agreements, limitations and restrictions to be observed by LACF that are not contrary to or inconsistent with this Indenture as theretofore in effect;

(d) to confirm, as further assurance, any pledge under, and the subjection of the Trust Estate to any claim, lien or pledge created or to be created by, this Indenture;

(e) to modify, alter, supplement or amend this Indenture in such manner as shall permit the qualification hereof under the Indenture Act, as from time to time amended;

(f) to provide for the procedures required to permit Bonds to be held in certificated form;

(g) to modify, alter, amend or supplement this Indenture in such manner as shall preserve the tax-exempt status of interest on the Series 2018A Bonds; and

(h) to provide for the issuance of Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of Section 2.08 hereof; and

(i) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the Owners, as evidenced by the Opinion of Bond Counsel delivered pursuant to this Section 9.02 hereof, and which does not involve a change described in the provisions of Section 9.03(a) hereof.

Before LACF and the Trustee shall enter into any Supplemental Indenture pursuant to this Section 9.02, there shall have been delivered to the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, that it will, upon the execution and delivery thereof, be valid and binding upon LACF in accordance with its terms and that it will not adversely affect the exemption from federal income taxation of interest on the Series 2018A Bonds.

Section 9.03. Supplemental Indentures With Consent of Owners.

(a) Except for any Supplemental Indenture entered into pursuant to Section 9.02 hereof, subject to the terms and provisions contained in this Section 9.03, the Owners of not less than a majority in aggregate principal amount of Bonds shall have the right from time to time to consent to and approve the execution and delivery by LACF and the Trustee of any Supplemental Indenture deemed necessary or desirable by LACF for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that, unless approved in writing by the Owners of all Bonds affected by such change, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any Bond, or a reduction in the principal amount or redemption price of any Bond or a change in the method of determining the rate of interest thereon, or (ii) a preference or priority of any Bond or Bonds

over any other Bond or Bonds, or (iii) a reduction in the aggregate principal amount of Bonds the consent of the Owners of which is required for any such Supplemental Indenture or which is required, under Section 9.07 hereof, for any modification, alteration, amendment, or supplement to the Deed of Trust.

(b) If at any time LACF shall request the Trustee to enter into any Supplemental Indenture for any of the purposes of this Section 9.03, the Trustee shall cause notice of the proposed Supplemental Indenture to be given to the County (so long as the Facilities Lease shall be in effect and no Facilities Lease Default Event has occurred and is continuing), all Owners of Bonds, and, until the Project Fund is closed pursuant to Section 4.02(c), the Developer. Such notice (which shall be prepared by or on behalf of LACF but not by the Trustee) shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by the County (if applicable), all Owners of Bonds and the Developer (if applicable).

(c) Within four months after the date of the giving of such notice, LACF and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice, but only if there shall have first been delivered to the Trustee (i) the required consents, in writing, of the Owners of Bonds, and, if applicable, the County, in accordance with Section 9.05 hereof, and (ii) an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, and, upon the execution and delivery thereof, will be valid and binding upon LACF and the County in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Series 2018A Bonds.

(d) If Owners of not less than the percentage of Bonds required by this Section 9.03 shall have consented to and approved the execution and delivery thereof as herein provided, no Owner shall have any right to object to the execution and delivery of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain LACF or the Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Section 9.04. Effect of Supplemental Indenture. Upon the execution and delivery of any Supplemental Indenture pursuant to the provisions of this Article IX, this Indenture shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of LACF, the Trustee and all Owners of Bonds shall thereafter be determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments.

Section 9.05. Consent for Supplemental Indentures. Notwithstanding any other provision of this Indenture to the contrary, no Supplemental Indenture shall become effective unless and until the Trustee, LACF and the County (so long as the Facilities Lease shall be in effect and no Facilities Lease Default Event (as evidenced to the Trustee by a written certificate of LACF) has occurred and is continuing) shall have consented thereto in writing.

Section 9.06. Amendment of Other Documents Without Consent of Owners.

(a) General. Without the consent of or notice to the Owners of the Bonds, but with the written consent of the Trustee, LACF may modify, alter, amend, or supplement the Other Documents (a) as may be permitted under the terms of the Other Documents, respectively, and this Indenture, (b) for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein, (c) in connection with the issuance of Additional Bonds, (d) as provided in the following paragraph, or (e) in connection with any other change therein which, as evidenced by the Opinion of Bond Counsel delivered pursuant to the last paragraph of this Section 9.06, is not materially adverse to the Owners of Bonds. For avoidance of doubt, any change to the Other Documents that does not reduce or otherwise limit the County's obligation to pay Base Rent under the Facilities Lease or reconvey the lien of the Deed of Trust on the Premises shall be deemed not materially adverse.

(b) Exclusion of Surplus Property. LACF and the County shall have the right to amend the Ground Lease, Facilities Lease and the Deed of Trust from time to time to exclude portions of the real property from the Premises originally demised thereunder:

(1) as may be necessary to comply with permitting requirements or to complete the Project as long as such amendment does not reduce or otherwise adversely affect the County's obligation to pay Base Rent under the Facilities Lease; or

(2) except as provided in subsection (1) above, upon satisfaction of the following conditions: (i) LACF and the County shall receive, and shall provide to the Trustee a copy of, a survey certified by a licensed California surveyor delineating the boundaries and legal description of the remaining Premises that will continue to be demised thereunder; (ii) LACF, the Trustee, and the County shall receive an opinion of counsel or other evidence reasonably satisfactory to LACF that the remaining Premises (A) is assessed as a separate tax parcel, and (B) will be in compliance with, and not in violation of, any applicable covenants, restrictions, statutes, laws, ordinances, rules and/or regulations pertaining to the use and development of the remaining Premises, including but not limited to those pertaining to subdivision and platting; (iii) the County as the owner of the remaining Premises shall provide such easements and reciprocal agreements as may be necessary to provide comparable pedestrian, vehicular access and other uses, amenities and operations to the Premises (including public utilities) as existed prior to the release of such property from the Premises originally demised thereunder; (iv) LACF shall receive an appraisal prepared by a disinterested appraiser that the remaining Premises has a fair market value which is not less than the principal balance outstanding under the Bonds; (v) such exclusion will not affect payment to LACF of Base Rent required under the Facilities Lease; and (vi) LACF and the Trustee shall receive an Opinion of Bond Counsel satisfactory to LACF and County and the Trustee that such exclusion shall not adversely affect the tax-exempt status of interest payable on the Series 2018A Bonds and that all conditions to any amendment of the Ground Lease, Facilities Lease or the Deed of Trust to exclude portions of the real property from the Premises set forth herein and in the document to be amended have been complied with.

Upon satisfaction of the conditions set forth under subsection (1) or (2) of this paragraph, the Trustee shall be fully protected in consenting to any such amendment of the Ground Lease or Facilities Lease and executing any partial reconveyance of, or amendment to, the Deed of Trust, if required under the terms of the Facilities Lease or the Deed of Trust.

Before LACF shall enter into any other modification, alteration, amendment or supplement to the Other Documents pursuant to this Section 9.06, there shall have been delivered to LACF and the Trustee (i) a Favorable Opinion of Bond Counsel, and (ii) any title insurance endorsements required by the Deed of Trust.

Section 9.07. Amendment of Other Documents With Consent of Owners. The Trustee shall not consent to, any amendment change or modification of any Other Document that would reduce or otherwise limit the County's obligation to pay Base Rent or would not be permitted under Section 9.06 without the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, given and procured as provided in Section 9.03 hereof; provided, however, that, unless approved in writing by the Owners of all Bonds then Outstanding, nothing in this Section 9.07 contained shall permit, or be construed as permitting, a material and adverse change in the obligations of LACF. If at any time LACF shall request the consent of the Trustee to any such proposed modification, alteration, amendment or supplement, the Trustee shall cause notice thereof to be given in the same manner as provided by Section 9.03 hereof with respect to Supplemental Indentures. Such notice shall (which shall be prepared by or on behalf of LACF but not by the Trustee) briefly set forth the nature of such proposed modification, alteration, amendment or supplement and shall state that copies of the instrument embodying the same are on file at the Corporate Trust Office of the Trustee for inspection by all Owners. LACF may enter into, and the Trustee may consent to, any such proposed modification, alteration, amendment or supplement subject to the same conditions and with the same effect as provided in Section 9.03 hereof with respect to Supplemental Indentures.

ARTICLE X

DISCHARGE AND DEFEASANCE

Section 10.01. Discharge of Indenture. Bonds may be paid by LACF in any of the following ways, provided that LACF also pays or causes to be paid any other sums payable hereunder:

- (a) by paying or causing to be paid the principal of and interest on the Bonds, as and when the same become due and payable;
- (b) by defeasance (as provided in Section 10.02 hereof); or
- (c) by delivering to the Trustee, for cancellation by it, the Bonds then Outstanding pursuant the terms of this Indenture.

The Trustee shall give written notice to the Rating Agency when the principal of and interest on all Outstanding Bonds are fully paid.

If LACF shall also pay or cause to be paid all other sums payable hereunder, then and in that case, at the election of LACF (evidenced by a certificate of LACF filed with the Trustee, signifying the intention of LACF to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of the Trust Estate, Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of LACF under this Indenture shall cease, terminate, become void and be completely discharged and satisfied, except for LACF's duties under Section 8.07 hereof, which shall survive. In such event, upon the request of LACF, the Trustee shall cause an accounting for such period or periods as may be requested by LACF to be prepared and filed with LACF and shall execute and deliver to LACF all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all money or securities or other property held by it pursuant to this Indenture that are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption to the County.

Section 10.02. Defeasance. If LACF (1) issues refunding bonds (a) to pay the principal of, premium, if any, and interest on all or a portion of the Bonds as the same become due and payable and (b) to refund or defease such then Outstanding Bonds and to pay the costs of refunding or defeasance; or (2) sets aside irrevocably in a special fund for and pledged to such payment, refunding or defeasance, money (which shall remain uninvested) and/or Government Obligations, that are not subject to redemption prior to maturity sufficient in amount (as verified in a report from a firm of certified public accountants or nationally recognized arbitrage consultants), together with known earned income from the investments thereof, to make such payments and to accomplish the refunding or defeasance as scheduled (hereinafter called the "trust account"); and (3) makes irrevocable provisions for redemption of such Bonds, then in that case all right and interest of the Owners of the Bonds to be so retired, refunded or defeased (hereinafter collectively called the "defeased Bonds") in the covenants of this Indenture, in the Trust Estate, and in the funds and accounts obligated to the payment of such defeased Bonds, other than the right to receive the funds so set aside and pledged, thereupon shall cease and become void, except that those Owners will have the right to receive payment of the principal of and premium, if any, and interest on the defeased Bonds from the trust account (except such rights as exist with respect to payment, exchange and transfer of such Bonds under the pertinent provisions of this Indenture). After the establishing and full funding of such trust account, the defeased Bonds shall be deemed to be discharged, the Trustee shall cancel the defeased Bonds as paid, and LACF then may, at the direction of the County, so long as the Facilities Lease is in effect and no Facilities Lease Default Event has occurred and is continuing, and otherwise in LACF's sole discretion, apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the Owners of any other Bonds then Outstanding. Money held in any defeasance trust account shall be held solely for the benefit of the Owners of said Bonds.

It is a condition of any such defeasance of the Bonds that LACF has obtained and delivered to the Trustee: (i) an Opinion of Bond Counsel that such Bonds have been legally defeased under this Indenture and that such refunding or defeasance will not affect the tax-exempt status of the Series 2018A Bonds; and (ii) if any Government Obligations are set aside in the special fund described in clause (2) above, the verification report of independent certified public accountants or nationally recognized arbitrage consultants, as described in clause (2) above.

On the date of defeasance or full payment of Bonds LACF shall convey the Premises to the County as set forth in Section 5.06.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either LACF or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of LACF and the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.02. Limitation of Rights to Parties and Bond Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than LACF, the Trustee, the County, the Developer and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of LACF, the Trustee, the County, the Developer and the Owners of the Bonds.

Section 11.03. Waiver of Notice. Except as otherwise provided herein, whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.04. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to LACF of any Bonds, in lieu of such cancellation and delivery and unless otherwise directed by LACF prior to the destruction of cancelled Bonds, the Trustee may treat such Bonds in accordance with its document retention and destruction policies and procedures or as may be directed by applicable law.

Section 11.05. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Trustee and LACF hereby declare that they would have entered into this Indenture and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.06. Notices. Any notice to or demand upon the following parties shall be given by first class mail, return receipt requested, as set forth below, or to such other addresses as may from time to time be furnished by one notice party to the other notice parties in writing.

If to LACF: Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, Washington 98101
Attention: John Finke

If to the County: County of Los Angeles
500 West Temple Street, Room 432
Los Angeles, California 90012
Attention: Treasurer and Tax Collector

County of Los Angeles
500 West Temple Street, Room 713
Los Angeles, California 90012
Attention: Chief Executive Office – Capital Projects

Community Development Commission
County of Los Angeles
700 West Main Street
Alhambra, California 91801
Attention: Executive Director

If to the Trustee: U.S. Bank National Association
Corporate Trust Services
U.S Bank Tower
633 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust Services

Section 11.07. Notice to Rating Agencies. The Trustee shall provide each Rating Agency with written notice prior to the effective date of such event of (i) any successor Trustee, (ii) any amendments to this Indenture or the Facilities Lease, and (iii) the redemption in whole of the Bonds.

Section 11.08. Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and LACF if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged 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.

The ownership of registered Bonds shall be proved by the Bond Register.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or LACF in accordance therewith or reliance thereon.

Section 11.09. Applicable Provisions of Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

Section 11.10. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as LACF and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.11. No Recourse on Bonds. No recourse shall be had for the payment of the principal of or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Indenture, against any past, present or future officer, employee or agent, or member of LACF, or any successor to LACF, as such, either directly or through LACF, or any past, present, or future officer, employee or agent, or member of any successor to LACF under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, employee or agent, or member of LACF or any successor to LACF, as such, is expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of the Bonds.

Section 11.12. LACF's Compliance With Continuing Disclosure Requirements of the SEC.

(a) **Contract/Undertaking.** This Section constitutes LACF's written undertaking for the benefit of the Owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

(b) **Financial Statements/Operating Data.** LACF agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year:

(1) Annual financial statements showing ending fund balances for LACF prepared in accordance with generally accepted accounting principles; and

(2) Information regarding material changes to the Facilities Lease, Rent delinquencies, changes in tenancy of the Premises and any change in Trustee, presented in substantially the form set forth on Exhibit D hereof.

Such information and data described above shall be provided on or before nine months after the end of LACF's fiscal year, commencing with the report for LACF's June 30, 2019, fiscal year (which is due no later than April 1, 2020). LACF's current fiscal year ends June 30. LACF may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, LACF may cross-reference to other documents available to the public on the MSRB's internet website or filed with the SEC.

If not provided as part of the annual financial information discussed above, LACF shall provide LACF's audited annual financial statement prepared in accordance with generally accepted accounting principles, when and if available, to the MSRB.

(c) Enumerated Events. LACF agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018A Bonds, or other material events affecting the tax status of the Series 2018A Bonds;
7. Modifications to the rights of Bond Owners, if material;
8. Bond calls, if material, and tender offers for the Bonds;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of LACF;
13. The consummation of a merger, consolidation, or acquisition of the LACF or the sale of all or substantially all of the assets of LACF, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

(d) Notification Upon Failure to Provide Financial Data. LACF agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information and operating data described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(e) Additional Information. In addition to the information required to be provided under the Rule, LACF agrees to provide in a timely manner to the MSRB, notice (i) if the County ceases to be the lessee of the Premises, and (ii) if the Facilities Lease expires or terminates.

(f) EMMA; Format for Filings With the MSRB. Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(g) Termination/Modification. LACF's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if LACF (1) obtains an Opinion of Bond Counsel to the effect that those portions of the Rule that require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies the MSRB of such opinion and the cancellation of this section.

Notwithstanding any other provision of this Indenture including without limitation the provisions of Article IX, LACF may amend this Section 11.12, and any provision of this Section 11.12 may be waived, with an Opinion of Bond Counsel to the effect that such amendment or waiver is consistent with and does not violate the Rule.

In the event of any amendment or waiver of a provision of this Section 11.12, LACF shall describe such amendment or waiver in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by LACF. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (c) of this Section 11.12, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11.13. Continuing Disclosure by County. Pursuant to its Undertaking for Ongoing Disclosure, dated July 26, 2018 (the "County Undertaking"), the County has undertaken responsibility to comply with the continuing disclosure requirements of an "Obligated Person" with respect to the Bonds as set forth in Section (b)(5)(i) of the Rule. Neither the Trustee nor LACF shall have any liability to the Owners or Beneficial Owners of the Bonds or any other Person with respect to such disclosure matters, and failure by the County to comply with the County Undertaking will constitute neither an Event of Default nor a Facilities Lease Default Event.

Section 11.14. Force Majeure. Notwithstanding any other provision of this Indenture, the Trustee shall not be obligated to perform any obligation hereunder and shall not incur any

liability for the nonperformance or breach of any obligations hereunder to the extent that the Trustee is delayed in performing, unable to perform or breaches such obligation because of acts of God, it being understood that the Trustee shall use commercially reasonable efforts consistent with accepted practices for corporate trustees to maintain performance without delay or resume performance as soon as reasonably practicable under the circumstances.

Section 11.15. Non-Business Day. If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in this Indenture, is on a Saturday, Sunday or any other day that is not a Business Day, such payment (or performance) with no interest accruing for the period from and after such nominal date, 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 for in this Indenture.

IN WITNESS WHEREOF, Los Angeles County Facilities Inc. has caused this Indenture to be signed in its name by its President, and U.S. Bank National Association, in accepting the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunder duly authorized, all as of the day and year first above written.

**LOS ANGELES COUNTY FACILITIES
INC.**

By: _____
President

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

EXHIBIT A
FORM OF BONDS

R- _____

\$ _____

LOS ANGELES COUNTY FACILITIES INC.
LEASE REVENUE BONDS, SERIES 2018[A/B]
(VERMONT CORRIDOR COUNTY ADMINISTRATION BUILDING)
[(Tax-Exempt)/(Federally Taxable)]

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
%	December 1, 20__	July 26, 2018	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

Los Angeles County Facilities Inc., a California nonprofit public benefit corporation (“LACF”), for value received, hereby promises to pay (but only out of the Trust Estate pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date (subject to any right of prior redemption hereinafter mentioned), the Principal Amount identified above in lawful money of the United States of America; and to pay interest on the Principal Amount in like lawful money from the date hereof until payment of the Principal Amount discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate set forth above, payable on the first day of each June and December (an “Interest Payment Date”) commencing December 1, 2018. For so long as this bond is in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. If this bond is no longer in fully immobilized form, the principal (or redemption price) hereof is payable upon presentation hereof at maturity or redemption date at the designated corporate trust office of U.S. Bank National Association (together with any successor as trustee under the Indenture, the “Trustee”).

This bond is one of a duly authorized issue of bonds of LACF designated as “Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018[A/B] (Vermont Corridor County Administration Building) [(Tax-Exempt)/(Federally Taxable)]” (the “[Series 2018A/B] Bonds”), issued in the aggregate principal amount of \$[297,280,000/5,100,000], pursuant to that certain Indenture of Trust, dated as of July 1, 2018, by and between LACF and the Trustee (the “Indenture”). Simultaneously with the issuance of the [Series 2018A/B] Bonds, LACF is issuing its Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018[A/B] (Vermont Corridor County Administration Building) [(Tax-Exempt)/(Federally Taxable)] (the “[Series 2018A/B] Bonds”), in the aggregate principal amount of \$[297,280,000/5,100,000]. The [Series 2018A/B] Bonds are on a parity with the [Series 2018A/B] Bonds. The Series 2018A Bonds and the Series 2018B Bonds are collectively referred to as the “Bonds.” Pursuant to and as more particularly provided in the Indenture, Additional Bonds may be issued by LACF on a parity with the Series

2018A Bonds and the Series 2018B Bonds. Capitalized terms used in this bond and not otherwise defined herein have the meanings given such terms in the Indenture.

The Bonds are issued for the purpose of financing an office building, ancillary improvements and parking on the Premises, which shall be leased to the County of Los Angeles (the “County”), pursuant to a Facilities Lease Agreement, dated as of July 1, 2018, between LACF, as landlord, and the County, as tenant (the “Facilities Lease”), for the purposes and on the terms and conditions set forth therein.

Reference is hereby made to the Indenture (copies of which are on file at the corporate trust office of the Trustee in Los Angeles, California) and all indentures supplemental thereto and to the Resolution for a description of the rights thereunder of the Registered Owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of LACF thereunder, to all the provisions of which Indenture and Resolution the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon are payable from Revenues (as defined in the Indenture), as and to the extent provided in the Indenture, and are secured by a pledge and assignment of said Revenues, a Deed of Trust, and of amounts held in certain funds and accounts established under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the rights, title and interest of LACF in the Ground Lease and Facilities Lease (to the extent and as more particularly described in the Indenture).

The Bonds of this issue are subject to optional, extraordinary optional and mandatory redemption at the times, in the manner, at the redemption prices and upon notice as specified in the Indenture.

If an Event of Default (as that term is defined in the Indenture) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by

the Indenture and applicable law and that the amount of this Bond is not in excess of the amount of Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, Los Angeles County Facilities Inc. has caused this Bond to be executed in its name and in its behalf by the manual or facsimile signature of its President and Secretary initially all as of the date of original issuance, July 26, 2018, and thereafter as provided in the Indenture.

**LOS ANGELES COUNTY FACILITIES
INC.**

By: _____
President

ATTESTED BY:

Secretary

TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This is one of the Los Angeles County Facilities Inc. Lease Revenue Bonds, [Series 2018A/B] (Vermont Corridor County Administration Building) [(Tax-Exempt)/(Federally Taxable)], as described in the within-mentioned Indenture.

Date of Authentication: _____

**U.S. BANK NATIONAL
ASSOCIATION, as Trustee**

By: _____
Authorized Officer

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on 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.

EXHIBIT B

REQUISITION CERTIFICATE

TO: U.S. Bank National Association, as Trustee
FROM: Los Angeles County Facilities Inc.
SUBJECT: Indenture of Trust, dated as of July 1, 2018 (the “Indenture”) regarding Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018 (Vermont Corridor County Administration Building) (the “Bonds”)

This represents Requisition Certificate No. _____ in the total amount of \$_____ for payment of Costs of Issuance of the Bonds or Costs of the Project. You are requested to make the disbursement(s) to pay this requisition from the following funds, accounts or subaccounts under the Indenture:

- Cost of Issuance Fund
Payee/Account No:
Payee/Account No:
Payee/Account No:
Payee/Account No:

- Project Fund— Non-Bond Proceeds Subaccount
Payee/Account No:
Payee/Account No:
Payee/Account No:
Payee/Account No:

- Project Fund— Bond Proceeds Subaccount
Payee/Account No:
Payee/Account No:
Payee/Account No:
Payee/Account No:

The undersigned does hereby represent, warrant and certify under the Indenture that:

1. The expenditures for which money is requested hereby represent proper Costs of Issuance of the Bonds or Costs of the Project, do not represent Costs of Issuance or Costs of the Project allocated on the Date of Issue to costs of acquiring the Premises (as described in Sections 4.01 and 4.02 of the Indenture), and have not been included in a previous Requisition Certificate.

2. The money requested hereby is not greater than that necessary to meet obligations due and payable. The money requested does not include retention or other money not yet due or earned under construction contracts.

3. If any portion of the draw under this requisition is to be paid to the General Contractor, all payment and performance bonds required by the Development Agreement have been delivered to the Developer.

Terms capitalized herein have the meanings specified in the Indenture.

Executed this ___ day of _____, 20__.

**LOS ANGELES COUNTY FACILITIES
INC.**

By: _____
Authorized Officer

EXHIBIT C

FINAL COMPLETION CERTIFICATE

TO: U.S. Bank National Association, as Trustee

FROM: Los Angeles County Facilities Inc.

SUBJECT: Indenture of Trust, dated as of July 1, 2018 (the "Indenture") regarding Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018 (Vermont Corridor County Administration Building) (the "Bonds")

The undersigned does hereby represent, warrant and certify under the Indenture:

1. Final completion of the Project has occurred and the Costs of the Project have been paid in full except for those not yet due and payable, which are described below:

(a) Costs of the Project not yet due and payable:

<u>Description</u>	Amount
	\$ _____
TOTAL	\$ _____

(b) Payments being contested:

<u>Description</u>	Amount
	\$ _____
TOTAL	\$ _____

(c) Holdback Amounts

Amount (not exceeding \$ _____) reserved for warranty work to be retained in the Project Fund until _____, 20____.

\$ _____

\$ _____

2. The Rebate Analyst has made the rebate calculation required pursuant to Section 4.13 of the Indenture. Based on this calculation, the Trustee is hereby directed to transfer \$ _____ from funds available in the Bond-Proceeds Subaccount in the Project Fund to the Rebate Fund.

3. No Facilities Lease Default has occurred. LACF hereby directs the Trustee to pay \$ _____ from the Project Fund to the County to be used for additional Costs of the Project.

4. [No Facilities Lease Default Event has occurred.] The money remaining in the Project Fund in excess of the amounts set forth in 1(a), (b), (c), 2, and 3 above is no longer needed

to pay Costs of the Project, and the Trustee is hereby authorized and directed to transfer \$_____ of such money to the Principal Account, to be used to pay principal of the Bonds and until such payment is made to be invested at a yield not in excess of the yield on the Bonds.

Executed this ___ day of _____, 20__.

**LOS ANGELES COUNTY FACILITIES
INC.**

By: _____
Authorized Officer

cc:

EXHIBIT D

FORM OF LACF'S ANNUAL DISCLOSURE REPORT

Los Angeles County Facilities Inc. ("LACF")

Lease Revenue Bonds, Series 2018 (Vermont Corridor County Administration Building)

Report for Period Ending June 30, _____ (the "Reporting Period")

Annual Financial Statements

Attached is a copy of LACF's annual financial statements for the Reporting Period described above showing ending fund balances for LACF prepared in accordance with generally accepted accounting principles.

Operating Data

1. Following are descriptions of any material changes made in the Facilities Lease during the Reporting Period:
2. The following Rent delinquencies occurred during the Reporting Period:
3. The following change(s) in tenancy of the Premises occurred during the Reporting Period:
4. The following change(s) in the Trustee occurred during the Reporting Period:

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C-2
FORM OF GROUND LEASE

[THIS PAGE INTENTIONALLY LEFT BLANK]

GROUND LEASE AGREEMENT

between

**COUNTY OF LOS ANGELES,
a body corporate and politic**

and

**LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation**

Dated as of July 1, 2018

**Vermont Corridor County Administration Building
Los Angeles, California**

TABLE OF CONTENTS

	<u>Page</u>
1. Demise	2
1.1 Demise	2
1.2 Use of the Ground Lease Premises	2
1.3 Applicable Laws	2
1.4 Prohibited Uses	3
1.5 Access and Utilities.....	4
1.6 Leasehold Title Insurance	4
2. Term.....	4
2.1 Term.....	4
3. Rent.....	5
3.1 Net Lease	5
3.2 Utilities.....	5
3.3 Taxes and Assessments.....	5
4. Development of Project	6
4.1 Construction.....	6
4.2 Ownership of the Project	6
5. Condition of the Ground Lease Premises	6
5.1 “As Is”.....	6
5.2 “Hazardous Substances	7
5.3 County’s Right to Inspect	7
6. Liens; Security Interest	7
6.1 Leasehold Mortgage.....	7
6.2 Protection of Leasehold Mortgagee	8
7. Indemnify and Hold Harmless.....	11
7.1 Indemnification by County	11

TABLE OF CONTENTS CONTINUED

	<u>Page</u>
7.2	Indemnification by LACF.....11
7.3	Survival.....11
8.	Minimum Scope of Insurance Coverage for LACF.....11
8.1	General Insurance Provisions11
8.2	Insurance Coverage Types and Limits.....14
9.	Eminent Domain15
10.	Events of Default by LACF and County’s Remedies.....15
10.1	Events of Default15
10.2	Remedies upon LACF’s Default.....16
10.3	Cumulative Rights and Remedies.....16
10.4	No Waiver.....16
10.5	Attorneys’ Fees16
10.6	Waiver of Damages.....16
11.	Quiet Enjoyment17
12.	Compliance with Laws17
13.	Waiver Limitations17
14.	Notices.17
15.	Assignment and Subleasing18
15.1	Purpose of Ground Lease; Unique Qualifications of LACF and Key Staff.....18
15.2	Subleasing.....18
15.3	Assignment19
15.4	Key Staffing.....20
15.5	Terms Binding Upon Successors, Assigns and Subtenants.....20
16.	Representations and Warranties.....20
16.1	Representations and Warranties of LACF20

TABLE OF CONTENTS CONTINUED

	<u>Page</u>
16.2 Representations and Warranties of County.....	21
17. Damage and Destruction.....	22
17.1 No Option to Terminate for Casualty	22
17.2 No County Obligation to Make Repairs	22
17.3 Repairs Not Performed by LACF	23
17.4 Waiver of Civil Code Sections	23
18. Miscellaneous	23
18.1 Time of Essence.....	23
18.2 Entire Agreement.....	23
18.3 No Joint Venture or Agency	23
18.4 Amendments	23
18.5 Governing Law	23
18.6 Jurisdiction/Venue	23
18.7 Headings	23
18.8 No Merger.....	24
18.9 Counterparts; Recording of Memorandum	24
18.10 Intentionally Omitted.....	24
18.11 Meanings of Words Not Specifically Defined/General Rules of Interpretation.....	24
18.12 Parties Represented by Counsel.....	24
18.13 Conflict of Interest; No Personal Liability.....	24
18.14 Waivers and Relocation	25
18.15 No Third-Party Beneficiaries.....	25
18.16 Exculpation of Certain Persons.....	25
18.17 Performance Postponed	25
18.18 Severability	25

TABLE OF CONTENTS CONTINUED

	<u>Page</u>
18.19 Interest.....	25
18.20 Recitals.....	26
18.21 Surrender.....	26
19. Schedule of Exhibits	26

GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT (this “**Ground Lease**”) is dated for reference purposes as of July 1, 2018, and is made by and between the **COUNTY OF LOS ANGELES**, a body corporate and politic (“**County**”), and **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation (“**LACF**”). County and LACF are each occasionally referred to herein as a “**Party**” or collectively as the “**Parties**.”

RECITALS

A. County is the owner of certain real property in the City of Los Angeles, County of Los Angeles, California, the address of which is 510, 526 and 532 South Vermont Avenue and 523 Shatto Place and which is legally described on the attached Exhibit A (collectively, the “**Ground Lease Premises**”). The portion of the Ground Lease Premises consisting of 523 Shatto Place (the “**Shatto Place Parcel**”) has an existing parking structure constructed upon it (the “**Existing Garage**”).

B. LACF is a California nonprofit public benefit corporation established exclusively for purposes and activities that are permitted under Section 501(c)(3) of the Internal Revenue Code of 1986 (the “**Code**”). In particular, LACF has been formed for the purposes of (i) assisting in the erection and maintenance of public buildings, monuments, facilities, housing, or works, (ii) combatting community deterioration and carrying out neighborhood revitalization and community economic development by receiving and administering funds exclusively for educational and charitable purposes, (iii) promoting social welfare and education through cooperative programs with governmental entities, (iv) undertaking activities which lessen the burdens of government, and (v) carrying on other charitable activities associated with the foregoing purposes as allowed by law.

C. Pursuant to California Government Code Sections 25549.1 *et seq.*, County desires to lease the Ground Lease Premises to LACF pursuant to this Ground Lease, and for LACF to design, develop, permit, and construct improvements and install furniture, fixtures and equipment on the Ground Lease Premises consisting of a (i) new office building with (A) approximately 468,000 gross square feet of Class A office with ground floor retail space and public serving uses, and (B) approximately 965 structured parking spaces; and (ii) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “**Project**”).

D. LACF will sublease the Ground Lease Premises and the Project to be constructed thereon to County pursuant to that certain Facilities Lease, between LACF as sublandlord and County as subtenant, of even date herewith (the “**Facilities Lease**”), the form of which is attached as Exhibit B. The design and construction of the Project is more particularly described in the Facilities Lease. Under the Facilities Lease, the Project is to be delivered in “turnkey condition.”

E. TC LA Development, Inc., a Delaware corporation (“TCLA”), is a national real estate development firm with experience in the oversight and management of design, permit processing and construction of office buildings. Pursuant to a County solicitation issued on August 18, 2015, County selected TCLA to be the developer of the Project. Accordingly, LACF will engage TCLA to oversee and manage certain construction and development activities for the Project pursuant to a separate development management agreement (the “**Development Agreement**”) of even date herewith between LACF and TCLA, in the form attached as Exhibit C.

F. Financing for the Project shall be from the proceeds of tax-exempt and taxable obligations issued by LACF, with the tax-exempt obligations to be issued in accordance with the provisions of the Internal Revenue Service Revenue Ruling 63-20, as amended and updated by Internal Revenue Service Revenue Procedure 82-26 (the “**Bonds**”). 63-20 Bonds are tax-exempt bonds issued by a nonprofit organization on behalf of a government entity to finance a public facility.

G. All capitalized terms used but not defined in this Ground Lease shall have the meaning given to them in the Facilities Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Parties agree as follows:

1. **Demise.**

1.1 Demise. In consideration of the rents, covenants and agreements contained in this Ground Lease, County hereby leases the Ground Lease Premises to LACF, and LACF hereby leases the Ground Lease Premises from County upon and subject to the conditions set forth in this Ground Lease.

1.2 Use of the Ground Lease Premises. The Ground Lease Premises shall be used and occupied only for the purpose of the development, construction, operation, use, repair, and maintenance of the Project pursuant to the terms and conditions of this Ground Lease, the Facilities Lease and all Applicable Laws (collectively, the “**Permitted Uses**”); provided, however, County may continue to use the Existing Garage for parking purposes until the Existing Garage Vacation Date (as defined in Section 37 of the Facilities Lease). The Parties agree that the explicit purpose of this Ground Lease is to allow for the County’s occupancy of the Project pursuant to the Facilities Lease; consequently, except as set forth in the preceding sentence, LACF shall not use or permit the Ground Lease Premises to be used for any purpose other than the Permitted Uses without the prior written approval of County, which County may grant, withhold or condition at its sole and absolute discretion. All uses other than the Permitted Uses are prohibited.

1.3 Applicable Laws. “**Applicable Laws**” means all of the following, even if unforeseen or extraordinary, to the extent affecting any of, (a) LACF, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (b) County, its board members, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (c) TCLA, its members, owners, shareholders, officers, employees,

contractors, consultants, agents, customers, guests, or invitees, (d) all or any portion of the Ground Lease Premises, or (e) the use, occupancy, possession, construction, operation, maintenance, improvement, alteration, repair, or restoration of any portion of the Project: (x) all present and future laws, statutes, requirements, ordinances, orders, judgments, regulations, resolutions, covenants, restrictions, or administrative or judicial determinations of every governmental authority and of every court or agency claiming jurisdiction over LACF, County, TCLA, the Project, or the Ground Lease Premises or matters set forth clauses (a) through (e), above, whether enacted or in effect as of the Effective Date or thereafter, including, but not limited to, California Labor Code §§ 1720 *et seq.*, environmental laws, zoning laws, building codes and regulations and those laws relating to accessibility to, usability by, and discrimination against, disabled individuals; and (y) all covenants, restrictions, and conditions of record affecting the Ground Lease Premises from time to time.

1.4 Prohibited Uses.

1.4.1 Nuisance. LACF shall not conduct or permit to be conducted any private or public nuisance on or about the Ground Lease Premises or the Project, nor commit any waste thereon. No rubbish, trash, waste, residue, brush, graffiti, weeds or undergrowth or debris of any kind or character shall ever be placed or permitted to accumulate upon any portion of the Ground Lease Premises or the Project, except for trash collected in appropriate receptacles intended for such purposes, nor shall any portion of the Ground Lease Premises or Project be permitted to be operated or maintained in a manner that renders the Ground Lease Premises or Project a fire hazard or other hazard to public safety.

1.4.2 Restrictions and Prohibited Uses. Without expanding upon or enlarging the Permitted Uses of the Ground Lease Premises and Project expressly set forth in Section 1.2, the following uses of the Ground Lease Premises and the Project are expressly prohibited:

1.4.2.1 The Ground Lease Premises and Project shall not be used or developed in any way which violates any Applicable Laws.

1.4.2.2 The Ground Lease Premises and Project shall not be used or developed in any way in a manner inconsistent with the Permitted Uses. Without limiting the foregoing, no part of the Ground Lease Premises shall be used by any person for any adult entertainment purposes, as such term refers to graphic, explicit and/or obscene depictions of sexual activity.

1.4.2.3 The Project shall at all times be kept in good condition and repair consistent with the requirements of this Ground Lease and the Facilities Lease.

1.4.2.4 No condition shall be permitted to exist upon the Ground Lease Premises or Project which induces, breeds or harbors infectious plant diseases, rodents or noxious insects, and LACF shall take such measures as are appropriate to prevent any conditions from existing on the Ground Lease Premises or Project which create a danger to the health or safety of any persons occupying, using, working at, or patronizing the Ground Lease Premises or Project.

1.4.2.5 No tools, equipment, or other structure designed for use in boring for water, oil, gas or other subterranean minerals or other substances, or designed for use in any mining operation or exploration, shall hereafter be erected or placed upon or adjacent to the Ground Lease Premises, except (a) as is necessary to allow LACF to perform its maintenance and repair obligations pursuant to this Ground Lease, and (b) for such boring or drilling as necessary to perform water testing or monitoring, or any dewatering program to relieve soil water pressure.

1.4.2.6 No adverse environmental condition in violation of Applicable Laws shall be permitted to exist on or in any portion of the Ground Lease Premises or the Project, nor shall any Hazardous Substances be permitted to be generated, treated, stored, released, disposed of, or otherwise deposited in or on, or allowed to emanate from, the Ground Lease Premises, the Project or any portion thereof.

Notwithstanding the foregoing, County acknowledges that County shall be subject to the same prohibited use restrictions in the Facilities Lease, and in the event that County violates such prohibited use restrictions, LACF shall not be in default under the Ground Lease.

1.5 Access and Utilities. As reasonably required for the use or occupancy of the Ground Leased Premises or the adjacent lands of County, County and LACF shall cooperate regarding the provision of reciprocal temporary and permanent pedestrian, vehicular, and utility access easements to, from, over, and under the Ground Leased Premises and the Project to, from, over, and under adjacent lands of County. County and LACF shall execute such instruments as may be necessary to provide for such pedestrian, vehicular, and utility access easements at no additional cost to LACF and agree to cooperate in the location thereof.

1.6 Leasehold Title Insurance. The leasehold interest in the Ground Lease Premises granted to LACF by County shall be subject only to (a) those easements and reservations of rights set forth in Section 1.5 and (b) those permitted exceptions set forth in the attached Exhibit D. The leasehold interest shall be insured by a CLTA title policy issued by Commonwealth Title Company (Doug Abernathy, title officer), and the cost of the policy of title insurance shall be a cost of the Project.

2. **Term.**

2.1 Term. The term (the “**Term**”) of this Ground Lease shall commence on the date on which this Ground Lease is fully executed, acknowledged and delivered by LACF and County (the “**Effective Date**”) and, unless such term is extended, shall terminate on the earlier of (a) December 1, 2051 and (b) the date that the Bonds are no longer Outstanding (as defined in the Indenture of Trust, dated for reference purposes as of July 1, 2018, between LACF and Trustee (the “**Indenture**”)) and the Project has been conveyed by LACF to County as set forth in the applicable provisions of the Facilities Lease.

Notwithstanding the foregoing, if on the Expiration Date of the Facilities Lease, the total Base Rent (as defined in the Facilities Lease) otherwise payable has not been fully paid as a result of an Abatement of Rent (as defined in the Facilities Lease) and the Bonds remain Outstanding, then, as provided in the Facilities Lease, the term of the Facilities Lease shall be

extended until the total Base Rent otherwise payable thereunder shall be fully paid or such earlier time as the Bonds are no longer Outstanding; provided, however, that such extension shall not exceed ten (10) years. In the event of such an extension, the Term of this Ground Lease shall be deemed extended for the same period of time that the term of the Facilities Lease is extended.

3. **Rent.** LACF shall pay to County as rent for the Term the sum of \$1.00 payable in advance on or before the first day of the Term. In addition, only to the extent that County has paid current all amounts of Additional Rent owed under the Facilities Lease, then LACF shall also be required to make the following additional payments:

3.1 Net Lease. The Parties acknowledge that the rent to be paid by LACF under this Ground Lease is intended to be absolutely net to County. LACF shall be solely responsible for all capital costs (including, without limitation, all structural and roof repairs or replacements) and operating expenses attributable to the operation and maintenance of the Ground Lease Premises and the Project, including without limitation the parking areas included within the Ground Lease Premises.

3.2 Utilities. LACF shall pay or cause to be paid all utility and service charges for furnishing water, power, sewage disposal, light, telephone service, garbage and trash collection, and all other utilities and services, to the Ground Lease Premises and the Project, unless otherwise provided in the Facilities Lease.

3.3 Taxes and Assessments. LACF agrees to pay before delinquency all lawful taxes, assessments, fees, or charges which at any time may be levied by the state, County, city or any tax or assessment levying body upon any interest in this Ground Lease or any possessory right which LACF may have in or to the Ground Lease Premises or the Project for any reason, as well as all taxes, assessments, fees, and charges on goods, merchandise, fixtures, appliances, equipment, and property owned by it in, on or about the Ground Lease Premises; provided, however, LACF shall not be liable for, and shall have no obligation to pay, real property taxes that accrue against the Ground Lease Premises or the Project from and after the Effective Date through and including the day immediately preceding the Rent Commencement Date (as such term is defined in the Facilities Lease) and Landlord shall be solely responsible for payment of any such real property taxes. LACF's obligation to pay taxes and assessments hereunder shall include but is not limited to the obligation to pay any taxes and/or assessments, or increases in taxes and/or assessments arising as a result of the making of this Ground Lease or the construction of the Project. LACF shall have the right to contest the amount of any assessment imposed against the Ground Lease Premises, the Project or the possessory interest therein; provided, however, the entire expense of any such contest (including interest and penalties which may accrue in respect of such taxes) shall be the responsibility of LACF.

The Parties acknowledge that under certain circumstances the Ground Lease Premises may be subject to possessory interest taxes, and that such taxes shall be paid by LACF. This statement is intended to comply with Section 107.6 of the Revenue and Taxation Code. LACF shall include a statement in any sublease (other than the Facilities Lease) to the effect that the interests created therein are derived from LACF's interest under this Ground Lease and that LACF's interest requires the payment of a possessory interest tax.

LACF shall apply for and use commercially reasonable efforts to obtain and maintain, effective from and after the Effective Date and continuing throughout the Term, the Welfare Exemption from property taxes, as set forth in Section 214 of the Revenue and Taxation Code, or any successor statute, for the Ground Lease Premises and the Project. County shall reasonably cooperate with LACF's efforts described in the immediately-preceding sentence.

4. **Development of Project.**

4.1 Construction. In accordance with the Facilities Lease, this Ground Lease and all Applicable Laws, LACF shall cause the Project to be constructed and developed on the Ground Lease Premises. LACF shall not develop or construct on the Ground Lease Premises any improvements except as set forth in the Facilities Lease.

4.2 Ownership of the Project. During the Term, the Project together with any other improvements permitted under this Ground Lease and the Facilities Lease shall be owned by LACF. However, LACF shall have no ownership interest in the Ground Lease Premises other than its leasehold interest under this Ground Lease. Notwithstanding the foregoing, the Parties intend that the separation of the title to the Ground Lease Premises from the title to the Project shall not change the character of the Project as real property.

4.2.1 No Conveyance of the Project. During the term of this Ground Lease, the Project shall not be conveyed, transferred or assigned except that a lien may be granted by LACF under the terms of a Leasehold Mortgage (as defined in the Facilities Lease) for the benefit of the trustee for the Bonds, as further described in the Indenture. In its capacity as the beneficiary of the Leasehold Mortgage, the trustee for the Bonds is hereafter referred to as the "**Leasehold Mortgagee.**" At all times, the owner of the leasehold interest under this Ground Lease shall also be the owner of the Project. Any attempted conveyance, transfer or assignment, whether voluntarily or by operation of law or otherwise, to any person or entity not in compliance with the preceding sentence shall be void and of no effect whatsoever.

4.2.2 Vesting of the Project in County. Upon the date the Bonds are no longer Outstanding, all of LACF's right, title and interest in and to the improvements constructed pursuant to the Project shall terminate and title to the Project shall automatically vest in County and the Project shall be surrendered by LACF to County. No further deed or other instrument shall be necessary to confirm the vesting in County of title to the Project; however, LACF shall upon request of the County execute, acknowledge and deliver to County a quitclaim deed to convey all of LACF's leasehold interest in the Ground Lease Premises and its ownership of the Project and any other improvements constructed by LACF on the Ground Lease Premises to County and to confirm that title to the Project has vested in County.

5. **Condition of the Ground Lease Premises.**

5.1 "As Is". LACF accepts the Ground Lease Premises "as is" in its existing condition to the extent provided in this Section 5.1, and LACF shall cause any environmental remediation contemplated in the approved Project Budget (as defined in the Development Agreement) to be completed at the Ground Lease Premises (the "**Environmental Work**"). Other than the completion of the Environmental Work, County shall be solely responsible for all

claims, judgments, damages, penalties, fines, expenses, liabilities or losses relating to the presence, release or disposal of Hazardous Substances that (i) were present in the soil, groundwater, soil vapor, or anywhere on, in, or under the Ground Lease Premises as of the Effective Date; (ii) are at any time present on any adjacent property owned or controlled by County and which result in contamination of the Ground Lease Premises; or (iii) contaminate the Ground Lease Premises as a result of the act or omission of County or the act or omission of any party for which County is liable. County's obligation shall include any costs of investigation or remediation of such toxic or hazard substances that may be required by any federal, state or local government agency. County shall not be responsible for any claims, judgments, damages, penalties, fines, expenses, liabilities, or losses relating to the release or disposal of Hazardous Substances on the Ground Lease Premises during construction of the Project or at any other time during the Term by LACF or the act or omission of LACF's contractors or their subcontractors or any other party for which LACF is liable, and the responsibility for the same shall remain with LACF.

5.2 "Hazardous Substances." **"Hazardous Substances"** means the following:

(a) petroleum, any petroleum by-products, waste oil, crude oil or natural gas; (b) any material, waste or substance that is or contains asbestos or polychlorinated biphenyls, or is radioactive; any medical waste; and (c) any substance, product, waste or other material of any nature whatsoever which is or becomes defined, listed or regulated as a "hazardous substance," "hazardous material," "hazardous waste," "toxic substance," "solid waste," "radioactive material," or similarly defined substance pursuant to any Applicable Laws, including the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§ 9601 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*; the California Health & Safety Code and all other analogous State of California and local statutes, ordinances and regulations, including, without limitation, any dealing with underground storage tanks; provided, however, "Hazardous Substances" shall not include any of the foregoing materials or substances described above that are of the types and in quantities customarily used in the ordinary course of construction, occupancy or operation of office buildings similar to the Project, including, without limitation, in the ordinary course of delivering medical care in accordance with generally accepted standard practices, consisting of (i) office, cleaning, building maintenance, and construction materials and supplies used in reasonable quantities and in the ordinary course of the construction, occupancy or operation of the Project, and (ii) gasoline or diesel fuel in the tanks of automobiles and other machines located on the Ground Lease Premises (whether during construction or otherwise); but only so long as, in the case of (i) and (ii), they are always stored, maintained, used and disposed of in compliance with all Applicable Laws.

5.3 County's Right to Inspect. County shall have the right to inspect the Ground Lease Premises at any time.

6. **Liens; Security Interest.**

6.1 Leasehold Mortgage. Except for the Leasehold Mortgage, to be granted by LACF to the Leasehold Mortgagee as security for the Bonds to be issued to finance the Project or as otherwise specifically approved in writing by County, LACF shall not directly or

indirectly create or permit to be created or to remain, and will discharge, any mortgage, lien, security interest, encumbrance or charge on the Ground Lease Premises, the Project or any part thereof or on LACF's interest therein.

6.2 Protection of Leasehold Mortgagee. For so long as the Leasehold Mortgage remains in force and effect the following provisions shall apply:

6.2.1 Notice of Default. County upon serving LACF any notice of default pursuant to the provisions of this Ground Lease shall also serve a copy of such notice upon Leasehold Mortgagee at the address set forth in Section 14 or as subsequently provided in writing by Leasehold Mortgagee to County pursuant to the notice provisions set forth in Section 14. No notice to LACF under this Ground Lease shall be deemed to have been duly given unless and until a copy thereof has been provided to such Leasehold Mortgagee in accordance with Section 14. From and after the date such notice has been given to Leasehold Mortgagee, such Leasehold Mortgagee shall have the same period, after the giving of such notice upon it, for remedying any default or acts or omissions which are the subject matter of such notice, or causing the same to be remedied, as is given LACF after the giving of such notice to LACF under this Ground Lease, plus in each instance the additional periods of time specified in Sections 6.2.2 and 6.2.3 to remedy, commence remedying or cause to be remedied, the defaults or acts or omissions which are specified in such notice.

6.2.2 Right to Cure. Leasehold Mortgagee shall have the right, but not the obligation, to remedy such default or cause the same to be remedied for a period of ninety (90) days after the expiration of LACF's cure period, if any, provided under this Ground Lease, for LACF to remedy same, and County shall accept such performance by or at the instance of Leasehold Mortgagee as if the same had been made by LACF.

6.2.3 Extended Cure Period. If a non-monetary default is reasonably susceptible of cure, but cannot reasonably be remedied within ninety (90) days after receipt of notice of default, then, so long as the cure for any non-monetary default under this Ground Lease has commenced within ninety (90) days after receipt of notice of default, and is thereafter diligently and in good faith continuously prosecuted to completion, the cure period will be extended. Such cure period shall include any time required to obtain possession of the Ground Lease Premises by foreclosure of the Leasehold Mortgage or by other appropriate means by reasonable diligence, or until such earlier time as all defaults of LACF are cured. Nothing in this Section 6.2.3, however, shall be construed to extend this Ground Lease beyond the Term, nor to require a Leasehold Mortgagee to continue such foreclosure proceedings after all defaults are cured.

6.2.4 New Ground Lease. In the event of the termination of this Ground Lease prior to the expiration of the Term for any reason, including a termination by reason of a bankruptcy by LACF, County shall provide the Leasehold Mortgagee written notice that the Ground Lease has been terminated together with a statement of any and all sums which would at the time be due under this Ground Lease but for such termination and of all other defaults, if any, under this Ground Lease then known to County. Leasehold Mortgagee shall thereupon have the

option, but shall in no event be obligated, to obtain a new lease in accordance with and upon compliance with each of the following terms and conditions:

6.2.4.1 Leasehold Mortgagee shall, within sixty (60) days following receipt of written notice of termination of this Ground Lease, provide written notice to County that it desires to enter into a new lease of the Ground Lease Premises with County; and

6.2.4.2 County and Leasehold Mortgagee shall enter into a new lease within thirty (30) days after County's receipt of notice under Section 6.2.4.1, which shall be effective as of the date of the termination of this Ground Lease and shall be for the remainder of the Term of this Ground Lease and at the Rent and upon all other terms, covenants and conditions as this Ground Lease (excluding requirements which are inapplicable or have already been fulfilled).

6.2.5 Notices. Any notice or other communication which County shall desire or is required to give or serve upon Leasehold Mortgagee shall be in writing and shall be provided in accordance with Section 14. Any notice or other communication which such Leasehold Mortgagee shall desire or is required to give or serve upon County shall be in writing and shall be provided in accordance with Section 14.

6.2.6 Amendments. No agreement between County and LACF modifying, canceling or surrendering this Ground Lease shall be effective without (a) the prior written consent of the Trustee in accordance with Section 9.07 of the Indenture and (b) a Favorable Opinion of Bond Counsel (as defined in the Indenture) delivered to the Trustee.

6.2.7 Insurance Clauses. If required by Leasehold Mortgagee, Leasehold Mortgagee shall be named as its interests may appear on any insurance policies covering the Ground Lease Premises.

6.2.8 Leasehold Mortgage Not a Transfer. The making of a Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Ground Lease or the leasehold estate hereby created, nor shall any Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of LACF's interest under this Ground Lease or of the leasehold estate created hereby so as to require such Leasehold Mortgagee as such to assume the performance of any of the terms, covenants or conditions on the part of LACF to be performed prior to foreclosure of the Leasehold Mortgage; provided, however, that upon foreclosure of the Leasehold Mortgage, the Leasehold Mortgagee or any purchaser at any sale of LACF's rights under this Ground Lease in any proceedings for the foreclosure of any Leasehold Mortgage, or the assignee or transferee of LACF's rights under this Ground Lease created under any instrument of assignment or transfer in lieu of foreclosure of any Leasehold Mortgage, shall be deemed to have agreed to perform all of the terms, covenants and conditions on the part of LACF to be performed hereunder from and after the date of such purchase and assignment.

6.2.9 Leasehold Mortgagee's Right to Assign. Notwithstanding any provision of this Ground Lease to the contrary, upon acquiring LACF's interest under this Ground Lease pursuant to foreclosure, assignment in lieu of foreclosure or other proceedings Leasehold Mortgagee may, upon acquiring LACF's interest under this Ground Lease, or a new

lease as provided above, and without further consent of County, sell and assign such leasehold interest on such terms and to such persons and organizations as are acceptable to such Leasehold Mortgagee and which meet the requirements set forth in Section 15.3.3, and thereafter be relieved of all obligations under this Ground Lease, which accrue after the date of such sale or assignment so long as each of the following conditions are met:

6.2.9.1 There is no default on the part of Leasehold Mortgagee under this Ground Lease and no event that with the giving of notice, the passage of time, or both, would constitute an Event of Default by Leasehold Mortgagee under this Ground Lease, all such defaults having been cured to the reasonable satisfaction of County prior to the Effective Date of such assignment;

6.2.9.2 If such assignee will not itself manage the Project, its proposed operator shall have sufficient experienced and competent personnel to construct (if applicable), operate, manage, maintain, and repair the Project in accordance with the requirements of this Ground Lease and as set forth in Section 15.3.3; and

6.2.9.3 As part of such assignment the assignee shall assume all of the obligations of LACF under this Ground Lease by executing, acknowledging and recording one or more assumption agreements in form and substance reasonably satisfactory to County. The assignee shall thereafter have all the rights and shall perform all the duties and obligations of LACF under this Ground Lease.

6.2.9.4 No Leasehold Mortgagee or assignee shall have any liability under this Ground Lease beyond its interest in this Ground Lease, even if it becomes the tenant. Any such liability shall terminate if and when any such Leasehold Mortgagee or assignee assigns (and the assignee assumes) this Ground Lease; provided, however, no such sale or assignment shall release Leasehold Mortgagee or such assignee from any claims or obligations under this Ground Lease, which arose while Leasehold Mortgagee or any of its affiliates or assignee held the leasehold interest under this Ground Lease or was in possession of the Ground Lease Premises.

6.2.10 Rejection of Unexpired Ground Lease by LACF or LACF's Bankruptcy Trustee. If LACF or LACF's Bankruptcy Trustee rejects this Ground Lease during the Term in a proceeding under Section 365 of the United States Bankruptcy Code or similar or successor statute, such rejection will have no effect on the rights of Leasehold Mortgagee under this Section 6.2, which rights will remain in full force and effect notwithstanding such rejection as if the same were provided for in a separate and independent agreement between County and such Leasehold Mortgagee, and such Leasehold Mortgagee shall have the right to a new ground lease on the same terms and conditions set forth in Section 6.2. The provisions set forth in Section 6.2 granting Leasehold Mortgagee certain rights are for the express benefit of each such Leasehold Mortgagee for the term set forth in this Section 6.2 and are independent of the other provisions of this Ground Lease.

6.2.11 No Merger. So long as any Leasehold Mortgage is in existence, unless the Leasehold Mortgagee otherwise consents in writing, the fee title to the Ground Lease Premises and the leasehold estate of LACF therein created by this Ground Lease shall not merge

but shall remain separate and distinct, notwithstanding the acquisition of said fee title and said leasehold estate by County or by LACF or by a third party, by purchase or otherwise.

6.2.12 Further Assurances. Upon request from LACF or any Leasehold Mortgagee (prospective or current), County shall promptly and in writing, under documentation reasonably satisfactory to County and the requesting party: certify whether or not (a) this Ground Lease is in full force and effect, (b) to County's knowledge a default exists, (c) the date through which rent has been paid, and (d) such other similar matters as may be reasonably requested, all subject to any then exceptions reasonably specified in such certificate.

6.2.13 Miscellaneous. Notwithstanding anything to the contrary in this Ground Lease, Leasehold Mortgagee: (a) may exercise its rights through an affiliate, assignee, designee, nominee, subsidiary or other person, acting in its own name or in Leasehold Mortgagee's name (and anyone so acting shall automatically have the same protections, rights, and limitations of liability as Leasehold Mortgagee); (b) shall never be obligated to cure any LACF default; (c) may abandon such cure at any time; and (d) may withhold its consent or approval for any reason when acting upon the direction of the holders of a majority in aggregate principal amount of the Bonds. Any such consent or approval must be in writing.

7. **Indemnify and Hold Harmless.**

7.1 Indemnification by County. County shall indemnify, defend and hold harmless LACF and its officers, representatives, employees, and agents (the "**Indemnified LACF Parties**") from and against any and all liability, demands, liens, damages, claims, causes of action, expenses, and fees (including reasonable attorney's fees and costs and expert witness fees) for bodily injury, property damage, and death (hereinafter collectively referred to as "**Liabilities**"), arising out of or relating to the negligent acts, errors, or omissions of County including, without limitation, any breach of this Ground Lease except to the extent that such Liabilities are caused by the negligence or willful misconduct of LACF.

7.2 Indemnification by LACF. LACF shall indemnify, defend and hold harmless County and its special districts, elected officials, officers, agents, employees and volunteers (the "**Indemnified County Parties**") from and against any and all Liabilities (as defined in Section 7.1), arising out of or relating to the negligent acts, errors, or omissions of LACF including, without limitation, any breach of this Ground Lease except to the extent that such Liabilities are caused by the negligence or willful misconduct of County.

7.3 Survival. The indemnification provisions of this Section 7 shall remain in full force and effect and survive the termination and/or expiration of this Ground Lease.

8. **Minimum Scope of Insurance Coverage for LACF**. For so long as the Facilities Lease remains in effect, the insurance provisions thereof shall be deemed to be substituted in their entirety for this Section 8. At any other time, the following provisions shall be applicable:

8.1 General Insurance Provisions. Without limiting LACF's indemnification of County, and during the Term and until all of LACF's obligations pursuant to this Ground

Lease have been met, LACF shall provide and maintain at its own expense insurance coverage satisfying the requirements specified in this Ground Lease (the “**Required Insurance**”). County in no way warrants that the Required Insurance is sufficient to protect LACF for liabilities which may arise from or relate to this Ground Lease.

8.1.1 Evidence of Coverage and Notice to County. Certificate(s) of insurance coverage (each an “**Insurance Certificate**”) satisfactory to County and a copy of an Additional Insured endorsement confirming that the Indemnified County Parties have been given Insured status under the LACF’s General Liability policy, shall be delivered to County at the address set forth in Section 8.1.1.4, prior to the Effective Date.

8.1.1.1 Renewal Insurance Certificates shall be provided to County prior to LACF’s policy expiration dates. County reserves the right to obtain complete, certified copies of any Required Insurance policies at any time.

8.1.1.2 Each Insurance Certificate shall identify all Required Insurance coverage types and limits, reference this Ground Lease by name or number, and be signed by an authorized representative of the insurer(s). The Insured party named on the Insurance Certificate shall be LACF. Each Insurance Certificates shall provide the full name of each insurer providing coverage, its NAIC (National Association of Insurance Commissioners) identification number, its financial rating, the amounts of any policy deductibles or self-insured retentions exceeding twenty-five thousand (\$25,000.00) dollars, and list any County required endorsement forms.

8.1.1.3 Neither County’s failure to obtain, nor County’s receipt of, or failure to object to a non-complying Insurance Certificate or endorsement, or any other insurance documentation or information provided by LACF, its insurance broker(s) and/or insurer(s), shall be construed as a waiver of any of the Required Insurance provisions.

8.1.1.4 Insurance Certificates and copies of any required endorsements, notices of cancellation shall be delivered to:

County of Los Angeles
Chief Executive Office [or other department acting as Landlord, as applicable]
Real Estate Division – Senior Manager
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Name of Lease Manager, Property Management

8.1.2 Claims Notice. LACF shall promptly notify County of any third party claim or suit filed against LACF which arises from or relates to this Ground Lease, and could result in the filing of a claim or lawsuit against LACF and/or County.

8.1.3 Additional Insured Status and Scope of Coverage. Indemnified County Parties, shall be provided additional insured status under LACF’s General Liability policy with respect to liability arising from or connected with LACF’s acts, errors, and omissions arising from and/or relating to LACF’s operations on and/or its use of the Ground

Lease Premises. Indemnified County Parties' additional insured status shall apply with respect to liability and defense of suits arising out of the LACF's acts or omissions, whether such liability is attributable to LACF or to Indemnified County Parties. The full policy limits and scope of protection also shall apply to Indemnified County Parties as an additional insured, even if they exceed the Landlord's minimum Required Insurance. Use of an automatic additional insured endorsement form is acceptable providing it satisfies the Required Insurance provisions.

8.1.4 Cancellation of or Changes in Insurance. LACF shall provide County with, or LACF's insurance policies shall contain a provision that County shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to County at least ten (10) days in advance of cancellation for non-payment of premium and thirty (30) days in advance for any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance shall an Event of Default by LACF.

8.1.5 Failure to Maintain Required Insurance. LACF's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall constitute an Event of Default by LACF. County, at its sole discretion, may obtain damages from LACF resulting from LACF's failure to maintain Required Insurance, and/or County may elect to purchase the Required Insurance without further notice to LACF, and LACF shall promptly reimburse County's expense of such purchase.

8.1.6 Insurer Financial Ratings. Required Insurance is to be provided by an insurance company authorized to do business in the State of California and acceptable to County, with an A.M. Best rating of not less than A:VII, unless otherwise approved by County.

8.1.7 LACF's Insurance Shall Be Primary. LACF's insurance policies, with respect to any claims related to this Ground Lease, shall be primary with respect to all other sources of coverage available to County. Any County maintained insurance or self-insurance coverage shall be in excess of and not contribute to any LACF coverage.

8.1.8 Waiver of Subrogation. To the fullest extent permitted by law, LACF waives its and its insurer(s) rights of recovery against County under all Required Insurance policies for any loss arising from or related to this Ground Lease. LACF shall require its insurers to execute any waiver of subrogation endorsements which may be necessary to affect such waiver.

8.1.9 Deductibles and Self-Insured Retentions. LACF's policies shall not obligate County to pay any portion of any LACF deductible or Self-Insured Retentions ("SIR"). County retains the right to require LACF to reduce or eliminate policy deductibles and SIRs with respect to County, or to provide a bond guaranteeing LACF's payment of all deductibles and SIRs, including all related claims investigation, administration and defense expenses. Such bond shall be executed by a corporate surety licensed to transact business in the State of California.

8.1.10 Claims Made Coverage. If any part of the Required Insurance is written on a claims made basis, any policy retroactive date shall precede the Effective Date, and

LACF shall maintain such coverage for a period of not less than three (3) years following the end of the Term.

8.1.11 Application of Excess Liability Coverage. LACF may use a combination of primary and excess insurance policies that provide coverage as broad as (“follow form” over) the underlying primary policies, to satisfy the Required Insurance provisions.

8.1.12 Separation of Insureds. All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations.

8.1.13 Landlord Review and Approval of Required Insurance. County reserves the right to review and adjust the Required Insurance provisions, conditioned upon County’s determination of changes in risk exposures.

8.2 Insurance Coverage Types and Limits. The Required Insurance includes the following insurance types and coverages:

8.2.1 Commercial General Liability Insurance. Commercial General Liability insurance (providing scope of coverage equivalent to ISO policy form CG 00 01), naming Indemnified County Parties as an additional insured, with limits of not less than:

General Aggregate:	\$ 2 million
Products/Completed Operations Aggregate:	\$ 2 million
Personal and Advertising Injury:	\$ 1 million
Each Occurrence:	\$ 1 million

8.2.2 Automobile Liability Insurance. Automobile Liability insurance (providing scope of coverage equivalent to ISO policy form CA 00 01) with limits of not less than \$1 million for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Insurance shall cover liability arising out of LACF’s use of autos pursuant to this Ground Lease, including owned, leased, hired, and/or non-owned autos, as each may be applicable.

8.2.3 Workers Compensation and Employers’ Liability Insurance. Workers Compensation and Employers’ Liability insurance or qualified self-insurance satisfying statutory requirements, which includes Employers’ Liability coverage with limits of not less than \$1 million per accident. If applicable to LACF’s operations, coverage also shall be arranged to satisfy the requirements of any federal workers or workmen’s compensation law or any federal occupational disease law.

8.2.4 Commercial Property Insurance. Commercial Property Insurance shall:

8.2.4.1 Provide coverage for County’s property and any improvements and betterments; this coverage shall be at least as broad as that provided by the

Causes-of-Loss Special Form (ISO form CP 10 30), excluding earthquake and including flood and ordinance or law coverage.

8.2.4.2 Be written for the full replacement cost of the property, with a deductible no greater than two hundred fifty thousand (\$250,000) or five percent (5%) of the property value, whichever is less. Insurance proceeds shall be payable to the LACF and County as their interests may appear.

9. **Eminent Domain.** In the event of any taking of the Ground Lease Premises, in whole or in part, by eminent domain proceedings, the interest of LACF shall be recognized and is hereby determined to be the amount of the then unpaid or outstanding Bonds and other amounts due under the Indenture and the Facilities Lease attributable to such part of the Facilities and shall be paid to the Trustee and applied as set forth in the Facilities Lease, and the balance of the award, if any, shall be paid to the County.

10. **Events of Default by LACF and County's Remedies.**

10.1 Events of Default. The following occurrences or acts shall constitute an Event of Default by LACF (each an "**Event of Default**") under this Ground Lease:

10.1.1 Monetary Defaults. The failure of LACF to pay the rentals due, or make any other monetary payments required under this Ground Lease, within ten (10) days after receiving written notice that any such payment is overdue. LACF may cure such nonpayment by paying the amount overdue within such ten (10) day period.

10.1.2 Failure to Perform Other Obligations. The failure of LACF to keep, perform, and observe any and all other promises, covenants, conditions, and agreements set forth in this Ground Lease within thirty (30) days after receiving written notice of LACF's failure to perform; provided, however, that where LACF's performance of such covenant, condition or agreement is not reasonably susceptible of completion within such thirty (30) day period and LACF has in good faith commenced and is continuing to perform the acts necessary to perform such covenant, condition or agreement within such thirty (30) day period, County will not exercise any remedy available to it hereunder for so long as LACF uses reasonable due diligence in continuing to pursue to completion the performance such covenant, condition or agreement and so completes performance within a reasonable time.

10.1.3 LACF's Financial Condition. LACF shall be in default hereunder if LACF shall make a general assignment for the benefit of creditors, or shall file a petition in bankruptcy, or shall be adjudicated as bankrupt or insolvent, or shall file a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or shall fail seasonably to contest the material allegations of a petition filed against it in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of LACF or any material part of its properties.

10.1.4 LACF Event of Default Under Facilities Lease. Any LACF Event of Default under the Facilities Lease shall be an Event of Default under this Ground Lease.

10.1.5 LACF Default Under Development Agreement. Any LACF Default under the Development Agreement (beyond any applicable notice and cure period) shall be an Event of Default under this Ground Lease.

10.1.6 Limitation on Events of Default. Except with respect to breaches or defaults with respect to the payment of money, LACF shall not be considered in default as to any provision of this Ground Lease to the extent such default is the result of or pursuant to, any process, order, or decree of any court or regulatory body with jurisdiction, or any other circumstances which are physically or legally impossible to cure, provided LACF uses due diligence in pursuing whatever is required to obtain release from or reversal of such process, order, or decree or is attempting to remedy such other circumstances preventing its performance. With respect to breaches or defaults with respect to the payment of money, LACF shall not be considered in default as to any provision of this Ground Lease to the extent such default is the result of or pursuant to, any default by County under the Facilities Lease.

10.2 Remedies upon LACF's Default. Upon the occurrence of an Event of Default, and subject to the rights of any Leasehold Mortgagee to cure such Event of Default as provided in Section 6, County may exercise any remedy which may be available to it at law or equity, including but not limited to actions for damages, and/or injunctive relief, provided, however, that, unless the Bonds are no longer Outstanding, County may not terminate this Ground Lease prior to the end of the Term.

10.3 Cumulative Rights and Remedies. The rights and remedies reserved to County herein, including those not specifically described, shall be cumulative, and except as provided by California statutory law in effect at the time, County may pursue any and all such rights and remedies at the same time or independently.

10.4 No Waiver. No delay or omission of County to exercise any right or remedy shall, except as expressly provided herein, be construed as a waiver of any such right or remedy or of any default by LACF hereunder. The acceptance by County of rent shall not be a waiver of any preceding breach or default by LACF of any provision hereof, other than the failure of LACF to pay the particular rent accepted, regardless of County's knowledge of such preceding breach or default at the time of acceptance of such rent, or, except as expressly set forth herein, a waiver of County's right to exercise any remedy available to County by virtue of such breach or default.

10.5 Attorneys' Fees. In the event suit is brought by County or LACF relating to this Ground Lease, including for the breach of any covenant or condition of this Ground Lease, each Party shall bear its own costs and expenses, including attorneys' fees, regardless of the prevailing Party, unless otherwise awarded by a court of competent jurisdiction.

10.6 Waiver of Damages. Notwithstanding any provision in this Ground Lease to the contrary, in no event shall LACF or County, or any of their respective board members, affiliates, managers, members, shareholders, employees, or representatives, be liable under this Ground Lease to the other Party, or its respective board members, affiliates, managers, members, shareholders, employees, or representatives, for consequential, loss of the bargain, punitive, exemplary, statutory, indirect, special, punitive or similar losses or damages.

11. **Quiet Enjoyment.** If and so long as LACF shall pay all rent and all other amounts payable by LACF hereunder whenever the same shall become due and shall keep all of the covenants and conditions required by it to be kept during the term of this Ground Lease, County shall not interfere with the peaceful and quiet occupation and enjoyment of the Ground Lease Premises by LACF.

12. **Compliance with Laws.** LACF shall not use the Ground Lease Premises or permit anything to be done in or about the Ground Lease Premises which will in any way conflict with any Applicable Laws or any other law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. LACF shall, at its sole cost and expense, promptly comply with all Applicable Laws and any other laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and obtain all permits, licenses or other approvals required by governmental agencies or bodies.

13. **Waiver Limitations.** The waiver by either Party of any term, covenant or condition herein contained on the part of the other Party to be performed shall not be deemed a waiver of such term, covenant or condition for any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance by a Party of the other Party's performance of any obligations hereunder shall not be deemed to be a waiver of any preceding breach of any term, covenant or condition of this Ground Lease.

14. **Notices.** All notices or requests required or permitted under this Ground Lease shall be in writing, shall be (i) personally delivered, (ii) sent by certified or registered mail, return receipt requested, postage prepaid, or (iii) delivered by a nationally recognized overnight courier and shall be deemed given when so delivered or received. All notices or requests shall be sent as follows:

If to County:

County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Real Estate Division

With a copy to:

Office of the County Counsel
County of Los Angeles
500 West Temple Street, 6th Floor
Los Angeles, CA 90012-2932
Attention: Behnaz Tashakorian/Amy Caves

Chief Executive Office- Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012

Treasurer and Tax Collector- Public Finance
County of Los Angeles
500 West Temple St., Room 432
Los Angeles, CA 90012

If to LACF:

Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, WA 98101
Attention: John Finke

With a copy to:

Hillis Clark Martin & Peterson PS
999 Third Avenue, Suite 4600
Seattle, WA 98104
Attention: Michelle A. Gail

If to Leasehold Mortgagee:

U.S. Bank National Association
Corporate Trust Services
U.S Bank Tower
633 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services

Any party may change the address to which notices shall be sent by notice to the other party in the manner and with the effect set forth in this Section 14.

15. Assignment and Subleasing.

15.1 Purpose of Ground Lease; Unique Qualifications of LACF and Key Staff. LACF acknowledges and agrees that (a) the sole and explicit purpose of this Ground Lease is for LACF to construct the Project on the Ground Lease Premises and to then sublease the Project and the Ground Lease Premises to County pursuant to the Facilities Lease (a “**Lease/Leaseback Transaction**”); (b) the board members, officers and employees of LACF have unique and specialized knowledge in structuring and managing Lease/Leaseback Transactions for public entities in which bonds are issued; (c) because of the attributes explicitly described in clauses (a) and (b) in this Section 15.1, together with many other attributes not explicitly described herein but nevertheless acknowledged by the Parties, the restraints on any Subleases and Assignments set forth in this Section 15 are conclusively agreed by the Parties to be reasonable and in no event an unreasonable restraint on alienation.

15.2 Subleasing. The Parties intend that LACF shall enter into the Facilities Lease with County. Any other proposed Sublease of the Ground Lease Premises shall only be allowed in the event of an Event of a Tenant Default under the Facilities Lease, and then subject to the terms and conditions set forth in this Section 15.

15.2.1 Definition of Sublease. The term “**Sublease**” means any lease, license, permit, concession, or other interest in the Ground Lease Premises or the Project, or a right to use the Ground Lease Premises or a portion thereof, which is conveyed or granted by LACF to a party other than the County pursuant to the Facilities Lease, and which constitutes less than the unrestricted conveyance of the entire LACF interest under this Ground Lease. “**Subtenant**” means the person or entity (other than County) to whom such right to use is conveyed by a Sublease.

15.2.2 Facilities Lease. Concurrently herewith the Parties have entered into the Facilities Lease, which shall be effective as of the Effective Date.

15.2.3 LACF’s Right to Sublease. In the event that County, as the subtenant under the Facilities Lease, is subject to an Event of Tenant Default under the Facilities Lease, the Facilities Lease is terminated, and County has been lawfully evicted from the Ground Lease Premises (collectively, a “**County Eviction**”), then, and only then, shall LACF have the right to Sublease the Ground Lease Premises pursuant to the following: LACF may freely execute Subleases (and amendments, modifications, renewals of assignments thereof) without the consent or approval of County provided that (a) the subleased Ground Lease Premises shall be utilized only for Permitted Uses, (b) the Sublease shall terminate no later than the end of the Term of this Ground Lease or its earlier termination, (c) the terms and conditions of the Sublease are consistent with those specific terms and conditions of this Ground Lease and the Sublease does not otherwise purport to grant rights LACF does not possess or violate the terms and conditions of this Ground Lease or any Applicable Laws. No Sublease shall be effective without a Favorable Opinion of Bond Counsel delivered to the Trustee. Prior to entering into any Sublease, LACF shall submit to County for its approval, not to be unreasonably withheld, conditioned or delayed, the form of sublease and any related agreement. Any material changes to these forms and agreements in the future shall also be submitted to County for its review and approval, not to be unreasonably withheld, conditioned or delayed. Notwithstanding anything to the contrary elsewhere in this Ground Lease, in the event of a County Eviction, the Permitted Uses shall be automatically amended to include general office and retail use by any Subtenant.

15.3 Assignment. Except for the Leasehold Mortgage, LACF shall not assign, mortgage, or encumber this Ground Lease or delegate the duties of LACF under this Ground Lease without the prior written consent of County, which may be granted, withheld or conditioned at County’s sole and absolute discretion. A consent to one assignment shall not be deemed to be a consent by County to any subsequent assignment by another person. This Ground Lease shall not, nor shall any interest of LACF herein, be assignable by operation of law.

15.3.1 Approval of Assignments. Except as specifically provided in this Article 15, LACF shall not, without the prior written consent of County, which may be granted, withheld or conditioned at County’s sole and absolute discretion, either directly or indirectly give, assign, hypothecate, encumber, transfer, or grant control of this Ground Lease or any interest, right, or privilege therein, or enter into a Sublease for the use of all or substantially all of the Ground Lease Premises.

15.3.2 Involuntary Transfers Prohibited. Except as otherwise specifically provided in this Ground Lease, neither this Ground Lease nor any interest therein shall be assignable or transferable in proceedings in attachment, garnishment, or execution against LACF, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against LACF, or by any process of law including proceedings under the Bankruptcy Act.

15.3.3 Any assignee must (a) be a public benefit corporation established under Section 501(c)(3) of the Code and (b) have staff with comparable or better skills and experience as John Finke in Lease/Leaseback Transactions.

15.4 Key Staffing. In the event that John Finke, resigns, is removed or is otherwise unable, incapable or unwilling to continue in his capacity as Chief Executive Officer and board chair for LACF, then LACF shall replace John Finke with Erin Birkenkopf or Matt Calcavecchia, or another person having at comparable or better skills and experience in Lease/Leaseback Transactions and such other replacement shall be subject to County's approval, which may not be unreasonably withheld, conditioned or delayed.

15.5 Terms Binding Upon Successors, Assigns and Subtenants. Except as otherwise specifically provided for herein, each and all of the provisions, agreements, terms, covenants, and conditions herein contained to be performed, fulfilled, observed, and kept by LACF hereunder shall be binding upon the heirs, executors, administrators, successors, and assigns of LACF, and all rights, privileges and benefits arising under this Ground Lease in favor of LACF shall be available in favor of its heirs, executors, administrators, successors, and assigns.

16. **Representations and Warranties.**

16.1 Representations and Warranties of LACF. LACF hereby makes the following representations and warranties as of the Effective Date:

16.1.1 Legal Power. LACF has the legal power, right and authority to enter into this Ground Lease and to consummate the transactions contemplated and described herein.

16.1.2 Binding Obligation of LACF. This Ground Lease is a valid and legally binding obligation of LACF and the applicable provisions hereof enforceable against LACF in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally.

16.1.3 Compliance with Organizational Documents. There is no charter, bylaw, or capital stock provision of LACF, and no provision of any indenture, instrument, or agreement, written or oral, to which LACF is a party or which governs the actions of LACF or which is otherwise binding upon LACF, nor to LACF's knowledge is there any judgment, decree or order of any governmental authority or court binding on LACF which would be contravened by the execution, delivery or performance by LACF of this Ground Lease.

16.1.4 Litigation Pending. To LACF's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any governmental authority now pending, or threatened against or affecting LACF, which, if adversely determined, would materially impair LACF's right or ability to execute or perform its obligations under this Ground Lease.

16.1.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Ground Lease, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Ground Lease conflict with or result in a material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which LACF is a party.

16.1.6 No Insolvency. To LACF's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against LACF, nor are any of such proceedings contemplated by LACF.

16.1.7 Accuracy of Materials. To LACF's knowledge, all written reports, documents, and instruments prepared by LACF or an affiliate thereof and delivered to County in connection with entering into this Ground Lease are accurate, correct and sufficiently complete to give County true and accurate knowledge of their subject matter, and do not contain any material misrepresentation or material omission.

16.1.8 No Gratuity. Neither LACF, nor its directors, officers, employees or affiliates, nor any individual representing LACF, nor anyone holding an interest in LACF has offered or given to any official or employee of County any gratuity (in any form) for the intent or purpose of securing favorable treatment under this Ground Lease or the approval or execution hereof.

16.1.9 No Solicitation. LACF has not employed or retained any person, other than a bona fide employee working solely for LACF, to solicit or secure this Ground Lease and it has not paid or agreed to pay any person, other than a bona fide employee working solely for LACF or financing fees payable to third parties in connection with the issuance of the Bonds to finance the Project, any fee, commission, percentage, brokerage fee, gifts or any other consideration, contingent upon or resulting from the award or making of this Ground Lease.

16.1.10 Authority to Execute. The individual(s) signing this Ground Lease on behalf of LACF is or are authorized to execute this Ground Lease and bind LACF to its terms and conditions, and, upon such execution, this Ground Lease shall be legally binding on LACF and, if LACF is a corporation for which a single individual is signing, have provided County with a corporate resolution stating that such individual is duly empowered to by such corporation to enter into this Ground Lease.

16.2 Representations and Warranties of County. County hereby makes the following representations and warranties as of the Effective Date:

16.2.1 Legal Power. County has the legal power, right and authority to enter into this Ground Lease, and to consummate the transactions contemplated hereby herein.

16.2.2 Binding Obligations of County. This Ground Lease is the valid and legally binding obligation of County and the applicable provisions hereof are enforceable against County in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally.

16.2.3 Compliance with Charter. There is no provision of any indenture, instrument, or agreement, written or oral, to which County is a party or which governs the actions of County or which is otherwise binding upon County, nor is there any judgment, decree or order of any governmental authority or court binding on County which would be contravened by the execution, delivery or performance of this Ground Lease by County.

16.2.4 Litigation Pending. To County's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any governmental authority now pending, or threatened against or affecting County, which, if adversely determined, would materially impair County's right or ability to execute or perform its obligations under this Ground Lease.

16.2.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Ground Lease, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein or therein contemplated, nor compliance with the terms of this Ground Lease conflict with or result in a material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which County is a party.

16.2.6 No Insolvency. To County's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or are threatened against County, nor are any of such proceedings contemplated by County.

16.2.7 Authority to Execute. The individual(s) signing this Ground Lease on behalf of County are authorized to execute this Ground Lease and bind County to its terms and conditions, and, upon such execution, this Ground Lease shall be legally binding on County.

17. Damage and Destruction.

17.1 No Option to Terminate for Casualty. LACF shall have no option to terminate this Ground Lease because of damage or destruction to the Project.

17.2 No County Obligation to Make Repairs. County shall have no obligation whatsoever to make any repairs or perform any maintenance on the Ground Lease Premises except as may be set forth in the Facilities Lease.

17.3 Repairs Not Performed by LACF. If LACF fails to make any repairs or replacements as required, County may notify LACF of said failure in writing, and should LACF fail to cure said failure and make repairs or replacements within a reasonable time as established by County, County may make such repairs or replacements and the cost thereof, including, but not limited to, the cost of labor, overhead, materials and equipment, shall be charged against LACF.

17.4 Waiver of Civil Code Sections. The Parties' rights shall be governed by this Ground Lease in the event of damage or destruction. The Parties hereby waive the provisions of California Civil Code Sections 1932 and 1933, and any other provisions of law which provide for contrary or additional rights.

18. **Miscellaneous**

18.1 Time of Essence. Time is of the essence in regard to performance of the covenants and agreements stated herein.

18.2 Entire Agreement. This Ground Lease sets forth the entire agreement of the Parties as to the subject matter hereof and supersedes all prior discussions and understandings between them.

18.3 No Joint Venture or Agency. Nothing contained in this Ground Lease nor any of the acts of the Parties hereto shall be construed nor is it the intent of the Parties, to create a joint venture or partnership between County and LACF, nor is either Party the agent or representative of the other, and nothing in this Ground Lease shall be construed to create any such agency relationship or to hold either Party liable to anyone for goods delivered or services performed at the request of the other Party.

18.4 Amendments. No change in, or addition to, or waiver or termination of this Ground Lease, shall be valid unless made in writing and signed by both parties and in compliance with Section 6.2.6. County and LACF agree to negotiate in good faith any amendments to this Ground Lease that may be requested or required in connection with the issuance of the Bonds to finance the Project.

18.5 Governing Law. This Ground Lease shall be construed in accordance with and governed by the laws of the State of California.

18.6 Jurisdiction/Venue. In the event any action is brought to enforce any of the provisions of this Ground Lease, the Parties agree to be subject to exclusive in personam jurisdiction in the Superior Court of California, County of Los Angeles, and agree that in any such action venue shall lie exclusively in the County of Los Angeles, California.

18.7 Headings. The article, section and paragraph headings herein contained are for the purposes of identification and reference convenience only and shall not be considered in construing this Ground Lease.

18.8 No Merger. In no event shall the leasehold interest of LACF hereunder merge with any estate of County in or to the Ground Lease Premises or the leasehold interest of County under the Facilities Lease. In the event that County acquires the leasehold interest of LACF, such leasehold interest shall not merge with County's fee interest in the Ground Lease Premises or the leasehold interest of County under the Facilities Lease, and this Ground Lease and the Facilities Lease shall remain in full force and effect.

18.9 Counterparts; Recording of Memorandum. This Ground Lease may be executed in several counterparts, each of which shall be deemed an original for all purposes. The parties shall record a memorandum of this Ground Lease in the form attached hereto as Exhibit E.

18.10 Intentionally Omitted.

18.11 Meanings of Words Not Specifically Defined/General Rules of Interpretation. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in this Ground Lease, are to be construed according to such technical, peculiar, and appropriate meaning or definition. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. As used in this Ground Lease, the word "includes or "including" means including without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereto" and hereunder refer to this Ground Lease as a whole unless the context otherwise requires, references herein: (a) to articles, paragraphs, sections and exhibits mean the articles, paragraphs, sections and exhibits which are part of this Ground Lease as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Ground Lease, (b) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Ground Lease, and (c) to a statute means such statute as amended, supplemented or replaced from time to time. The exhibits, schedules, addenda, and attachments which are attached to this Ground Lease are made a part of this Ground Lease.

18.12 Parties Represented by Counsel. Both County and LACF have entered this Ground Lease following advice from legal counsel of their own choosing. This document is the result of combined efforts of both Parties and their attorneys. Thus, any rule of law or construction which provides that ambiguity in a term or provision shall be construed against the draftsman shall not apply to this Ground Lease.

18.13 Conflict of Interest; No Personal Liability. No official or employee of County shall have any personal interest, direct or indirect, in this Ground Lease, nor shall any official or employee of County participate in any decision relating to this Ground Lease which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of the County shall be personally liable in the event of a breach of this Ground Lease. LACF shall within not less than ten (10) days after learning of any such conflict of interest or

facts which reasonably indicate that a conflict of interest may exist, notify County thereof; provided, however, the failure of LACF to make any such notification shall not be a breach or default of this Ground Lease.

18.14 Waivers and Relocation. To the fullest extent permitted by Applicable Laws, LACF waives any rights now or hereafter conferred upon it by statute or other law to surrender this Ground Lease or to quit or surrender the Ground Lease Premises or any part thereof, or to receive any suspension, diminution, abatement or reduction of the rent or other sums and charges payable by LACF hereunder on account of any damage to the Ground Lease Premises or the Project, other than as expressly provided in this Ground Lease or as otherwise agreed to in writing by the Parties. To the fullest extent permitted by Applicable Laws, LACF waives the provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, and the provisions of any similar law hereinafter enacted, as each may be amended from time to time. LACF expressly acknowledges that LACF will be in possession of the Ground Lease Premises as a result of County's previously acquired property interest in recognition of such fact and to the fullest extent permitted by Applicable Law, LACF disclaims any status as a "displaced person" as such is defined in Governmental Code Section 7260, and hereby acknowledges its ineligibility for relocation assistance as provided in Government Code Sections 7260 through 7276, inclusive, as interpreted in Title 25, Chapter 6, Section 6034(b)(1) of the California Code of Regulations.

18.15 No Third-Party Beneficiaries. The Leasehold Mortgagee shall be a third party beneficiary of the rights conferred to it under this Ground Lease. Except as expressly set forth in this Ground Lease, no parties other than County, the Leasehold Mortgagee and LACF, and their respective successors and assigns, shall be a beneficiary of the rights conferred in this Ground Lease, and no other party shall be deemed a third-party beneficiary of such rights.

18.16 Exculpation of Certain Persons. No individual board member, trustee, officer, director, shareholder, member, constituent partner, employee, or agent of any party, in his or her individual capacity as such, shall have any personal liability for the performance of any obligation of such party under this Ground Lease solely by reason of such status.

18.17 Performance Postponed. Any performance required under this Ground Lease on a day that is not a business day shall be postponed until the next business day.

18.18 Severability. If (a) any provision of this Ground Lease is held by a court of competent jurisdiction (or by an arbitrator in an arbitration) as to be invalid, void or unenforceable and (b) the invalidity or unenforceability of such a provision does not deny a party the material benefit of this Ground Lease, then the remainder of this Ground Lease which can be given effect without the invalid provision shall continue in full force and effect and shall in no way be impaired or invalidated.

18.19 Interest. In any situation where County has advanced sums on behalf of LACF pursuant to this Ground Lease, such sums shall be due and payable within five (5) days after LACF's receipt of written demand, together with interest at the Applicable Rate (unless another rate is specifically provided herein) from the date such sums were first advanced, until the time payment is received. In the event that LACF repays sums advanced by County on

LACF's behalf with interest in excess of the maximum rate permitted by Applicable Laws, County shall refund such excess payment. "**Applicable Rate**" means an annually compounded rate of interest equal to the Prime Rate, plus three percent (3%) per annum; provided, however, that the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws. "**Prime Rate**" means the prime or reference rate announced from time to time by Bank of America, N.A. or its successor, or if Bank of America, N.A. and its successor cease to exist then the prime or reference rate announced from time to time by the largest state chartered bank in California in term of deposits.

18.20 Recitals. All Recitals set forth herein are hereby incorporated into this Ground Lease. The Parties agree that the Recitals are true and correct and have the same force and effect as all other provisions contained Ground Lease.

18.21 Surrender. On the expiration or early termination of this Ground Lease, LACF shall surrender and deliver up the Ground Lease Premises, including all improvements then located thereon and the appurtenances thereto, into the possession of LACF, in good order, condition and repair, free and clear of all lettings and occupancies, and, without any payment or allowance whatsoever by County, free and clear of all liens and encumbrances other than those existing on the Effective Date of this Ground Lease and those, if any, created by County. LACF shall execute, acknowledge and deliver to County such instruments of further assurance as in the opinion of County are necessary or desirable to confirm or perfect Landlord's right, title and interest in and to the Ground Lease Premises.

19. **Schedule of Exhibits.** THIS GROUND LEASE INCLUDES THE FOLLOWING EXHIBITS ATTACHED HERETO AND INCORPORATED HEREIN BY THIS REFERENCE.

Exhibit A	Ground Lease Premises Legal Description
Exhibit B	Facilities Lease
Exhibit C	Development Agreement
Exhibit D	Permitted Exceptions
Exhibit E	Form of Memorandum of Lease

[Signatures on next page]

COUNTY:
COUNTY OF LOS ANGELES
a body corporate and politic

By: _____
Name: Bradford Bolger
Title: Senior Manager, CEO

ATTEST:

CELIA ZAVALA,
Acting Executive Officer-Clerk
of the Board of Supervisors

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:
MARY C. WICKHAM, County Counsel

By: _____
Name: _____
Title: _____

LACF:
LOS ANGELES COUNTY FACILITIES INC.
a California nonprofit public benefit corporation

By: _____
Name: John Finke
Title: President

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

EXHIBIT A
GROUND LEASE PREMISES LEGAL DESCRIPTION

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

LOTS 12, 13 AND 18 BLOCK 4, SHATTO PLACE, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP FILED IN BOOK 6, PAGE 86, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE NORTHERLY 10 FEET OF LOT 14, SAID BLOCK, AND THAT PORTION OF LOT 19, SAID BLOCK WHICH LIES SOUTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE WESTERLY LINE OF LOT 8, SAID BLOCK, DISTANT NORTH 0° 18' 44" WEST THEREON 11.78 FEET FROM THE SOUTHWESTERLY CORNER OF SAID LAST MENTIONED LOT; THENCE WEST TO THE WESTERLY LINE OF SAID LOT 19.

EXCEPT ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING SAID LAND TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE FOLLOWING PORTIONS OF LOT 19.

(A) BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE WEST 50 FEET TO THE NORTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO WILLSON WILLIAM DOWNS, RECORDED MAY 24, 1949, IN BOOK 30154 PAGE 183, OFFICIAL RECORDS, AND THE TRUE POINT OF BEGINNING; THENCE PARALLEL WITH THE EASTERLY LINE OF SAID LOT 19, SOUTH 0° 18' 44" EAST 99.4 FEET, MORE OR LESS, TO A LINE PARALLEL WITH AND 15.00 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID LOT 19; THENCE ALONG SAID PARALLEL LINE SOUTH 89° 49' 55" WEST 165.00 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, NORTH 100.03 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 164.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTORS, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE

SURFACE OF SAID PROPERTY FOR SUCH PURPOSE, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASE APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID ABOVE DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

(B) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE SOUTH 0° 18' 44" EAST 19.40 FEET TO THE NORTHWEST CORNER OF SAID LOT 11; THENCE ALONG THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID LOT 11, SOUTH 89° 49' 55" WEST 50 FEET; THENCE PARALLEL WITH THE EAST LINE OF SAID LOT, NORTH 0° 18' 44" WEST 19.55 FEET, MORE OR LESS, TO A LINE BEARING WEST FROM THE POINT OF BEGINNING; THENCE ALONG SAID LINE EAST 50 FEET TO THE POINT OF BEGINNING TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEEDS FROM PACIFIC ELECTRIC LAND COMPANY.

(C) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON, NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE ALONG THE EASTERLY LINE OF SAID LOT 19, THE FOLLOWING COURSES AND DISTANCES, NORTH 0° 18' 44" WEST 30.00 FEET; NORTH 20° 36' 15" EAST 117.65 FEET TO THE SOUTHWEST CORNER OF LOT 8 IN SAID BLOCK 4 AND NORTH 0° 18' 44" WEST 11.78 FEET; THENCE WEST 255.62 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, SOUTH 152.50 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 214.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTOR, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR

SUCH PURPOSES, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASING APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID LAST DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

Assessor's Parcel Number: **5077-003-901, 5077-003-903, 5077-003-904 & 5077-003-905**

**EXHIBIT B
FACILITIES LEASE**

[See Appendix C-3 to Official Statement dated July 12, 2018]

**EXHIBIT C
DEVELOPMENT AGREEMENT**

[See Appendix C-4 to Official Statement dated July 12, 2018]

EXHIBIT D
PERMITTED EXCEPTIONS

A. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2018-2019.

B. There were no taxes levied for the fiscal year 2017-2018 as the property was vested in a public entity.

Affects: Assessor's Parcel Number: 5077-003-901, 5077-003-903, 5077-003-904, and 5077-003-905

C. Intentionally deleted

D. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

1. Water rights, claims or title to water, whether or not disclosed by the public records.

2. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Clara R. Shatto
Purpose: pole lines and conduits
Recording No: in Book 2398 Page 7 of Deeds
Affects: the West 5 feet of Lot 13

3. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable laws, as set forth in the document referred to in the numbered item last above shown.

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

4. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Clara R. Shatto
Purpose: pole lines and conduits
Recording No: in Book 2364 Page 253 of Deeds
Affects: the rear 4 feet of Lot 14

5. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable laws, as set forth in the document referred to in the numbered item last above shown.

Modification(s) of said covenants, conditions and restrictions

Recording No: in Book 3705 Page 262 of Deeds

Modification(s) of said covenants, conditions and restrictions

Recording No: in Book 4420 Page 56 of Deeds

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

6. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Clara R. Shatto
Purpose: pole lines and conduits
Recording No: in Book 2376 Page 77 of Deeds
Affects: the Westerly 5 feet of said Lot 12

7. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable laws, as set forth in the document referred to in the numbered item last above shown.

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

8. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording No: In Book 5232 Page 128 of Deeds

9. Such rights as the owners of certain other lots, in said tract, may have to enforce the general plan of covenants, conditions and restrictions, contained in deeds from Clara R. Shatto, recorded in Book 5232 Page 128 of deeds, affecting the Easterly 50 feet of Lot 18 and that portion of Lot 19 herein described and in the deed from Clara R. Shatto, recorded in Book 3015 Page 389, Official Records, affecting Lot 18, except the East 50 feet.

10. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: April 30, 1924
Recording No: in Book 3015 Page 389, of Official Records

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

11. Easement(s) for the purpose(s) shown below and rights incidental thereto as condemned by an instrument,

Entitled: Final Decree

Court: Superior Court
Case No.: 171601
Purpose: street
Recording Date: July 27, 1928
Recording No.: in Book 7109 Page 364, of Official Records
Affects: as described therein.

12. Easement(s) for the purpose(s) shown below and rights incidental thereto as disclosed by a Declaration by the Department of Water and Power of the City of Los Angeles

In Favor of: The City of Los Angeles, successor to Los Angeles, Gas & Electric Corp.
Purposes: pole lines and conduits
Recording No.: in Book 15520 Page 252, of Official Records
Affects: as described therein.

13. Easement(s) for the purpose(s) shown below and rights incidental thereto as disclosed by a Declaration by the Department of Water and Power of the City of Los Angeles

In Favor of: The City of Los Angeles, successor to Los Angeles, Gas & Electric Corp.
Purposes: pole lines and conduits
Recording Date: January 14, 1938
Recording No.: in Book 15526 Page 209, of Official Records
Affects: as described therein.

14. Covenant and agreement wherein the owners agree to hold said Land as one parcel and not to sell any portion thereof separately. Said covenant is expressed to run with the Land and be binding upon future owners.

Recording Date: March 2, 1959
Recording No.: in Book M231 Page 233, Official Records

Reference is hereby made to said document for full particulars.

Affects: A portion of the Land described herein and other land.

15. Covenant and agreement wherein the owners agree to hold said Land as one parcel and not to sell any portion thereof separately. Said covenant is expressed to run with the Land and be binding upon future owners.

Recording Date: February 3, 1960
Recording No.: in Book M440 Page 371, Official Records

Reference is hereby made to said document for full particulars.

Affects: A portion of the Land described herein and other land.

16. An instrument entitled Covenant and Agreement

Executed by: R. S. Le Sage, et al
In favor of: City of Los Angeles
Recorded: January 3, 1964 as Instrument No. 6076 in Book M1422 Page 856, of Official Records

Reference is hereby made to said document for full particulars.

17. An instrument entitled Covenant and Agreement

Executed by: R. S. Le Sage, et al
In favor of: City of Los Angeles
Recorded: January 3, 1964 as Instrument No. 6077 in Book M1422 Page 857, of Official Records

Reference is hereby made to said document for full particulars.

18. An instrument entitled Covenant and Agreement

Executed by: R. S. Le Sage, et al
In favor of: City of Los Angeles
Recorded: January 3, 1964 as Instrument No. 6079 in Book M1422 Page 859, of Official Records

Reference is hereby made to said document for full particulars.

19. Covenant and agreement wherein the owners agree to hold said Land as one parcel and not to sell any portion thereof separately. Said covenant is expressed to run with the Land and be binding upon future owners.

Recording Date: May 11, 1964
Recording No.: 3939 in Book M1518 Page 375, Official Records

Reference is hereby made to said document for full particulars.

Affects: A portion of the Land described herein and other land.

20. An instrument entitled Covenant and Agreement

Executed by: Robert S. Le Sage
In favor of: City of Los Angeles
Recorded: May 11, 1964 as Instrument No. 3940 in Book M1518 Page 376, of Official Records

Reference is hereby made to said document for full particulars.

21. Covenant and agreement wherein the owners agree to hold said Land as one parcel and not to sell any portion thereof separately. Said covenant is expressed to run with the Land and be binding upon future owners.

Recording Date: October 21, 1965
Recording No.: 4585 in Book M2018 Page 149, Official Records

Reference is hereby made to said document for full particulars.

Affects: A portion of the Land described herein and other land.

22. Intentionally deleted

23. The Land described herein is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the Redevelopment Plan) as disclosed by a document.

Redevelopment Agency: Wilshire Center/Koreatown Recovery Redevelopment Project
Recording Date: December 26, 1995
Recording No: 95-2040205 Official Records

24. The Land described herein is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the Redevelopment Plan) as disclosed by a document.

Redevelopment Agency: Wilshire Center/Koreatown Recovery Redevelopment Project Area
Recording Date: November 30, 2007
Recording No: 20072636447 Official Records

25. Intentionally deleted

26. Intentionally deleted

27. Intentionally deleted

28. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.

29. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

30. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other matters which a correct survey would disclose and which are not shown by the public records.

31. Any easements not disclosed by the public records as to matters affecting title to real property, whether or not said easements are visible and apparent.

EXHIBIT E
FORM OF MEMORANDUM OF GROUND LEASE

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

Hillis Clark Martin & Peterson P.S.
Attention: Michelle Gail
999 Third Avenue, Suite 4600
Seattle, WA 98104

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE ONLY.

Assessor's Parcel Nos. 5077-003-901, 5077-003-903, 5077-003-904 and
5077-003-905

This instrument is exempt from recording fees (California Government Code Section 27383) and from Documentary Transfer Tax (California Revenue and Tax Code Section 11929).

MEMORANDUM OF GROUND LEASE

THIS MEMORANDUM OF GROUND LEASE ("**Memorandum**") is dated for reference purposes as of July 1, 2018 and is made by and between **COUNTY OF LOS ANGELES**, a body corporate and politic ("**County**"), acting by and through its COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, and **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation ("**LACF**").

1. Ground Lease. County leased to LACF under that certain Ground Lease Agreement dated for reference purposes as of July 1, 2018 (the "**Ground Lease**") that certain real property located in the City of Los Angeles, County of Los Angeles, California ("**Ground Lease Premises**"), legally described in the attached Exhibit A. The Ground Lease is made a part of this Memorandum as though fully set forth herein. All capitalized terms used but not defined in this Memorandum shall have the meaning given to them in the Ground Lease.

2. Term. The term of the Ground Lease shall commence on July 26, 2018, and, unless such term is extended, shall terminate on the earlier of (a) December 1, 2051 and (b) the date that the Bonds are no longer Outstanding (as defined in the Indenture of Trust, dated as of July 1, 2018, by and between LACF and U.S. Bank National Association, as Trustee) and the Project has been conveyed by LACF to County as set forth in the applicable provisions of the Facilities Lease Agreement dated for reference purposes as of July 1, 2018 (the "**Facilities Lease**") (either, as applicable, the "**Expiration Date**").

Notwithstanding the foregoing, if on the Expiration Date of the Facilities Lease, the total Base Rent (as defined in the Facilities Lease) otherwise payable under the Facilities Lease has not been fully paid as a result of an Abatement of Rent (as defined in the Facilities Lease) and the Bonds remain Outstanding, then, as provided in the Facilities Lease, the term of the Facilities Lease shall be extended until the total Base Rent otherwise payable thereunder shall be fully paid or such earlier time as the Bonds are no longer Outstanding; provided, however, that such extension shall not exceed ten (10) years. In the event of such an extension, the Term of the Ground Lease shall be deemed extended for the same period of time that the term of the Facilities Lease is extended.

3. Purpose of Memorandum. This Memorandum is prepared for purposes of recordation only and to provide constructive notice of the rights of County and LACF under the Ground Lease to all third parties, and does not set forth all of the terms and conditions set forth in the Ground Lease. In the event there is any conflict between the terms and conditions of the Ground Lease and this Memorandum, the Ground Lease shall control.

[Signatures on next page]

This Memorandum of Ground Lease is dated as of the date first above written.

LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation

By: _____
Name: John Finke
Title: President

SIGNER(S) OTHER THAN NAMED ABOVE:

COUNTY OF LOS ANGELES,
a body corporate and politic

By: _____
Name: Bradford Bolger
Title: Senior Manager, CEO

ATTEST:

CELIA ZAVALA,
Acting Executive Officer-Clerk
of the Board of Supervisors

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:
MARY C. WICKHAM, County Counsel

By: _____
Name: _____
Title: _____

**Certificate of Acting Executive Officer-Clerk
Of the Board of Supervisors**

On this ____ day of _____ 2018, pursuant to Section 25103 of the California Government Code, the undersigned Acting Executive Officer-Clerk of the Board of Supervisors certifies that on this date, a copy of this document was delivered to the Chair of the Board of Supervisors of the County of Los Angeles.

Celia Zavala
Acting Executive Officer-Clerk of the
Board of Supervisors

By: _____

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

EXHIBIT A

LEGAL DESCRIPTION

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

LOTS 12, 13 AND 18 BLOCK 4, SHATTO PLACE, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP FILED IN BOOK 6, PAGE 86, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE NORTHERLY 10 FEET OF LOT 14, SAID BLOCK, AND THAT PORTION OF LOT 19, SAID BLOCK WHICH LIES SOUTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE WESTERLY LINE OF LOT 8, SAID BLOCK, DISTANT NORTH 0° 18' 44" WEST THEREON 11.78 FEET FROM THE SOUTHWESTERLY CORNER OF SAID LAST MENTIONED LOT; THENCE WEST TO THE WESTERLY LINE OF SAID LOT 19.

EXCEPT ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING SAID LAND TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE FOLLOWING PORTIONS OF LOT 19.

(A) BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE WEST 50 FEET TO THE NORTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO WILLSON WILLIAM DOWNS, RECORDED MAY 24, 1949, IN BOOK 30154 PAGE 183, OFFICIAL RECORDS, AND THE TRUE POINT OF BEGINNING; THENCE PARALLEL WITH THE EASTERLY LINE OF SAID LOT 19, SOUTH 0° 18' 44" EAST 99.4 FEET, MORE OR LESS, TO A LINE PARALLEL WITH AND 15.00 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID LOT 19; THENCE ALONG SAID PARALLEL LINE SOUTH 89° 49' 55" WEST 165.00 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, NORTH 100.03 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 164.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTORS, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSE, THE PRODUCTION FROM SAID

DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASE APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID ABOVE DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

(B) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE SOUTH 0° 18' 44" EAST 19.40 FEET TO THE NORTHWEST CORNER OF SAID LOT 11; THENCE ALONG THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID LOT 11, SOUTH 89° 49' 55" WEST 50 FEET; THENCE PARALLEL WITH THE EAST LINE OF SAID LOT, NORTH 0° 18' 44" WEST 19.55 FEET, MORE OR LESS, TO A LINE BEARING WEST FROM THE POINT OF BEGINNING; THENCE ALONG SAID LINE EAST 50 FEET TO THE POINT OF BEGINNING TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEEDS FROM PACIFIC ELECTRIC LAND COMPANY.

(C) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON, NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE ALONG THE EASTERLY LINE OF SAID LOT 19, THE FOLLOWING COURSES AND DISTANCES, NORTH 0° 18' 44" WEST 30.00 FEET; NORTH 20° 36' 15" EAST 117.65 FEET TO THE SOUTHWEST CORNER OF LOT 8 IN SAID BLOCK 4 AND NORTH 0° 18' 44" WEST 11.78 FEET; THENCE WEST 255.62 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, SOUTH 152.50 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 214.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTOR, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSES, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR

THE ROYALTIES FROM SUCH COMMUNITY OIL LEASING APPLYING TO THE
HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE
AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES
AND MINERAL RIGHT UNDER SAID LAST DESCRIBED PORTION OF SAID LOT 19,
WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN
REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR
WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3,
1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C-3

FORM OF FACILITIES LEASE

[THIS PAGE INTENTIONALLY LEFT BLANK]

**FACILITIES
LEASE AGREEMENT**

between

**LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation**

and

**COUNTY OF LOS ANGELES,
a body corporate and politic**

Dated as of July 1, 2018

**Vermont Corridor County Administration Building
Los Angeles, California**

TABLE OF CONTENTS

	<u>Page</u>
1. Definitions.....	2
2. Demise of Premises.....	15
2.1 Subleasehold Title Insurance	15
3. Term.....	15
4. Base Rent; Conveyance of Premises.....	15
4.1 Obligation to Pay Base Rent.....	15
4.2 Defeasance	16
4.3 Options to Prepay Rent and Purchase Premises; Conveyance of Title.....	16
4.4 Conveyance of Premises	18
4.5 Covenant to Budget for Rent	18
4.6 Office Project Temporary Rent Period	19
5. Additional Rent; Payment of Operating Costs and Capital Costs.	19
5.1 Absolute Net Lease.....	19
5.2 Operating Costs.....	19
5.3 Exclusions from Operating Costs	21
5.4 Payment of Taxes by Tenant.....	23
5.5 Real and Personal Property Tax Statements	23
5.6 Right to Contest Taxes.....	23
5.7 Payment of Operating Costs	24
5.8 Warranties	25
5.9 Proration.....	25
5.10 Right to Audit	25
5.11 Annual Capital Repair Reserve Payment.....	26
6. Utilities.....	28
7. Use	28
7.1 No Insurance Cancellation.....	29
7.2 Compliance with Applicable Laws.....	29
7.3 No Waste, Nuisance or Damage	29
7.4 Landlord and Tenant Covenants.	29
7.5 Prohibited Uses.....	30
8. Liens.....	31

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
8.1	Covenant Against Liens31
8.2	Covenant to Remove Liens31
8.3	Tenant's Disclaimer32
9.	Construction of Project32
9.1	Development Agreement; Developer Insurance32
9.2	Developer Start Date32
9.3	Schedule for Design and Construction33
9.4	Plans and Specifications33
9.5	Tenant Improvements35
9.6	Dispute Resolution Process.....35
9.7	Project Contingency.....36
9.8	Permits; Costs; Compliance with Legal Requirements36
9.9	Construction Contracts.....36
9.10	Construction of Project37
9.11	Payment of Project Costs and Other Costs Associated with the Project37
9.12	Savings.....38
9.13	Substantial Completion of the Project38
9.14	Final Acceptance.....40
9.15	As-Constructed Plans and Specifications; Manuals; Warranties; Permits and Licenses; and Survey.....42
9.16	Inspection by Tenant.....42
9.17	No Amendment of Documents42
9.18	Tenant's Construction Representative43
10.	Maintenance, Management, Alterations, and Janitorial Services44
10.1	Maintenance and Repair44
10.2	Management of Premises; Accounting46
10.3	Tenant's Remedies.....48
10.4	Alterations by Landlord48
10.5	Compliance with Laws48
10.6	Lien Free49

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
10.7 Alterations by Tenant.....	49
10.8 Communications Equipment.....	49
10.9 Janitorial Services.....	49
10.10 Termination of Contracts.....	49
11. Landlord Financing of Project.....	49
12. Construction Liens.....	50
13. Representations and Warranties.....	50
13.1 Representations and Warranties of Landlord.....	50
13.2 Representations and Warranties of Tenant.....	51
14. Minimum Scope of Insurance Coverage for Landlord.....	52
15. Minimum Scope of Insurance Coverage for Tenant.....	52
15.1 General Liability.....	52
15.2 Self-Insurance by Tenant.....	52
15.3 Workers' Compensation.....	53
16. Property Insurance.....	53
16.1 Coverage for Premises.....	53
16.2 Coverage for Tenant's Personal Property.....	53
17. Waiver of Subrogation.....	53
18. Indemnity and Hold Harmless.....	53
18.1 Indemnification by Landlord.....	53
18.2 Indemnification by Tenant.....	54
18.3 Survival.....	54
19. Destruction.....	54
19.1 Insured Damage.....	54
19.2 Underinsured Damage.....	54
19.3 Extent of Landlord's Obligation to Restore.....	55
19.4 Abatement of Rent.....	55
19.5 Waiver of Certain Rights.....	55
20. Condemnation.....	56
20.1 Total Condemnation.....	56

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
20.2 Partial Condemnation.....	56
21. Assignment of Project; Subletting	57
22. Default by Tenant	57
22.1 Payment.....	57
22.2 Other Failure to Perform.....	57
22.3 Remedies for Tenant Default.....	57
23. Default by Landlord.....	58
24. Trustees Rights.....	58
24.1 Notice of Default.....	58
24.2 Right to Cure.....	58
24.3 Extended Cure Period	58
25. Waiver.....	59
26. Signs.....	59
27. Landlord’s Right to Enter the Premises	59
27.1 Condition.....	59
27.2 Notices	59
28. No Encumbrances by Landlord	59
29. Right to Estoppel Certificates	59
30. Limitation on Landlord’s Liability	60
31. Attorneys’ Fees	60
32. Surrender.....	60
32.1 Conveyance of Premises	60
32.2 Survival.....	60
33. Broker	60
34. Miscellaneous Provisions.....	60
34.1 Entire Agreement.....	60
34.2 No Amendment of Development Agreement	61
34.3 No Joint Venture or Agency	61
34.4 Meanings of Words Not Specifically Defined/General Rules of Interpretation.....	61

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
34.5 Conflict of Interest; No Personal Liability.....	61
34.6 No Third-Party Beneficiaries.....	61
34.7 Exculpation of Certain Persons.....	62
34.8 Performance Postponed	62
34.9 Quiet Enjoyment	62
34.10 Governing Law	62
34.11 Severability/Construction of Lease.....	62
34.12 Jurisdiction/Venue	62
34.13 Waiver.....	62
34.14 Captions	62
34.15 Notices	62
34.16 Binding Effect.....	64
34.17 Trustee.....	64
34.18 Gender and Number.....	64
34.19 Nondiscrimination.....	64
34.20 Recording; Memorandum of Lease	64
34.21 Amendment of Lease	65
34.22 Time Is of the Essence	65
34.23 Prevailing Wage.....	65
34.24 Authority.....	65
34.25 Recitals.....	65
35. Force Majeure	65
36. Failure to Achieve Substantial Completion of Project by Developer Obligation Date.....	66
36.1 Enforcement of Development Agreement	66
36.2 Enforcement of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract	66
37. Occupancy of Garages.....	66
37.1 Occupancy of Existing Garage	66
37.2 Early Occupancy of Tower Garage.....	66

TABLE OF CONTENTS (CONT'D)

		<u>Page</u>
38.	County Policy Requirements	67
	38.1 Rental or Sale	67
EXHIBIT A	Land	
EXHIBIT B	Schedule of Base Rent	
EXHIBIT C	Preliminary Plans	
EXHIBIT D-1	Project Schedule	
EXHIBIT D-2	Project Budget	
EXHIBIT E	Memorandum of Facilities Lease	
EXHIBIT F	Dispute Resolution Procedure	
EXHIBIT G	Form of Notice of Election: Option to Purchase	
EXHIBIT H	Form of Notice of Election: Partially Prepay Base Rent	
EXHIBIT I	Site Plan – Shatto Garage Project	
EXHIBIT J	Permitted Exceptions – Subleasehold Title Policy	
EXHIBIT K	Minimum Insurance Requirements: Landlord	
EXHIBIT L	Property Management Contract Requirements	
EXHIBIT M	Janitorial Services Contract Requirements	
EXHIBIT N	Financed FF&E	
EXHIBIT O	Development Agreement	
EXHIBIT P	Garage License (Shatto Place)	
EXHIBIT Q	Early Occupancy Agreement (Tower Garage)	
EXHIBIT R	County’s Policy Requirements	
EXHIBIT S	Indenture	
EXHIBIT T	Tax Agreement	
EXHIBIT U	Issuer Fee and Governance Agreement	

FACILITIES LEASE AGREEMENT

THIS FACILITIES LEASE AGREEMENT (this “**Lease**”) is dated for reference purposes as of July 1, 2018 and is made by and between **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation, as sublandlord (“**Landlord**”), and the **COUNTY OF LOS ANGELES**, a body corporate and politic, as subtenant (“**Tenant**”). Landlord and Tenant are each occasionally referred to herein as a “**Party**” or collectively as the “**Parties.**”

RECITALS

A. Landlord is the lessee under that certain Ground Lease of even date herewith (the “**Ground Lease**”), with Tenant as lessor, pursuant to which Landlord leases that certain real property in the City of Los Angeles (the “**City**”), County of Los Angeles, California (the “**County**”), the address of which is 510, 526 and 532 South Vermont Avenue and 523 Shatto Place and which is legally described on the attached Exhibit A (collectively, the “**Land**”). The portion of the Land consisting of 523 Shatto Place (the “**Shatto Place Parcel**”) has an existing parking structure constructed upon it (the “**Existing Garage**”). Pursuant to the Existing Garage License, Landlord shall permit Tenant to occupy the Existing Garage until the Existing Garage Vacation Date.

B. Pursuant to California Government Code Sections 25549.1 *et seq.*, Tenant desires to have Landlord design, develop, permit, construct, operate, maintain, and repair improvements and install furniture, fixtures and equipment on the Land consisting of (i) a new office building with (A) approximately 468,000 gross square feet of Class A office with ground floor retail space and public serving uses, and (B) approximately 965 structured parking spaces, and (ii) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “**Project**”). The Project shall be delivered to Tenant in Turnkey Condition as defined in Section 1.

C. Landlord and Tenant desire to enter into this Lease whereby Tenant shall sublease and, pursuant to this Lease, shall occupy the Premises at the rent and subject to all of the terms, covenants and conditions set forth herein.

D. Landlord will engage TC LA Development, Inc., a Delaware corporation (“**TCLA**”) as Developer to develop, oversee and manage the design, permitting and construction phases of the Project in accordance with the terms and conditions of a Development Agreement and for a Fixed Price as provided herein, all of which shall be subject to Tenant’s Concurrence as provided herein.

E. The financing for the Project will be pursuant to Landlord’s issuance of Bonds (defined in Section 1). The Tax-Exempt Bonds are issued by a nonprofit organization on behalf of a government entity to finance a public facility. Upon the date the Bonds are no longer

Outstanding (as defined in the Indenture), Landlord will convey the Premises to Tenant for no additional consideration and this Lease shall terminate and the Ground Lease shall terminate.

AGREEMENT

1. Definitions. As used in this Lease, the following capitalized terms shall have the following meanings:

“**Abatement**” means a reduction in the Rent payable by Tenant hereunder (other than Additional Rent for current Operating Costs) as a result of damage, destruction or partial condemnation of the Premises or a defect in Landlord’s title to the Premises, any of which results in substantial interference with Tenant’s right to use and occupancy of the Premises. The amount by which Rent is abated during any period shall be the amount necessary to cause the resulting Rent payable by Tenant (other than Additional Rent for current Operating Costs) not to exceed the Fair Market Rent for the portions of the Premises with respect to which there is no substantial interference.

“**ADA**” means the Americans With Disabilities Act of 1990, as amended from time to time.

“**Additional Rent**” means the Operating Costs, including Taxes and Utilities, together with Capital Expenditures, each as defined herein, payable by Tenant under the provisions of this Lease.

“**Administrative Fees and Expenses**” has the meaning given such term in the Indenture.

“**Annual Capital Repair Reserve Payment**” means the annual payment to the Capital Repairs Fund described in Section 5.11.

“**Annual Operating Budget**” shall have the meaning set forth in Section 5.7.

“**Applicable Laws**” means all of the following, even if unforeseen or extraordinary, to the extent affecting any of, (a) Landlord, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (b) Tenant, its board members, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (c) Trustee, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (d) all or any portion of the Premises, or (e) the use, occupancy, possession, construction, operation, maintenance, improvement, alteration, repair, or restoration of any portion of the Project: (x) all present and future laws, statutes, requirements, ordinances, orders, judgments, regulations, resolutions, covenants, restrictions, or administrative or judicial determinations of every governmental authority and of every court or agency claiming jurisdiction over Landlord, Tenant, Developer, Trustee, the Project, or the Premises or matters set forth in Clauses (a) through (e), above, whether enacted or in effect as of the Effective Date or thereafter, including, but not limited to, California Labor Code §§ 1720 *et seq.*, environmental laws, zoning laws, building codes and regulations and those laws relating to accessibility to, usability by, and discrimination against, disabled individuals; and (y) all covenants, restrictions, and conditions of record affecting the Premises from time to time.

“Applicable Rate” means an annually compounded rate of interest equal to the Prime Rate, plus two percent (2%) per annum; provided, however, that the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws.

“Approved Work Plan” has the meaning set forth in Section 5.11(a).

“Architect” means M. Arthur Gensler Jr. & Associates, Inc., a California corporation, the architect for the Project, or another qualified architect selected by Landlord, with the Tenant’s Concurrence.

“Asset Management Fee” means that fee payable to Landlord as part of the Additional Rent in an amount equal to one percent (1%) of the Base Rent payable hereunder as of the Rent Commencement Date.

“Base Rent” means the rent payable by Tenant under this Lease from the Rent Commencement Date to and including the Expiration Date in the amounts set forth on the Schedule of Base Rent, attached hereto as Exhibit B; provided, however, if Shatto Garage Project Substantial Completion has not been achieved on or prior to the Office Project Substantial Completion Date, then, for the period commencing on the Office Project Substantial Completion Date and ending on the Substantial Completion Date, Base Rent shall be payable in accordance with Section 4.6.

“Bonds” means the Tax-Exempt Bonds and the Taxable Bonds to be issued by Landlord for design, permitting, construction, and equipping of the Project pursuant to the Indenture. From the proceeds of such Bonds, Landlord intends to pay all costs associated with the development of the Project for the Fixed Price, all costs of issuing the Bonds, and capitalized interest during the construction period.

“Business Day” means a day (i) other than a day on which banks located in the State of California, the City of New York, New York, or the city in which the Corporate Trust Office of the Trustee is located are required or authorized to close and (ii) on which the New York Stock Exchange is not closed.

“Capital Expenditures” means the acquisition of a prior non-existing asset (including Financed FF&E) or the repair or replacement of a pre-existing asset (other than personal property, or removable trade fixtures) which (i) are not characterized as an operating cost or expense under generally accepted accounting principles, (ii) maintains the value of the Project over its usual life and (iii) is permanently affixed to, or otherwise used in conjunction with the real estate.

“Capital Repairs Fund” means the fund of that name established under the Indenture and referenced in Section 5.11.

“City” has the meaning set forth in Recital A.

“**Code**” means the Internal Revenue Code of 1986, as amended, or any successor federal income tax statute or code. Any reference to a provision of the Code shall include the applicable Department of Treasury regulations.

“**Condemnation**” has the meaning set forth in Section 20.1.

“**Construction Contracts**” means (i) the Office Project General Construction Contract (ii) the Shatto Garage Project General Construction Contract, and (iii) all other contracts for construction services entered into between Landlord, or Developer on behalf of and acting as authorized representative for Landlord, and any Contractor, for construction of any portion of the Project not covered by either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract.

“**Construction Documents**” mean the Construction Drawings and Detailed Specifications approved, in writing, by Landlord with Tenant’s Concurrence, for the construction of the Project, including technical drawings, schedules, diagrams, plans, and specifications setting forth in detail the requirements for construction of the Project and providing information customarily required for the use of the building trades.

“**Construction Drawings**” means drawings setting forth in detail the requirements for the construction of the Project. As used herein, “Construction Drawings” include all graphic and pictorial documents depicting the design, location and dimensions of the elements of the Project (including Tenant Improvements) and include plans, elevations, sections, details, schedules and diagrams for the Project, all of which shall be consistent with the Project Requirements. The general design and location of the Project is based upon the general design and concepts presented to Tenant by Landlord in Tenant’s Request for Proposal process.

“**Contract Documents**” means the Construction Documents, the Construction Contracts and the other documents identified as Contract Documents in either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, all of which shall be subject to Tenant’s Concurrence.

“**Contractors**” means the Office Project General Contractor, the Shatto Garage Project General Contractor and any other construction contractors and design-builders with whom Landlord enters into direct contracts upon the written recommendation of Developer, or with whom Developer on behalf of and acting as the Landlord’s authorized representative, enters into contracts, all such contracts shall be subject to Tenant’s Concurrence.

“**County**” has the meaning set forth in Recital A, acting in a capacity other than as Tenant.

“**Detailed Specifications**” means all written detailed requirements for materials, equipment, construction systems, standards, and workmanship for the construction of the Project.

“**Developer**” means TC LA Development, Inc., a Delaware corporation, and its successors and permitted assigns under the Development Agreement.

“**Developer Obligation Date**” means October 15, 2021.

“Developer Start Date” means that date that is thirty (30) days after the Effective Date.

“Development Agreement” means that certain Development Agreement of even date herewith, as amended from time to time, between Developer and Landlord which provides for the development, design, permitting and construction of the Project, and which has received Tenant’s Concurrence (the form of which is attached hereto as Exhibit O).

“Disallowed Amendment” has the meaning set forth in Section 9.17.

“Effective Date” means the date that this Agreement is fully executed, acknowledged and delivered by Landlord and Tenant.

“Emergency Repair Commencement Deadline” has the meaning set forth in Section 10.1(a).

“Emergency Repair Situation” has the meaning set forth in Section 10.1(d).

“Environmental Laws” means all federal, state, and local laws, statutes, rules, regulations, ordinances, and codes relating to the regulation or protection of human health, safety, the environment, and natural resources, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. §§ 9601 *et seq.*), the Hazardous Materials Transportation Act (49 U.S.C. §§ 5101 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 *et seq.*), the Clean Air Act (42 U.S.C. §§ 7401 *et seq.*), the Clean Water Act (33 U.S.C. §§ 1251 *et seq.*), the Solid Waste Disposal Act (42 U.S.C. §§ 6901 *et seq.*), the Toxic Substances Control Act (15 U.S.C. §§ 2601 *et seq.*), the Emergency Planning and Community Right-To-Know Act (42 U.S.C. §§ 11001 *et seq.*), the Occupational Safety and Health Act (29 U.S.C. §§ 651 *et seq.*), and any similar or comparable state or local laws, including, without limitation, the California Hazardous Substance Account Act (California Health & Safety Code §§ 25300 *et seq.*), as such federal, state, and local laws exist as of the Effective Date and as amended in the future.

“Event of Default” has the meaning set forth in Section 22 of this Lease.

“Existing Garage” has the meaning set forth in Recital A.

“Existing Garage License” means a license between Landlord as licensor and Tenant as licensee, in the form attached as Exhibit P, dated of even date herewith, pursuant to which Tenant shall have the right to occupy the Existing Garage from the Effective Date to the Existing Garage Vacation Date.

“Existing Garage Vacation Date” has the meaning set forth in Section 37.

“Expiration Date” has the meaning set forth in Section 3.

“Fair Market Rent” means the fair market rent (other than rent to cover current Operating Costs) payable for office premises in Los Angeles County, California comparable to the Premises hereunder, determined as of the Effective Date. The Fair Market Rent shall be

determined by a qualified MAI appraiser selected by Tenant and reasonably acceptable to Landlord. The Fair Market Rent shall be calculated as of the Effective Date and thereafter shall be re-calculated in the event of damage, destruction or partial condemnation of the Premises as contemplated in Sections 19 and 20;

“Final Acceptance” has the meaning set forth in Section 9.14.

“Final Payment” means payment to the Developer, the Architect, the Office Project General Contractor, the Shatto Garage Project General Contractor, and any other Contractors by Landlord following Final Acceptance.

“Financed FF&E” means furniture, fixtures, equipment and movable property as set forth on Exhibit N attached hereto, the costs of which will (i) be included in Project Costs, but only to the extent of the Financed FF&E Allowance set forth in the approved Project Budget, and (ii) be financed through the Bonds. Any cost of furniture, fixtures, equipment and movable property that is in excess of the Financed FF&E Allowance set forth in the approved Project Budget shall not be part of the Fixed Price. The Financed FF&E will be designed, provided and installed as set forth on Exhibit N.

“Financial Statements” has the meaning set forth in Section 10.2.

“Fiscal Year” means the fiscal year under which the County operates, commencing with July 1 and ending with June 30.

“Fixed Price” means an amount not to exceed two hundred ninety-five million five hundred forty thousand six hundred twenty-nine dollars (\$295,540,629), the total amount to be paid by Landlord for Project Costs. A detailed description of Project Costs by line item and category is set forth in the Project Budget.

“Force Majeure” means any inability of a Party to perform any non-monetary obligation under this Lease due to fire or other casualty, earthquake, flood, tornado or natural disaster, civil disturbance, war, organized labor dispute, freight embargo, governmental order, or other unforeseeable event beyond the reasonable control of the Party required to perform the subject obligation, including, in the case of a delay in the commencement or completion by Landlord of the Project, a delay in such construction caused by a hidden condition, including without limitation environmental contamination, relating to the foundation, substructure or subsurface of the Premises, which was not known to, Landlord as of the commencement of such work, although Landlord shall, to the extent possible, commence and complete the portions, if any, of the work, not impacted by such delay within the timeframes set forth in this Lease. Notwithstanding the foregoing, in order for either Party to claim a delay has been caused by a Force Majeure event, the Force Majeure must be detailed in a written notice given by the Party claiming such delay to the other Party within thirty (30) days after the Party claiming such delay obtained actual knowledge of the Force Majeure event giving rise to the claim of delay, which notice shall, at a minimum, reasonably specify the (a) nature of the Force Majeure event and of the delay it has caused and (b) the date of commencement of the Force Majeure event and the delay it caused and (if not ongoing) the date the Force Majeure event ended.

“Ground Lease” has the meaning set forth in Recital A.

“Hazardous Substance” means the following:

- (a) petroleum, any petroleum by-products, waste oil, crude oil or natural gas;
- (b) any material, waste or substance that is or contains asbestos or polychlorinated biphenyls, or is radioactive;
- (c) any medical waste; and
- (d) any substance, product, waste or other material of any nature whatsoever which is or becomes defined, listed or regulated as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “solid waste,” “radioactive material,” or similarly defined substance pursuant to any Applicable Laws, including the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§ 9601 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*; the California Health & Safety Code and all other analogous State of California and local statutes, ordinances and regulations, including, without limitation, any dealing with underground storage tanks; provided, however, “Hazardous Substances” shall not include any of the foregoing materials or substances described above that are of the types and in quantities customarily used in the ordinary course of construction, occupancy or operation of office buildings and related parking structures similar to the Project, including, without limitation, in the ordinary course of delivering medical care in accordance with generally accepted standard practices, consisting of (a) office, cleaning, building maintenance, and construction materials and supplies used in reasonable quantities and in the ordinary course of the construction, occupancy or operation of the Project, and (b) gasoline or diesel fuel in the tanks of automobiles and other machines located on the Premises (whether during construction or otherwise); but only so long as, in the case of (a) and (b), they are always stored, maintained, used and disposed of in compliance with all Applicable Laws.

“Indemnified Landlord Parties” has the meaning set forth in Section 18.2.

“Indemnified Tenant Parties” has the meaning set forth in Section 18.1.

“Indenture” means the trust indenture dated of even date herewith by and between the Trustee and the Landlord, (the form of which is attached hereto as Exhibit S), as originally executed.

“Inspecting Engineer” has the meaning set forth in Section 5.11(a).

“Inspection Report” has the meaning set forth in Section 5.11(a).

“Land” has the meaning set forth in Recital A.

“Landlord” means Los Angeles County Facilities Inc., a California nonprofit public benefit corporation, and its successors and permitted assigns.

“Lease” means this Facilities Lease Agreement.

“Leasehold Mortgage” means the (a) Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing; (b) Assignment of Leases and Cash Collateral; (c) applicable Uniform Commercial Code financing statements; and (d) other security documents executed by Landlord in connection with or to secure the Bonds.

“Liabilities” has the meaning set forth in Section 18.1.

“Liens” means any lien, charge, security interest or encumbrance, except the Indenture and the Leasehold Mortgage, which may be attached to, upon or against the Premises or any portion thereof.

“Notice Address” means, as to each of the Notice Parties, its respective address as specified in or pursuant to Section 34.15.

“Notice Parties” means each of Landlord, Tenant and Trustee.

“Office Project” means the new office building with (a) approximately 468,000 gross square feet of Class A office, with ground floor retail space and public serving uses, and (b) the Tower Garage, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff. The Office Project design shall be structured around a solid core and shell to ensure a functional and easily maintainable building foundation. The Office Project shall be designed to meet LEED Silver certification standards.

“Office Project General Construction Contract” means the agreement between Landlord and the Office Project General Contractor for construction of the Office Project.

“Office Project General Contractor” means Hathaway Dinwiddie Construction Company, a California corporation, the anticipated general contractor for the Office Project, or another qualified general contractor proposed by Developer and approved by Landlord.

“Office Project Portion” means the portion of Base Rent equal to the product of the Base Rent and the fraction, the numerator of which is the sum of the actual costs of the Office Project as of the Office Project Substantial Completion Date plus the remaining estimated costs of the Office Project as of the Office Project Substantial Completion Date and the denominator of which is the total budget of the entire Project (taking into account costs to date and estimated remaining costs) as of the Office Project Substantial Completion Date.

“Office Project Substantial Completion Date” means the date of Substantial Completion of the Office Project.

“Operating Costs” means any and all costs and expenses directly related to ownership, operation and maintenance of the Premises, as more particularly set forth in Section 5.2, but excluding Project Costs, Capital Expenditures and the other items expressly excluded under Section 5.3.

“Permitted Use” means use of the Premises by Tenant for office, retail, parking and/or any other lawful use consistent with the provisions of Section 7 and the Ground Lease.

“Preliminary Plans” means the initial renditions for the Project pursuant to site plan approvals issued with respect to the Project by the County, a schedule of which Preliminary Plans is attached hereto as Exhibit C. The Preliminary Plans include a design intent summary regarding the quality of construction, and general intent of design.

“Premises” means the Land, the Project and such other improvements as may be located on the Land from time to time.

“Prime Rate” means the prime or reference rate announced from time to time by Bank of America, N.A. or its successor, or if Bank of America, N.A. and its successor cease to exist then the prime or reference rate announced from time to time by the largest state chartered bank in California in term of deposits.

“Procured FF&E” means furniture, fixtures, equipment, and movable property installed in the Project by Developer at Landlord’s direction through a Landlord initiated change order, the costs of which are not a Project Cost, but defined as an Other Owner Cost in the Development Agreement.

“Project” has the meaning set forth in Recital B, inclusive of all design, permitting and construction, all design and other professional services, and all labor, materials and equipment used or incorporated in such design and construction of the (a) Office Project, (b) Tenant Improvements to be constructed within the Office Project, (c) the Financed FF&E and the Procured FF&E, and (d) the Shatto Garage Project. The Project shall be consistent with and reasonably inferable from the approved Project Requirements as being necessary to produce the intended results.

“Project Budget” means the budget for development of the Project attached hereto as Exhibit D-2 and as revised from time to time by Developer and Landlord with Tenant’s Concurrence, and in accordance with the Development Agreement.

“Project Contingency” means the contingency by that name set forth in the Project Budget and further defined in the Development Agreement.

“Project Costs” means all costs for the completion of the development, design, permitting, and construction and equipping of the Project, including, without limitation, all site work, including utility relocation and installation of utilities as required to serve the Project, all roadway improvements (if any), sidewalks and landscaping, all permit fees, all costs of the Office Project, HVAC, electrical and other building systems, including but not limited to conduit rough-in for data, telephone, and security, all costs of Tenant Improvements including HVAC thermostats and operating controls, all costs of Financed FF&E (but only to the extent of the Financed FF&E Allowance set forth in the approved Project Budget), all costs of architectural services provided by the Architect under the Architect’s agreement, all other professional design services and other services provided by Contractors or other professionals engaged by Developer, the Office Project General Contractor or the Shatto Garage Project General Contractor, all amounts paid to the Office Project General Contractor and the Shatto Garage

Project General Contractor under the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract, including all labor, material, and equipment used or incorporated in such design and construction, all amounts paid to other Contractors and subcontractors, if any, under any other Construction Contract or subcontract entered into by Landlord upon the written approval of Developer or by Developer on behalf of and acting as the Landlord's agent in connection with the Project, including all labor, material, equipment used or incorporated in such design and construction, services provided by engineers, environmental consultants, surveyors and other professionals and consultants retained by Developer in connection with the Project, the Developer's Overhead Allowance, Developer's Fee (each as defined in the Development Agreement), insurance (other than Bond insurance and other than builders risk insurance which shall be purchased by Landlord and not by Developer the Office Project General Contractor or the Shatto Garage Project General Contractor), payment and performance bonds, applicable state and local retail sales taxes, and the Project Contingency.

Notwithstanding anything to the contrary herein, Project Costs do not include (a) Tenant's Personal Property and any taxes thereon (which shall be paid by Tenant at its sole cost and expense); (b) Owner Discretionary Costs; (c) Costs Resulting from Owner-Caused Delay; (d) any increase in the cost of the Project resulting from Owner-initiated change orders in accordance with Section 8.3 of the Development Agreement; (e) real property taxes and assessments with respect to the Premises; and (f) Other Owner Costs. Owner Discretionary Costs, Costs Resulting from Owner-Caused Delay, and Other Owner Costs each shall have the meaning assigned to them in the Development Agreement.

"Project Requirements" means the Preliminary Plans, Construction Documents, Requirements of Law, and any other requirements for the Project specifically agreed to by Landlord and Developer with Tenant's Concurrence.

"Project Schedule" means the schedule for development and construction of the Project as revised from time to time by Developer and Landlord, with Tenant's Concurrence, in accordance with the Development Agreement. The initial Project Schedule is set forth in Exhibit D-1.

"Proposed Capital Expenditure Work Plan" has the meaning set forth in Section 5.11(a).

"Punch List" means a list of items required to be completed prior to Final Acceptance that are minor items which do not affect Landlord's ability to lease the Premises to Tenant and do not affect Tenant's ability to use the Premises for their Permitted Use. The Punch List shall be subject to Tenant's Concurrence.

"Relocation Services" means the relocation and installation of Tenant's furniture, fixtures, equipment and movable property from Tenant's current buildings at 550 South Vermont Avenue and 3175 West 6th Street to the Office Project in conformance with plans, change orders and directions agreed by Landlord and Developer with Tenant's Concurrence, the costs of which shall not be part of the Bonds.

"Rent" means the sum of Base Rent and Additional Rent.

“Rent Commencement Date” means the date of Substantial Completion of the Project, except as set forth in Section 4.6.

“Rent Payment Date” means each June 1 and December 1 throughout the Term.

“Required Art” means art to be installed in accordance with the County’s arts policy and the Construction Documents.

“Requirements of Law” means all requirements relating to land and building construction (including those specifically applicable to Tenant’s contemplated use of the Premises, Office Project and the Shatto Garage Project for the Permitted Use), planning, zoning, subdivision, environmental, air quality, flood hazard, fire safety, accessibility, and other governmental approvals, permits, licenses and/or certificates as may be necessary from time to time to comply with all the foregoing and other applicable statutes, rules, orders, regulations, laws, Applicable Laws, ordinances, and covenants, conditions and restrictions, which now apply to and/or affect the design, construction, existence, intended use, operation and/or occupancy of the Premises, the Project or any part thereof.

“Shatto Garage Project” means the new parking structure consisting of a 10-story garage structure containing approximately 768 parking spaces located on the Shatto Place Parcel, which is intended to provide additional parking for the Office Project. A site plan of the Project showing the Shatto Garage Project is attached hereto as Exhibit I.

“Shatto Garage Project General Construction Contract” means the agreement between Landlord and the Shatto Garage Project General Contractor for construction of the Shatto Garage Project.

“Shatto Garage Project General Contractor” means Bomel Construction Company Inc., a California corporation, the anticipated general contractor for the Shatto Garage Project, or another qualified general contractor proposed by Developer and approved by Landlord.

“Shatto Garage Project Substantial Completion Date” means the date of Substantial Completion of the Shatto Garage Project.

“Shatto Place Parcel” has the meaning set forth in Recital A.

“Substantial Completion Date” means the date of Substantial Completion of the Project.

“Substantial Completion of the Office Project” has the meaning set forth in Section 9.13.1.

“Substantial Completion of the Project” has the meaning set forth in Section 9.13.3.

“Substantial Completion of the Shatto Garage Project” has the meaning set forth in Section 9.13.2.

“Substantially Complete” or “Substantially Completed” means:

(a) with respect to the Project in its entirety, that the Project has been constructed in substantial accordance with the Contract Documents and: (i) all elements required for the functioning of the Project are operational and in good working order and condition including satisfying applicable ADA building requirements, as well as regulations adopted thereunder; (ii) the Office Project and, to the extent applicable, the Shatto Garage Project, is weather tight and waterproof; (iii) the fire and life safety systems within the Project are operational and in good working order and condition; (iv) the elevators within the Project operate and function in good working order and condition, but may still require minor touch up installation and cleaning; (v) the mechanical and electrical systems, including but not limited to the HVAC system, have been individually tested and verified that they are in good working order and able to support the Permitted Use of the Project by the Tenant, and have been tested to assure that the Project systems operate on an integrated basis; (vi) the finish work has been substantially completed, including, but not limited to public lobby, elevator, HVAC, plumbing, fire and life safety, sprinkler and electrical systems, doors, partitions, cabinetry, carpet and base, including removal of all construction debris; and (vii) all roadway improvements, site utilities, sidewalks and landscaping have been substantially completed and construction barricades and equipment have been removed; except, in each case, minor Punch List items which do not materially affect use and occupancy of the Project for its Permitted Use;

(b) with respect to the Office Project, that the Office Project has been constructed in substantial accordance with the Contract Documents and that the requirements of clauses (a)(i) through (vii) above have been satisfied to the extent that such requirements apply to the Office Project and the uses for which it is intended; and

(c) with respect to the Shatto Garage Project, that the Shatto Garage Project has been constructed in substantial accordance with the Contract Documents and that the requirements of clauses (a)(i) through (vii) above have been satisfied to the extent that such requirements apply to the Shatto Garage Project and the uses for which it is intended.

“Tax Agreement” has the meaning set forth in Section 7.4(a).

“Tax-Exempt Bonds” means those Bonds that are tax-exempt obligations and that satisfy the requirements of Internal Revenue Service Revenue Ruling 63-20, as amended and updated by Internal Revenue Service Revenue Procedure 82-26, and other regulations, interpretations and letter rulings issued by the Internal Revenue Service with respect to such financings.

“Taxable Bonds” means any Bonds that are not Tax-Exempt Bonds.

“Taxes” means all real and personal property taxes and assessments (including assessments for special assessment district improvements), supplemental assessments, license and permit fees, leasehold excise taxes, other excise taxes, levies, sales, use and occupancy taxes, any tax or charge assessed against the Premises and any taxes levied or assessed in addition to or

in lieu of, in whole or in part, such taxes, assessments or other charges and all other governmental impositions and charges of every kind and nature, general and special, ordinary and extraordinary, foreseen and unforeseen of every character which at any time from and after the Substantial Completion Date may be imposed, levied upon or assessed against or which arise with respect to or constitute a lien upon the Premises, the Project (or any part thereof), the leasehold estate created by this Lease or any part thereof, or any estate, right or interest therein, or any occupancy, use or possession of or activity conducted on the Premises or any part thereof. Taxes shall not include any tax computed on the basis of Landlord's net income or any other form of income tax by any governmental entity.

“**TCLA**” means TC LA Development, Inc., a Delaware corporation.

“**Tenant**” means the County of Los Angeles, and its successors and permitted assigns.

“**Tenant Improvements**” means any improvements to the interior of the Office Project, including but not limited to HVAC thermostats, operating controls and conduit rough-in for data, telephone, and security wiring, all of which are more specifically described in the Construction Documents and subject to Tenant's Concurrence.

“**Tenant's Concurrence**” means, with respect to any Contract Documents or any action to be taken by Landlord with respect to the Project for which Tenant's Concurrence is specified, (a) the written approval of Tenant to such Contract Document or action following written notice to Tenant from Landlord or Developer requesting such concurrence or (b) any deemed concurrence pursuant to this Lease. Tenant's Concurrence (whether written or deemed) is given solely as an expression of Tenant's lack of objection to any Contract Documents or any action for which Tenant's Concurrence is sought and shall under no circumstance be deemed or construed to constitute (x) Tenant's endorsement of such Contract Document or action, (y) a professional opinion by Tenant regarding the effect, safety, legality, or construction worthiness of any improvement or work conducted in accordance with such Contract Document or action, or (z) Tenant's acceptance or assumption of any liability arising from such Contract Document or action. Tenant's written approval of such Contract Document or action shall be made within ten (10) Business Days following written notice to Tenant from Landlord requesting such concurrence. Landlord shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE CONTRACT DOCUMENTS DESCRIBED HEREIN.”

If the foregoing legend is included by the Landlord in its communication, then the submitted Contract Documents shall be deemed to have been approved if the Tenant fails to object with respect thereto within ten (10) Business Days of receipt of such notice. Tenant's Concurrence shall not be unreasonably withheld, conditioned or delayed.

“Tenant’s Construction Representative” means Amir M. Alam, P.E., or such other individual named in a notice from Tenant to Landlord given from time to time.

“Tenant’s Personal Property” means Tenant’s furniture, equipment and movable property placed in the Premises. Tenant shall provide and install Tenant’s Personal Property at Tenant’s sole cost and expense. Tenant’s Personal Property does not include Financed FF&E.

“Term” has the meaning set forth in Section 3.

“Tower Garage” means that certain parking structure having approximately 965 parking spaces located in the podium of the Office Project.

“Tower Garage Completion” means that the Tower Garage has been constructed in substantial accordance with the Contract Documents and: (a) all elements required for the functioning of the Tower Garage are operational and in good working order and condition including satisfying applicable ADA building requirements, as well as regulations adopted thereunder; (b) the fire and life safety systems within the Tower Garage are operational and in good working order and condition; (c) the Tower Garage elevators operate and function in good working order and condition, but may still require minor touch up installation and cleaning; (d) the mechanical and electrical systems, including but not limited to the HVAC system, have been individually tested and verified that they are in good working order and able to support the use of the Tower Garage by Tenant, and have been tested to assure that the Tower Garage systems operate on an integrated basis; (e) the finish work has been substantially completed, including, but not limited to elevator, HVAC, plumbing, fire and life safety, sprinkler and electrical systems, doors, including removal of all construction debris; (f) Tenant has been provided ingress and egress access to and from the Tower Garage, (g) a temporary certificate of occupancy has been issued by County allowing for Tenant’s intended use of the Tower Garage, and (h) Tenant has accepted the Tower Garage as being available for its occupancy pursuant to the terms set forth above, except, in the case of (a) through (f) above, minor Punch List items which do not materially affect use and occupancy of the Tower Garage for its intended use by Tenant.

“Tower Garage Occupancy Agreement” means that certain occupancy agreement of even date herewith between Landlord as licensor and Tenant as licensee, in the form attached as Exhibit Q, pursuant to which Tenant shall (a) have the right to occupy the Tower Garage from the date of the Tower Garage Completion to the Office Project Substantial Completion Date, and (b) pay to Landlord the reasonable and actual expenses arising solely and directly from Tenant’s occupancy of the Tower Garage.

“Trustee” has the meaning given such term under the Indenture.

“Turnkey Condition” when used to describe the Office Project, means that Substantial Completion of the Office Project has been achieved and all Financed FF&E and Procured FF&E has been installed in accordance with the Construction Documents, and the Office Project is fully occupiable and usable for its intended purposes by Tenant and any agreed Relocation Services have been completed.

“**Utilities**” means all utilities and services furnished to the Premises, after the Substantial Completion Date including without limitation, gas, electricity, water and sewer.

Any capitalized term used but not defined shall have the meaning given to it in the Development Agreement or Indenture, as applicable.

2. Demise of Premises. In consideration of the rents, covenants and agreements contained in this Lease, Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord upon and subject to the conditions set forth in this Lease; provided that Tenant shall not be able to occupy the Premises prior to the Substantial Completion Date, except (a) pursuant to the Existing Garage License, and the Tower Garage Occupancy Agreement, and (b) the Office Project, on the Office Project Substantial Completion Date.

2.1 Subleasehold Title Insurance. The subleasehold interest in the Premises granted to Tenant by Landlord shall be subject only to those permitted exceptions set forth in the attached Exhibit J. The subleasehold interest shall be insured by a CLTA title policy issued by Commonwealth Title Company (Doug Abernathy, title officer), and the cost of the policy of the title insurance policy shall be a cost of the Project.

3. Term. The term (the “**Term**”) of this Lease shall commence on the Effective Date and shall expire on the earlier of (a) December 1, 2051, (b) the date that the Bonds are no longer Outstanding (as defined in the Indenture) and the Premises have been conveyed by Landlord to Tenant as set forth in the applicable provisions of this Lease, or (c) the date on which this Lease terminates in accordance with its terms (any, as applicable, the “**Expiration Date**”).

Notwithstanding the foregoing, if on the Expiration Date of this Lease, the total Base Rent otherwise payable hereunder has not been fully paid as a result of an Abatement of Rent and the Bonds remain Outstanding, then, the Term of this Lease shall be extended until the total Base Rent otherwise payable hereunder shall be fully paid or such earlier time as the Bonds are no longer Outstanding; provided, however, that such extension shall not exceed ten (10) years. In the event of such an extension, the Term of this Lease shall be deemed extended for the same period of time that the term of the Ground Lease is extended.

Notwithstanding that prior to the Substantial Completion Date, Tenant’s right to occupy the Premises shall only be (a) pursuant to the Existing Garage License, and the Tower Garage Occupancy Agreement, and (b) the Office Project, commencing on the Office Project Substantial Completion Date, all of the other terms and provisions of this Lease shall be effective from and after the Effective Date (except as otherwise provided herein, such as provisions related to Tenant’s obligation to pay Rent and to procure insurance).

4. Base Rent; Conveyance of Premises.

4.1 Obligation to Pay Base Rent. Except as set forth in Section 4.6, Tenant shall pay Base Rent to the Trustee at the Trustee’s address set forth in Section 34.15 without deduction, offset, prior notice or demand on each Rent Payment Date throughout the Term, commencing on the Rent Payment Date immediately following the Rent Commencement Date. Tenant shall deposit with the Trustee each payment of Base Rent at least one (1) Business

Day prior to the Rent Payment Date. The first Base Rent payment that occurs after the Rent Commencement Date shall equal the prorated amount attributable to the period occurring between the Rent Commencement Date and the first Rent Payment Date (after deducting any payments made by Tenant pursuant to Section 4.6 that are on deposit with the Trustee for such period). In any Fiscal Year, the aggregate amount of Base Rent plus the Annual Capital Repair Reserve Payment shall not exceed the Fair Market Rent for the Premises and in any partial Fiscal Year (falling in the Fiscal Year in which Rent Commencement Date or the termination of this Lease occurs), the aggregate amount of Base Rent plus the Annual Capital Repair Reserve Payment shall not exceed the Fair Market Rent for the Premises for such partial Fiscal Year.

4.2 Defeasance. In the event that, pursuant to Section 4.3, Tenant deposits with the Trustee money and/or Government Obligations (as defined in the Indenture), maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to pay or prepay all Base Rent then due under this Lease in accordance with the terms of this Lease and sufficient to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance, Landlord shall convey unencumbered title to the Premises to Tenant (subject to Section 4.4), this Lease shall automatically terminate, no further payments need be made of any Base Rent under this Lease and Landlord shall not be entitled to any lien, benefit or security in the Premises, except the right to receive the funds so set aside and pledged, and neither Landlord nor Tenant shall have any further obligation to the other hereunder. Landlord shall apply such prepaid Base Rent to the defeasance or redemption of Bonds in accordance with the Indenture. In the event the Premises are conveyed to Tenant pursuant to this Section 4.2, the Ground Lease shall automatically terminate.

4.3 Options to Prepay Rent and Purchase Premises; Conveyance of Title.

(a) **Option to Purchase.** Tenant shall have the option to purchase the Premises and thereby terminate this Lease and the Ground Lease by depositing with the Trustee amounts sufficient to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance.

(b) **Exercise of Option.** Tenant shall give Landlord not less than forty-five (45) days' prior written notice of its irrevocable election to exercise its option to purchase under Section 4.3(a) in the form set forth on the attached Exhibit G. Within fifteen (15) days thereafter and in accordance with Section 4.3(e), Landlord shall provide Tenant with an accounting of the amounts necessary to complete the purchase on the date set forth in such notice. The purchase price shall be paid in cash or same-day available funds by 12:00 noon Pacific Time on the payment date specified in such notice (or such other earlier date as Tenant and Landlord may mutually agree. Notwithstanding the foregoing, Tenant's election hereunder may be conditioned on the availability of sufficient funds on the purchase date, so long as any required notices of termination of management contracts that must be given by Landlord in anticipation of the purchase are also so conditioned.

(c) **Option to Partially Prepay Lease and Cause Bonds to be Redeemed or Defeased.** Tenant shall have the option to partially prepay the principal component of Base Rent, in increments of five thousand dollars (\$5,000), for periods to be

determined by Tenant (as represented by the principal components of Base Rent due each year as set forth on Exhibit B) by causing Bonds to be redeemed in accordance with Section 3.01 of the Indenture or by causing Bonds to be defeased in accordance with Article X of the Indenture. Notice of Tenant's intent to prepay by causing Bonds to be redeemed or defeased, as applicable, shall be given to Landlord in writing not less than forty-five (45) days in advance of the intended prepayment date. The notice of partial prepayment shall be substantially in the form set forth on Exhibit H. By 10:00 a.m. Pacific Time on the date set for such prepayment, Tenant shall pay to Trustee in cash or same-day available funds, an amount equal to the principal component of Base Rent to be prepaid, together with interest thereon sufficient to optionally redeem or defease such Bonds in accordance with the Indenture. Upon such prepayment, Exhibit B shall be amended to reflect the reduction in Base Rent resulting from such prepayment; provided, however that in all cases Exhibit B shall result in Base Rent being due and payable in the amounts and at the times sufficient to pay the principal of and interest on all Bonds Outstanding after giving effect to the redemption or defeasance. Tenant shall be responsible for paying all costs associated with partial payment.

(d) **No Requirement to Purchase.** Nothing herein shall be construed to require Tenant to exercise the purchase option herein granted.

(e) **Accounting; Disputed Amounts.** Within fifteen (15) days of its receipt of the notice under Section 4.3(b), in addition to providing Tenant with information regarding the amounts required to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance, Landlord shall provide Tenant with an accounting of all Additional Rent then due and expected to be due on the purchase date set forth in the notice. Such accounting shall also include the amounts of money currently in any Capital Repairs Fund or other reserve account, and specifically itemize amounts in those accounts allocated to work already performed, and contracted to be performed. If Tenant does not dispute such accounting, Tenant shall pay all such Additional Rent and other amounts due and owing on the purchase date, and if Tenant does not pay such amounts, Landlord may use funds remaining in any operating account (including the reserve fund established pursuant to Section 5.2(t)) to pay such amounts. If Tenant disputes the amounts set forth in the accounting provided by Landlord and an agreement cannot be reached within twenty (20) days of receipt of the accounting, then Tenant shall pay all undisputed amounts on the purchase date, and any amounts remaining in dispute are not waived by Landlord, and, notwithstanding the conveyance of the Premises, Landlord may seek those amounts per the Dispute Resolution Procedure in Exhibit F. Tenant's obligation to pay Additional Rent hereunder shall survive the payment in full or defeasance of the Bonds and the termination of this Lease. It is contemplated that amounts remaining in controversy, if any, will relate to Additional Rent, including but not limited to operating costs, capital costs, prorations of expenses, Landlord management fees, capital expenditures, reserve accounts, ongoing or estimated expenses. Amounts paid by Tenant to redeem or defease the Bonds pursuant to the terms of the Indenture and cause conveyance of the Premises shall be used only for that purpose and shall not be first applied to Additional Rent. Payment may, to the extent permitted by the Indenture, be partially made by demand to use amounts remaining in any operating, capital, or replacement reserve accounts not already allocated to work actually performed or

equipment purchased and upon conveyance of the Premises to Tenant any amounts remaining in such operating capital, or replacement reserve accounts shall be paid to Tenant within ten (10) Business Days.

(f) Limitation. Notwithstanding any other provision hereof, no prepayment shall be permitted that would result in any Taxable Bonds (and the Base Rent payments allocable thereto) remaining Outstanding beyond the last remaining Base Rent payment applicable to the Tax-Exempt Bonds.

4.4 Conveyance of Premises. Landlord shall convey to Tenant unencumbered title to the Premises without recourse or warranty (except by assignment of all warranties provided by Contractors and their equipment suppliers) and in its then-current condition together with any reserve funds or accounts held by Landlord (subject to offset as described in Section 4.3(e)), upon the termination of this Lease, as a result of the full payment, redemption or defeasance of all outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance. The deed by which Landlord conveys the Premises to Tenant may list as exceptions all covenants, conditions, restrictions and other matters then recorded against the Premises so long as such exceptions: (w) were in effect on the Effective Date, (x) were approved by Tenant prior to the Substantial Completion Date; (y) consist of non-delinquent real estate taxes and assessments or (z) arise by reason of Tenant's activities. Tenant shall pay the cost for any owner's policy of title insurance it elects to obtain in connection with such conveyance together with any transfer tax. Landlord shall not be required to make any representations regarding the conditions of the Premises, and Tenant agrees to accept the Premises in an "as is" condition. Upon termination of this Lease, the Ground Lease shall automatically terminate, and, upon request by either Party, the parties shall execute and record a termination of Ground Lease and this Lease in the real property records of the County. In addition, prior to the conveyance, as built plans, maintenance records, management records, and records of contracts and payments with vendors for the entire Lease Term shall be made available to Tenant, or transferred into the Tenant's possession.

4.5 Covenant to Budget for Rent. Tenant's obligation to pay Rent is a general fund obligation of Tenant, and Tenant hereby covenants to take such action as may be necessary to include the payment of all Rent due hereunder in its annual budget and to make the necessary annual appropriations for the payment of Rent, subject to the provisions of this Lease. Such covenants are deemed to be duties imposed by law, and it is the duty of each and every public official of Tenant to take such action and do such things as are required by law in the performance of the official duty of such official to enable Tenant to carry out and perform such covenants.

Subject to Abatement as provided herein, the obligation of Tenant to pay Rent and to perform its obligations hereunder will be absolute and unconditional, and payment of Rent will not be subject to setoff, counterclaim or recoupment.

Notwithstanding the foregoing, the obligation of Tenant to pay Base Rent and Additional Rent does not constitute an obligation of Tenant for which Tenant is obligated to levy or pledge any form of taxation or for which Tenant has levied or pledged any form of taxation. Neither the Bonds nor the obligation of Tenant to pay Base Rent or Additional Rent

constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

4.6 Office Project Temporary Rent Period. For the period commencing on the Office Project Substantial Completion Date and ending on the Rent Commencement Date, Tenant shall pay to the Trustee at the Trustee's address set forth in Section 34.15 without deduction, offset, prior notice or demand on each Rent Payment Date until the Rent Commencement Date, the amount that is equal to the sum of (a) the Office Project Portion, and (b) any Operating Costs arising solely and directly from Tenant's occupancy of the Office Project. Tenant shall deposit each payment of the Office Project Portion with the Trustee at least one (1) Business Day prior to the Rent Payment Date. The first payment of Base Rent pursuant to this Section 4.6 shall equal the prorated portion for the period between the Office Project Substantial Completion Date and the next following Rent Payment Date.

5. Additional Rent; Payment of Operating Costs and Capital Costs. Absolute Net Lease. Tenant acknowledges that, with the conditions set forth herein, this Lease is an absolute net lease. From and after the Substantial Completion Date, Tenant shall pay (i) all Operating Costs in accordance with Section 5.7 and (ii) Capital Repair Reserve Payments made in accordance with Section 5.11. Prior to the Substantial Completion Date, all Operating Costs relating to the Premises shall be paid by Landlord or as otherwise provided by the Development Agreement.

5.2 Operating Costs. Tenant shall pay as Additional Rent amounts sufficient to pay or reimburse Landlord for all Operating Costs incurred by Landlord pursuant to an Annual Operating Budget approved by Tenant pursuant to Section 5.7. In consideration of Tenant's payment of the Operating Costs, Landlord shall be responsible for all operations and all property management for the Premises. Landlord shall at all times use its best efforts to operate the Premises in an economically reasonable manner and minimize Operating Costs in accordance with reasonable commercial standards prevailing in the market place for comparable premises. Operating Costs means any and all costs and expenses directly related to operation and maintenance of the Premises in connection with the following, in each case excluding costs described in Section 5.3:

(a) the repair, replacement (other than capital repairs and replacement), operation, and maintenance of the Premises, including, without limitation, interior and exterior maintenance, all exterior doors and windows, elevators, sidewalks, driveways, dock or pier, interior perimeter and interior partition walls and finishes (including periodic painting thereof), exterior wall finishes, broken glass in exterior and interior doors and windows, roof, floor covering, window frames, gutters and downspouts, HVAC system, electrical system, plumbing system, pest control, landscaping, and all other areas used in connection with the Premises;

(b) the Asset Management Fee payable to Landlord pursuant to Section 10.2(d);

(c) the commercially reasonable property management fees paid to the entity managing the Premises under any property management contract entered into pursuant to, and terminable in accordance with, Section 10.2(b);

(d) the auditing fees incurred by Landlord in connection with the preparation of the financial statements required under Section 10.2(c);

(e) all reasonable costs of services provided by third parties (i.e., service providers other than Landlord) and benefiting the Premises, including parking management services; provided, however, that (i) Landlord shall be required to obtain services at rates generally competitive in the marketplace, (ii) such third-party providers shall not be related entities to Landlord and (iii) any gift, bonus, rebate, offset against fees or charges at another site or other remuneration paid by any such third-party provider to Landlord, Developer, any property manager, or any other party engaging in or related to the management of the Premises shall be disclosed to Tenant and credited to Tenant as an offset against Operating Costs. Such services shall include janitorial, security, gardening, together with related costs and expenses, licenses, permits, and inspection fees, the cost of supplies, materials, equipment, and tools used in connection therewith;

(f) Utilities until such time as the account for any such Utility is established in the name of Tenant with Tenant's Concurrence pursuant to Section 6, and reasonable security/fire alarm monitoring fees and related costs;

(g) Taxes;

(h) any damage to the Premises (but not to Tenant's Personal Property) caused by breaking and entering or other criminal act or any other event not covered by insurance, to the extent that such act or event is not caused or exacerbated by the acts or omissions of Landlord, its agents, employees, or contractors;

(i) all costs of compliance with governmental laws or the board of fire underwriters (or similar organization) now or hereafter constituted as applicable to the Premises;

(j) all insurance premiums for insurance required to be carried under this Lease (including loss of rent insurance);

(k) amounts necessary to fund or restore any operating or maintenance reserve provided for in the Annual Operating Budget or as may otherwise be agreed by Landlord and Tenant;

(l) the amount of any deductible payable under any insurance policy described herein as a result of repairs or replacements attributable to fire or other casualty to the extent that such fire or casualty is not caused or exacerbated by the acts or omissions of Landlord, its agents, employees, or contractors;

(m) following Final Acceptance, all attorneys' fees and other costs incurred by Landlord in efforts to enforce the provisions of the Development Agreement the

Office Project General Construction Contract or the Shatto Garage Project General Construction Contract as approved by Tenant, to enforce product or workmanship warranties given by Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor, or other Contractors or suppliers of equipment or materials (unless Tenant desires that Landlord instead assign such warranties to Tenant in accordance with Section 5.8), but only to the extent that such costs have not been paid from the Project Contingency or reimbursed by or recovered from Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor, or any other Contractor or any other party who may be obligated to Landlord;

(n) Administrative Fees and Expenses, any Rebatable Arbitrage (as defined in the Indenture) payable with respect to the Bonds, and costs payable in connection with any prepayment of Base Rent and any defeasance or redemption of the Bonds;

(o) all other costs reasonably incurred by Landlord in connection with the maintenance, and upkeep of the Premises in order to: (i) prevent any dangerous or unsafe condition on the Premises that could result in liability to Landlord or its officers, employees, directors, or other agents or (ii) comply fully with and to avoid or to cure any default under the Indenture, Leasehold Mortgage and other documents relating to the Bonds and all Requirements of Law;

(p) all costs of compliance with federal, state or local laws, regulations or permits pertaining to storm water pollution, prevention plans and all National Pollution Discharge Elimination System laws or regulations adopted or to be adopted by the United States Environmental Protection Agency;

(q) the costs for a day porter for the Premises on such schedule as is mutually agreed by Landlord and Tenant;

(r) the costs for building engineers (including an Inspection Engineer under Section 5.11(a)) for the Premises on such schedule as is mutually agreed by Landlord and Tenant;

(s) the costs for security for the Premises on such schedule as is mutually agreed by Landlord and Tenant; and

(t) a reserve fund for unexpected expenses commencing at two hundred thousand dollars (\$200,000) per year and thereafter as it may be increased at the suggestion of Landlord and direction of Tenant.

5.3 Exclusions from Operating Costs. Operating Costs shall exclude:

(a) Project Costs;

(b) Utilities established in the name of Tenant with Tenant's Concurrence as provided in Section 5.2(f);

(c) political or charitable contributions made by Landlord;

(d) fines, penalties and interest penalties incurred as a result of Landlord's failure to make payments when due or take such other actions as may be required, unless arising directly from Tenant's failure to pay Rent to Landlord when due;

(e) legal fees, accountant's fees and other expenses incurred in connection with (i) disputes with Tenant or associated with the interpretation of the terms of this Lease or (ii) legal proceedings arising out of Landlord's violation of the terms of this Lease, the Ground Lease, any contract with any third party, or any Requirements of Law;

(f) costs of any service provided to Tenant for which Landlord is reimbursed, or any other expense for which Landlord is or will be reimbursed by another source (i.e., expenses covered by insurance or warranties or the proceeds of any condemnation) or expenses which would be reimbursed if the Landlord maintained the insurance coverage required by Section 16;

(g) fees to Landlord for goods or services in excess of the fees that would typically be charged by unrelated, independent persons or entities for similar goods and services;

(h) repairs or replacements made to rectify or correct any latent defect(s) in the original design, materials or workmanship of the Project, as originally constructed, to the extent of and in the amount that the cost of such repairs or replacements are paid to Landlord (i) from the Project Contingency or (ii) by reimbursement or other recovery from Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor or any other Contractor, or any other party who may be obligated to Landlord to pay or reimburse for such repairs, including, but not limited to, warranty claims;

(i) repairs or replacements necessitated by the negligence or willful misconduct of Landlord, Landlord's employees, contractors or agents;

(j) repairs or replacements attributable to fire or other casualty to the extent covered by the proceeds of insurance required by Section 16;

(k) notwithstanding Section 5.2(f), any Utilities directly related to the completion of the Project following Substantial Completion of the Project in an amount determined by Landlord in the exercise of its reasonable discretion if not otherwise metered, all of which shall be payable as part of the Project Costs;

(l) any cost of repair, replacement, operation and/or maintenance of the Premises incurred as a direct result of the ongoing construction of the Project following Substantial Completion of the Project, all of which shall be payable as part of the Project Costs;

(m) Capital Expenditures;

(n) depreciation or amortization;

(o) debt service on loans with respect to the Premises not approved by Tenant;

(p) damages recoverable by Tenant due to violation by Landlord of any of the terms and conditions of this Lease;

(q) Except for the Asset Management Fee, Landlord's general corporate overhead and general administrative expenses not related to the operation of the Premises and all compensation to executives, officers or partners of Landlord or to any other person above the level of building manager (excluding the building manager of the Premises, if any); and

(r) Costs associated with the operation of the business of the Landlord as the same are distinguished from the costs of operation of the Premises, including accounting and legal matters, costs of defending any lawsuits with any lender or any employee or vendor of Landlord.

5.4 Payment of Taxes by Tenant. Tenant shall be liable for Taxes that accrue from and after the Rent Commencement Date. Tenant shall pay all Taxes directly to the applicable governmental agency prior to delinquency and shall provide proof of such payment promptly to Landlord. To the extent Taxes or other charges can be paid in installments, Tenant may pay such Taxes in installments. With respect to any general or special assessments which may be levied against or upon the Premises, or which under the Applicable Laws then in force may be evidenced by improvement or other bonds or may be paid in annual installments, only the amount of such annual installment, and interest due thereon, shall be included within the computation of Taxes. Landlord and Tenant shall cooperate to minimize the amount of applicable Taxes where reasonably possible and to the extent consistent with all Applicable Laws.

5.5 Real and Personal Property Tax Statements. Landlord shall make appropriate arrangements to receive directly from the applicable governmental agency assessment notices and real and personal property tax statements for the current year and shall provide a copy thereof promptly to Tenant. Tenant and Landlord shall work together in good faith to obtain a property tax exemption for the Premises and Project. Without limiting the generality of the foregoing, Landlord shall apply for and use commercially reasonable efforts to obtain and maintain, effective from and after the Effective Date and continuing throughout the Term, the Welfare Exemption from property taxes, as set forth in Section 214 of the California Revenue and Taxation Code, or any successor statute, for the Premises. Tenant shall reasonably cooperate with Landlord's efforts described in the immediately-preceding sentence.

5.6 Right to Contest Taxes. If Landlord receives prior notice that an appraisal of the Premises, or any portion thereof, will be conducted for real property tax purposes, Landlord shall so notify Tenant and permit Tenant to be present during such appraisal if Tenant so elects. Tenant shall have the right in Landlord's name and stead, and at Tenant's sole expense, to contest the validity or amount of any real property taxes provided all such taxes are paid when and as due. Landlord shall cooperate with Tenant and provide reasonable assistance with respect to any such contest, including, without limitation, such information and

supporting documents as may be reasonably requested by Tenant. Notwithstanding any provision of this Lease to the contrary, Tenant shall not be required, nor shall Landlord have the right, to pay, discharge or remove any such real property tax so long as no Event of Default has occurred and Tenant is contesting the existence, amount, applicability or validity thereof by appropriate proceedings conducted in good faith with due diligence. In the event Landlord shall obtain a tax refund as a result of any such tax appeal or other proceedings Tenant shall be entitled to, and Landlord shall promptly pay to Tenant, all such tax refunds.

5.7 Payment of Operating Costs. From and after the Substantial Completion Date, Tenant shall pay the Operating Costs to Landlord in the following manner:

(a) **Annual Operating Budget.** Landlord shall develop an annual operating budget (“**Annual Operating Budget**”) for the Premises and shall submit a copy of such Annual Operating Budget to Tenant no later than nine (9) months prior to the anticipated Substantial Completion Date and the commencement of each Fiscal Year thereafter for review and written approval by Tenant for the purpose of determining the amount of estimated Operating Costs expected to be incurred in connection with the Premises for the upcoming Fiscal Year. If Tenant does not approve the proposed Annual Operating Budget and Tenant and Landlord are unable to agree upon an Annual Operating Budget by the thirtieth (30th) day prior to the commencement of the following Fiscal Year, Landlord and Tenant will resolve the dispute pursuant to Exhibit F. Until such time as such dispute is resolved, Tenant shall continue to pay Operating Costs in accordance with the previously approved Annual Operating Budget.

(b) **Payment as Additional Rent.** On the Rent Commencement Date and thereafter in advance of each Rent Payment Date, Tenant shall pay as Additional Rent, an amount equal to one-half (1/2) of the Operating Costs for each Fiscal Year as reasonably estimated by Landlord and set forth in the Annual Operating Budget. By way of example, Additional Rent that is due and payable on June 1, 2022 (and that is attributable to the period from June 1, 2022 through November 30, 2022) shall be paid no later than May 31, 2022. The first Additional Rent payment shall equal the sum of (i) the prorated amount attributable to the period between the Substantial Completion Date and the next following Rent Payment Date, and (ii) any insurance premiums that are required to be prepaid in full at the commencement of coverage on the Rent Commencement Date. The last Additional Rent payment shall equal the prorated amount attributable to the period between the last Rent Payment Date and the Expiration Date. Tenant shall pay directly to the Trustee any portion of Additional Rent that is required to be held and applied by the Trustee under the Indenture, and to the Landlord any other portion.

(c) **Tenant Review.** Operating Costs shall be subject to Tenant’s review, and Tenant shall have the right to object to (i) any cost or expense which exceeds the prevailing price for such goods or services in the market; (ii) any cost or expense which has been improperly included under Section 5.2; or (iii) the failure of the Landlord to include costs or expenses for goods or services which Landlord is obligated to provide under this Lease.

(d) **Reconciliation.** Within ninety (90) days after the end of each Fiscal Year occurring during the Term (or, if applicable, the Expiration Date), Landlord shall furnish to Tenant a reconciliation statement of the actual Operating Costs for the preceding Fiscal Year and Tenant's actual payment of Operating Costs based upon the Parties' approved Annual Operating Budget. The reconciliation statement shall be prepared, signed and certified to be correct by Landlord. If the actual Operating Costs for that Fiscal Year exceed the monthly payments of estimated Operating Costs made by Tenant, Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of the reconciliation statement. If Tenant's payments of estimated Operating Costs made during that Fiscal Year exceed the actual Operating Costs, the excess shall be credited by Landlord to the Additional Rent next due and payable; provided, however, that such excess sum which is more than three (3) months of then estimated Operating Costs shall be paid to Tenant in cash via Landlord's check within thirty (30) days after the date of the reconciliation statement.

5.8 Warranties. During the Term, Landlord shall exert its good faith and diligent efforts to enforce any and all applicable warranties, express or implied, in connection with defects which may arise in the original design, materials or workmanship of the Premises as originally constructed. Landlord shall assess maintenance, repairs, and replacements for potential warranty coverage and comply with warranty requirements, including but not limited to notices to the warrantor and requests for warranty service. Prior to Final Acceptance, costs incurred by Landlord in enforcing any such warranties shall be deemed a Project Cost and not payable by Tenant. Thereafter, costs incurred by Landlord to enforce any warranties shall be an Operating Cost, subject to the provisions of Section 5.2(m). Notwithstanding the foregoing, following Final Acceptance, Tenant may require Landlord to assign any such warranties to Tenant and Tenant shall thereafter be responsible for enforcement of such warranties.

If Landlord fails to take actions reasonably requested by Tenant to enforce or otherwise obtain the benefit of any such warranty, Tenant shall have the right, but not the obligation, to perform required work and shall have the right to be reimbursed by Landlord for the sum it actually expends in the performance of such work. If Landlord does not reimburse Tenant within thirty (30) days after demand from Tenant, Tenant shall have the right to pursue any and all remedies available at law or equity except that Tenant shall have no right to offset against Base Rent payable under this Lease.

5.9 Proration. Operating Costs for any partial month during the Term shall be prorated on a daily basis at the rate of one-thirtieth ($\frac{1}{30}$) of the Operating Costs for that month.

5.10 Right to Audit. Each Fiscal Year, within that period expiring ninety (90) days after Tenant's receipt of the reconciliation statement provided under Section 5.7, Tenant shall have the right to audit Landlord's books and records pertaining to the accuracy of the computation of Operating Costs. If, after delivery of copies of such audit to Landlord and Trustee and consultation with Landlord to determine such accuracy, any such audit, conducted in accordance with generally accepted accounting principles, reveals a discrepancy between Landlord's statement of the actual Operating Costs for a Fiscal Year and the amount determined by such audit, then Landlord shall reimburse to Tenant the excess amount paid by Tenant (or Tenant shall pay to Landlord the deficiency), if any; and, if such discrepancy exceeds three

percent (3%) or more, Landlord shall pay for the cost of such audit. The Trustee shall have no duty to review, verify or analyze such audits and shall hold such audits solely as a repository for the benefit of the Landlord and the holders of the Bonds. The Trustee shall not be deemed to have notice of any information contained therein or default or Event of Default which may be disclosed therein in any manner.

Tenant shall also have the right either before or after Final Acceptance to cause Landlord to undertake an audit of the books and records of Developer, or any Project contractor in accordance with Section 18 of the Development Agreement, in a method, by parties and at a budget approved by Tenant, and to submit the results of any such audit to Tenant. Similarly, Tenant shall have the right to cause Landlord to undertake an audit of the books and records of the property manager for the Project in a method, by parties and at a budget approved by Tenant and in accordance with the provisions of the agreement entered into between Landlord and such property manager. Costs incurred by Landlord in connection with any such audit shall be reimbursed by Tenant except to the extent otherwise reimbursed under Section 19 of the Development Agreement or management agreement.

5.11 Annual Capital Repair Reserve Payment. Following the Substantial Completion Date, in advance of each Rent Payment Date, Tenant shall pay to Trustee, as Additional Rent, one-half (1/2) of the Annual Capital Repair Reserve Payment which has been reasonably established for the Premises. The Annual Capital Repair Reserve Payment shall be deposited by Trustee in the Capital Repairs Fund. The Annual Capital Repair Reserve Payment for the Premises for the first five (5) Fiscal Years following the Substantial Completion Date is approximately \$468,000.00 per year, but such amount is reviewable annually and is subject to revision by mutual agreement of Landlord and Tenant. The annual payment for the initial year and final year shall be prorated for any partial year.

The Approved Work Plan for the Premises and the amount of the Annual Capital Repair Reserve Payment shall be re-determined every fifth (5th) Fiscal Year following the Substantial Completion Date utilizing the procedures set forth in Section 5.11(a). Landlord shall provide Trustee with written notice of the amount of each Annual Capital Repair Reserve Payment, including any modification of the initial Annual Capital Repair Reserve Payment, as soon as practicable after each calculation thereof but in no event later than the Substantial Completion Date and each September 30 thereafter. A copy of each such notice shall be provided to Tenant, and the Trustee shall be entitled to rely on the calculation set forth therein without independent investigation or verification.

(a) **Calculation of Annual Capital Repair Reserve Payment and Disbursements.** For the sixth (6th) Fiscal Year following the Substantial Completion Date and each Fiscal Year thereafter, the Annual Capital Repair Reserve Payment shall be determined in accordance with the following procedure: on or before June 1 of the fifth (5th) Fiscal Year following the Substantial Completion Date, and every fifth (5th) June 1 thereafter, Landlord shall, following consultation with Tenant, retain an independent qualified structural engineering firm with at least five (5) years of experience inspecting buildings comparable to the Premises or other qualified construction professional mutually acceptable to Landlord and Tenant with comparable levels of expertise (“**Inspecting Engineer**”) to conduct a physical inspection of the condition of the Premises (including all major building systems).

Any contract for such services must specifically be transferrable to Tenant upon conveyance of the Premises, and terminable by the Tenant by written notice within forty-five (45) days of conveyance of the Premises with or without cause.

Within thirty (30) days following such inspection, the Inspecting Engineer shall deliver a copy of its report (“**Inspection Report**”) to Landlord and Tenant, including a description of what Capital Expenditures, if any, need to be made to the Premises through the stated maturity date of the Bonds in order to maintain the Premises in substantially its present condition and state of repair as of Final Acceptance, normal wear and tear excepted (which may include recommendation for periodic maintenance or other preventive measures which should be taken to minimize Capital Expenditures and otherwise maintain the Premises in an economic and cost-effective manner), a recommended schedule of Capital Expenditures to be made during the next five (5) year period, and cost estimates to implement such schedule.

Landlord, or Landlord’s property manager, shall consult with Tenant to determine a proposed capital expenditure work plan (“**Proposed Capital Expenditure Work Plan**”) based upon the Inspection Report and taking into account amounts already on deposit in the Capital Repairs Fund. Tenant shall not be required to make payments into a reserve for Capital Expenditures which do not need to be completed within the next five (5) years unless the Tenant agrees otherwise. Disputes between Landlord and Tenant regarding the Proposed Capital Expenditure Work Plan may, but are not required to be, submitted according to the independent dispute mediation process set forth in Section 5.11(d), and the Work Plan so approved by the Parties or resolved by the independent dispute mediation process shall be deemed the “**Approved Work Plan**” for the next five (5) year period.

(b) **Disbursements from the Capital Repairs Fund.** Landlord, or Landlord’s property manager, shall from time to time as required by the Approved Work Plan prepare requests for disbursements from the Capital Repairs Fund for submission to the Trustee in accordance with Section 4.15 of the Indenture. Such requests shall be signed by both Landlord and Tenant. Disbursements made from the Capital Repairs Fund by Trustee pursuant to any such written request shall be presumed to be made properly and the Trustee shall not be required to verify (i) the propriety of any Capital Expenditure, (ii) the application of any disbursement made from the Capital Repairs Fund, (iii) the compliance of any party with any Approved Work Plan, (iv) the accuracy of any calculation of the Annual Capital Repair Reserve Requirement or (v) the purpose of any disbursement from the Capital Repairs Fund.

(c) **Determination of Capital Expenditure Amount.** The cost of a Capital Expenditure shall include construction and project management fees payable to Landlord and Landlord’s property manager as determined by Landlord and agreed to by Tenant in writing based upon the complexity of the Capital Expenditure project but not less than one percent (1%) and not to exceed a total of five percent (5%) of the hard construction costs associated with the Capital Expenditure. For reference, projects consisting of a purchase and installation by a single vendor, without separate design costs or other contractors may have a lower construction and project management fee; projects requiring several contractors, special inspections, round the clock access, coordination with existing service providers, other contractors, or design professionals may have a higher construction

management fee. Asset Management Fees shall not be assessed on payments into the Capital Repairs Fund. The acquisition of a prior non-existing asset requested by Tenant that is not part of the Approved Work Plan shall be paid for by Tenant as a tenant improvement at the time of such acquisition unless Landlord and Tenant agree that the acquisition of such asset can be paid for out of funds on deposit in the Capital Repairs Fund.

(d) **Mediation of Disputes.** Landlord and Tenant have the option, but not the obligation, to follow the independent dispute mediation process set forth in the attached Exhibit F to attempt to resolve disputes regarding the Proposed Capital Expenditure Work Plan in an economic and time efficient manner and without resorting to litigation so that the Proposed Capital Expenditure Work Plan conforms to the requirements of this Lease and any Capital Expenditures made to the Premises are made in a cost-effective, appropriate and timely manner so as to maintain the Premises in not less than substantially its condition and repair as of Final Acceptance, normal wear and tear excepted; provided, however, Tenant shall not be required to make payments into the Capital Repairs Fund for Capital Expenditures which do not need to be made during the next five (5) years unless the Tenant agrees otherwise. Nothing in this Section prohibits either party from pursuing remedies in law or equity with courts of the County of Los Angeles consistent with Section 34.12.

(e) **Remaining Balance of Capital Repairs Fund.** Any balance remaining in the Capital Repairs Fund not specifically allocated to Capital Expenditures in progress or already completed at the time of conveyance of the Premises to Tenant pursuant to Section 4.3 and/or 4.4 will be, at the Tenant's option, and in accordance with the Indenture, returned to Tenant within forty-five (45) days following conveyance by either the Landlord or Trustee.

(f) **Limit on Annual Capital Repair Reserve Payment.** Notwithstanding any other provision of this Lease to the contrary, in no event shall the Annual Capital Repair Reserve Payment for any year exceed an amount which, when added to the total Base Rent for such year, cause the aggregate of such amounts to exceed the Fair Market Rent of the Premises for such year.

6. Utilities. Landlord shall be solely responsible for and shall pay for all charges for Utilities used or consumed in the Premises from the Effective Date until the Substantial Completion Date, and Landlord shall make any necessary arrangements to have all such Utilities billed directly to and paid for directly by Landlord during this time. Upon written notice from Tenant following the Substantial Completion Date, Landlord shall arrange for the transfer of any specified Utility account into Tenant's name. Thereafter, Tenant shall be responsible for and shall pay for all charges for such Utility or Utilities used or consumed on the Premises. Notwithstanding anything to the contrary herein, until Substantial Completion of the Project has occurred, Landlord shall be solely responsible for and shall pay for all charges for Utilities used or consumed in the Premises.

7. Use. Tenant intends to use the Premises for the Permitted Use, and Tenant has confirmed to its satisfaction that the Premises can be used for the Permitted Use. Any sublease by Tenant to private persons as defined in the Code shall require that Landlord, Trustee and Tenant receive a Favorable Opinion of Bond Counsel (as defined in the Indenture). Furthermore,

no such sublease shall adversely affect the status of Landlord as a 501(c)(3) organization as defined in the Code. Tenant's use of the Premises shall be in accordance with the following:

7.1 No Insurance Cancellation. Tenant shall not negligently or intentionally do, bring, or keep anything in or about the Premises that would reasonably expected to cause cancellation of any insurance covering the Premises.

7.2 Compliance with Applicable Laws. From and after the Substantial Completion Date, Tenant shall comply with all Applicable Laws concerning the Premises and Tenant's use of the Premises, including without limitation, Environmental Laws. Tenant shall not use the Premises for the transportation, storage or generation of any Hazardous Substances in violation of Environmental Laws. From and after the Substantial Completion Date, and to the extent permitted by law, Tenant shall absolutely and unconditionally indemnify, defend and hold Landlord harmless from and against any and all debts, demands, obligations, liens, judgments, claims, liabilities, losses, damages, cleanup costs, and expenses (including reasonable attorneys' fees) now or hereafter arising in connection with the presence, transportation, storage, disposal or handling of Hazardous Substances located in, on or about the Premises which are proven to be caused by or resulting from the actions of Tenant, its agents or employees after the Substantial Completion Date, excluding (a) any Hazardous Substances introduced on the Premises by Landlord or its agents or which migrate onto the Premises from property not owned by Tenant as a result of any act or omission of Landlord or its agents; (b) any such debt, demand, obligation, lien, judgment, claim, liability, loss, damage, cleanup cost or expense resulting from the actions or omissions of Landlord, Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor and their respective agents, employees, contractors, subcontractors or invitees; or (c) any debt, demand, obligation, lien, judgment, claim, liability, loss, damage, cleanup cost, or expense as a result of Landlord's violation of any contractual obligation under this Lease, the Ground Lease, the Development Agreement, the Indenture, any other document executed by Landlord in connection with a Leasehold Mortgage incurred in connection with Section 11, or any other contract or agreement. This indemnification shall survive the Expiration Date.

7.3 No Waste, Nuisance or Damage. Tenant shall not use the Premises in any manner that will constitute waste of the Premises or nuisance, and Tenant shall not do anything or permit actions to be taken that would reasonably be expected to cause damage to the Premises.

7.4 Landlord and Tenant Covenants.

(a) **Tax Covenants.** At all times from and after the Effective Date, Landlord (a) shall maintain its purposes and engage only in activities which are in furtherance of its purposes and which are permitted by the California Nonprofit Public Benefit Corporation Law; (b) will maintain its status as a nonprofit corporation and as an organization described in Section 501(c)(3) of the Code whose income does not inure to the benefit of any private person; (c) shall not encumber, pledge, hypothecate or grant a security interest in all or any part of the Premises (except for the Indenture and the Leasehold Mortgage which comply with the provisions of Section 11) or except as consented to in writing by Tenant (at Tenant's sole and absolute discretion) and Trustee; (d) shall not engage

in any activities related to the Premises or the Leasehold Mortgage (except those specifically set forth in Sections 9 and 11) which would cause the transaction contemplated under this Lease to constitute an unrelated trade or business determined by applying Section 513(a) of the Code; and (e) will not take any action or omit to take any action which, if taken or omitted, would adversely affect the tax-exempt status of interest payable on the Tax-Exempt Bonds. Unless Landlord (i) is directed in writing by holders of a majority in aggregate principal amount of the Tax-Exempt Bonds or the Trustee, and (ii) has received a Favorable Opinion of Bond Counsel, at all times during the Term, Landlord shall not assign its rights under this Lease (except to Trustee pursuant to the Indenture and the Leasehold Mortgage) without (x) the prior written consent of Tenant (which may be granted or withheld at Tenant's sole and absolute discretion), and (y) complying with the Ground Lease. Tenant agrees to comply with the provisions of that certain Tax Certificate by and between Tenant and Landlord of even date herewith (the form of which is attached as Exhibit T) (the "**Tax Agreement**"). Tenant hereby covenants that it will not take any action, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would cause the interest on the Tax Exempt Bonds to be included in gross income for federal income tax purposes. This covenant shall survive the payment in full or defeasance of the Tax-Exempt Bonds.

(b) **Continuing Disclosure.** Tenant hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Lease, failure of Tenant to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default hereunder.

7.5 Prohibited Uses. The following uses of the Premises are expressly prohibited:

(a) The Premises shall not be used or developed in any way which violates any Applicable Laws.

(b) The Premises shall not be used or developed in any way in a manner inconsistent with the Permitted Use. Without limiting the foregoing, no part of the Premises shall be used by any person for any adult entertainment purposes, as such term refers to graphic, explicit and/or obscene depictions of sexual activity.

(c) No condition shall be permitted to exist upon the Premises which induces, breeds or harbors infectious plant diseases, rodents or noxious insects, and Tenant shall take such measures as are appropriate to prevent any conditions from existing on the Premises which create a danger to the health or safety of any persons occupying, using, working at, or patronizing the Premises.

(d) No tools, equipment, or other structure designed for use in boring for water, oil, gas or other subterranean minerals or other substances, or designed for use in any mining operation or exploration, shall hereafter be erected or placed upon or adjacent to the Premises, except (a) as is necessary to perform maintenance and repair

obligations under this Lease, and (b) for such boring or drilling as necessary to perform water testing or monitoring, or any dewatering program to relieve soil water pressure.

(e) No adverse environmental condition in violation of Applicable Laws shall be permitted to exist on or in any portion of the Premises, nor shall any Hazardous Substances be permitted to be generated, treated, stored, released, disposed of, or otherwise deposited in or on, or allowed to emanate from, the Premises, or any portion thereof.

8. Liens.

8.1 Covenant Against Liens. Except for the Indenture and the Leasehold Mortgage incurred by Landlord in compliance with the provision of Section 11 to secure the Bonds, Landlord covenants and agrees that it shall not during the Term suffer or permit any Liens to be attached to, upon or against the Premises, or any portion thereof or any Rent payable under this Lease for any reason, including without limitation, Liens arising out of the possession, use, occupancy, acquisition, construction, repair, or rebuilding of the Premises or by reason of the furnishing of labor, services, materials, or equipment to the Premises or to Landlord. Landlord shall cause Developer to keep the Premises free and clear of all construction liens resulting from the construction of the Project (including the right to contest same by appropriate proceedings conducted in good faith with due diligence) under the terms of the Development Agreement prior to the Substantial Completion Date. If Developer shall fail to do so, Landlord shall protect, defend, indemnify and hold Tenant harmless against any such liens. Landlord agrees to indemnify, protect, defend and hold Tenant harmless from and against all liabilities, losses, damages, expenses and costs (including reasonable attorneys' fees and costs) incurred in connection with any such Lien. Landlord's obligations pursuant to this Section 8.1 shall survive the Expiration Date. Tenant covenants and agrees that, from and after the Substantial Completion Date, it shall not during the Term suffer or permit any Liens to be attached to, upon or against the Premises (including the right to contest same by appropriate proceedings conducted in good faith with due diligence), or any portion thereof or its leasehold interest in the Premises for any reason, including without limitation, Liens arising out of the possession, use, occupancy, acquisition, maintenance, operation, repair, or rebuilding of the Premises or by reason of the furnishing of labor, services, materials, or equipment to the Premises or to Tenant. Tenant agrees to indemnify, protect, defend and hold Landlord harmless from and against all liabilities, losses, damages, expenses and costs (including reasonable attorneys' fees and costs) incurred in connection with any Lien arising from the circumstances set forth in the immediately preceding sentence.

8.2 Covenant to Remove Liens. Landlord will promptly, and in all events within thirty (30) days following the attachment of any Lien, remove and discharge any and all Liens which attach to, upon or against the Premises or any portion thereof, or any leasehold interest of Tenant created under this Lease (other than liens or encumbrances arising through the actions of Tenant). Landlord reserves the right to contest the validity or amount of any such Lien in good faith provided that, within thirty (30) days after the filing of such Lien, Landlord discharges such Lien of record or records a bond which complies with the requirements of applicable law eliminating such Lien as an encumbrance against the Premises. In the event Landlord shall fail to so remove any such Lien, Tenant may take such action as Tenant shall

reasonably determine to remove such Lien and all costs and expenses incurred by Tenant including, without limitation, amounts paid in good faith settlement of such Lien and attorneys' fees and costs shall be paid by Landlord to Tenant together with interest at the Applicable Rate from the date advanced until paid. Landlord's obligations pursuant to this Section 8.2 shall survive the Expiration Date and, unless properly incurred under other provisions of this Lease, the costs of such obligations shall not be included as Operating Costs hereunder.

8.3 Tenant's Disclaimer. Notwithstanding the consent or request of Tenant, express or implied, for the performance of any labor or services or for the furnishing of any materials or equipment for any construction, alteration, addition, or repair to the Premises (or any part thereof), Landlord and Tenant agree and notice is hereby given that Tenant will not be liable for any labor, services, materials, or equipment furnished or to be furnished to Landlord, Developer or anyone holding an interest in the Premises (or any part thereof) through or under Landlord or Developer, and that no construction or other liens for any such labor, services, materials, or equipment shall attach to or affect the interest of Tenant in the Premises. Nothing in this Section 8.3 shall relieve Tenant of its obligation to pay Rent hereunder.

9. Construction of Project. Tenant would not have entered into this Lease but for the agreement by Landlord to undertake the Project, including without limitation (a) the obtaining of financing for the Project, (b) the acquisition of a leasehold interest in the Premises by way of the Ground Lease, and (c) the construction and equipping of the Premises for use by Tenant for the Permitted Use. It is of critical importance to Tenant that the construction of the Project be completed in a timely manner and within the Project Budget. Accordingly, Landlord shall diligently cause the Project to be designed, permitted and constructed in a good and workmanlike manner and delivered to Tenant upon achieving Substantial Completion of the Project by the date set forth in the approved Project Schedule and in no event later than the Developer Obligation Date. Upon Final Acceptance, the Project shall be free of patent or latent defects, free and clear of all Liens and otherwise in accordance with the requirements of this Lease. In order to assure timely communications between Landlord and Tenant during the construction process, any notice to Tenant requiring or permitting a response by Tenant shall specify the outside date by which Tenant's response must be received to be effective, which response date shall not be less than ten (10) Business Days.

9.1 Development Agreement; Developer Insurance. To meet the requirements of this Lease for timely completion of the Project, Landlord shall, simultaneously with the Effective Date, enter into the Development Agreement with Developer in the form attached to this Agreement as Exhibit O. Landlord shall also cause Developer to procure and maintain, at a minimum, for the duration of the Development Agreement, insurance as more particularly described in Exhibit G to the Development Agreement, against claims for injuries to persons or damages to property which may arise from, or in connection with, the performance of work pursuant to the Development Agreement by Developer, its agents, representatives, employees, and/or subcontractors. The cost of such insurance shall be paid by the Developer or its subcontractors as described in Section 9.11.

9.2 Developer Start Date. Landlord shall cause the Developer to commence demolition, grading and substantive construction of the Office Project and/or the Shatto Garage

Project by the Developer Start Date and thereafter to diligently prosecute the construction of the Project until its Substantial Completion in accordance with the Project Schedule.

9.3 Schedule for Design and Construction. The dates set forth in the initial Project Schedule attached hereto as Exhibit D-1, as may be revised from time to time with Tenant's Concurrence, shall serve as target dates for achieving the matters set forth therein. Landlord shall require Developer to agree that time is of the essence and Substantial Completion of the Project must occur by the date set forth in the approved Project Schedule, subject only to Unavoidable Delays and Owner-Caused Delays (each as defined in the Development Agreement). In order to ensure to the greatest extent practicable that the Project is designed, permitted and completed on or before the dates set forth in the Project Schedule, Landlord and Tenant shall each proceed with all necessary due diligence and in good faith to complete such matters as require action or approval on the part of Tenant and Landlord. Landlord shall, following consultation with Tenant's Construction Representative, promptly and diligently respond to all questions and concerns raised by Developer or by the Architect, Contractors, engineers or other consultants.

(a) **Notices from Developer to Landlord.** To ensure that Tenant is fully apprised of decisions required of Landlord pursuant to the Development Agreement, Landlord shall require Developer to simultaneously provide to Tenant a copy of all final notices, plans and specifications or other documents required to be delivered by Developer to Landlord under the Development Agreement and Landlord shall also simultaneously provide to Tenant a copy of notices, plans and specifications or other documents required to be delivered by Landlord to Developer under the Development Agreement. In addition, Tenant shall have the right, but not the obligation, to attend design meetings with Developer, Architect, and other design professionals as appropriate in the course of development of Construction Documents.

(b) **Notices by Tenant to Landlord and Developer.** To ensure that Developer is fully apprised of Tenant's position on Project decisions to be made by Landlord, Tenant shall have the right to simultaneously provide to Developer a copy of any notice Tenant issues to Landlord hereunder. Such notice shall be sent to Developer at the following address by messenger or fax:

TC LA Development, Inc.
2221 Rosecrans Ave, Suite 200
El Segundo, CA 90245
Attention: Greg Ames

(c) **Tenant's Construction Representative.** Landlord shall, and shall direct Developer to, direct all notices and submittals required to be sent to Tenant hereunder to the attention of Tenant's Construction Representative.

9.4 Plans and Specifications.

(a) **Preliminary Plans.** As of the date of this Lease, Landlord has reviewed and accepted with Tenant's Concurrence, the Project Requirements for the Project

to be constructed on the Land, including the Preliminary Plans, a list of which is attached to this Lease as Exhibit C. In addition, Tenant has reviewed and accepted the Project Budget, which is attached as Exhibit D-2, which sets forth a detailed itemization by line item and category for all Project Costs.

(b) **Construction Drawings and Detailed Specifications.**

Landlord will cause the preparation by Architect of Construction Drawings and Detailed Specifications for the Project and plans and specifications for Tenant Improvements, in each case for review and acceptance by Tenant. Landlord shall, following consultation with Tenant, cooperate in good faith with Developer to cause a completed design that meets all Requirements of Law and is consistent with all Project Requirements and the building quality reflected therein, in an amount not to exceed the Project Budget, as expeditiously as possible to ensure the Substantial Completion of the Project by the date set forth in the approved Project Schedule. Accordingly, as provided above, Developer will provide Tenant a copy of all submittals requiring Landlord's review and approval pursuant to the Development Agreement, as and when such submittals are provided to Landlord. To the extent that is commercially reasonable, Landlord shall provide Tenant with advance warning of the expected timing of any submission of Construction Drawings and/or Detailed Specifications for the Project or plans and/or specifications for Tenant Improvements. Tenant shall only have the right to withhold Tenant's Concurrence to interim and final sets of such Construction Drawings and Detailed Specifications which (i) do not meet the Project Requirements, or (ii) do not comply with Requirements of Law, or (iii) do not comply with previous iterations of the Construction Drawings and Detailed Specifications in all material respects, or (iv) propose changes in work or materials that would result in a material change in appearance or diminution in quality of the Project. Tenant shall have the right to give notice to Landlord disapproving any such iterations of the Construction Drawings and Detailed Specifications and Landlord shall notify Developer in the manner and within the time period set forth in the Development Agreement. Tenant's written Concurrence, objection or comments shall be provided within ten (10) days after receiving iterations of the Construction Drawings and Detailed Specifications. Landlord shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE CONTRACT DOCUMENTS DESCRIBED HEREIN.”

If the foregoing legend is included by the Landlord in its communication, then the submitted Construction Drawings, Detailed Specifications for the Project, or plans and specifications for Tenant Improvements, shall be deemed to have been approved if the Tenant fails to object with respect thereto within ten (10) Business Days of receipt of such notice. The final Construction Drawings and Detailed Specifications setting forth in detail the requirements for the construction of the entire Project which have been approved by Landlord, with Tenant's Concurrence, are called the Construction Documents.

(c) **Changes to Construction Documents.** Landlord has directed that Developer provide Tenant a copy of all proposed changes in the Construction

Documents requiring Landlord's review and/or approval pursuant to the Development Agreement, as and when such proposed changes are provided to Landlord. Such submittals shall reasonably highlight any changes to or differences from the previous iteration of such Construction Drawings and/or Detailed Specifications for the Project or plans and/or specifications for Tenant Improvements. To the extent that is commercially reasonable, Landlord shall provide Tenant with advance warning of the expected timing of any submission of Construction Drawings and/or Detailed Specifications for the Project or plans and/or specifications for Tenant Improvements. Tenant shall have the right to give notice to Landlord disapproving any such proposed change in the Construction Documents within the time period set forth in the notice of any such proposed change, but in no event shall the time period be less than ten (10) Business Days. Landlord shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE CONTRACT DOCUMENTS DESCRIBED HEREIN.”

If the foregoing legend is included by the Landlord in its communication, then the submitted changes to Construction Drawings and/or Detailed Specifications for the Project or plans and/or specification for Tenant Improvements shall be deemed to have been approved if the Tenant fails to object with respect thereto within ten (10) Business Days of receipt of such notice.

If Tenant timely disapproves any such proposed change, Tenant shall notify Landlord in writing specifying the reason for its disapproval and Landlord shall so notify Developer. Tenant shall only have the right to disapprove changes which (i) are not a consistent development of the Project Requirements, (ii) do not meet Project Requirements, (iii) do not comply with Requirements of Law, (iv) would violate the terms of any permits for the Project, (v) would cause the Project Schedule to be adversely impacted or the Project Budget to be exceeded, or (vi) involve proposed changes in work or materials which would result in a material change in appearance or diminution in quality of the Project. Disputes regarding a proposed change in the Construction Documents shall be resolved pursuant to the dispute resolution process set forth in Section 9.6.

9.5 Tenant Improvements. The Fixed Price shall include the design, permitting and construction of Tenant Improvements. As is the case for the Project in general, the aspects of the Construction Documents, the Project Schedule and the Project Budget that relate to the Tenant Improvements shall be subject to Tenant's Concurrence. Final plans for the Tenant Improvements must be completed within the applicable period set forth in the Project Schedule. The Tenant Improvements must not exceed the amount budgeted in Exhibit D-2.

9.6 Dispute Resolution Process. Tenant and Landlord have the option to follow the independent resolution process set forth in this Section 9.6 to resolve disputes regarding preparation of the Construction Drawings and Detailed Specifications and changes to Construction Documents in an economic and time efficient manner so that such documents conform to the requirements of this Lease, the Project Schedule is not adversely impacted, and

the Project as constructed will satisfy the Project Requirements. In the event that a dispute arises between Tenant and Landlord during the design or construction of the Project regarding the adequacy of any Construction Drawings or Detailed Specifications or the responsibility for any costs associated with any design development, addition or change (e.g., whether any design development is consistent with and reasonably inferable from the Project Requirements), the Parties shall attempt to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the parties are unable to resolve the dispute within three (3) Business Days, either Party may, by delivering written notice to the other and Trustee, refer the matter to a dispute resolution mediator as set forth on the attached Exhibit F.

9.7 Project Contingency. The amounts set forth in the various line items of the Project Budget are estimates only of Project Costs to be incurred. To the extent the actual Project Costs in any line item of the Project Budget exceed the amount shown for such line item, Developer shall first allocate amounts in other line items, in which the actual known Project Costs shall have been less than the amount in the Project Budget, to the line item in which the excess Project Cost(s) has occurred. Following the allocation by Developer as set forth in the preceding sentence with respect to all line items, except Project Contingency, Developer is entitled to draw upon the Project Contingency for such excess Project Costs. The allocation of the Project Contingency for such purposes is solely under Developer's control; provided however, if there is any unused Project Contingency following Final Acceptance, such sums shall be allocated in accordance with the provisions of Section 12.8 of the Development Agreement, the Indenture and the Tax Agreement. If the Project Contingency is not sufficient to pay such excess Project Costs, Developer shall be responsible therefor in accordance with Section 9.6 of the Development Agreement. The monthly reports provided to Landlord and Tenant shall contain an explanation in reasonable detail of any allocation of cost savings and Project Contingency to other line items in the Project Budget.

9.8 Permits; Costs; Compliance with Legal Requirements. Landlord shall cause Developer to secure all permits for the Project, licenses, permissions, consents, and approvals required to be obtained from governmental agencies or third parties in connection with construction of the Project pursuant to Requirements of Law. Tenant shall join in the application for such permits or authorizations whenever such joinder is required; provided, however, Tenant shall incur no expense or liability in connection therewith. Landlord shall cause all work on the Project to be performed in accordance with (a) the Development Agreement, (b) all Requirements of Law and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction over the Project and/or the Premises, (c) this Lease, and the Ground Lease.

9.9 Construction Contracts. Landlord intends to contract for the construction of the Project directly with the Office Project General Contractor and the Shatto Garage Project General Contractor and to cause Developer to serve as construction manager in connection therewith pursuant to the provisions of the Development Agreement. Prior to its execution, Landlord shall provide Tenant with a copy of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract for Tenant's Concurrence. In addition, Tenant shall have the right to view, for its own information, all Construction Contracts and the bids submitted by potential Contractors and subcontractors.

9.9.1 Office Project General Contractor and Shatto Garage Project General Contractor Insurance. Prior to the date of the execution of both of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract, Landlord shall cause the applicable Contractor to procure and maintain, at a minimum, for the duration of such Construction Contract the insurance more particularly described in Exhibit G of the Development Agreement, against claims for injuries to persons or damages to property which may arise from, or in connection with the performance of work thereunder by such Contractor, its agents, representatives, employees and/or subcontractors. The cost of such insurance shall be paid by (as applicable) the Office Project General Contractor or the Shatto Garage Project General Contractor, or their subcontractors.

9.9.2 No Assumption of Risk. By requiring such minimum insurance, neither Landlord nor Tenant shall be deemed to, or construed to, have assumed the risks that may be applicable to the Office Project General Contractor, the Shatto Garage Project General Contractor, the Office Project General Construction Contract, or the Shatto Garage Project General Construction Contract.

9.10 Construction of Project. Landlord shall use its reasonable best efforts to commence initial construction of the Project promptly following receipt of the clearing and grading permits. Thereafter, following receipt of the building permits for the Project, Landlord shall use its best efforts to cause construction of the Project to be diligently and continuously prosecuted in a timely manner. All work shall be performed in a good and workmanlike manner, shall be free of defects in the work and materials and shall be constructed in substantial accordance with the Contract Documents, the requirements of this Lease, Requirements of Law, and the Ground Lease. Landlord shall use its best efforts to cause Substantial Completion of the Project in accordance with the Project Schedule attached hereto as Exhibit D-1. In addition, Landlord shall use its best efforts to cause all Project Costs not to exceed the Fixed Price; provided, however, that (i) Landlord shall have no obligation to pay Project Costs in excess of the Fixed Price, and (ii) Tenant, whose only payment obligation hereunder is the payment of Rent and other amounts specifically set forth herein, shall have no obligation for the payment of any Project Costs. As reflected in Exhibit N, Tenant may directly procure certain Financed FF&E. In such event, upon written request by Tenant (including such supporting documentation as Landlord may reasonably require), Landlord shall reimburse Tenant as a Project Cost for Tenant's costs of procuring such Financed FF&E; provided that such reimbursement shall not exceed the amount of the Financed FF&E Allowance as set forth in the Project Budget, and any costs in excess of such Financed FF&E Allowance shall be borne by Tenant and are not part of the Fixed Price.

9.11 Payment of Project Costs and Other Costs Associated with the Project. Throughout the course of construction of the Project, Developer shall submit to Landlord on a monthly basis Project Applications for Payment, as defined in, and in the manner, and with all supporting documentation described in, the Development Agreement. Pursuant to Section 9.3(a), Landlord shall require Developer to simultaneously provide Tenant with a copy of all such Project Applications for Payment and supporting documentation. Tenant shall have the right, but not the obligation, to give notice to Landlord objecting to any aspect of such submittals and Landlord shall notify Developer in the manner and within the time period set forth in the Development Agreement. If Tenant fails to give such notice so as to allow Landlord

to make timely objection, Landlord shall be free to approve or to take such other action as it deems appropriate with respect to any such submittal. Any dispute with respect to Project Applications for Payment may be subject to dispute resolution pursuant to Section 9.6. In no event shall Landlord approve any Project Application for payment unless and until the Project is in balance in accordance with Section 9.6 of the Development Agreement.

9.12 Savings. Upon Final Acceptance, Landlord shall provide Tenant and Trustee notice of the unexpended amount, if any, of the Project Contingency. Subject to the payment to Developer of the incentive fee specified in Section 12.8 of the Development Agreement, one hundred percent (100%) of the remaining savings shall be used, at the direction of the Tenant consistent with the Indenture and the Tax Agreement, to finance other capital improvements related to the Project or to pay or redeem Bonds, which shall result in a corresponding reduction to the Base Rent.

9.13 Substantial Completion of the Project.

9.13.1 Substantial Completion of the Office Project. “Substantial Completion of the Office Project” shall have occurred when all of the following events have occurred with respect to the Office Project:

(a) Developer has notified Landlord and Tenant in writing that the Office Project, including all Tenant Improvements, is Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items;

(b) Architect has issued its “Certificate of Substantial Completion” (AIA Document G704) stating that the work under the Construction Contracts is sufficiently complete in substantial accordance with the Contract Documents to permit Tenant to occupy or utilize the Office Project portion of the Premises for its Permitted Use;

(c) The County has issued a temporary or final certificate of occupancy or other approval sufficient for initial occupancy of the Office Project portion of the Premises and the City’s Fire Department has also issued its approval for occupancy such that Tenant is permitted to and could, pursuant to such issued certificate of occupancy, physically occupy the Office Project portion of the Premises for its Permitted Use; provided, however, if (i) the certificate of occupancy is not issued solely because of Tenant’s failure to install Tenant’s Personal Property and/or any portion of the Financed FF&E to be installed by Tenant, in accordance with Exhibit N and the latest agreed upon schedule (but, if Tenant has not been provided with appropriate access rights to perform and complete the installation, then Tenant will be excused for every day it was not provided access) and (ii) Landlord has given Tenant written notice of such failure, with enough detail for Tenant to reasonably understand the failure, at least ten (10) Business Days prior to the deemed Office Project Substantial Completion Date, then this condition shall be deemed satisfied;

(d) The Office Project General Contractor has issued its “Certificate of Substantial Completion” together with its “Affidavit of Payment of Debts and Claims” (AIA Forms 706 and 706A), together with partial waivers and releases of lien for

work performed prior to the date of its “Certificate of Substantial Completion” in form satisfactory to Landlord, with Tenant’s Concurrence, from such materialmen, laborers, contractors and subcontractors as Landlord, with Tenant’s Concurrence, may reasonably require;

(e) Access to the Office Project portion of the Premises has undergone inspection by a “Certified Access Specialist” and has been determined pursuant to such inspection to meet all applicable construction-related accessibility standards under California Civil Code Section 55.53, and Landlord has so certified to Tenant pursuant to California Civil Code Section 1938;

(f) Landlord, with Tenant’s Concurrence, has accepted the Office Project as Substantially Complete (which acceptance by Landlord and concurrence by Tenant shall not be unreasonably withheld, conditioned or delayed and will presumptively be granted if items (a) through (e) have been satisfied), subject to completion of the Punch List items agreed upon by Landlord, with Tenant’s Concurrence;

(g) Landlord shall, or shall cause Developer to, have caused a Notice of Completion under California Civil Code Section 8190 to be recorded with respect to the Office Project.

(h) Notwithstanding that Substantial Completion of the Office Project shall have occurred, Landlord shall be entitled to provide Developer with a Punch List.

9.13.2 Substantial Completion of the Shatto Garage Project.

“Substantial Completion of the Shatto Garage Project” shall have occurred when all of the following events have occurred with respect to the Shatto Garage Project:

(a) Developer has notified Landlord and Tenant in writing that the Shatto Garage Project is Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items;

(b) Architect has issued its “Certificate of Substantial Completion” (AIA Document G704) stating that the work under the Construction Contracts is sufficiently complete in substantial accordance with the Contract Documents to permit Tenant to occupy or utilize the Shatto Garage Project portion Premises for its Permitted Use;

(c) The County has issued a temporary or final certificate of occupancy or other approval sufficient for initial occupancy of the Shatto Garage Project portion of the Premises and the City’s Fire Department has also issued its approval for occupancy such that Tenant is permitted to and could, pursuant to such issued certificate of occupancy, physically occupy the Shatto Garage Project portion of the Premises for its Permitted Use;

(d) The Shatto Garage Project General Contractor has issued its “Certificate of Substantial Completion” together with its “Affidavit of Payment of Debts and Claims” (AIA Forms 706 and 706A), together with partial waivers and releases of lien for

work performed prior to the date of its “Certificate of Substantial Completion” in form satisfactory to Landlord, with Tenant’s Concurrence, from such materialmen, laborers, contractors and subcontractors as Landlord, with Tenant’s Concurrence, may reasonably require;

(e) Access to the Shatto Garage Project portion of the Premises has undergone inspection by a “Certified Access Specialist” and has been determined pursuant to such inspection to meet all applicable construction-related accessibility standards under California Civil Code Section 55.53, and Landlord has so certified to Tenant pursuant to California Civil Code Section 1938;

(f) Landlord, with Tenant’s Concurrence, has accepted the Shatto Garage Project as Substantially Complete (which acceptance by Landlord and concurrence by Tenant shall not be unreasonably withheld, conditioned or delayed and will presumptively be granted if items (a) through (e) have been satisfied), subject to completion of the Punch List items agreed upon by Landlord, with Tenant’s Concurrence;

(g) Landlord shall, or shall cause Developer to, have caused a Notice of Completion under California Civil Code Section 8190 to be recorded.

(h) Notwithstanding that Substantial Completion of the Project shall have occurred, Landlord shall be entitled to provide Developer with a Punch List.

9.13.3 Substantial Completion of the Project. “Substantial Completion of the Project” shall have occurred when Substantial Completion of the Office Project and Substantial Completion of the Shatto Garage Project have been achieved, and when Developer has notified Landlord and Tenant in writing that the Project, including all Tenant Improvements, are Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items and activities required for LEED Silver certification (or as otherwise agreed by Landlord and Tenant). Notwithstanding that Substantial Completion of the Project shall have occurred, Landlord shall be entitled to provide Developer with a Punch List.

9.14 Final Acceptance. “Final Acceptance” shall have occurred when all of the following events have occurred with respect to the Project:

(a) The County has issued all certificates of occupancy for the Project; provided, however, if issuance of a certificate of occupancy is subject to completion of installation of Tenant’s Personal Property, then this condition shall be deemed satisfied; provided, further, that if the parties specifically agree that any element of the Financed FF&E will be installed by Tenant, that agreement shall be set forth in Exhibit N and this condition shall be deemed satisfied regardless of any delay in the issuance of any certificate of occupancy attributable to such installation.

(b) Each Contractor has issued its “Certificate of Substantial Completion” together with its “Affidavit of Payment of Debts and Claims” (AIA Forms 706 and 706A), together with final waivers and releases of lien, in form satisfactory to Landlord

with Tenant's Concurrence, from all Contractors and subcontractors who have performed work on site.

(c) All Punch List items for the Project have been completed to the reasonable satisfaction of Landlord with Tenant's Concurrence; provided that Landlord with Tenant's Concurrence, may consent to Final Acceptance prior to completion of all Punch List items, if (i) Landlord and Developer have agreed upon the estimated cost of any Punch List items remaining to be completed and (ii) 150% of such estimated costs are withheld by the Trustee in the Project Fund until the Punch List items have been completed to the reasonable satisfaction of Landlord with Tenant's Concurrence. When the Punch List items have been completed, and Developer has so notified Landlord, upon Landlord's reasonable satisfaction (with Tenant's Concurrence) that such Punch List items have been completed, Landlord shall deliver its requisition to the Trustee for payment of such funds being withheld by Trustee.

(d) Developer has submitted its application for Final Payment together with evidence reasonably satisfactory to Landlord (with Tenant's Concurrence) that all construction costs for the Project have been paid in full including evidence of full payment for any personal property installed on the Premises as part of the Project Costs.

(e) The period for filing construction liens for the Project has expired and none have been filed or releases or discharges of construction liens in form and substance satisfactory to Landlord (with Tenant's Concurrence) have been obtained by Developer from all Contractors in accordance with all Construction Contracts and from such laborers, Contractors and subcontractors performing work on site as Landlord, with Tenant's Concurrence, may require.

(f) Architect has issued its "Certificate of Final Completion" for the Project and Landlord has received the certificate of any other architect or engineer reasonably requested by Landlord or Tenant.

(g) Both (i) the Office Project General Contractor has issued a certificate that the Office Project has been finally completed in substantial accordance with the Contract Documents and no Hazardous Substances were incorporated into the structure of the Office Project (other than as set forth in the Construction Documents), and (ii) the Shatto Garage Project General Contractor has issued a certificate that the Shatto Garage Project has been finally completed in accordance with the Contract Documents and no Hazardous Substances were incorporated into the structure of the Shatto Garage Project (other than as set forth in the Construction Documents).

(h) Developer has delivered to Landlord a written report showing the allocation of Project Costs among the categories of the Project Budget and the remaining specified dollar amount of the Project Contingency and the undisbursed portion of the Developer's Fee (as defined in the Development Agreement).

(i) Landlord, Tenant and Trustee have each received an endorsement to its title policy, each dated as of and issued on the date of Final Acceptance, which shall (i) insure Landlord, Tenant and Trustee, respectively, against any liens for labor

or materials, whether or not of record, which may have arisen in connection with the construction of the Project, and (ii) show no additional exceptions to such title policy other than those approved by or arising through Landlord (with Tenant's Concurrence).

(j) Developer shall have delivered to Landlord and Tenant its affidavit that the Construction Contracts for the Project required the Contractors under those contracts and their subcontractors to pay prevailing wage in accordance with Section 34.23.

(k) The Required Art shall have been installed.

(l) Developer shall have submitted the initial applications, supporting documents, and other materials needed to obtain LEED Silver certification (or as otherwise agreed by Landlord and Tenant).

9.15 As-Constructed Plans and Specifications; Manuals; Warranties; Permits and Licenses; and Survey. On or before Final Acceptance, Landlord shall provide Tenant with a complete and detailed set of "as constructed" plans and specifications for the Project (Tenant Improvements to be provided in a CAD—computer-aided design—format), together with copies of all other materials received from Developer pursuant to the Development Agreement including manuals, warranties, permits, licenses, and a survey. Landlord shall ensure that Tenant has the right and irrevocable license to use the Construction Documents for maintenance, repairs, remodels, and additions or any other use incidental to Tenant's use or occupancy of the Project and/or Premises or Tenant's leasehold or feehold rights to the Project. Tenant may freely use likenesses, depictions or renderings of the Project for publicity or other purposes associated with Tenant's use or occupancy of the Project and/or Premises or Tenant's leasehold or feehold rights to the Project.

9.16 Inspection by Tenant. Tenant shall have the right to inspect the ongoing construction of the Project and the Contract Documents upon reasonable prior notice to Landlord.

9.17 No Amendment of Documents. In the event Landlord desires to amend the agreement with the Architect, the Office Project General Construction Contract, the Shatto Garage Project General Construction Contract, the Development Agreement, the Indenture, the Leasehold Mortgage, each in accordance with its terms, or any other document, contract or agreement entered into in connection with the Bonds, Landlord shall submit a copy of such proposed amendment to Tenant. Such submittals shall clearly highlight any proposed amendment of the previously accepted version of any such agreement or contract and provide a clear articulation as to the reasons and purposes for making the proposed amendment. To the extent that is commercially reasonable, Landlord shall provide Tenant with advance warning of the expected timing of any notice of a proposed amendment. Landlord shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

"THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE CONTRACT DOCUMENTS DESCRIBED HEREIN."

If the foregoing legend is included by the Landlord in its communication, then the submitted amendment to any of the agreement with the Architect, the Office Project General Construction Contract, the Shatto Garage Project Construction General Contract, or any Contract Document, the Development Agreement, the Indenture, the Leasehold Mortgage, each in accordance with its terms, or any other document, contract or agreement entered into in connection with the Project or the Bonds, shall be deemed to have been approved by Tenant if the Tenant fails to object with respect thereto within ten (10) Business Days of receipt of such notice; provided, however, any amendment that would be likely to result in (a) the Project (i) not meeting the Project Requirements, (ii) not complying with Requirements of Law, (iii) violating the terms of any permits for the Project, (iv) not being completed in compliance with the Project Schedule, (v) having a cost that exceeds the Project Budget, or (vi) being subject to material change in appearance or diminution in quality of the Project or (b) the Base Rent or the Additional Rent being increased at any time during the Term (collectively, a “**Disallowed Amendment**”) shall not be subject to the deemed approval provision set forth above and shall require the affirmative consent of Tenant.

In the event Tenant notifies Landlord within ten (10) Business Days following receipt of such proposed amendment of its objection to such proposed amendment, stating any conditions for assent and reasons for the objections, Landlord shall not enter into the proposed amendment unless (a) Landlord first does each of the following: (i) responds to the concerns expressed by Tenant, (ii) determines that any such amendment does not materially and adversely affect the Project, (iii) confirms that any such amendment complies with the provisions of the Indenture, and (iv) obtains Tenant’s Concurrence and (b) the proposed amendment is not a Disallowed Amendment.

9.18 Tenant’s Construction Representative. Tenant’s Construction Representative shall have the right, but not the obligation, to (i) review and suggest revisions to the Construction Contracts prior to their execution, (ii) review and suggest revisions to the Construction Documents prior to or during construction in order to clarify, correct or properly reflect the intent of design (as defined below), (iii) review, comment on, or suggest actions with respect to all submittals and change orders concurrently with the Architect’s review and with a reasonable time for such comments prior to final approval of the change order or submittal, and (iv) provide written notice to Landlord of any known or suspected failure of the Project to comply with the Construction Documents, this Lease, Requirements of Law, or the Ground Lease, or any other construction related defects in the Project or construction means and methods.

(a) **Copies of Review Items.** Landlord shall require Developer to provide, or make available, to the Tenant’s Construction Representative copies of all potential Construction Contracts, Construction Documents, submittals, and change orders. Tenant Construction Representative’s efforts shall be coordinated with Landlord and Developer so as to not unreasonably interfere with or delay design, development or construction of the Project.

(b) **Notices to Landlord.** If during the course of construction, Tenant’s Construction Representative notifies Landlord that it believes that the Project is not proceeding in accordance with the Contract Documents, Landlord shall provide a copy of

such notice to Developer for review and response and Landlord shall thereafter require Developer to take, or cause to be taken, any steps necessary to correct any deficiency or omission that is determined to exist. The failure of Tenant's Construction Representative or Tenant to give such notice or to take advantage of such rights listed above shall not give rise to any liability for Tenant and shall not be considered a waiver of any right of Tenant under this Lease.

(c) **Intent of Design.** As of the Effective Date of this Lease, the Construction Documents are in development and are not complete. Accordingly, to the extent such Contract Documents are silent or internally inconsistent as to various design and construction matters, Tenant Construction Representative may issue notice to Landlord and Developer as to what it considers to be the intent of design. For purposes of this Section 9.18(c), "intent of design" shall mean what would be naturally and reasonably inferable from the Contract Documents by an experienced professional in the construction industry accustomed to projects similar to the Project as being necessary for the construction of a fully complete and operational project.

(d) **Change in the Work Initiated by Tenant.** Tenant may initiate changes in the work if, and only if, Tenant deposits additional funds in the Non-Bond Proceeds Account (as defined in the Indenture) held by the Trustee to cover any additional cost of such change including the applicable Developer's Fee payable for any such change pursuant to Section 11.1 of the Development Agreement. Such Tenant requested change orders are expected to include change orders related to Procured FF&E; additional environmental remediation in excess of the amount set forth in the Project Budget; performance of the Relocation Services; and tenant improvements to the retail area of the Premises.

10. Maintenance, Management, Alterations, and Janitorial Services.

10.1 Maintenance and Repair. Landlord shall, at Landlord's sole cost and expense (but only to the extent that Tenant has provided funds in accordance with the Annual Operating Budget and that there are available operating or maintenance reserves (with respect to Operating Costs), the Capital Repairs Fund (with respect to Capital Expenditures), or as otherwise made available by Tenant), and in accordance with this Lease, maintain, repair and replace the Project or portions thereof in an attractive condition, good order and function, at a condition equal to or better than the predominant condition of other office buildings owned or occupied by Tenant in the business districts of the City of Los Angeles, throughout the Term, including but not limited to the following: (a) the structural portions of the Premises (understood to include the roof, foundation and load bearing walls); (b) the non-structural portions of the Premises (understood to include the roof covering and membrane), including but not limited to all improvements, alterations and fixtures, but excluding furnishings; (c) all systems and equipment, including but not limited to electrical, plumbing, fire sprinkler, fire suppression system, fire/life/safety system, elevators, security systems, flooring, ceiling, doorways, windows, hardware, fixtures, lighting, heating, ventilating and air conditioning system ("HVAC"), and loading doors; (d) the exterior of the Premises including, but not limited to, landscaping, driveways, sidewalks, lighting and parking facilities, and storm water maintenance servicing the Premises. Landlord shall take all action and will perform all interior and exterior, structural and

non-structural, foreseen and unforeseen, ordinary and extraordinary, maintenance and repairs required to keep all parts of the Premises in good repair and condition, subject only to ordinary wear and tear. It is the intent of this Section 10 that Landlord, to the extent of available funds as set forth above, agrees to perform all maintenance and make all repairs to the Premises that may become necessary by reason of age, wear and tear, deferred maintenance or defects in any construction thereof by Landlord. In determining a maintenance and repair program for the Premises, Landlord shall determine a cost-effective program of maintenance and repair. In the event that there are insufficient funds available to make repairs required under this Section 10.1 due to unforeseen circumstances, the Parties shall meet promptly and determine how to amend the budget priorities, utilize any reserves, or modify operations or standards so that the then-current Fiscal Year's budget is not increased.

(a) **Time for Repairs.** Repairs shall be made promptly to keep the Premises in the condition described in this Section 10. Landlord understands certain response time is required to ensure Tenant's operations continue with minimal interruption and to ensure the safety of employees and delivery of services. Landlord shall commence repairs or cause the property manager or others to commence repairs (i) within four (4) hours from notice ("**Emergency Repair Commencement Deadline**") with respect to (1) electrical power, (2) HVAC operations, (3) vertical transportation, (4) parking garage use or access, (5) broken windows, exterior doors or any other fault to the exterior surface of the Office Project or Shatto Garage Project that poses any sort of security or weatherproofing concern, (6) security and fire/life safety systems, (7) flooding or water damage, (8) any condition reasonably likely to lead to any risk to public safety, human health or property damage, destruction or loss, and (9) essential daily custodial services, and (ii) within ten (10) Business Days for all other repairs and maintenance (unless, due to the nature of the particular repair or maintenance obligation, more than thirty (30) days are reasonably required to commence it, in which case the property manager shall not be in default if it begins the work within this thirty (30) day period). Once commenced, repairs shall be diligently prosecuted to completion on a commercially reasonable schedule.

(b) **Tenant's Right to Make Repairs.** If Tenant provides notice to Landlord of an event or circumstance that requires the action of Landlord with respect to the replacement, repair, or maintenance to the Premises as set forth in this Section 10.1 and Landlord fails to provide such action as required by the terms of this Lease within the time period specified in Section 10.1(a), Tenant may (but shall not be obligated to do so) take the required action if Tenant delivers to Landlord an additional notice advising Landlord that Tenant intends to take the required action if Landlord does not begin the required repair or maintenance within (i) four (4) hours for any of the issues set forth in Section 10.1(a)(i) and (ii) twenty-four (24) hours for any other issue.

(c) **Tenant's Right to Reimbursement.** If such action was required under the terms of this Lease to be taken by Landlord, Tenant shall be entitled to prompt reimbursement within thirty (30) days of invoice by Tenant to Landlord, which invoice shall include reasonable supporting documentation with respect thereto.

(d) **Emergency Repairs.** An "**Emergency Repair Situation**" is defined as the existence of any condition that requires prompt repair, replacement or service

to minimize the impact of an event or situation that affects Tenant's ability to conduct business or otherwise occupy and utilize the Premises in a neat, clean, safe, and functional environment. If Tenant notifies Landlord of an Emergency Repair Situation, which occurs in or about the Premises and which is the responsibility of Landlord to repair or maintain, then Landlord shall commence appropriate repairs or maintenance immediately after notice of the condition is given by Tenant, which notice may be via telephone, facsimile, email, personal contact or any other means, and Landlord shall thereafter diligently pursue to completion said repairs or maintenance.

(e) **Tenant's Right to Cure.** If Landlord fails to commence repairs within four (4) hours of the Emergency Repair Commencement Deadline, or if the Tenant is unable to contact the Landlord or any designated agent within a reasonable time based upon the seriousness of the event or situation, Tenant may, but shall not be obligated to, cause said repairs or replacements to be made or such maintenance to be performed, and Tenant shall provide notice to Landlord of any actions taken by Tenant with respect to such repairs, replacements or maintenance. Within ten (10) days following demand and invoice by Tenant accompanied by reasonable supporting documentation with respect thereto, Landlord shall reimburse Tenant the actual cost and expenses thereof, provided said costs and expenses are reasonable and funds are available therefor.

(f) **Tenant's Right to Consent.** Landlord and Tenant shall consult as to whether a particular expenditure under this Section 10.1 is properly chargeable as an Operating Cost or Capital Expenditure, and no withdrawals from the Capital Repairs Fund shall be made without Tenant's written consent (either at the time or in advance by means of approval of a budget providing for such expenditure).

10.2 Management of Premises; Accounting.

(a) **Standard of Operation.** Landlord shall cause the Premises to be operated and managed, and services provided, in a manner consistent with that of a reasonably prudent building owner of comparable Class A office buildings located in the business districts of Los Angeles, California, and in a manner which is efficient and reasonably controls expenses.

(b) **Property Management.** Following Substantial Completion of the Project, Landlord shall at all times cause the Premises to be operated by a professional property management company selected and managed by Landlord. Such property manager shall have at least five (5) years' experience in managing Class A office buildings of comparable size and quality to the Premises in the business districts of Los Angeles, at a management fee which shall not be in excess of the predominant management fee charged by property management companies managing commercial office buildings of comparable size and quality in Los Angeles County. The property management contract shall include the provisions set forth in Exhibit L, and shall comply with Revenue Procedure 2017-13 or any successor revenue procedure issued by the Internal Revenue Service governing management, operation or other service contracts in connection with the issuance of tax-exempt obligations. The property management contract shall also include a requirement that, if the nature of the repair or maintenance obligation presents a hazard or emergency, the property

manager shall commence performance within 8 hours, and shall thereafter pursue such cure with diligence. Such property manager shall at all times operate the Premises in compliance with the requirements of all Applicable Laws and in compliance with the terms and provisions of this Lease and the Ground Lease. Commencing on the Substantial Completion Date, the property manager shall be retained with a contract not more than five (5) years in length. Such property management contract shall include provisions stating that such contract may be terminated for cause (but not convenience) by Landlord on its determination or as directed by Tenant, if the property manager is in default under the property management contract. Such termination for cause shall require only thirty (30) days written notice to the property manager. After the expiration or termination of the original property management contract, Contracts with property management firms shall be terminable for cause as set forth above and terminable for convenience by Landlord at Tenant's direction upon not less than six (6) months' notice beginning five (5) years after the Substantial Completion Date. Notwithstanding the foregoing or any other provision of this Lease, any and all management contracts relating to the Project, including the original property management contract, shall immediately terminate at the time that the Tax-Exempt Bonds are no longer Outstanding.

(c) **Financial Statements.** As soon as reasonably possible and in any event within ninety (90) days after the close of each Fiscal Year, Landlord shall deliver to Tenant and Trustee the (i) consolidated balance sheet of Landlord and the Premises as at the end of such Fiscal Year setting forth in comparable form the corresponding figures as at the end of the preceding Fiscal Year, certified as to accuracy by an officer of Landlord; (ii) statements of income, retained earnings and changes in financial position for such Fiscal Year of Landlord and the Premises setting forth in comparable form the corresponding figures for the previous Fiscal Year prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year or containing disclosure of the effect on financial position or results of operations of any change in the application of accounting principles during the year certified as to accuracy by an officer of Landlord; (iii) operating statement for the Premises for the preceding Fiscal Year certified as to accuracy by an officer of Landlord; and (iv) certificate executed by an officer of Landlord certifying compliance by Landlord with the requirements of this Lease, the Ground Lease, the Leasehold Mortgage, the Indenture, and the Bonds. Such year-end balance sheet and income statements of the Landlord and Premises shall be accompanied by an unqualified report and audit opinion of independent public accountants of recognized standing selected by Landlord and not objected to by Tenant, which report and opinion shall be in accordance with generally accepted auditing standards relating to reporting, or, if qualified, the opinion shall not be qualified due to any departure from any generally accepted accounting principles, and shall be accompanied by a statement of such accountants that in making the audit necessary for the certification of such financial statements and any such report, such accountants have obtained no knowledge of any default under this Lease, the Ground Lease, the Leasehold Mortgage, the Indenture, the Bonds, or any other evidence of indebtedness or of any event which, with notice or lapse of time, or both, would constitute an event of default under this Lease, the Ground Lease, the Leasehold Mortgage, the Indenture, the Bonds or any other evidence of indebtedness or, if in the opinion of such accountants any such event of default or other event shall exist, shall include a statement as to the nature and status thereof.

Notwithstanding anything to the contrary contained herein, Trustee shall have no duty to review any such audited or unaudited financial statements or reports, including the balance sheet, income, retained earnings, and changes in financial position statements and operating statements described above (collectively, “**Financial Statements**”) or inquire into the underlying facts and circumstances of any certificate or notice delivered by Landlord. Trustee shall not be considered to have notice of the contents of any such financial statements or of any default or Event of Default hereunder or under any Bond Document or Other Document (as defined in the Indenture) based upon such content. Further, Trustee has no duty to verify the accuracy of any such Financial Statements or any such notice or certificate.

(d) **Asset Management Fee.** As compensation for its services in overseeing the management of the Premises, the preparation of financial statements and the preparation of an Annual Operating Budget for the Premises, Tenant shall pay Landlord the Asset Management Fee as an Operating Cost pursuant to Section 5.2. The Asset Management Fee is separate and distinct from the Development Management Fee paid to Landlord through Bond proceeds pursuant to that certain Issuer Fee and Governance Agreement dated for reference purposes as of July 1, 2018 between Landlord and Tenant (a copy of which is attached as Exhibit U).

10.3 Tenant’s Remedies. If Landlord does not perform its obligations under Section 10.1 of this Lease within the time limitations set forth therein, or if Landlord does not reimburse Tenant as required under Section 10.1 after demand from Tenant, Tenant may resort to the mediation procedure in Exhibit F and/or pursue any and all remedies available at law or equity, except that Tenant shall have no right to offset against Base Rent payable under this Lease.

10.4 Alterations by Landlord. From and after the Substantial Completion Date, Tenant may require Landlord to complete alterations of the Premises and Landlord shall provide a written cost estimate of the requested alterations with complete line item breakdown for each component of the requested alterations for Tenant’s review and approval. In the event Tenant approves the cost, and the total cost is \$25,000 or less, Landlord shall proceed to complete the requested alterations. Upon completion of the alterations, Landlord shall submit an invoice for payment to Tenant including a detailed breakdown on the costs for the alteration(s), and Tenant shall pay said invoice within thirty (30) days of receipt of invoice. In the event the cost of the alterations exceeds \$25,000 and Tenant approves the costs, Landlord shall proceed to complete the requested alterations subject to the availability of funds, or, Tenant’s undertaking to reimburse Landlord for such costs prior to the due date for payment to contractors, architects, or other third parties in connection with such alterations, provided said due date is not less than thirty (30) days from each invoice for completion of the alterations. Such alterations and additions shall not decrease the value of the Premises, and such modifications, alterations, and additions shall be expeditiously completed in a good and workmanlike manner and in compliance with all applicable laws and the requirements of all insurance policies required to be maintained by Landlord. Any alterations completed by Landlord pursuant to this Section 10.4 shall be maintained by Landlord during the term of this Lease.

10.5 Compliance with Laws. To the extent required by Applicable Laws, Landlord shall comply and stay current with all applicable local, state, and federal building codes

and laws as from time to time amended, including, but not limited to, the Americans with Disabilities Act requirements in providing Tenant with any requested alterations.

10.6 Lien Free. Landlord shall cause all alterations to be lien free, completed in a workmanlike manner and in compliance with all Applicable Laws.

10.7 Alterations by Tenant. Any alterations or Tenant Improvements to be undertaken by Tenant shall have the prior written consent of Landlord. Such consent shall not be unreasonably withheld, conditioned or delayed. Any alterations or Tenant Improvements made by Tenant shall remain Tenant property and may be removed by Tenant at or prior to the expiration of this Lease; provided, however, that such removal does not cause injury or damage to the Premises beyond normal wear and tear. Landlord shall, upon reasonable notice, have access to all plans and specifications relating to alterations or Tenant Improvements made by Tenant to Premises.

10.8 Communications Equipment. Tenant may, from time to time, install, maintain, replace and/or remove any satellite dishes, links, duct bank or antennas on the grounds, roof and/or exterior walls or parapet of the Premises as Tenant deems necessary or desirable, provided Tenant shall first obtain Landlord's approval, which approval shall not be unreasonably withheld, conditioned, or delayed, and Tenant shall be responsible for repairing any damage caused to the roof or roof membrane in connection with such activities. Upon the removal by Tenant of any such satellite dishes, links, or antennas, Tenant shall repair any damage incurred in connection with such removal. Any work by Tenant pursuant to this Section 10.8 shall be subject to compliance with the Landlord's reasonable requirements, including, without limitation, the requirement that any work affecting the roof of the Office Project or Shatto Garage Project be undertaken in a manner so as not to affect any roof warranty then in effect.

10.9 Janitorial Services. Landlord shall provide, or cause to be provided, as an Operating Cost, all janitorial services in connection with the Premises, consistent with the requirements set forth on Exhibit M.

10.10 Termination of Contracts. All third-party contracts entered into by Landlord with respect to the maintenance and operation of the Premises shall include a provision which provides for immediate termination of each such contract following the conveyance of the Premises to Tenant pursuant to Section 4.

11. Landlord Financing of Project. Landlord shall not have the right to mortgage, pledge, encumber, or assign the Premises in whole or in part except in connection with its financing of the Project through the Bonds issued by Landlord. Copies of the Indenture and the Leasehold Mortgage securing the Bonds have been provided to and approved by Tenant. Pursuant to the subordination, non-disturbance and attornment agreement, of even date herewith entered into by Landlord and Tenant with the Trustee as the beneficiary under the Leasehold Mortgage, so long as Tenant is not in default, beyond any applicable notice and/or cure period, under any of the terms, covenants or conditions of this Lease, the beneficiary under the Leasehold Mortgage shall not disturb Tenant's possessory rights in the Premises in the event such beneficiary should foreclose the Leasehold Mortgage.

12. Construction Liens. From and after the Substantial Completion Date, Tenant shall pay all costs for modifications, alterations and additions done by it or caused to be done by it on the Premises as permitted or required by this Lease (other than the construction of the Project) and Tenant shall keep the Premises free and clear of all Liens resulting from modifications, alterations and additions done by or for Tenant; provided, however, Tenant shall have the right to contest the correctness or validity of any such Lien by appropriate proceedings conducted in good faith with due diligence. Within thirty (30) days following written notice from Landlord, Tenant shall discharge such Lien of record or record a bond which complies with the requirements of law for eliminating such Lien as an encumbrance against the Premises if in the reasonable exercise of Landlord's judgment the protection of the Premises or Landlord's interest therein shall require such payment. In the event Tenant shall fail to so remove any such Lien, Landlord may take such action as Landlord shall reasonably determine to remove such Lien and all costs and expenses incurred by Landlord including, without limitation, amounts paid in good faith settlement of such Lien and attorneys' fees and costs shall be paid by Tenant to Landlord. Tenant's obligations pursuant to this Section 12 shall survive the Expiration Date.

13. Representations and Warranties.

13.1 Representations and Warranties of Landlord. Landlord hereby makes the following representations and warranties as of the Effective Date:

13.1.1 Legal Power. Landlord has the legal power, right and authority to enter into this Lease and to consummate the transactions contemplated and described herein.

13.1.2 Binding Obligation of Landlord. This Lease is a valid and legally binding obligation of Landlord and the applicable provisions hereof enforceable against Landlord in accordance with their respective terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally.

13.1.3 Compliance with Organizational Documents. There is no charter, bylaw, or capital stock provision of Landlord, and no provision of any indenture, instrument, or agreement, written or oral, to which Landlord is a party or which governs the actions of Landlord or which is otherwise binding upon Landlord, nor to Landlord's knowledge is there any judgment, decree or order of any governmental authority or court binding on Landlord which would be contravened by the execution, delivery or performance of this Lease.

13.1.4 Litigation Pending. To Landlord's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any governmental authority now pending, or threatened against or affecting Landlord, which, if adversely determined, would materially impair Landlord's right or ability to execute or perform its obligations under this Lease.

13.1.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Lease, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Lease conflict with or result in a material breach of any terms, conditions or provisions of, or

constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which Landlord is a party.

13.1.6 Landlord. To Landlord's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against Landlord, nor are any of such proceedings contemplated by Landlord.

13.1.7 Accuracy of Materials. To Landlord's knowledge, all written reports, documents, and instruments prepared by Landlord or an affiliate thereof and delivered to Tenant in connection with entering into this Lease are accurate, correct and sufficiently complete to give Tenant true and accurate knowledge of their subject matter, and do not contain any material misrepresentation or material omission.

13.1.8 No Gratuity. Neither Landlord, nor its directors, officers, employees or affiliates, nor any individual representing Landlord, nor anyone holding an interest in Landlord has offered or given to any official or employee of Tenant any gratuity (in any form) for the intent or purpose of securing favorable treatment under this Lease or the approval or execution hereof.

13.1.9 No Solicitation. Landlord has not employed or retained any person, other than a bona fide employee working solely for Landlord, to solicit or secure this Lease and it has not paid or agreed to pay any person, other than a bona fide employee working solely for Landlord, any fee, commission, percentage, brokerage fee, gifts or any other consideration, contingent upon or resulting from the award or making of this Lease.

13.1.10 Authority to Execute. The individual(s) signing this Lease on behalf of Landlord is or are authorized to execute this Lease and bind Landlord to its terms and conditions, and, upon such execution, this Lease shall be legally binding on Landlord and, if Landlord is a corporation for which any individual is signing, have provided Tenant with a corporate resolution stating that such individual(s) is or are duly empowered to by such corporation to enter into this Lease.

13.2 Representations and Warranties of Tenant. Tenant hereby makes the following representations and warranties as of the Effective Date:

13.2.1 Legal Power. Tenant has the legal power, right and authority to enter into this Lease, and to consummate the transactions contemplated hereby herein.

13.2.2 Binding Obligations of Tenant. This Lease is the valid and legally binding obligation of Tenant and the applicable provisions hereof are enforceable against Tenant in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally.

13.2.3 Compliance with Charter. There is no provision of any indenture, instrument, or agreement, written or oral, to which Tenant is a party or which governs

the actions of Tenant or which is otherwise binding upon Tenant, nor is there any judgment, decree or order of any governmental authority or court binding on Tenant which would be contravened by the execution, delivery or performance of this Lease by Tenant.

13.2.4 Litigation Pending. To Tenant's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any governmental authority now pending, or threatened against or affecting Tenant, which, if adversely determined, would materially impair Tenant's right or ability to execute or perform its obligations under this Lease.

13.2.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Lease, nor the incurrence of the obligations set forth herein or therein, nor the consummation of the transactions herein or therein contemplated, nor compliance with the terms of this Lease conflict with or result in a material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which Tenant is a party.

13.2.6 No Insolvency. To Tenant's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or are threatened against Tenant, nor are any of such proceedings contemplated by Tenant.

13.2.7 Authority to Execute. The individual(s) signing this Lease on behalf of Tenant are authorized to execute this Lease and bind Tenant to its terms and conditions, and, upon such execution, this Lease shall be legally binding on Tenant.

14. Minimum Scope of Insurance Coverage for Landlord. After the Effective Date, Landlord shall at a minimum maintain insurance coverage of the type and amount specified on Exhibit K.

15. Minimum Scope of Insurance Coverage for Tenant.

15.1 General Liability. After the Substantial Completion Date, Tenant shall have the right to self-insure under Section 15.2 or, at its sole cost and expense, shall obtain and keep in force throughout the Term a Commercial General Liability insurance policy on an occurrence basis insuring Tenant against claims for injuries to persons and property damage liability. "Commercial General Liability" insurance shall mean Insurance Services Office form number (CG00 001) with a limit of not less than \$1,000,000 combined single limit per occurrence, \$5,000,000 aggregate. Tenant agrees to add Landlord and Trustee as additional insureds to any Commercial General Liability insurance policy.

15.2 Self-Insurance by Tenant. Notwithstanding anything herein to the contrary, Tenant may self-insure for general liability coverage. Upon request by Landlord or Trustee (the Trustee having no obligation to make such request) to Tenant's Risk Manager, Tenant shall provide Landlord and Trustee with at least thirty (30) days' prior written notice of any change in Tenant's self-insured status and will provide Landlord and Trustee with a certificate of self-insurance as adequate proof of insurance. If Tenant elects to self-insure as set forth in this Section, Tenant acknowledges and agrees that Landlord shall have no liability for

such losses or damage which would otherwise have been covered by the general liability insurance which Tenant could have provided in accordance with Section 15.1, nor shall Tenant's failure to obtain commercial general liability insurance have any effect on Tenant's obligations under this Lease.

15.3 Workers' Compensation. Tenant is self-insured for all of its workers' compensation liability exposure. Tenant shall, at its own expense, maintain through its self-insurance program coverage for its workers' compensation liability exposure for the duration of the Term. Tenant shall provide Landlord and Trustee with at least thirty (30) days' prior written notice of any change in the Tenant's self-insured status and will provide Landlord and Trustee with a certificate of self-insurance as adequate proof of insurance.

16. Property Insurance.

16.1 Coverage for Premises. From and after the Substantial Completion Date, Landlord shall cause the Premises to be insured for fire and other perils currently covered by a special causes of loss commercial property insurance form. Such coverage shall include twenty-four (24) months of rental interruption coverage for the costs of Base Rent and Additional Rent, with Extra Expense coverage and shall name Trustee and Tenant as loss payee as each of their interests may appear. Landlord shall further cause the Premises to be insured against the perils of earth movement, and flood, either as part of the aforementioned commercial property policy, or under a separate policy or policies. Such earth movement and flood insurance shall include twenty-four (24) months of rental interruption coverage and shall name Trustee as loss payee as its interests may appear. Landlord shall cause coverage to be maintained against loss arising from earth movement and flood so long as such coverage is available at a commercially reasonable cost and in coverage amounts which are commercially available, but shall not be in default under this Lease if coverage is no longer written, is unavailable for properties comparable to the Premises or is not available at commercially reasonable premium amounts. Landlord will provide Tenant and Trustee with thirty (30) days' prior written notification of material changes in coverage. Landlord will, upon request, furnish Tenant and Trustee with satisfactory evidence that such coverage is in effect.

16.2 Coverage for Tenant's Personal Property. Landlord shall have no obligation to insure any of Tenant's Personal Property.

17. Waiver of Subrogation. Landlord and Tenant shall cause their respective property insurance carriers to release and waive all rights of subrogation against the other to the extent a loss is covered by property insurance in force. Landlord and Tenant hereby mutually release each other from liability and waive all right of recovery against each other for any loss from perils insured against under their respective fire insurance policies, including any extended coverage endorsements hereto; provided, that this provision shall be inapplicable if it would have the effect of invalidating any insurance coverage of Landlord or Tenant.

18. Indemnity and Hold Harmless.

18.1 Indemnification by Landlord. Landlord shall indemnify, defend and hold harmless Tenant and its elected and appointed officers, officials, employees, and agents (the

“**Indemnified Tenant Parties**”) from and against any and all liability, demands, liens, damages, claims, causes of action, expenses, and fees (including reasonable attorneys’ fees and costs and expert witness fees) for bodily injury, property damage, and death (hereinafter collectively referred to as “**Liabilities**”), arising out of or relating to the negligence, acts, errors, or omissions of Landlord including, without limitation, any breach of this Lease except to the extent that such Liabilities are caused by the negligence or willful misconduct of Tenant.

Landlord shall require the Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor, and all other Contractors to agree to and abide by the indemnification requirements set forth in this Section 18.1 in favor of Tenant, subject to the provisions of California Civil Code sections 2782 *et seq.*, as such may be applicable to the work and/or services being provided by Landlord’s contractors and consultants.

18.2 Indemnification by Tenant. Tenant shall indemnify, defend and hold harmless Landlord and its officers, representatives, employees, and agents (the “**Indemnified Landlord Parties**”) from and against any and all Liabilities arising out of or relating to the negligent acts, errors, or omissions of Tenant including, without limitation, any breach of this Lease except to the extent that such Liabilities are caused by the negligence or willful misconduct of Landlord, Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor, or their consultants, agents or employees.

18.3 Survival. The indemnification provisions of this Section 18 shall remain in full force and effect and survive the termination and/or expiration of this Lease.

19. Destruction.

19.1 Insured Damage. If during the Term, the Premises are partially or totally destroyed by any casualty that is covered by insurance described in Section 16, rendering the Premises partially or totally inaccessible or unusable, Landlord shall restore the Premises to substantially the same condition as they were in immediately before such destruction, if (i) the insurance proceeds available to Landlord equal or exceed the cost of such restoration, (ii) such restoration can be completed within a period which is not longer than twenty-four (24) months from date of such destruction, and (iii) such restoration is permitted under then existing Applicable Laws to be done in such a manner as to return the Premises to substantially the same condition as it was immediately before the destruction. Landlord will advise Tenant and Trustee with respect to the preceding conditions and, accordingly, whether such restoration of the Premises can proceed, on or before that date which is ninety (90) days after the date of destruction. If the foregoing conditions cannot be met, such destruction shall be treated as “Underinsured Damage” in accordance with the provisions of Section 19.2. The insurance proceeds shall be retained by Trustee who shall disburse same to Landlord from time to time as the restoration work progresses; provided, however, that Landlord shall complete such restoration as soon as reasonably practical, but in any event not longer than that period which is twenty-four (24) months from the date of such destruction.

19.2 Underinsured Damage. If during the Term the Premises are partially or totally destroyed by any casualty and the conditions set forth in Section 19.1, captioned “Insured Damage” cannot be met, Landlord shall provide written notice to Tenant and Trustee within

ninety (90) days after the date of destruction. Such notice shall describe the extent of the destruction, which of the conditions(s) cannot be met, and the estimated time necessary for restoration of the Premises. Within thirty (30) days of Tenant's receipt of Landlord's notice, Tenant shall notify Landlord in writing whether Tenant will proceed to satisfy the conditions which cannot be met, including the deposit of funds with the Trustee sufficient to restore any Underinsured Damage.

(a) If Tenant so fulfills such conditions, then Landlord shall proceed to restore the Premises in accordance with the terms agreed between Landlord and Tenant. In that event, the insurance proceeds shall be retained by Trustee who shall disburse same to Landlord from time to time as the restoration work progresses.

(b) If Tenant elects not to fulfill such conditions and the Premises are totally destroyed, this Lease shall terminate and the entire amount of the insurance proceeds held by Trustee shall be used to repay, redeem or defease Bonds and to reimburse Trustee for any costs incurred by Trustee for which it is entitled to reimbursement under the Indenture.

(c) If Tenant elects not to fulfill such conditions and the Premises are partially destroyed, this Lease shall not terminate, Tenant shall continue to pay Rent subject to Abatement and the amount of the insurance proceeds held by Trustee shall be disbursed to Landlord to complete such restoration as Landlord reasonably determines to be practicable to allow for Tenant's partial use of the Premises for its intended purposes. Any insurance proceeds not disbursed for such restoration shall be used to repay, redeem or defease Bonds and to reimburse Trustee for any costs incurred by Trustee for which it is entitled to reimbursement under the Indenture.

(d) If any monies deposited by Tenant in connection with any restoration pursuant to this Section 19.2 remain after the Premises have been restored, those monies shall be returned to Tenant.

19.3 Extent of Landlord's Obligation to Restore. If Landlord is required or elects to restore the Premises or such portion thereof which has been destroyed as provided in this Section 19, Landlord shall not be required to restore Tenant's Personal Property, such excluded items being the sole responsibility of Tenant to restore.

19.4 Abatement of Rent. In the event that (i) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date (or after Tenant commences paying Base Rent in accordance with Section 4.6), or (ii) a defect in Landlord's title occurs, either of which results in substantial interference with Tenant's right to the use and occupancy of the Premises, this Lease shall not terminate (except as provided in Section 19.2), but the Rent otherwise payable by Tenant hereunder (other than Additional Rent for payment of Operating Costs) shall be subject to Abatement during the period of such interference.

19.5 Waiver of Certain Rights. In recognition of the specifically negotiated provisions in this Lease with respect to Tenant's rights in the event of damage, destruction or

condemnation of the Premises, Tenant hereby waives its rights pursuant to California Civil Code §§ 1932(1), 1932(2) and 1933(4).

20. Condemnation. The condemnations provisions in this Lease are in lieu of the provisions in Sections 1265.110-1285.160 of the California Code of Civil Procedure.

20.1 Total Condemnation. If there is a taking or damaging of all or any portion of the Premises by the exercise of any governmental power, whether by legal proceedings or otherwise, by a governmental agency with jurisdiction over the Premises (a “**Condemnation**”) such that there can be no reasonable use of the Premises by Tenant, as reasonably determined by Tenant, this Lease shall terminate on the date the condemnor has the right to possession of the Premises. The entire award with respect to a taking of the Premises (including Tenant’s leasehold estate under this Lease) shall be paid to Trustee and applied to repay, redeem or defease Bonds in accordance with the Indenture. Any Condemnation proceeds remaining after Bonds are no longer Outstanding shall be paid to Tenant.

20.2 Partial Condemnation. If, prior to Substantial Completion of the Project, there is a partial taking of the Premises by Condemnation but the Project can be completed substantially in accordance with the Project Requirements, such condemnation proceeds shall be paid to Trustee who shall deposit such condemnation proceeds into the Non-Bond Proceeds Account established under the Indenture for purposes of paying Project Costs, and any funds remaining in such account as of Substantial Completion shall be used to repay, redeem or defease Bonds in accordance with the Indenture.

20.2.2 If there is a partial taking of the Premises by Condemnation, and Tenant determines that restoration is possible or a reasonable use can be made of the Premises by Tenant without restoration, then the condemnation proceeds shall be paid to Trustee who shall, as applicable, (i) deposit such condemnation proceeds into the Capital Repairs Fund and shall disburse such condemnation proceeds to Landlord from time to time as restoration progresses, or (ii) apply such amounts to repay, redeem or defease Bonds in accordance with the Indenture.

20.2.3 Following any partial taking of the Premises by Condemnation in which Tenant determines that restoration is possible or a reasonable use can be made of the Premises by Tenant without restoration, Rent (other than Additional Rent for payment of Operating Costs) shall be subject to Abatement to the extent and during the period that the partial condemnation results in substantial interference with Tenant’s right to the use and occupancy of the Premises.

20.2.4 Following any partial taking of the Premises in which Tenant determines that restoration is not possible and no reasonable use can be made of the Premises by Tenant, this Lease shall terminate on the date the condemnor has the right to possession of the Premises. The entire award with respect to a taking of the Premises (including Tenant’s leasehold estate under this Lease) shall be paid to Trustee and applied to repay, redeem or defease Bonds in accordance with the Indenture. Any Condemnation proceeds remaining after Bonds are no longer Outstanding shall be paid to Tenant.

21. Assignment of Project; Subletting. Except as provided in the Indenture and allowed by the Ground Lease, Landlord shall not sell, transfer, convey, or assign all or any portion of its interest in this Lease or in the Premises (except to Trustee) without the prior written consent of Tenant (which may be granted or withheld at Tenant's sole and absolute discretion) and a Favorable Opinion of Bond Counsel shall have been delivered to Trustee. Tenant shall not sell, transfer, convey, or assign all or any portion of its interest in this Lease or in the Premises without the prior written consent of Landlord (which may be granted or withheld at Landlord's sole and absolute discretion) and a Favorable Opinion of Bond Counsel, which shall have been delivered to Trustee.

Any sale, transfer, conveyance, assignment, or sublease permitted under this Section 21 shall be in writing and shall require the purchaser, transferee, grantee, assignee, or subtenant to comply fully with the terms of this Lease and the Ground Lease, including, without limitation, the provisions of Section 7 regarding use of the Premises. Tenant shall provide Landlord and Trustee with written notice of any such sale, transfer, conveyance, or assignment and a copy of all documentation relating thereto. Any attempted sale, transfer, conveyance, assignment or sublease in material violation of the requirements set forth in this Section 21 shall be null and void and shall constitute an event of default under the Indenture.

22. Default by Tenant. The occurrence of any of the following shall constitute an "Event of Default" by Tenant under this Lease:

22.1 Payment. Failure to make any payment or any other payment due or required under this Lease, if the failure to pay is not cured within ten (10) days after written notice of such failure from Trustee or Landlord has been received by Tenant; provided, however, failure to pay the Base Rent at least one (1) Business Day prior to the Rent Payment Date shall be deemed an immediate default.

22.2 Other Failure to Perform. Failure to materially perform any other provision of this Lease if the failure to perform is not cured within thirty (30) days after written notice of such failure from Trustee or Landlord has been received by Tenant; provided, however, if the default cannot reasonably be cured within such thirty (30) days, then such default shall not constitute an Event of Default if Tenant commences to cure the default within thirty (30) days and diligently and in good faith continues to cure such default until cured.

22.3 Remedies for Tenant Default. If Tenant commits an Event of Default under this Section 22 and fails to cure such default within the time period provided in this Lease (in lieu of any statutory requirements), then Landlord shall have the right to pursue any and all remedies available at law or in equity, including without limitation, the right to (a) terminate this Lease or (b) so long as Landlord or its assignee does not terminate Tenant's right to possession, this Lease shall continue in effect and Landlord or its assignee shall have the right enforce all of its rights and remedies under this Lease, including the right to recover Base Rent payments as they become due hereunder pursuant to Section 1951.4 of the California Civil Code.

Notwithstanding the foregoing, in no event shall Landlord have the right to accelerate any payments owing by Tenant under this Lease.

Notwithstanding anything to the contrary herein, in the event Tenant commits an Event of Default under Section 5.11 and fails to cure such default within the time period provided herein, Landlord shall have no right to cancel and terminate this Lease or evict Tenant and re-enter the Premises through an unlawful detainer action or otherwise.

23. Default by Landlord. Landlord shall be in default if Landlord fails to perform its obligations (i) within five (5) Business Days after notice by Tenant specifying the obligation which Landlord has failed to perform if such failure occurs prior to the Substantial Completion Date and (ii) within thirty (30) days after notice by Tenant specifying the obligation which Landlord has failed to perform if such failure occurs after the Substantial Completion Date; provided, that if the nature of Landlord's obligation is such that more than five (5) Business Days or thirty (30) days, as applicable, are required for performance, Landlord shall not be in default if Landlord commences diligent performance within such period following Tenant's notice and thereafter completes performance within a reasonable time. In the event that Landlord fails to cure any such default within the time periods permitted, Tenant shall have the right to pursue any and all remedies available at law or in equity, or have the option to pursue such remedies after resort to the procedure in Exhibit F provided, however, that Tenant shall have (i) no right to offset against Rent payable under this Lease, and (ii) no right to terminate this Lease or the Ground Lease so long as the Bonds remain Outstanding.

24. Trustees Rights. For so long as the Leasehold Mortgage remains in force and effect the following provisions shall apply:

24.1 Notice of Default. Tenant upon serving Landlord any notice of default pursuant to the provisions of this Lease shall also serve a copy of such notice upon Trustee at the address set forth in Section 34.15 or as subsequently provided in writing by Trustee to Tenant pursuant to the notice provisions set forth in Section 34.15. No notice to Landlord under this Lease shall be deemed to have been duly given unless and until a copy thereof has been provided to Trustee in accordance with Section 34.15. From and after the date such notice has been given to Trustee, Trustee shall have the same period, after the giving of such notice upon it, for remedying any default or acts or omissions which are the subject matter of such notice, or causing the same to be remedied, as is given Landlord after the giving of such notice to Landlord under this Lease, plus in each instance the additional periods of time specified in this Section 24 to remedy, commence remedying or cause to be remedied, the defaults or acts or omissions which are specified in such notice.

24.2 Right to Cure. Trustee shall have the right, but not the obligation, to remedy such default or cause the same to be remedied for a period of ninety (90) days after the expiration of Landlord's cure period, if any, provided under this Lease, for Landlord to remedy same, and Tenant shall accept such performance by or at the instance of Trustee as if the same had been made by Landlord.

24.3 Extended Cure Period. If the default is reasonably susceptible of cure, but cannot reasonably be remedied within ninety (90) days, Tenant shall not terminate this lease, so long as (a) defaults in the payment of money under this Lease are cured, within ninety (90) days and (b) the cure for any non-monetary default under this Lease has commenced, and is thereafter diligently and in good faith continuously prosecuted to completion. Such cure period

shall include any time required to obtain possession of the Premises by foreclosure of the Leasehold Mortgage or by other appropriate means by reasonable diligence, or until such earlier time as all defaults of Landlord are cured. Nothing in this Section 24.3, however, shall be construed to extend this Lease beyond the Term, nor to require a Trustee to continue such foreclosure proceedings after all defaults are cured. Once all defaults are cured, this Lease, shall continue in full force and effect as if Landlord had not defaulted.

25. Waiver. In light of the specific agreements in this Lease with regard to Landlord's obligations to maintain the Premises, Tenant hereby waives its rights under California Civil Code §§ 1941 and 1942.

26. Signs. Tenant shall have the right to place identification signage, other signage, advertisements, awnings, banners or other exterior decorations on the exterior of the Premises without any further consent or approval from Landlord. Any sign that Tenant has the right to place, construct and maintain shall comply with all Applicable Laws, and Tenant shall obtain any approval required by such Applicable Laws. Landlord makes no representation with respect to Tenant's ability to obtain such approval.

27. Landlord's Right to Enter the Premises. Landlord shall have the right to enter the Premises with twenty-four (24) hour written notice times during Tenant's normal business hours for the purposes listed below (or upon less notice if necessary to perform emergency repairs); provided, however, Landlord acknowledges and agrees to comply with Tenant's requests regarding security. Landlord shall conduct its activities on the Premises as allowed in this Section in a manner that will cause the least possible inconvenience, annoyance or disturbance to Tenant. Landlord acknowledges that Tenant intends to provide mental health services and administration on the Premises and that Landlord may not be allowed to enter various areas of the Premises to the extent that such entry might be expected to jeopardize patient or client privacy. This does not affect Landlord's right to enter in case of emergency. Tenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any right reserved in this Section 27.

27.1 Condition. To determine whether the Premises are in good condition, whether Tenant is complying with its obligations under this Lease and to perform any maintenance, repair or replacement obligations of Landlord pursuant to Section 10.

27.2 Notices. To serve, post or keep posted any notices required or allowed under the provisions of this Lease.

28. No Encumbrances by Landlord. Except to the extent expressly authorized in Sections 11 and 21, Landlord shall not at any time during the Term sell, transfer, lease (other than to Tenant pursuant to this Lease), convey, encumber (other than to Trustee pursuant to the Leasehold Mortgage), pledge (other than to Trustee pursuant to the Indenture), hypothecate or otherwise grant a security interest in the Premises or any portion thereof.

29. Right to Estoppel Certificates. Each Party, within thirty (30) Business Days after notice from the other Party, shall, unless the other Party is in default hereunder, execute and deliver to the other Party, in recordable form, a certificate stating that this Lease is unmodified

and in full force and effect, or in full force and effect as modified and stating the modifications. Unless the Party requested to provide such a certificate is in default, failure to deliver the certificate within such thirty (30) Business Day period shall be conclusive upon the Party failing to deliver the certificate for the benefit of the party requesting the certificate and any successor to the party requesting the certificate, that this Lease is in full force and effect and has not been modified except as may be represented by the party requesting the certificate.

30. Limitation on Landlord's Liability. Notwithstanding any provision in this Lease to the contrary, Tenant shall look solely to the estate and property of Landlord in the Premises and buildings constituting the Project, any insurance proceeds or condemnation proceeds payable to Landlord under this Lease, any sums paid to Landlord under the Development Agreement and any amounts payable to Landlord under any warranty or other contract with respect to the Project for the collection of any judgment requiring the payment of money by Landlord or for the enforcement of any other judgment or remedy against Landlord and no other assets of Landlord shall be subject to levy, execution or other procedure for the satisfaction of Tenant's remedies.

31. Attorneys' Fees. In the event suit is brought by Landlord or Tenant relating to this Lease, including for the breach of any covenant or condition of this Lease, the Party prevailing on a majority of the issues shall be entitled to a sum for reasonable attorneys' fees, witness fees, and court costs, including costs of appeal.

32. Surrender. Tenant shall, on the Expiration Date, surrender and deliver up the Premises, including all improvements then located thereon and the appurtenances thereto, into the possession of Landlord, in good order, condition and repair, free and clear of all lettings and occupancies, and free and clear of all liens and encumbrances other than those existing on the date of this Lease and those, if any, created by Landlord, without any payment or allowance whatsoever by Landlord, unless Tenant exercises the Option to Purchase as set forth in Section 4.3 and 4.4. Tenant shall execute, acknowledge and deliver to Landlord such instruments of further assurance as in the opinion of Landlord are necessary or desirable to confirm or perfect Landlord's right, title and interest in and to all of the above-described property.

32.1 Conveyance of Premises. Notwithstanding Tenant's obligation to surrender the Premises on the Expiration Date, Landlord shall nonetheless be obligated to convey the Premises to Tenant pursuant to Sections 4.3 and 4.4.

32.2 Survival. The provisions of this Section 32 shall survive the expiration or termination of this Lease.

33. Broker. Landlord and Tenant each represent to the other that neither is represented by any broker, agent or finder with respect to this Lease in any manner.

34. Miscellaneous Provisions.

34.1 Entire Agreement. This Lease sets forth the entire agreement of the Parties as to the subject matter hereof and supersedes all prior discussions and understandings between them.

34.2 No Amendment of Development Agreement. Landlord shall not assign nor amend the Development Agreement without the Tenant's prior written approval, which approval shall not be unreasonably withheld.

34.3 No Joint Venture or Agency. Nothing contained in this Lease nor any of the acts of the Parties hereto shall be construed nor is it the intent of the Parties, to create a joint venture or partnership between Landlord and Tenant, nor is either Party the agent or representative of the other, and nothing in this Lease shall be construed to create any such agency relationship or to hold either Party liable to anyone for goods delivered or services performed at the request of the other Party.

34.4 Meanings of Words Not Specifically Defined/General Rules of Interpretation. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in Section 1, are to be construed according to such technical, peculiar, and appropriate meaning or definition. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. As used in this Lease, the word "includes or "including" means including without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereto" and hereunder refer to this Lease as a whole. Unless the context otherwise requires, references herein: (a) to articles, paragraphs, sections and exhibits mean the articles, paragraphs, sections and exhibits which are part of this Lease as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Lease, (b) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Lease, and (c) to a statute means such statute as amended, supplemented or replaced from time to time. The exhibits, schedules, addenda, and attachments which are attached to this Lease are made a part of this Lease.

34.5 Conflict of Interest; No Personal Liability. No official or employee of Tenant shall have any personal interest, direct or indirect, in this Lease, nor shall any official or employee of Tenant participate in any decision relating to this Lease which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of either Party shall be personally liable in the event of a breach of this Lease. Landlord shall within not less than ten (10) days after learning of any such conflict of interest or facts which reasonably indicate that a conflict of interest may exist, notify Tenant thereof; provided, however, the failure of Landlord to make any such notification shall not be a breach or default of this Lease.

34.6 No Third-Party Beneficiaries. The Trustee shall be a third party beneficiary of the rights conferred to it under this Lease. Except as expressly set forth in this Lease, no parties other than Tenant, the Trustee and Landlord, and their respective successors and assigns, shall be a beneficiary of the rights conferred in this Lease, and no other party shall be deemed a third-party beneficiary of such rights.

34.7 Exculpation of Certain Persons. No individual board member, trustee, officer, director, shareholder, member, constituent partner, employee, or agent of any Party, in his or her individual capacity as such, shall have any personal liability for the performance of any obligation of such Party under this Lease solely by reason of such status.

34.8 Performance Postponed. Any performance required under this Lease on a day that is not a Business Day shall be postponed until the next Business Day.

34.9 Quiet Enjoyment. Landlord covenants that Tenant shall at all times during the term of this Lease peaceably and quietly have, hold and enjoy the use of the Premises.

34.10 Governing Law. This Lease shall be governed by and construed and enforced in accordance with the laws of the State of California.

34.11 Severability/Construction of Lease. Should any of the provisions of this Lease be found to be invalid, illegal, unconstitutional or unenforceable by any court of competent jurisdiction, such provision shall be stricken and the remainder of this Lease shall nonetheless remain in full force and effect unless striking such provision shall materially alter the intention of the Parties. The Parties hereby acknowledge and agree that each was represented by counsel and this Lease was negotiated and drafted at arms' length. Accordingly, the judicial rule of construction that any ambiguities are to be construed against the drafting party shall be inapplicable in the interpretation of this Lease. The provisions of this Lease shall be construed as a whole according to their common meaning and consistent with the other provisions contained herein in order to achieve the objectives and purposes of this Lease.

34.12 Jurisdiction/Venue. In the event any action is brought to enforce any of the provisions of this Lease, the parties agree to be subject to exclusive in personam jurisdiction in the Los Angeles County Superior Court for the State of California and agree that in any such action venue shall lie exclusively in the County.

34.13 Waiver. No waiver of any right under this Lease shall be effective unless contained in writing signed by a duly authorized officer or representative of the party sought to be charged with the waiver and no waiver of any right arising from any breach or failure to perform shall be deemed to be a waiver of any future right or of any other right arising under this Lease.

34.14 Captions. Section captions contained in this Lease are included for convenience only and form no part of the agreement between the Parties.

34.15 Notices. All notices or requests required or permitted under this Lease shall be in writing, shall be (i) personally delivered, (ii) sent by certified or registered mail, return receipt requested, postage prepaid, (iii) by nationally recognized overnight courier and shall be deemed given when so delivered or received; or (iv) by electronic mail, provided that any notice of default must also be sent using one of the other forms of notice. All notices or requests to any Party shall be sent to all other Parties as follows:

If to Landlord:

Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, WA 98101
Attention: John Finke
Email: johnfinke@publicfacilitiesgroup.org

With a copy to:

Hillis Clark Martin & Peterson PS
999 Third Avenue, Suite 4600
Seattle, WA 98104
Attention: Michelle Gail
Email: michelle.gail@hcmp.com

If to Tenant:

County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Real Estate Division – Senior Manager

With copies to:

Office of the County Counsel
County of Los Angeles
500 West Temple St. 6th Floor
Los Angeles, CA 90012-2932

Chief Executive Office- Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012

Treasurer and Tax Collector- Public Finance
County of Los Angeles
500 West Temple St., Room 432
Los Angeles, CA 90012

If to Trustee:

U.S. Bank National Association
Corporate Trust Services
U.S Bank Tower
633 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services

Any Party may change the address to which notices shall be sent by notice to the other Party in the manner and with the effect set forth in this Section 34.15. Any notice provided to Tenant in

connection with the ordinary course of the development of the Project, including any request for Tenant's Concurrence, Landlord shall also send electronic notice to the following email addresses (in addition to the addressees listed above): leaseacquisitions@ceo.lacounty.gov.

34.16 Binding Effect. Subject to the provisions of Sections 11 and 21, this Lease shall be binding upon, and inure to the benefit of, the Parties and their respective successors and assigns. No permitted assignment of this Lease or Tenant's rights hereunder shall be effective against Landlord unless and until an executed counterpart of the instrument of assignment shall have been delivered to Landlord, and Landlord shall have been furnished with the name and address of the assignee. The term "Tenant" shall be deemed to include the assignee under any such permitted assignment. The term "Landlord" shall include any successors to or assigns of the Landlord's interest in the Premises following any foreclosure of the Leasehold Mortgage, including Trustee or any purchaser at a trustee's or sheriff's sale of the Premises.

34.17 Trustee. Notwithstanding anything to the contrary herein, Landlord and Tenant agree that Trustee, in acting under this Lease, acts not in its individual capacity but solely as Trustee under the Indenture and Trustee shall be entitled to the same rights, protections and immunities hereunder to which it is entitled as Trustee under the Indenture. In furtherance and not in limitation of the foregoing, the exercise of the rights of Trustee and the duties of Trustee hereunder, or under any assignment hereof to Trustee, shall be, in each and every case, subject to the express provisions of Articles VII and VIII of the Indenture; provided, that the Indenture shall not operate to limit Trustee's rights to compensation and indemnification provided hereunder.

34.18 Gender and Number. As used in this Lease, the masculine shall include the feminine and neuter, the feminine shall include the masculine and neuter, the neuter shall include the masculine and feminine, the singular shall include the plural and the plural shall include the singular, as the context may require.

34.19 Nondiscrimination. Tenant covenants by and for itself, its successors and assigns, and all persons claiming under or through it, and this Lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 1926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Premises herein leased nor shall Tenant, or any person claiming under or through Tenant, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the Premises herein leased.

34.20 Recording; Memorandum of Lease. Neither Landlord nor Tenant shall record this Lease without the written consent of the other; provided, however, that a Memorandum of this Lease in the form attached hereto as Exhibit E shall be recorded upon the Effective Date.

34.21 Amendment of Lease. So long as the Bonds remain Outstanding, any amendment of this Lease must comply with applicable provisions of the Indenture. Without limitation, Landlord and Tenant may, from time to time, amend this Lease in writing (a) to exclude any surplus portion of the Premises in accordance with Section 9.06 of the Indenture or (b) for any purpose permitted by the Indenture, the Leasehold Mortgage and the Ground Lease. Any amendment of this Lease must be in writing and executed by both Parties.

34.22 Time Is of the Essence. Time is of the essence in the performance of each Party's obligations under this Lease. Each Party shall carry out its obligations under this Lease diligently and in good faith.

34.23 Prevailing Wage. Landlord shall require that both the Office Project General Contractor and the Shatto Garage Project General Contractor and their respective subcontractors comply with the prevailing wage requirements and be subject to restrictions and penalties in accordance with Section 1770 of the California Labor Code which requires prevailing wages be paid to appropriate work classifications in all bid specifications and subcontracts. The Landlord shall require that both the Office Project General Contractor and the Shatto Garage Project General Contractor furnish all subcontractors/ employees a copy of the Department of Industrial Relations prevailing wage rates which Landlord will post at the job site. All prevailing wages shall be obtained by the Landlord/ Contractor from the California Department of Industrial Relations, Division of Labor Statistics and Research.

Landlord shall require that both the Office Project General Contractor and the Shatto Garage Project General Contractor comply with the payroll record keeping and availability requirement of Section 1776 of the Labor Code. In addition, Landlord shall require that both the Office Project General Contractor and the Shatto Garage Project General Contractor make travel and subsistence payments to workers needed for performance of work in accordance with Section 1773.8 of the Labor Code. Prior to commencement of work, Landlord shall require that both the Office Project General Contractor and the Shatto Garage Project General Contractor contact the Division of Apprenticeship Standards and comply with Sections 1777.5, 1777.6 and 1777.7 of the Labor Code and applicable regulations.

Landlord shall indemnify, hold harmless, and defend Tenant and shall be responsible for any fine, penalty or fee levied against the Premises arising out of any violations by Landlord of this Section 34.23.

34.24 Authority. Landlord and Tenant represent that they have authority to enter into this Lease. This Lease shall not be effective until approved of and signed by the Chairman of the County of Los Angeles Board of Supervisors.

34.25 Recitals. All Recitals set forth herein are hereby incorporated into this Lease. The Parties agree that the Recitals are true and correct and have the same force and effect as all other provisions contained Lease.

35. Force Majeure. Landlord and Tenant shall not be deemed in default with respect to the performance of any of the terms, conditions and covenants of this Lease (other than the payment of Rent or other amounts due hereunder) if Landlord's or Tenant's failure to perform

shall be due to any Force Majeure event. In the event either Party is delayed or prevented from performing any of its respective obligations under this Lease (other than the payment of Rent or other amounts due hereunder) due to a Force Majeure event, then the time period for performance of such obligations shall be extended for the period of such delay. Nothing contained in this Section 35 shall be deemed to extend the Rent Commencement Date nor to excuse Tenant's obligation to pay Rent as and when required by the terms of this Lease.

36. Failure to Achieve Substantial Completion of Project by Developer Obligation Date. In the event that Substantial Completion of the Project is not achieved by the Developer Obligation Date, the following provisions shall apply until such time as Substantial Completion is achieved.

36.1 Enforcement of Development Agreement. Landlord shall vigorously enforce the provisions of the Development Agreement, including, without limitation, Section 7.2(b) thereof, with regard to the failure of the Developer to cause Substantial Completion of the Project to occur by the Developer Obligation Date. Amounts received from Developer thereunder for the payment of debt service on the Bonds shall be deposited with the Trustee as provided under the Indenture.

36.2 Enforcement of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract. Landlord shall vigorously enforce the respective provisions of both the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract including, without limitation, provisions requiring the payment of liquidated damages in the event that either of the Office Project General Contractor or the Shatto Garage Project General Contractor fails to achieve completion of construction of the Office Project or the Shatto Garage Project by the respective date set forth in the applicable Construction Contract. Amounts received from the Office Project General Contractor or the Shatto Garage Project General Contractor and available for payment of debt service on the Bonds shall be deposited with the Trustee as provided under the Indenture.

37. Occupancy of Garages.

37.1 Occupancy of Existing Garage. Tenant shall have the right to occupy the Existing Garage from the Effective Date until the Existing Garage Vacation Date in accordance with the Existing Garage License. Landlord shall determine the date on which Tenant must vacate the existing parking structure located at 523 Shatto Place to allow for its demolition as part of the Project (the "**Existing Garage Vacation Date**"), and Landlord shall deliver written notice to Tenant setting forth the Existing Garage Vacation Date at least thirty (30) days prior to the Existing Garage Vacation Date; provided, however, in no event shall the Existing Garage Vacation Date occur prior to the date of the Tower Garage Completion.

37.2 Early Occupancy of Tower Garage. Developer has advised Landlord and Tenant that the most efficient phasing for construction of the Project will be to first achieve Tower Garage Completion. Landlord shall give Tenant thirty (30) days' advance written notice, requesting Tenant to vacate the Existing Garage to allow for its demolition and reconstruction as part of the Project and Tenant shall vacate and cease using the Existing Garage. Landlord and Tenant have entered into the Tower Garage Occupancy Agreement for Tenant's use of the Tower

Garage after Tower Garage Completion has occurred. In no event shall Tenant's early occupancy of the Tower Garage be deemed to alter or affect in any way the requirements for Substantial Completion of the Project.

38. County Policy Requirements. Landlord shall cause the County's policy requirement set forth on the attached Exhibit R to be incorporated into all Construction Contracts for the Project. The Parties shall not, in the implementation of this Lease and in design, development, operation, and use of the project, discriminate against any employee or applicant for employment on the basis of race, religion, sex, sexual orientation, age, physical handicap, or national origin and shall comply with all applicable provisions of federal, state and local law related to discrimination. Landlord shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment without regard to their race, religion, sex, sexual orientation, age, physical handicap, or national origin, including without limitation employment, promotion, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

38.1 Rental or Sale. Landlord shall refrain from restricting the rental, sale, or lease of the Premises, or any portion thereof, on the basis of sex, age, handicap, marital status, race, color, religion, creed, ancestry, or national origin of any person. All leases and contracts affecting the Premises or any portion thereof shall contain clauses expressly giving effect to this Section 38.

[Signature pages follow]

DATED the date first above written.

LANDLORD:

LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation

By: _____

Name: John Finke

Title: President

TENANT:

COUNTY OF LOS ANGELES,
a body corporate and politic

By: _____

Name: Bradford Bolger

Title: Senior Manager, CEO

ATTEST:

CELIA ZAVALA,
Acting Executive Officer-Clerk
of the Board of Supervisors

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By: _____

Name: _____

Title: _____

California Certificate of Acknowledgment

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

California Certificate of Acknowledgment

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

California Certificate of Acknowledgment

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

California Certificate of Acknowledgment

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

EXHIBIT A

Land

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

LOTS 12, 13 AND 18 BLOCK 4, SHATTO PLACE, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP FILED IN BOOK 6, PAGE 86, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE NORTHERLY 10 FEET OF LOT 14, SAID BLOCK, AND THAT PORTION OF LOT 19, SAID BLOCK WHICH LIES SOUTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE WESTERLY LINE OF LOT 8, SAID BLOCK, DISTANT NORTH 0° 18' 44" WEST THEREON 11.78 FEET FROM THE SOUTHWESTERLY CORNER OF SAID LAST MENTIONED LOT; THENCE WEST TO THE WESTERLY LINE OF SAID LOT 19.

EXCEPT ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING SAID LAND TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE FOLLOWING PORTIONS OF LOT 19.

(A) BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE WEST 50 FEET TO THE NORTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO WILLSON WILLIAM DOWNS, RECORDED MAY 24, 1949, IN BOOK 30154 PAGE 183, OFFICIAL RECORDS, AND THE TRUE POINT OF BEGINNING; THENCE PARALLEL WITH THE EASTERLY LINE OF SAID LOT 19, SOUTH 0° 18' 44" EAST 99.4 FEET, MORE OR LESS, TO A LINE PARALLEL WITH AND 15.00 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID LOT 19; THENCE ALONG SAID PARALLEL LINE SOUTH 89° 49' 55" WEST 165.00 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, NORTH 100.03 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 164.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTORS, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT

TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSE, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASE APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID ABOVE DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

(B) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE SOUTH 0° 18' 44" EAST 19.40 FEET TO THE NORTHWEST CORNER OF SAID LOT 11; THENCE ALONG THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID LOT 11, SOUTH 89° 49' 55" WEST 50 FEET; THENCE PARALLEL WITH THE EAST LINE OF SAID LOT, NORTH 0° 18' 44" WEST 19.55 FEET, MORE OR LESS, TO A LINE BEARING WEST FROM THE POINT OF BEGINNING; THENCE ALONG SAID LINE EAST 50 FEET TO THE POINT OF BEGINNING TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEEDS FROM PACIFIC ELECTRIC LAND COMPANY.

(C) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON, NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE ALONG THE EASTERLY LINE OF SAID LOT 19, THE FOLLOWING COURSES AND DISTANCES, NORTH 0° 18' 44" WEST 30.00 FEET; NORTH 20° 36' 15" EAST 117.65 FEET TO THE SOUTHWEST CORNER OF LOT 8 IN SAID BLOCK 4 AND NORTH 0° 18' 44" WEST 11.78 FEET; THENCE WEST 255.62 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, SOUTH 152.50 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 214.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTOR, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY

OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSES, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASING APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID LAST DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

Assessor's Parcel Number: **5077-003-901, 5077-003-903, 5077-003-904 & 5077-003-905**

EXHIBIT B

SCHEDULE OF BASE RENT

[Attached]

Schedule of Base Rent Payments

County	Amount
5/31/2022	6,009,207.50
11/30/2022	12,261,225.00
5/31/2023	7,078,350.00
11/30/2023	12,353,350.00
5/31/2024	6,946,475.00
11/30/2024	12,496,475.00
5/31/2025	6,807,725.00
11/30/2025	12,637,725.00
5/31/2026	6,661,975.00
11/30/2026	12,786,975.00
5/31/2027	6,508,850.00
11/30/2027	12,948,850.00
5/31/2028	6,347,850.00
11/30/2028	13,122,850.00
5/31/2029	6,178,475.00
11/30/2029	13,298,475.00
5/31/2030	6,000,475.00
11/30/2030	13,485,475.00
5/31/2031	5,813,350.00
11/30/2031	13,683,350.00
5/31/2032	5,616,600.00
11/30/2032	13,891,600.00
5/31/2033	5,409,725.00
11/30/2033	14,109,725.00
5/31/2034	5,192,225.00
11/30/2034	13,142,225.00
5/31/2035	4,993,475.00
11/30/2035	13,348,475.00
5/31/2036	4,784,600.00
11/30/2036	13,564,600.00
5/31/2037	4,565,100.00
11/30/2037	13,800,100.00
5/31/2038	4,334,225.00
11/30/2038	14,044,225.00
5/31/2039	4,091,475.00
11/30/2039	14,301,475.00
5/31/2040	3,836,225.00
11/30/2040	14,561,225.00
5/31/2041	3,568,100.00
11/30/2041	14,848,100.00
5/31/2042	3,286,100.00
11/30/2042	15,146,100.00

County	Amount
5/31/2043	2,989,600.00
11/30/2043	15,459,600.00
5/31/2044	2,677,850.00
11/30/2044	15,717,850.00
5/31/2045	2,417,050.00
11/30/2045	15,987,050.00
5/31/2046	2,145,650.00
11/30/2046	16,270,650.00
5/31/2047	1,863,150.00
11/30/2047	16,563,150.00
5/31/2048	1,569,150.00
11/30/2048	16,864,150.00
5/31/2049	1,263,250.00
11/30/2049	17,268,250.00
5/31/2050	863,125.00
11/30/2050	17,698,125.00
5/31/2051	442,250.00
11/30/2051	18,132,250.00

EXHIBIT C

PRELIMINARY PLANS

[On File with the Issuer]

EXHIBIT D-1

PROJECT SCHEDULE

[Attached]

EXHIBIT D-2
PROJECT BUDGET

[Attached]

Vermont Corridor Project Budget

Vermont Corridor Project Budget	
Construction Budget	
	CURRENT BUDGET
Construction Budget	
Podium Parking	\$50,787,560
Class A Office Building	\$108,174,411
Tenant Improvement Build-Out	\$31,280,283
Shatto	\$30,340,523
Project Escalation	\$1,455,828
Podium Parking Delivery Clause per GMP	\$750,000
Construction Budget Total	\$222,788,605
Design Consultants (Post Pre-Development)	
Design Consultants (Plan Check and Construction Administration)	
Architect Core & Shell	\$3,593,545
ADA Consultant per Development Agreement	\$28,340
Architect TI	\$475,000
MEP Design (with Hathaway Dinwiddie as Design Build)	\$0
Emergency Helicopter Landing Facility Design	\$27,000
Structural	\$282,500
JA Weir/Skin System Detailing	\$60,600
Vertical Transportation	\$19,872
LEED	\$30,000
Architectural Lighting	\$20,500
Civil	\$27,000
Civil for Shatto	\$24,750
Landscape for Vermont and Shatto	\$63,760
Waterproofing	\$40,500
Code Consultant	\$5,000
Acoustics	\$13,560
Consultant Mark-Up	\$49,653
Reimbursables	\$295,800
Design Consultant Total	\$5,057,380
Project Consultants	
Project Consultants	
Commissioning	\$623,100
WELL- Per County Removed from Scope	\$0
Vermont Podium Parking Consultant	\$100,000
Environmental (Soils/Methane Design/Oil Wells)	\$3,169,001
EV Parking Equipment	\$285,945
Local Hiring Outreach	\$150,000
3rd Party Overview	\$150,000
Community Outreach	\$150,000
Project Consultants Total	\$4,628,046
Plan Check, Inspections, Site Utilities, Permit & Bonds	
Plan Check, Inspection, Site Utilities and Permit & Bonds	
Testing and Inspection Concrete & Steel	\$1,399,893
Soils and Geo Inspection	\$195,500
DWP Electric Service	\$840,833
Sewer Connection Fees	\$300,000
DWP Domestic and Fire Water /Dry Utilities/City Services	\$950,000
Utility Consumption	\$1,146,591
Plan Check Fees	\$1,584,210
Permits	\$1,936,263
School Board Fees	\$455,107
Mitigation Measures per CEQA Requirements	\$1,938,300
B Permit Offsite Fees/Bonds and Misc. City Fees	\$329,178
Printing/Reimbursables	\$300,000
Plan Check, Site Utilites Total	\$11,375,875
Additional Tenant Improvement Budget	
Additional Tenant Improvement Budget	
Telco/Data Design and Equipment ROM	\$3,650,891
Decommissioning of Existing Building ROM- Per County Removed from Scope	\$0
FF&E (furniture) + Install ROM	\$10,337,226
Relocation Services ROM- Per County Removed from Scope	\$0
Fitness Center Equipment	\$272,270
Audio Visual Design and Equipment ROM	\$1,338,600
Graphics/Signage ROM	\$1,200,000
Art Program for County	\$1,000,000
Additional Tenant Improvement Total	\$17,798,987
Supplemental Scope, Insurance, Fees and Contingency	
Supplemental Project Scope ROM	
WDACS Floor TI Build-Out ALLOWANCE	\$9,116,423
Clinic TI Build-Out ALLOWANCE	\$1,719,178
Additional Supplemental Scope	\$10,835,601
Insurance, Fees & Contingency	
Builder's Risk Insurance	\$1,000,000
Overhead Allowance	\$3,474,000
Developer Fee	\$5,449,690
Hard Contingency (5%)	\$11,139,430
Soft Project Contingency (5%)	\$1,993,014
Other Total	\$23,056,135
Total Estimated Fixed Project Budget	\$295,540,629

Vermont Corridor Estimated Project Budget

WDACS TI Build-Out ROM

3-Jul-18

BUDGET LINE ITEM	Budget
Design Consultants (Plan Check and Construction Administration)	
Design Consultants (Project Design Completion Post Programming)	
Architect TI	\$240,000
Structural	\$35,000
LEED	\$30,000
Architectural Lighting	\$35,000
Acoustics	\$35,000
Code/ Life Safety	\$15,000
Consultant Mark-Up	\$12,000
Reimbursables	\$22,500
Design Consultant Total	\$424,500
Project Consultants	
Project Consultants	
GC MEP&F Design-Build Fees	inc. w/ HD
Commissioning	\$7,500
Reimbursables	\$750
Project Consultants Total	\$8,250
Plan Check, Site Utilities and Permit Budget	
Plan Check, Site Utilities and Permit Impacts	
Plan Check and Permit Fees (separate TI)	\$140,066
Plan Check, Site Utilities Total	\$140,066
Construction Budget	
Construction Budget	
Tenant Improvement Build-Out GC Hard Costs	\$5,602,631
Interconnecting Stairs	Inc.
Construction Budget Total	\$5,602,631
Additional Tenant Improvement Budget	
Additional Tenant Improvement Budget	
Telco/Data * assumes 315 phones	\$360,767
FF&E (furniture)- takeoff from floor 8 and 9 @ 315 workstations total	\$1,760,611
Relocation Services	\$50,000
Security	\$30,000
Audio Visual- takeoff from floor 7 and 8 without Microsoft Hub	\$165,483
Graphics/Signage	\$140,000
Additional Tenant Improvement Total	\$2,506,861
PROJECT Specific Contingency	\$434,115
Project Cost ROM	\$9,116,423

Vermont Corridor Estimated Project Budget

CLINIC TI Build-Out ROM

3-Jul-18

BUDGET LINE ITEM	Budget
Design Consultants (Plan Check and Construction Administration)	
Design Consultants (From Preliminary Space Plan to TI Design Set)	
Architect TI	\$85,000
Structural	\$7,000
Civil	\$12,000
Code/ Life Safety	\$5,000
Consultant Mark-Up	\$2,400
Reimbursables	\$10,900
Design Consultant Total	\$122,300
Project Consultants	
Project Consultants	
GC MEP&F Design-Build Fees	Included w/ HD Budget
Commissioning	\$5,000
Reimbursables	\$500
Project Consultants Total	\$5,500
Plan Check, Site Utilities and Permit Budget	
Plan Check, Site Utilities and Permit Impacts	
Plan Check and Permit Fees	\$36,067
Plan Check, Site Utilities Total	\$36,067
Construction Budget	
Construction Budget	
Tenant Improvement Build-Out	\$1,144,991
Misc. Contingency (Space Plan unknowns) 5%	\$57,250
Construction Budget Total	\$1,202,241
Additional Tenant Improvement Budget	
Additional Tenant Improvement Budget	
Telco/Data- based on space plan layout	\$91,272
FF&E (furniture)- based on space plan layout	\$74,933
Security	\$30,000
Audio Visual	\$25,000
Graphics/Signage	\$50,000
Additional Tenant Improvement Total	\$271,205
Project Specific Contingency	\$81,866
Project Costs (Beyond Pre-Development)	\$1,719,178

EXHIBIT E

MEMORANDUM OF FACILITIES LEASE

WHEN RECORDED MAIL TO:

Hillis Clark Martin & Peterson P.S.
Attention: Michelle Gail
999 Third Ave, Suite 4600
Seattle, WA 98104

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE *ONLY*.

Assessor's Parcel Nos.: 5077-003-901, 5077-003-903, 5077-003-904 and 5077-003-905

This instrument is exempt from recording fees (California Government Code Section 27383) and from Documentary Transfer Tax (California Revenue and Tax Code Section 11922).

MEMORANDUM OF FACILITIES LEASE

THIS MEMORANDUM OF FACILITIES LEASE (this "**Memorandum**") is dated for reference purposes July 1, 2018 and is made by and between **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation ("**Sublandlord**"), and **COUNTY OF LOS ANGELES**, a body corporate and politic ("**Subtenant**").

1. Ground Lease. Sublandlord is the lessee under that certain Ground Lease Agreement dated for reference purposes as of July 1, 2018 (the "**Ground Lease**"), pursuant to which Sublandlord leases that certain real property located in the City of Los Angeles, County of Los Angeles, California ("**Land**"), more specifically described in the attached Exhibit A.

2. Facilities Lease. Sublandlord leased to Subtenant the Land including all improvements thereon (collectively, the "**Premises**"), at a rent and on the terms and conditions set forth in that certain Facilities Lease Agreement dated for reference purposes as of July 1, 2018 (the "**Facilities Lease**") which is made part of this Memorandum as though fully set forth herein. The Facilities Lease is for a term commencing on July 26, 2018 and, unless such term is extended, shall expire on the earlier of (a) December 1, 2051, (b) the date that the Bonds are no longer Outstanding (as defined in the Indenture of Trust, dated as of July 1, 2018 (the "**Indenture**"), by and between Sublandlord and U.S. Bank National Association, as Trustee) and the Premises have been conveyed by Sublandlord to Subtenant as set forth in the applicable provisions of the Facilities Lease, or (c) the date on which the Facilities Lease terminates in accordance with its terms (any, as applicable, the "**Expiration Date**").

Notwithstanding the foregoing, if on the Expiration Date of the Facilities Lease, the total Base Rent otherwise payable has not been fully paid as a result of an Abatement of Rent and the Bonds remain Outstanding, then, as provided in the Facilities Lease, the term of the Facilities Lease shall be extended until the total Base Rent otherwise payable thereunder shall be fully paid or such earlier time as the Bonds are no longer Outstanding; provided, however, that such extension shall not exceed ten (10) years. In the event of such an extension, the term of the Facilities Lease shall be deemed extended for the same period of time that the term of the Ground Lease is extended.

3. Option to Purchase. Subtenant has the option to purchase the Premises and thereby terminate the Facilities Lease and the Ground Lease by depositing with the Trustee amounts sufficient to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance throughout the term of the Facilities Lease.

4. Definition of Terms. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Facilities Lease.

5. Purpose of Memorandum. This Memorandum is prepared for purposes of recordation only and to provide constructive notice of the rights of Sublandlord and Subtenant under the Facilities Lease to all third parties, and does not set forth all of the terms and conditions set forth in the Facilities Lease. In the event there is any conflict between the terms and conditions of the Facilities Lease and this Memorandum, the Facilities Lease shall control.

[Signatures on next page(s)]

In witness thereof, the parties have executed this Memorandum of Facilities Lease as of the date first above written.

LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation

By _____
Name: John Finke
Title: President

SIGNER(S) OTHER THAN NAMED ABOVE:

COUNTY OF LOS ANGELES,
a body corporate and politic

By _____
Name: Bradford Bolger
Title: Senior Manager, CEO

ATTEST:

CELIA ZAVALA,
Acting Executive Officer-Clerk
of the Board of Supervisors

By _____
Name: _____
Title: _____

APPROVED AS TO FORM:
MARY C. WICKHAM, County Counsel

By _____
Name: _____
Title: _____

**CERTIFICATE OF ACTING EXECUTIVE OFFICER-CLERK
OF THE BOARD OF SUPERVISORS**

On this ____ day of July 2018, pursuant to Section 25103 of the California Government Code, the undersigned Acting Executive Officer-Clerk of the Board of Supervisors certifies that on this date, a copy of this document was delivered to the Chair of the Board of Supervisors of the County of Los Angeles.

Celia Zavala
Acting Executive Officer-Clerk of the
Board of Supervisors

By:_____

**CERTIFICATE OF ACCEPTANCE
OF INTEREST IN REAL PROPERTY**

THIS IS TO CERTIFY that the interest in real property conveyed by the Facilities Lease Agreement, dated for reference purposes as of July 1, 2018, from Los Angeles County Facilities Inc., a California nonprofit public benefit corporation, to the County of Los Angeles, a body corporate and politic (referred to in the attached Memorandum of Facilities Lease), is hereby accepted by the undersigned officer on behalf of the Los Angeles County Board of Supervisors pursuant to authority conferred to the Chief Executive Office by Section 2.08.168 of the Los Angeles County Code and consents to the recordation thereof by its duly authorized officer. This is to further certify that this document covers County business within the meaning of Section 6103 of the Government Code.

ACCEPTED BY AND ON BEHALF OF THE LOS ANGELES COUNTY
BOARD OF SUPERVISORS

By:_____
Name:_____
Its:_____

California All-Purpose Acknowledgment

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

California All-Purpose Acknowledgment

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

California All-Purpose Acknowledgment

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

California All-Purpose Acknowledgment

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

EXHIBIT A

LEGAL DESCRIPTION

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

LOTS 12, 13 AND 18 BLOCK 4, SHATTO PLACE, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP FILED IN BOOK 6, PAGE 86, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE NORTHERLY 10 FEET OF LOT 14, SAID BLOCK, AND THAT PORTION OF LOT 19, SAID BLOCK WHICH LIES SOUTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE WESTERLY LINE OF LOT 8, SAID BLOCK, DISTANT NORTH 0° 18' 44" WEST THEREON 11.78 FEET FROM THE SOUTHWESTERLY CORNER OF SAID LAST MENTIONED LOT; THENCE WEST TO THE WESTERLY LINE OF SAID LOT 19.

EXCEPT ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING SAID LAND TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE FOLLOWING PORTIONS OF LOT 19.

(A) BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE WEST 50 FEET TO THE NORTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO WILLSON WILLIAM DOWNS, RECORDED MAY 24, 1949, IN BOOK 30154 PAGE 183, OFFICIAL RECORDS, AND THE TRUE POINT OF BEGINNING; THENCE PARALLEL WITH THE EASTERLY LINE OF SAID LOT 19, SOUTH 0° 18' 44" EAST 99.4 FEET, MORE OR LESS, TO A LINE PARALLEL WITH AND 15.00 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID LOT 19; THENCE ALONG SAID PARALLEL LINE SOUTH 89° 49' 55" WEST 165.00 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, NORTH 100.03 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 164.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTORS, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT

TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSE, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASE APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID ABOVE DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

(B) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE SOUTH 0° 18' 44" EAST 19.40 FEET TO THE NORTHWEST CORNER OF SAID LOT 11; THENCE ALONG THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID LOT 11, SOUTH 89° 49' 55" WEST 50 FEET; THENCE PARALLEL WITH THE EAST LINE OF SAID LOT, NORTH 0° 18' 44" WEST 19.55 FEET, MORE OR LESS, TO A LINE BEARING WEST FROM THE POINT OF BEGINNING; THENCE ALONG SAID LINE EAST 50 FEET TO THE POINT OF BEGINNING TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEEDS FROM PACIFIC ELECTRIC LAND COMPANY.

(C) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON, NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE ALONG THE EASTERLY LINE OF SAID LOT 19, THE FOLLOWING COURSES AND DISTANCES, NORTH 0° 18' 44" WEST 30.00 FEET; NORTH 20° 36' 15" EAST 117.65 FEET TO THE SOUTHWEST CORNER OF LOT 8 IN SAID BLOCK 4 AND NORTH 0° 18' 44" WEST 11.78 FEET; THENCE WEST 255.62 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, SOUTH 152.50 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 214.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTOR, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY

OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSES, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASING APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID LAST DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

EXHIBIT F

DISPUTE RESOLUTION PROCEDURE

In the event a dispute or claim in law or equity shall arise between the parties to this Lease, the parties have the option to participate in neutral, non-binding mediation prior to the filing of litigation or any other legal action or any other proceeding before a trier of fact. Landlord or Tenant shall provide 30 days written notice to the other party of the desire to mediate. The mediation shall be conducted in Los Angeles County, California. Landlord and Tenant shall choose a mutually agreeable mediator within fifteen (15) days of notice of the desire to mediate and shall thereafter attend the mediation in good faith. If the Parties cannot agree on the mediator, each party shall select a mediator with at least five (5) years-experience in lease and construction related mediation and the two mediators will in turn select the mediator. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof. Mediation fees will be divided evenly between parties. By entering into this agreement, the parties are not waiving their right to a jury trial or to bypass the mediation process and directly pursue remedies in law or equity.

The parties recognize that mediation proceedings are settlement negotiations, and that all offers, promises, conduct and statements, whether written or oral, made in the course of the proceedings, are inadmissible in any arbitration or court proceeding, to the extent allowed by applicable state law. The parties agree to not subpoena or otherwise require the mediator to testify or produce records, notes or work product in any future proceedings, and no recording or stenographic record will be made of the mediation session. Evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation session. In the event the parties do reach a settlement agreement, the terms of that settlement will be admissible in any court or arbitration proceedings required to enforce it, unless the parties agree otherwise. Information disclosed to the mediator in a private caucus shall remain confidential unless the party authorizes disclosure.

If mediation is unsuccessful, either the Landlord or the Tenant may file litigation or any other legal action or proceeding pursuant to California law.

EXHIBIT G

**FORM OF NOTICE OF ELECTION
OF
OPTION TO PURCHASE**

To: Landlord

You are hereby notified that **COUNTY OF LOS ANGELES** (“**Tenant**”) has elected to exercise on _____, 20__ its option to purchase the Land and the Project to be constructed thereon (“**Premises**”) currently leased by Tenant pursuant to the Facilities Lease Agreement (“**Lease**”) by and between Tenant and Landlord dated for reference purposes as of July 1, 2018. This purchase option is being exercised pursuant to Section 4.3 of the Lease. Tenant is now, and on the date set forth above for payment will be, in full compliance with all terms and conditions of the Lease. Pursuant to Section 4.3(b) of the Lease, within fifteen (15) days of this notice, Landlord is to provide Tenant with an accounting of the amounts necessary to complete the purchase on the exercise date set forth above.

TENANT:

COUNTY OF LOS ANGELES,
a body corporate and politic

By: _____
Name: _____
Title: _____

ATTEST:
Clerk of the Board

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:
County Counsel

By: _____
Name: _____
Title: _____

EXHIBIT H

**FORM OF NOTICE OF ELECTION
TO
PARTIALLY PREPAY BASE RENT**

To: Landlord

You are hereby notified that COUNTY OF LOS ANGELES (“**Tenant**”) has elected to exercise its option to prepay a portion of the Base Rent due under that certain Facilities Lease Agreement (the “**Lease**”) by and between Tenant and LOS ANGELES COUNTY FACILITIES INC., a California nonprofit public benefit corporation (“**Landlord**”) dated for reference purposes as of July 1, 2018 by causing Bonds [to be redeemed in accordance with Section 3.01 of the Indenture][to be defeased in accordance with Article X of the Indenture]. In accordance with Section 4.3(c) of the Lease, the date of prepayment shall be _____, 20__ and the principal components of Base Rent to be prepaid on such date are _____, representing the maturities (or portions thereof) set forth below. By 10:00 a.m. Pacific Time on such date, Tenant shall pay to Trustee in cash or same-day available funds, an amount equal to the principal components of Base Rent to be prepaid, together with interest thereon sufficient to optionally redeem or defease such Bonds in accordance with the Indenture, together with any other amounts payable under the Lease on such date. In accordance with that certain Indenture of Trust dated for reference purposes as of July 1, 2018 between Landlord and U.S Bank, N.A., as Trustee, Landlord shall direct Trustee to take all actions required to [cause an optional redemption of the Bonds][cause a defeasance of the Bonds] in principal amounts and maturities corresponding to the principal components of Base Rent set forth below.

TENANT:

COUNTY OF LOS ANGELES,
a body corporate and politic

By: _____
Name: _____
Title: _____

ATTEST:
Clerk of the Board

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:
County Counsel

By: _____
Name: _____
Title: _____

**Schedule of Principal Components of Base Rent
to Be Prepaid and Bonds to Be Redeemed or Defeased**

Date Principal Component (of Base Rent) Due	Amount of Principal Component to be Prepaid and Bonds to be Redeemed*	Amount of Principal Component to be Prepaid and Bonds to be Defeased*
--	--	--

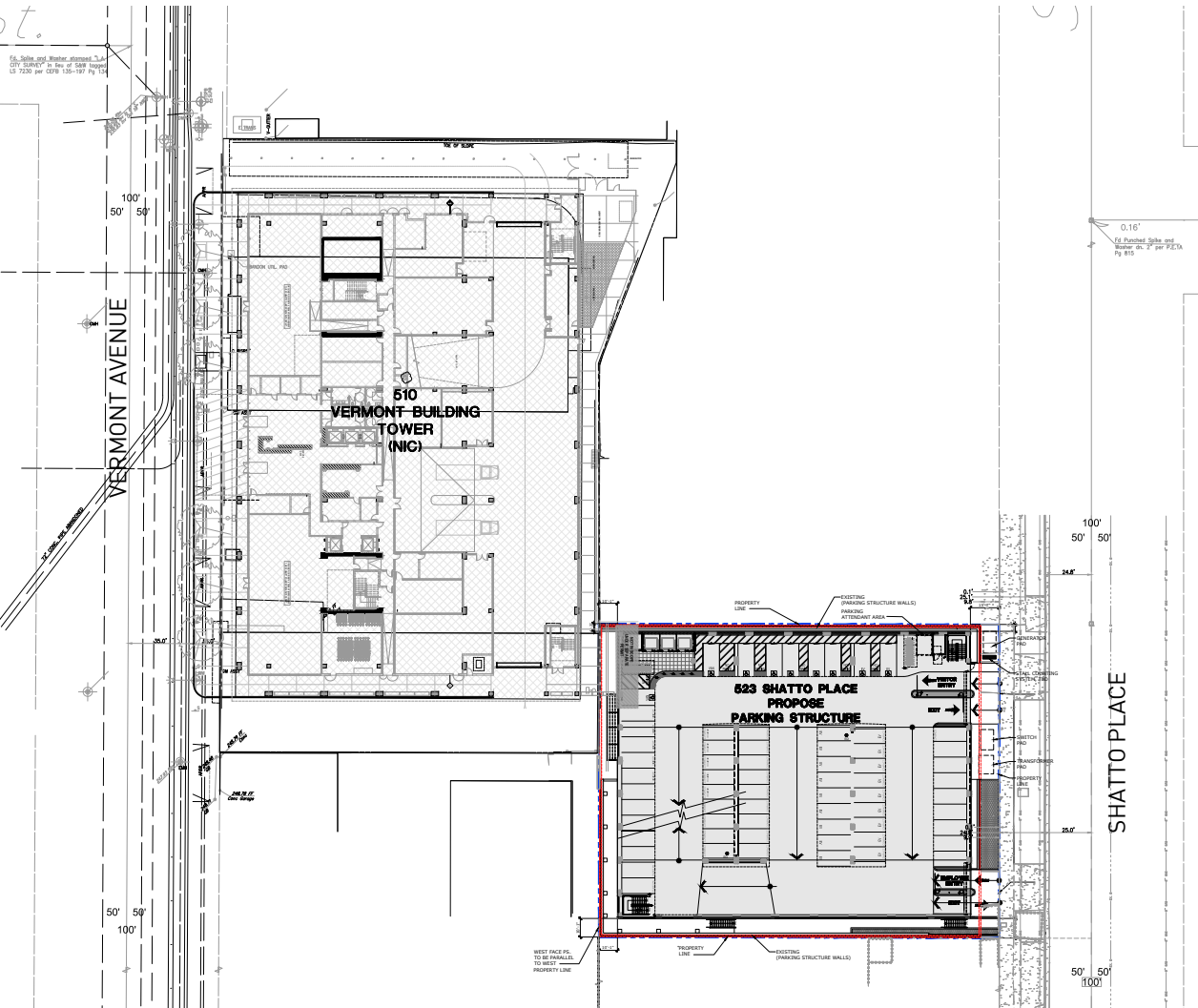
*Principal may be prepaid only in increments of \$5,000.00.

EXHIBIT I

Site Plan – Shatto Garage Project

[Attached]

n st.



File: 510_Vermont_Tower_Plan_Tier1.dwg
Date: 08/14/2024 10:00 AM
User: J. Smith
Scale: 1/8" = 1'-0"

0.16"
As Shown (Scale and
Notes on 1/8" = 1'-0")
By: J. Smith

OVERALL SITE PLAN @ TIER 1



**SHATTO
PARKING STRUCTURE**
523 SHATTO PLACE
LEICESTER, VT 05660

PROJECT DEVELOPER/OWNER	DATE
PROJECT SITE	REVISION

**OVERALL
SITE PLAN
@ TIER 1**

JOB NO. 12345
 DATE: 08/14/2024
 DRAWN BY: J. Smith
 CHECKED BY: J. Smith
 DESIGNED BY: J. Smith

A101

EXHIBIT J

Permitted Exceptions – Subleasehold Title Policy

A. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2018-2019.

B. There were no taxes levied for the fiscal year 2017-2018 as the property was vested in a public entity.

Affects: Assessor's Parcel Number: 5077-003-901, 5077-003-903, 5077-003-904, and 5077-003-905

C. Intentionally deleted

D. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

1. Water rights, claims or title to water, whether or not disclosed by the public records.

2. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Clara R. Shatto
Purpose: pole lines and conduits
Recording No: in Book 2398 Page 7 of Deeds
Affects: the West 5 feet of Lot 13

3. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable laws, as set forth in the document referred to in the numbered item last above shown.

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

4. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Clara R. Shatto
Purpose: pole lines and conduits
Recording No: in Book 2364 Page 253 of Deeds
Affects: the rear 4 feet of Lot 14

5. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable laws, as set forth in the document referred to in the numbered item last above shown.

Modification(s) of said covenants, conditions and restrictions

Recording No: in Book 3705 Page 262 of Deeds

Modification(s) of said covenants, conditions and restrictions

Recording No: in Book 4420 Page 56 of Deeds

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

6. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Clara R. Shatto
Purpose: pole lines and conduits
Recording No: in Book 2376 Page 77 of Deeds
Affects: the Westerly 5 feet of said Lot 12

7. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable laws, as set forth in the document referred to in the numbered item last above shown.

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

8. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording No: In Book 5232 Page 128 of Deeds

9. Such rights as the owners of certain other lots, in said tract, may have to enforce the general plan of covenants, conditions and restrictions, contained in deeds from Clara R. Shatto, recorded in Book 5232 Page 128 of deeds, affecting the Easterly 50 feet of Lot 18 and that portion of Lot 19 herein described and in the deed from Clara R. Shatto, recorded in Book 3015 Page 389, Official Records, affecting Lot 18, except the East 50 feet.

10. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, citizenship, immigration status, primary language, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: April 30, 1924
Recording No: in Book 3015 Page 389, of Official Records

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

11. Easement(s) for the purpose(s) shown below and rights incidental thereto as condemned by an instrument,

Entitled: Final Decree
Court: Superior Court
Case No.: 171601
Purpose: street
Recording Date: July 27, 1928
Recording No.: in Book 7109 Page 364, of Official Records
Affects: as described therein.

12. Easement(s) for the purpose(s) shown below and rights incidental thereto as disclosed by a Declaration by the Department of Water and Power of the City of Los Angeles

In Favor of: The City of Los Angeles, successor to Los Angeles, Gas & Electric Corp.
Purposes: pole lines and conduits
Recording No.: in Book 15520 Page 252, of Official Records
Affects: as described therein.

13. Easement(s) for the purpose(s) shown below and rights incidental thereto as disclosed by a Declaration by the Department of Water and Power of the City of Los Angeles

In Favor of: The City of Los Angeles, successor to Los Angeles, Gas & Electric Corp.
Purposes: pole lines and conduits
Recording Date: January 14, 1938
Recording No.: in Book 15526 Page 209, of Official Records
Affects: as described therein.

14. Covenant and agreement wherein the owners agree to hold said Land as one parcel and not to sell any portion thereof separately. Said covenant is expressed to run with the Land and be binding upon future owners.

Recording Date: March 2, 1959
Recording No.: in Book M231 Page 233, Official Records

Reference is hereby made to said document for full particulars.

Affects: A portion of the Land described herein and other land.

15. Covenant and agreement wherein the owners agree to hold said Land as one parcel and not to sell any portion thereof separately. Said covenant is expressed to run with the Land and be binding upon future owners.

Recording Date: February 3, 1960
Recording No.: in Book M440 Page 371, Official Records

Reference is hereby made to said document for full particulars.

Affects: A portion of the Land described herein and other land.

16. An instrument entitled Covenant and Agreement

Executed by: R. S. Le Sage, et al
In favor of: City of Los Angeles
Recorded: January 3, 1964 as Instrument No. 6076 in Book M1422 Page 856, of Official Records

Reference is hereby made to said document for full particulars.

17. An instrument entitled Covenant and Agreement

Executed by: R. S. Le Sage, et al
In favor of: City of Los Angeles
Recorded: January 3, 1964 as Instrument No. 6077 in Book M1422 Page 857, of Official Records

Reference is hereby made to said document for full particulars.

18. An instrument entitled Covenant and Agreement

Executed by: R. S. Le Sage, et al
In favor of: City of Los Angeles
Recorded: January 3, 1964 as Instrument No. 6079 in Book M1422 Page 859, of Official Records

Reference is hereby made to said document for full particulars.

19. Covenant and agreement wherein the owners agree to hold said Land as one parcel and not to sell any portion thereof separately. Said covenant is expressed to run with the Land and be binding upon future owners.

Recording Date: May 11, 1964
Recording No.: 3939 in Book M1518 Page 375, Official Records

Reference is hereby made to said document for full particulars.

Affects: A portion of the Land described herein and other land.

20. An instrument entitled Covenant and Agreement

Executed by: Robert S. Le Sage
In favor of: City of Los Angeles
Recorded: May 11, 1964 as Instrument No. 3940 in Book M1518 Page 376, of Official Records

Reference is hereby made to said document for full particulars.

21. Covenant and agreement wherein the owners agree to hold said Land as one parcel and not to sell any portion thereof separately. Said covenant is expressed to run with the Land and be binding upon future owners.

Recording Date: October 21, 1965
Recording No.: 4585 in Book M2018 Page 149, Official Records

Reference is hereby made to said document for full particulars.

Affects: A portion of the Land described herein and other land.

22. Intentionally deleted

23. The Land described herein is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the Redevelopment Plan) as disclosed by a document.

Redevelopment Agency: Wilshire Center/Koreatown Recovery Redevelopment Project
Recording Date: December 26, 1995
Recording No: 95-2040205 Official Records

24. The Land described herein is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the Redevelopment Plan) as disclosed by a document.

Redevelopment Agency: Wilshire Center/Koreatown Recovery Redevelopment Project Area
Recording Date: November 30, 2007
Recording No: 20072636447 Official Records

25. Intentionally deleted

26. Intentionally deleted

27. Intentionally deleted

28. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.

29. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

30. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other matters which a correct survey would disclose and which are not shown by the public records.

31. Any easements not disclosed by the public records as to matters affecting title to real property, whether or not said easements are visible and apparent.

EXHIBIT K

MINIMUM INSURANCE REQUIREMENTS FOR LANDLORD

I. WAIVER

Both Landlord and Tenant agree to release the other and waive their rights of recovery against the other for damage to their respective property arising from perils insured in the Causes-of-Loss Special Form (ISO form CP 10 30).

II. GENERAL INSURANCE PROVISIONS - LANDLORD REQUIREMENTS

Without limiting Landlord's indemnification of Tenant, and during the Term and until all of Landlord's obligations pursuant to this Lease have been met, Landlord shall provide and maintain at its own expense insurance coverage satisfying the requirements specified in this Lease (the "**Required Insurance**"). Tenant in no way warrants that the Required Insurance is sufficient to protect Landlord for liabilities which may arise from or relate to this Lease.

1. Evidence of Coverage and Notice to Tenant. Certificate(s) of insurance coverage (each an "**Insurance Certificate**") satisfactory to Tenant and a copy of an Additional Insured endorsement confirming that the Indemnified Tenant Parties have been given Insured status under Landlord's General Liability policy, shall be delivered to Tenant at the address set forth in Section 1.4 of this Exhibit K, prior to the Effective Date.

1.1. Renewal Insurance Certificates shall be provided to Tenant not less than ten (10) days prior to Landlord's policy expiration dates. Tenant reserves the right to obtain complete, certified copies of any Required Insurance policies at any time.

1.2. Each Insurance Certificate shall identify all Required Insurance coverage types and limits, reference this Lease by name or number, and be signed by an authorized representative of the insurer(s). The Insured party named on the Insurance Certificate shall be Landlord. Each Insurance Certificate shall provide the full name of each insurer providing coverage, its NAIC (National Association of Insurance Commissioners) identification number, its financial rating, the amounts of any policy deductibles or self-insured retentions exceeding twenty-five thousand (\$25,000.00) dollars, and list any Tenant required endorsement forms.

1.3. Neither Tenant's failure to obtain, nor Tenant's receipt of, or failure to object to a non-complying Insurance Certificate or endorsement, or any other insurance documentation or information provided by Landlord, its insurance broker(s) and/or insurer(s), shall be construed as a waiver of any of the Required Insurance provisions.

1.4. Insurance Certificates and copies of any required endorsements, notices of cancellation shall be delivered to:

County of Los Angeles
Chief Executive Office [or other department acting as Tenant, as applicable]

Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Name of Lease Manager, Property Management

2. Claims Notice. Landlord shall promptly notify Tenant of any third party claim or suit filed against Landlord which arises from or relates to this Lease, and could result in the filing of a claim or lawsuit against Landlord and/or Tenant.

3. Additional Insured Status and Scope of Coverage. Indemnified Tenant Parties, shall be provided additional insured status under Landlord's General Liability policy with respect to liability arising from or connected with Landlord's acts, errors, and omissions arising from and/or relating to Landlord's operations on and/or its use of the Premises and/or Project. Indemnified Tenant Parties' additional insured status shall apply with respect to liability and defense of suits arising out of the Landlord's acts or omissions, whether such liability is attributable to Landlord or to Indemnified Tenant Parties. The full policy limits and scope of protection also shall apply to Indemnified Tenant Parties as an additional insured, even if they exceed the Landlord's minimum Required Insurance. Use of an automatic additional insured endorsement form is acceptable providing it satisfies the Required Insurance provisions.

4. Cancellation of or Changes in Insurance. Landlord shall provide Tenant with, or Landlord's insurance policies shall contain a provision that Tenant shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to Tenant at least ten (10) days in advance of cancellation for non-payment of premium and thirty (30) days in advance for any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance shall be an Event of Default by Landlord.

5. Failure to Maintain Required Insurance. Landlord's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall constitute an Event of Default by Landlord. Tenant, at its sole discretion, may obtain damages from Landlord resulting from Landlord's failure to maintain Required Insurance, and/or Tenant may elect to purchase the Required Insurance without further notice to Landlord, and Landlord shall promptly reimburse Tenant's expense of such purchase.

6. Insurer Financial Ratings. Required Insurance is to be provided by an insurance company authorized to do business in the State of California and acceptable to Tenant, with an A.M. Best rating of not less than A:VII, unless otherwise approved by Tenant.

7. Landlord's Insurance Shall Be Primary. Landlord's insurance policies, with respect to any claims related to this Lease, shall be primary with respect to all other sources of coverage available to Tenant. Any Tenant maintained insurance or self-insurance coverage shall be in excess of and not contribute to any Landlord coverage.

8. Waiver of Subrogation. To the fullest extent permitted by law, Landlord waives its and its insurer(s) rights of recovery against Tenant under all Required Insurance policies for

any loss arising from or related to this Lease. Landlord shall require its insurers to execute any waiver of subrogation endorsements which may be necessary to affect such waiver.

9. Deductibles and Self-Insured Retentions. Landlord's policies shall not obligate Tenant to pay any portion of any Landlord's deductible or Self-Insured Retentions ("SIR"). Tenant retains the right to require Landlord to reduce or eliminate policy deductibles and SIRs with respect to Tenant, or to provide a bond guaranteeing Landlord's payment of all deductibles and SIRs, including all related claims investigation, administration and defense expenses. Such bond shall be executed by a corporate surety licensed to transact business in the State of California.

10. Claims Made Coverage. If any part of the Required Insurance is written on a claims made basis, any policy retroactive date shall precede the Effective Date, and Landlord shall maintain such coverage for a period of not less than three (3) years following the end of the Term.

11. Application of Excess Liability Coverage. Landlord may use a combination of primary and excess insurance policies that provide coverage as broad as ("follow form" over) the underlying primary policies, to satisfy the Required Insurance provisions.

12. Separation of Insureds. All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations.

13. Landlord Review and Approval of Required Insurance. Tenant reserves the right to review and adjust the Required Insurance provisions, conditioned upon Tenant's determination of changes in risk exposures.

III. INSURANCE COVERAGE TYPES AND LIMITS

1. Landlord Requirements (After Rent Commencement Date). After the Rent Commencement Date, Landlord shall provide and maintain the following programs of insurance coverage:

1.1. Commercial General Liability Insurance. Commercial General Liability Insurance providing scope of coverage equivalent to ISO policy form CG 00 01, naming Indemnified Tenant Parties as additional insureds, with limits of not less than:

General Aggregate:	\$ 10 million
Products/Completed Operations Aggregate:	\$ 10 million
Personal and Advertising Injury:	\$ 5 million
Each Occurrence:	\$ 5 million

1.2. Commercial Property Insurance. Such coverage shall:

1.2.1 Provide coverage for Landlord's property and any improvements and betterments; this coverage shall be at least as broad as that provided by the Causes-of-Loss

Special Form (ISO form CP 10 30), excluding earthquake and including flood and ordinance or law coverage.

1.2.2 Be written for the full replacement cost of the Project, with a deductible no greater than two hundred fifty thousand dollars (\$250,000) or five percent (5%) of the Project's value, whichever is less. Insurance proceeds shall be payable to the Landlord and the Tenant as their interests may appear.

2. Landlord Requirements (Prior to the Rent Commencement Date). Prior to the Rent Commencement Date, Landlord shall provide and maintain the following programs of insurance coverage as specified in Exhibit G to the Development Agreement.

EXHIBIT L

PROPERTY MANAGEMENT CONTRACT REQUIREMENTS

NOTE: The property management contract for the Project shall be subject to such reasonable requirements as may be proposed by Tenant in a written notification to Landlord delivered not later than June 15, 2020, which requirements shall be subject to Landlord's approval, such approval shall not be unreasonably denied or delayed.

The property management agreement must automatically terminate when the Bonds are no longer Outstanding.

EXHIBIT M

JANITORIAL SERVICES CONTRACT REQUIREMENTS

1. Background checks shall be performed, in a manner specified by Tenant, of all qualified permanent and temporary employees.
2. Provide all required services and supplies.
3. Perform (daily) services five days a week during the hours of 5:00 p.m. to 1:00 a.m. only.
4. Provide and replace all light tubes and light bulbs using only those types of tubes and bulbs that are energy efficient as indicated by manufacturer. Fixture reflectors shall be wiped clean with each relamping.
5. Landlord and custodial staff shall be responsible for key control. Issuing keys to workers, collecting said keys at shift end and retrieving keys at the end of custodian's employment.
6. Where Landlord is required to empty trash, such trash will be removed from the Building and deposited in the dumpster.
7. Graffiti expunged as needed but no later than two working days after notice to Landlord.
8. Sidewalks, driveway, parking area and all means of access and egress should at a minimum be maintained in good repair, clean and safe condition at all times.
9. All lawns, shrubbery and foliage on the grounds of the Project at a minimum should be maintained in good condition and neat in appearance. Grass and shrubbery must be planted as needed to maintain the grounds in good appearance and condition.
10. The contract must terminate immediately when the Bonds are no longer Outstanding.
11. **SPECIFIC SERVICES** – Frequency and coverage:
 - A. **Daily:**
 1. Rest Rooms:

Empty all trash containers, refill dispensers, damp mop floors, clean, sanitize and polish all plumbing fixtures, chrome fittings, flush rings, drain and overflow outlets, clean and polish mirrors, clean wall adjacent to hand basins/urinals, dust metal partitions, remove finger prints from walls, switches, etc.

2. Lobby Area – Main Corridors – Stairways:

Remove trash, vacuum, vacuum/damp mop tile, clean lobby and entrance doors, clean and sanitize drinking fountains.

3. Employee Break Rooms/Kitchen:

Remove trash, vacuum rugs and carpet, wipe spills, mop tile floor, remove fingerprints from doors, light switches, etc., and refill dispensers.

4. General and Private Areas:

Remove trash, vacuum carpets, mop tile floors, spot clean interior partition glass (including removing finger prints), clean counter tops and blackboards, dust desks and desk accessories (papers and folders left on desks are not to be moved), conference tables, credenza/file cabinets, bookcases and other office furniture. Return chairs and waste baskets to proper position

5. Building Security:

- a. Turn off all lights (except security and night lights).
- b. Close windows.
- c. Reset alarms and lock all doors.

B. Weekly – All Areas:

Polish buff hard resilient floors in traffic areas, spot clean carpeted areas.

Dust all high and low horizontal surfaces, including sills, ledges, moldings, baseboards, shelves, locker tops, frames and file cabinets, damp wipe plastic and leather furniture.

Remove fingerprints from doors, elevator walls and controls, frames and light switches in office areas, clean and polish bright metal to 70” height, clean and sanitize waste containers in rest rooms and break rooms.

C. Monthly – All Areas:

Clean interior glass partitions/doors, dry dust wood paneling, remove dust/cobwebs from ceiling areas.

(Spray buff resilient/hard floor areas), detail vacuum carpet edges, under desk/office furniture.

Vacuum upholstered furniture, wipe plastic and leather furniture.

Dust picture moldings and frames.

Vacuum hall vents and ceiling vents

D. Quarterly – All Areas:

Spray buff resilient and hard surface floors and apply floor finish.

Clean interior/exterior windows, clean/polish office furniture, damp clean diffuser outlets in ceiling/wall, wash waste containers, clean/dust blinds, wash sanitize.

Light fixtures cleaned and dusted

E. Semi-Annually – All Areas:

1. All Areas:

- a. Clean and polish all baseboards.
- b. Damp clean lobby and reception chairs.
- c. Clean carpeted surfaces-use a water extraction method.

2. Wash windows as required inside and outside but not less frequently than twice annually

F. Annually – All Areas:

1. All resilient and hard surface floors:

- a. Move furniture, strip, seal and apply floor finish to all resilient and hard surface floors.
- b. Clean carpets

EXHIBIT N
FINANCED FF&E

[Attached]

Financed FF&E Allowance Breakdown

IT EQUIPMENT BUDGET BREAKDOWN			
	HW Cost	Labor	TOTAL
Design & Configure/PM Svc	\$150,000		\$150,000
Core Svc (MDF)	\$301,324	\$227,400	\$528,724
9500 Series Switches			
Data Switches (IDF)	\$1,380,119	\$13,800	\$1,393,919
Cisco 9300 Series Switches (approx 105)			
VOIP Phone System + Handsets	\$594,609	\$390,400	\$985,009
1000 Cisco handsets connected to Cisco BE 7000	\$276,929	\$200,000	
Keysets 1904 7923 Cisco Phones	\$323,680	\$190,400	
Wireless Access Points	\$569,089	\$24,150	\$593,239
150+ access points			
Misc. Unknown Contingency			\$0
IT Equipment Total			\$3,650,891

FURNITURE BUDGET BREAKDOWN			
	#	\$ per	Total
FLOORS 1-12			
Workstation			\$5,678,154
3 person Cluster	1	\$8,886	\$8,886
4 person cluster	58	\$11,848	\$687,184
6 person cluster	28	\$17,772	\$497,616
8 person cluster	8	\$23,656	\$189,568
10 person cluster	145	\$29,620	\$4,294,900
Executive Area	24	\$5,500	\$132,000
interior Area	5	\$3,000	\$15,000
Freestanding Desks	29	\$1,500	\$43,500
Reception Desk	1	\$10,000	\$10,000
30" diameter table	33	\$525	\$17,325
36 Diameter Table	63	\$550	\$34,650
42" diameter table	7	\$750	\$5,250
sofa	3	\$1,500	\$4,500
Sofa Chairs Tables	18	\$4,000	\$72,000
6x4 conference table	25	\$5,000	\$125,000
6x3 large huddle	18	\$5,500	\$99,000
Credenza	12	\$5,300	\$63,600
Large Meeting 5 x 2.6 training tbl	125	\$850	\$106,250
Bar/height Parsons table	83	\$2,000	\$166,000
Bar/ task chair	1,917	\$448	\$858,816
Conference/Huddle/TO	799	\$448	\$357,952
Large File Room HD storage	1	\$65,000	\$65,000
Files 4 high with lam top	924	\$800	\$739,200
Lounge Chairs	88	\$1,500	\$132,000
Side Tables	34	\$600	\$20,400
Side Chairs	52	\$800	\$41,600
Banquet Seating	21	\$2,000	\$42,000
Stools	408	\$500	\$204,000
Terrace Level	1	\$212,806	\$212,806
Lunch room (42 36x36 tbl 84 chairs)			
Training/Press (12 24x60 tbl w/ 24 multi purpose chairs)			
Outdoor Dining (12 48" round tables w/ 48 chairs)			
Pre-Function (12 lounge chairs, 3 coffee tables, 2 bar height tables, 8 bar stools)			
Lobby (1 task chair, 2 1 shaped sofas, 2 lounge chairs, 1 coffee table, 2 end tables, 1 bar height, 8 stools)			
Misc. Area (2 task chairs, 3 task stools, 2 club chairs)			
Meeting Rooms (300 stacking chairs + 9 chair dollies)			
Ground Level	1	\$62,444	\$62,444
Desk for mail room, warehouse, PG vault, parking security, security office			
Freer Center (1 36x60 table w/ 6 chairs 2 sofa 2 coffee tables 4 arm chairs)			
bid lobby reception (1 task, 1 sofa, 2 lounge, 1 coffee table, 2 end tables, 1 bar height, stools)			
Interview rooms (3 36" diameter tables, 3 side chairs, 6 double wide benches)			
Warehouse shelving- 5 high shelving each 36"Wx24"Dx85"H			
Misc. 17 task chairs			
Subtotal			\$8,990,847
Tax			\$854,130
Allowance (missing details, additional ancillary, add'l outdoor, etc)			\$492,249
Furniture Budget Total			\$10,337,226

FITNESS CENTER BUDGET BREAKDOWN			
Leg Press Machine	1	\$26,044	\$248,648
Leg Curl Machine	1	\$6,340	\$6,340
Leg Extension Machine	1	\$4,095	\$4,505
Blaxial Upper Back	1	\$4,050	\$4,455
Blaxial Chest Machine	1	\$2,200	\$4,600
Abdominal Machine	1	\$3,295	\$3,625
Lower Back Machine	1	\$3,295	\$3,625
Freeform	3	\$32,985	\$36,284
EFX Dual Action w/ Adjustable Crossramp Elliptical	3	\$29,985	\$32,984
Adaptive Motion Trainer	2	\$22,590	\$24,849
Freestanding bike	3	\$22,920	\$25,212
Functional Trainer	1	\$4,180	\$4,598
Bicep Curl	1	\$3,100	\$3,410
Seated Dip	1	\$3,100	\$3,410
Line Rear Delt/Pec Fly	1	\$4,200	\$4,620
Lateral Raise	1	\$3,600	\$3,960
Glute Extension	1	\$3,600	\$3,960
Multi purpose bench	1	\$425	\$468
Seated preacher curl	1	\$695	\$765
back extension	1	\$745	\$820
Olympic bench press	1	\$695	\$765
angled leg press	1	\$3,375	\$3,713
Seated calf raise	1	\$1,150	\$1,265
Freestanding Bench	1	\$2,440	\$2,684
Shp Assist	1	\$3,375	\$3,713
Ab Bench Experience	1	\$1,195	\$1,315
Olympic Incline Bench	1	\$895	\$985
Dumbbells and rack	1	\$7,466	\$8,147
Bar and Weights and rack	1	\$8,297	\$9,127
Freight	1	\$18,149	\$19,964
install	1	\$17,627	\$19,401
Subtotal			\$248,648
Tax 9.5%			\$23,622
Fitness Center Equipment Total			\$272,270

AUDIO VISUAL BUDGET			
	Unit Cost	Count	Original
Huddle/Touchdown (No AV) YELLOW	\$0	105	\$0
Medium Conference Room (6 ppl) PINK	\$0	14	\$0
Large Conference Room (10 ppl) RED	\$10,060	18	\$181,074
Large Conference Room (14-16 ppl) BLUE	\$30,405	10	\$304,048
XLarge (40+ ppl) GREEN	\$105,125	2	\$210,250
Training (15-20) ORANGE	\$35,034	3	\$105,102
XXL Conference Room(s) TEAL	\$196,272	1	\$196,272
Press Room PURPLE	\$165,731	1	\$165,731
Misc. unknowns		1	\$176,123
Audio Visual Budget Total			\$1,338,600

SIGNAGE BUDGET BREAKDOWN			
	SF	\$ PSF	TOTAL
Class A Parking Structure Wayfinding Comps			
Parking Structure 1	674,000	\$0.22	\$150,276
Parking Structure 2	125,000	\$0.27	\$33,750
Parking Structure 3	1,000,000	\$0.33	\$334,745
Average:		\$0.28	
Shatto Parking Structure Proposed Budget	300,580		\$83,035
Podium Parking Structure Proposed Budget	377,139		\$104,184
Building Signage Comps			
Office Building 1	100,000	\$2.20	\$220,000
Office Building 2	120,000	\$2.25	\$270,000
Average:		\$2.23	
Office Tower SF Proposed Budget	454,277		\$1,010,766
Rounded Up			\$2,015
Signage Budget Total			\$1,200,000

County Art Program		
Department of Mental Health Office Project County Arts Program NTE Budget	\$1,000,000	
County Art Budget Total		\$1,000,000

FINANCED FF&E TOTAL	\$17,798,987
--------------------------------	---------------------

EXHIBIT O

DEVELOPMENT AGREEMENT

[See Appendix C-4 to Official Statement dated July 12, 2018]

EXHIBIT P

GARAGE LICENSE (SHATTO PLACE)

[Attached]

EXISTING GARAGE LICENSE AGREEMENT

This EXISTING GARAGE LICENSE AGREEMENT (this “Agreement”) is dated for reference purposes as of July 1, 2018 (the “Effective Date”) and is made by and between **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation (“Licensor”), and **COUNTY OF LOS ANGELES**, a body corporate and politic (“Licensee”).

RECITALS

A. Licensor is the lessee under that certain Ground Lease dated for reference purposes July 1, 2018, in which Licensee is the lessor and pursuant to which Licensor leases that certain real property located in the City of Los Angeles, County of Los Angeles, California at 510, 526 and 532 South Vermont Avenue and 523 Shatto Place (collectively, the “Land”) which is more specifically described in the attached **Exhibit A**. The portion of the Land consisting of 523 Shatto Place (the “Shatto Place Parcel”) has an existing parking structure constructed upon it (the “Existing Garage”). Pursuant to this Agreement, Licensor shall permit Licensee to continue to occupy the Existing Garage until the Existing Garage Vacation Date.

B. Pursuant to California Government Code Sections 25549.1 *et seq.*, Licensor has agreed to design, develop, permit, construct, operate, maintain, and repair improvements and install furniture, fixtures and equipment on the Land consisting of (i) a new office building with (A) approximately 468,000 gross square feet of Class A office with ground floor retail space and public serving uses; and (B) approximately 965 structured parking spaces (such parking spaces are defined herein as the “Tower Garage”); and (ii) a separate 10-story (9 above ground and 1 below ground) garage structure on the Shatto Place Parcel containing approximately 768 parking spaces (the “New Shatto Garage”), all to serve as the headquarters, offices and treatment or clinic space for the County’s Department of Mental Health, Department of Workforce Development, Aging and Community Services, and other County departments, divisions or staff (the “Office Project”). Collectively, the Office Project and the New Shatto Garage are referred to as the “Project.” The Land and the Project are referred to collectively as the “Premises.”

C. Licensor and Licensee are parties to that certain Facilities Lease Agreement of even date herewith (“Facilities Lease”), whereby Licensee has agreed to lease the Premises upon Substantial Completion of the Project, at the rent and subject to all of the terms, covenants and conditions set forth in the Facilities Lease.

D. Licensor and TC LA Development, Inc., a Delaware Corporation, (“Developer”) are parties to that certain Development Agreement of even date herewith, whereby Developer has agreed to develop, oversee and manage the design, permitting and construction phases of the Project in accordance with the terms and conditions of the Development Agreement.

E. Developer has advised Licensor and Licensee that the most efficient phasing for construction of the Project will be to permit the Licensee to continue to use the Existing Garage while Licensor completes construction of the Tower Garage in the Office Project. Prior to the Tower Garage Completion, Licensee shall have the right to continue to use the Existing Garage in accordance with this Agreement. Following the Tower Garage Completion, Licensee shall

vacate the Existing Garage in accordance with this Agreement to allow for its demolition and construction of the New Shatto Garage.

F. Pursuant to Section 37.1 of the Facilities Lease, Licensor and Licensee desire to enter into this Agreement on mutually agreeable terms and conditions for Licensee's use of the Existing Garage.

G. Licensee is unable to enter into the Facilities Lease without the benefit of the agreements set forth in this Agreement, and the consideration under this Agreement is part and parcel of the consideration under the Facilities Lease.

H. Any capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Facilities Lease.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Licensor and Licensee hereby agree as follows:

1. Grant of License. Licensor hereby conveys and grants to Licensee a license (the "Existing Garage License") to occupy the Existing Garage from the Effective Date to the Existing Garage Vacation Date.

2. Notice of Vacation of Existing Garage. Licensor shall provide written notice to Licensee (the "Notice of Garage Vacation") informing Licensee of the date by which Licensee must vacate the Existing Garage to allow for its demolition and reconstruction as part of the Project. The Notice shall set forth both the Existing Garage Vacation Date and the first date that Licensee may occupy the Tower Garage (the "Garage Occupancy Date"). The Notice of Garage Vacation shall be delivered to Licensee at least thirty (30) days prior to the Existing Garage Vacation Date, and in no event may the Existing Garage Vacation Date occur prior to the date of the Tower Garage Completion and the Garage Occupancy Date.

3. Term. Licensee's right to occupy the Existing Garage pursuant to this Agreement shall commence on the Effective Date and terminate on the Existing Garage Vacation Date (the "License Term").

4. Management of Existing Garage. Throughout the License Term, Licensee shall operate and maintain the Existing Garage in a manner consistent with that which Licensee operated and maintained the Existing Garage prior to the License Term, and Licensee shall pay all costs and expenses incurred in connection with such operation and maintenance. Licensor shall have no obligation to maintain, repair, restore or pay any costs associated with the operation, maintenance or restoration of the Existing Garage or any costs incurred by Licensee as a result of Licensee's inability to utilize the Existing Garage due to Licensee's failure to maintain, repair or restore the Existing Garage.

5. Insurance.

5.1 Commercial General Liability Insurance. Throughout the License Term, Licensee shall either self-insure as set forth in Section 15.2 of the Facilities Lease or, at its sole cost and expense, obtain and keep in force a Commercial General Liability insurance policy on an occurrence basis insuring Licensee against claims for injuries to persons and property damage liability. "Commercial General Liability" insurance shall mean Insurance Services Office form number (CG00 001) with a limit of not less than \$1,000,000 combined single limit per occurrence, \$5,000,000 aggregate. Licensee shall add Licensor and Trustee as additional insureds to any such Commercial General Liability insurance policy.

5.2 Property Insurance. Throughout the License Term, Licensee shall cause the Existing Garage to be insured for fire and other perils currently covered by a special causes of loss commercial property insurance form. Licensee shall further cause the Existing Garage to be insured against the peril of flood, either as part of the aforementioned commercial property policy, or under a separate policy. Such flood insurance shall name Licensor and Trustee as loss payee as its interests may appear. Licensee shall cause coverage to be maintained against loss arising from flood so long as such coverage is available at a commercially reasonable cost and in coverage amounts which are commercially available, but shall not be in default under this Agreement if coverage is no longer written, is unavailable for properties comparable to the Existing Garage, or is not available at commercially reasonable premium amounts. Licensee will provide Licensor and Trustee with thirty (30) days' prior written notification of material changes in coverage. Licensee will, upon request, furnish Licensor and Trustee with satisfactory evidence that such coverage is in effect. Licensor shall have no obligation to insure any portion of the Existing Garage, including Licensee's personal property.

6. Indemnification.

6.1 Licensee shall indemnify, defend and hold harmless Licensor and its officers, representatives, employees, and agents (the "Indemnified Licensor Parties") from and against any and all Liabilities arising out of or relating to the negligent acts, errors, or omissions of Licensee including, without limitation, any breach of this Agreement except to the extent that such Liabilities are caused by the negligence or willful misconduct of Licensor, Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor, or their consultants, agents or employees.

6.2 Licensor shall indemnify, defend and hold harmless Licensee and its elected and appointed officers, officials, employees, and agents (the "Indemnified Licensee Parties") from and against any and all liability, demands, liens, damages, claims, causes of action, expenses, and fees (including reasonable attorneys' fees and costs and expert witness fees) for bodily injury, property damage, and death (hereinafter collectively referred to as "Liabilities"), arising out of or relating to the negligence, acts, errors, or omissions of Licensor including, without limitation, any breach of this Agreement except to the extent that such Liabilities are caused by the negligence or willful misconduct of Licensee.

7. Notices. All notices or requests required or permitted under this Agreement shall be in writing, shall be (a) personally delivered, (b) sent by certified or registered mail, return

receipt requested, postage prepaid, (c) by nationally recognized overnight courier and shall be deemed given when so delivered or received; or (d) by electronic mail, provided that any notice of default must also be sent using one of the other forms of notice. All notices or requests to any party shall be sent to all other parties as follows:

If to Licensor:

Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, WA 98101
Attention: John Finke
Email: johnfinke@publicfacilitiesgroup.org

With a copy to:

Hillis Clark Martin & Peterson PS
999 Third Avenue, Suite 4600
Seattle, WA 98104
Attention: Michelle Gail
Email: michelle.gail@hcmp.com

If to Licensee:

County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Real Estate Division – Senior Manager

With copies to:

Office of the County Counsel
County of Los Angeles
500 West Temple St. 6th Floor
Los Angeles, CA 90012-2932
Attention: Amy Caves, Esq.

Chief Executive Office- Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012

Treasurer and Tax Collector- Public Finance
County of Los Angeles
500 West Temple St., Room 432
Los Angeles, CA 90012

8. Complete Agreement. This Agreement states the entire understanding of Licensor and Licensee regarding Licensee's occupancy of the Existing Garage from and after the Effective Date. There are no verbal or written agreements which modify or affect this Agreement.

EXECUTED as of the day and year first
above written.

LICENSOR:

**LOS ANGELES COUNTY FACILITIES
INC.**, a California nonprofit public benefit
corporation

By: _____

Name: John Finke

Title: President

[Signature(s) continued on next page]

LICENSEE:

SIGNER(S) OTHER THAN NAMED ABOVE:

COUNTY OF LOS ANGELES,
a body corporate and politic

By: _____
Name: Bradford Bolger
Title: Senior Manager, CEO

ATTEST:

CELIA ZAVALA,
Acting Executive Officer-Clerk
of the Board of Supervisors

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By: _____
Name: _____
Title: _____

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

EXHIBIT A

Legal Description of Land

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

LOTS 12, 13 AND 18 BLOCK 4, SHATTO PLACE, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP FILED IN BOOK 6, PAGE 86, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE NORTHERLY 10 FEET OF LOT 14, SAID BLOCK, AND THAT PORTION OF LOT 19, SAID BLOCK WHICH LIES SOUTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE WESTERLY LINE OF LOT 8, SAID BLOCK, DISTANT NORTH 0° 18' 44" WEST THEREON 11.78 FEET FROM THE SOUTHWESTERLY CORNER OF SAID LAST MENTIONED LOT; THENCE WEST TO THE WESTERLY LINE OF SAID LOT 19.

EXCEPT ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING SAID LAND TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE FOLLOWING PORTIONS OF LOT 19.

(A) BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE WEST 50 FEET TO THE NORTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO WILLSON WILLIAM DOWNS, RECORDED MAY 24, 1949, IN BOOK 30154 PAGE 183, OFFICIAL RECORDS, AND THE TRUE POINT OF BEGINNING; THENCE PARALLEL WITH THE EASTERLY LINE OF SAID LOT 19, SOUTH 0° 18' 44" EAST 99.4 FEET, MORE OR LESS, TO A LINE PARALLEL WITH AND 15.00 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID LOT 19; THENCE ALONG SAID PARALLEL LINE SOUTH 89° 49' 55" WEST 165.00 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, NORTH 100.03 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 164.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTORS, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSE, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASE APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID ABOVE DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

(B) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE SOUTH 0° 18' 44" EAST 19.40 FEET TO THE NORTHWEST CORNER OF SAID LOT 11; THENCE ALONG THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID LOT 11, SOUTH 89° 49' 55" WEST 50 FEET; THENCE PARALLEL WITH THE EAST LINE OF SAID LOT, NORTH 0° 18' 44" WEST 19.55 FEET, MORE OR LESS, TO A LINE BEARING WEST FROM THE POINT OF BEGINNING; THENCE ALONG SAID LINE EAST 50 FEET TO THE POINT OF BEGINNING TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEEDS FROM PACIFIC ELECTRIC LAND COMPANY.

(C) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON, NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE ALONG THE EASTERLY LINE OF SAID LOT 19, THE FOLLOWING COURSES AND DISTANCES, NORTH 0° 18' 44" WEST 30.00 FEET; NORTH 20° 36' 15" EAST 117.65 FEET TO THE SOUTHWEST CORNER OF LOT 8 IN SAID BLOCK 4 AND NORTH 0° 18' 44" WEST 11.78 FEET; THENCE WEST 255.62 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, SOUTH 152.50 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 214.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTOR, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY

OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSES, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASING APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID LAST DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

EXHIBIT Q

EARLY OCCUPANCY AGREEMENT (TOWER GARAGE)

[Attached]

TOWER GARAGE OCCUPANCY AGREEMENT

This TOWER GARAGE OCCUPANCY AGREEMENT (this “Agreement”) is dated for reference purposes as of July 1, 2018 (the “Effective Date”) and is made by and between **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation (“Landlord”), and **COUNTY OF LOS ANGELES**, a body corporate and politic (“Tenant”).

RECITALS

A. Landlord is the lessee under that certain Ground Lease dated for reference purposes as of July 1, 2018, in which Tenant is the lessor and pursuant to which Landlord leases that certain real property located in the City of Los Angeles, County of Los Angeles, California at 510, 526 and 532 South Vermont Avenue and 523 Shatto Place (collectively, the “Land”) which is more specifically described in the attached **Exhibit A**. The portion of the Land consisting of 523 Shatto Place (the “Shatto Place Parcel”) has an existing parking structure constructed upon it (the “Existing Garage”).

B. Pursuant to California Government Code Sections 25549.1 *et seq.*, Landlord has agreed to design, develop, permit, construct, operate, maintain, and repair improvements and install furniture, fixtures and equipment on the Land consisting of (i) a new office building with (A) approximately 468,000 gross square feet of Class A office with ground floor retail space and public serving uses; and (B) approximately 965 structured parking spaces (such parking spaces are defined herein as the “Tower Garage”); and (ii) a separate 10-story (9 above ground and 1 below ground) garage structure on the Shatto Place Parcel containing approximately 768 parking spaces (the “New Shatto Garage”), all to serve as the headquarters, offices and treatment or clinic space for the County’s Department of Mental Health, Department of Workforce Development, Aging and Community Services, and other County departments, divisions or staff (the “Office Project”). Collectively, the Office Project and the New Shatto Garage are referred to as the “Project.” The Land and the Project are referred to collectively as the “Premises.”

C. Landlord and Tenant are parties to that certain Facilities Lease Agreement of even date herewith (“Facilities Lease”), whereby Tenant has agreed to lease the Premises upon Substantial Completion of the Project, at the rent and subject to all of the terms, covenants and conditions set forth in the Facilities Lease.

D. Landlord and TC LA Development, Inc., a Delaware Corporation, (“Developer”) are parties to that certain Development Agreement of even date herewith, whereby Developer has agreed to develop, oversee and manage the design, permitting and construction phases of the Project in accordance with the terms and conditions of the Development Agreement.

E. Developer has advised Landlord and Tenant that the most efficient phasing for construction of the Project will be to permit the Tenant to continue to use the Existing Garage while Landlord completes construction of the Tower Garage in the Office Project. Prior to the Tower Garage Completion, Tenant shall have the right to continue to use the Existing Garage in accordance with this Agreement. Following the Tower Garage Completion, Tenant shall vacate

the Existing Garage in accordance with this Agreement to allow for its demolition and construction of the New Shatto Garage.

F. Pursuant to Section 37.2 of the Facilities Lease, Landlord and Tenant desire to enter into this Agreement on mutually agreeable terms and conditions for Tenant's vacation of the Existing Garage and early occupancy and use of the Tower Garage.

G. Tenant is unable to enter into the Facilities Lease without the benefit of the agreements set forth in this Agreement, and the consideration under this Agreement is part and parcel of the consideration under the Facilities Lease.

H. Any capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Facilities Lease.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Notice of Vacation of Existing Garage. Landlord shall provide written notice to Tenant (the "Notice of Garage Vacation") informing Tenant of the date by which Tenant must vacate the Existing Garage to allow for its demolition and reconstruction as part of the Project. The Notice shall set forth both the existing garage vacation date (the "Existing Garage Vacation Date") and the first date that Tenant may occupy the Tower Garage (the "Garage Occupancy Date"). The Notice of Garage Vacation shall be delivered to Tenant at least thirty (30) days prior to the Existing Garage Vacation Date; provided, however, in no event shall the Existing Garage Vacation Date occur prior to the date of the Tower Garage Completion or the Garage Occupancy Date.

2. Right to Occupy. Tenant shall have the right to occupy the Tower Garage prior to the Substantial Completion of the Project after the Garage Occupancy Date set forth in the Notice of Garage Vacation.

3. Term. Tenant's right to occupy the Tower Garage pursuant to this Agreement shall commence on the Garage Occupancy Date and terminate on the date of Substantial Completion of the Office Project (the "Garage Occupancy Term").

4. Occupancy and Use. Tenant's occupancy and use of the Tower Garage shall be in accordance with all applicable terms and conditions of the Facilities Lease. Tenant shall comply with all Applicable Laws concerning its use of the Tower Garage as set forth in Section 7.2 of the Facilities Lease. Tenant is aware that Project construction will continue during its early occupancy of the Tower Garage and shall not unreasonably interfere with such construction or alter the Tower Garage in any way; provided, however, use of the Tower Garage by Tenant, its employees, representatives, contractors, constituents, patrons, patients, customers and invitees, for the parking of vehicles, and for pedestrian access between parking spaces and other portions of the Project and adjacent public streets and passageways, each in a manner consistent with the Tenant's and such other parties' use of the Existing Garage prior to the Effective Date, shall not be deemed unreasonable interference. In no event shall Tenant's early occupancy of the Tower

Garage be deemed to alter or affect in any way the requirements for Substantial Completion of the Project.

5. Operating Costs.

5.1 Operating Costs. During the Garage Occupancy Term, Tenant shall pay the following Operating Costs incurred by Landlord with respect to the Tower Garage, subject to the exclusions in Section 5.2, and pursuant to an Annual Operating Budget approved by Tenant in accordance with Section 5.7 of the Facilities Lease:

(a) costs of repair, replacement (other than capital repairs and replacement), operation, and maintenance of the Tower Garage, including, without limitation, interior and exterior maintenance, all exterior doors and windows, elevators, sidewalks, driveways, dock or pier, interior perimeter and interior partition walls and finishes (including periodic painting thereof), exterior wall finishes, broken glass in exterior and interior doors and windows, roof, floor covering, window frames, gutters and downspouts, HVAC system, electrical system, plumbing system, pest control, landscaping, and all other areas used in connection with the Tower Garage;

(b) the commercially reasonable property management fees paid to the entity managing the Tower Garage under any property management contract entered into pursuant to Section 6 of this Agreement, and Section 10.2(b) of the Facilities Lease;

(c) all reasonable costs of services provided by third parties (i.e., service providers other than Landlord) and benefiting the Tower Garage, including parking management services; provided, however, that (i) Landlord shall be required to obtain services at rates generally competitive in the marketplace, (ii) such third-party providers shall not be related entities to Landlord, and (iii) any gift, bonus, rebate, offset against fees or charges at another site or other remuneration paid by any such third-party provider to Landlord, Developer, any property manager, or any other party engaging in or related to the management of the Tower Garage shall be disclosed to Tenant and credited to Tenant as an offset against Operating Costs. Such services shall include janitorial, security, gardening, together with related costs and expenses, licenses, permits, and inspection fees, the cost of supplies, materials, equipment, and tools used in connection therewith;

(d) Utilities until such time as the account for any such Utility is established in the name of Tenant with Tenant's Concurrence pursuant to Section 6 of the Facilities Lease, and reasonable security/fire alarm monitoring fees and related costs;

(e) Taxes;

(f) the commercially reasonable cost of repairing any damage to the Tower Garage (but not to Tenant's Personal Property) caused by breaking and entering or other criminal act or any other event not covered by insurance, to the extent that such act or event is not caused or exacerbated by the acts or omissions of Landlord, its agents, employees, or contractors;

(g) all costs of compliance with Applicable Laws or the board of fire underwriters (or similar organization) now or hereafter constituted, as applicable to the Tower Garage;

(h) all insurance premiums for insurance required to be carried under this Agreement (including loss of rent insurance);

(i) the amount of any deductible payable under any insurance policy described herein as a result of repairs or replacements attributable to fire or other casualty to the extent that such fire or casualty is not caused or exacerbated by the acts or omissions of Landlord, its agents, employees, or contractors;

(j) all other costs reasonably incurred by Landlord in connection with the maintenance and upkeep of the Tower Garage in order to: (i) prevent any dangerous or unsafe condition on the Tower Garage that could result in liability to Landlord or its officers, employees, directors, or other agents or (ii) comply fully with and to avoid or to cure any default under the Indenture, Leasehold Mortgage and other documents relating to the Bonds (as such terms are defined in the Facilities Lease), and all requirements of Applicable Law;

(k) all costs of compliance with federal, state or local laws, regulations or permits pertaining to storm water pollution, prevention plans and all National Pollution Discharge Elimination System laws or regulations adopted or to be adopted by the United States Environmental Protection Agency;

(l) the costs for a day porter for the Tower Garage on such schedule as is mutually agreed by Landlord and Tenant;

(m) the costs for building engineers for the Tower Garage, if necessary, on such schedule as is mutually agreed by Landlord and Tenant; and

(n) the costs for security for the Tower Garage on such schedule as is mutually agreed by Landlord and Tenant.

5.2 Exclusions from Operating Costs. All items excluded from Operating Costs under Section 5.3 of the Facilities Lease shall be excluded from Operating Costs under this Agreement.

5.3 Payment of Operating Costs. Operating costs shall be paid on a monthly basis in advance as set forth in this Section 5.3. Commencing on the Garage Occupancy Date, Tenant shall pay the Operating Costs to the Trustee (as defined in the Facilities Lease) at the Trustee's address set forth in Section 34.15 of the Facilities Lease, and without deduction, offset, prior notice or demand, on the first day of each calendar month of the Garage Occupancy Term. The first Operating Costs payment shall equal the pro-rated amount for any partial month occurring between the date that the Garage Occupancy Date and the first day of the next calendar month, and the last Operating Costs payment shall equal the pro-rated amount for any partial calendar month occurring between the first day of calendar month and the last date of the Garage Occupancy Term.

6. Management of Tower Garage. From and after the Garage Occupancy Date, Landlord shall manage the Tower Garage in accordance with Section 10.2 of the Facilities Lease.

7. Insurance. During the Garage Occupancy Term, the Parties shall provide the insurance with respect to the Tower Garage as required under the Facilities Lease. Landlord shall have no obligation to insure any of Tenant's Personal Property.

8. Notices. All notices or requests required or permitted under this Agreement shall be in writing, shall be (i) personally delivered, (ii) sent by certified or registered mail, return receipt requested, postage prepaid, (iii) by nationally recognized overnight courier and shall be deemed given when so delivered or received; or (iv) by electronic mail, provided that any notice of default must also be sent using one of the other forms of notice. All notices or requests to any party shall be sent to all other parties as follows:

If to Landlord:

Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, WA 98101
Attention: John Finke
Email: johnfinke@publicfacilitiesgroup.org

With a copy to:

Hillis Clark Martin & Peterson PS
999 Third Avenue, Suite 4600
Seattle, WA 98104
Attention: Michelle Gail
Email: michelle.gail@hcmp.com

If to Tenant:

County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Real Estate Division – Senior Manager

With copies to:

Office of the County Counsel
County of Los Angeles
500 West Temple St. 6th Floor
Los Angeles, CA 90012-2932
Attention: Amy Caves, Esq.

Chief Executive Office- Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012

Treasurer and Tax Collector- Public Finance
County of Los Angeles
500 West Temple St., Room 432
Los Angeles, CA 90012

9. Complete Agreement. This Agreement states the entire understanding of Landlord and Tenant regarding Tenant's early occupancy of the Tower Garage. There are no verbal or written agreements which modify or affect this Agreement.

[Signature pages follow]

EXECUTED as of the day and year first above written.

LANDLORD:

**LOS ANGELES COUNTY FACILITIES
INC.**, a California nonprofit public benefit
corporation

By: _____
Name: John Finke
Title: President

[Signatures continue on next page]

TENANT:

COUNTY OF LOS ANGELES,
a body corporate and politic

By: _____
Name: Bradford Bolger
Title: Senior Manager, CEO

ATTEST:

CELIA ZAVALA,
Acting Executive Officer-Clerk
of the Board of Supervisors

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:

MARY C. WICKHAM,
County Counsel

By: _____
Name: _____
Title: _____

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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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
County of Los Angeles

On _____, 2018, before me, _____,
Notary Public, personally appeared _____, who 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)

EXHIBIT A

Legal Description of Land

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

LOTS 12, 13 AND 18 BLOCK 4, SHATTO PLACE, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP FILED IN BOOK 6, PAGE 86, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE NORTHERLY 10 FEET OF LOT 14, SAID BLOCK, AND THAT PORTION OF LOT 19, SAID BLOCK WHICH LIES SOUTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE WESTERLY LINE OF LOT 8, SAID BLOCK, DISTANT NORTH 0° 18' 44" WEST THEREON 11.78 FEET FROM THE SOUTHWESTERLY CORNER OF SAID LAST MENTIONED LOT; THENCE WEST TO THE WESTERLY LINE OF SAID LOT 19.

EXCEPT ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING SAID LAND TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE FOLLOWING PORTIONS OF LOT 19.

(A) BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE WEST 50 FEET TO THE NORTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO WILLSON WILLIAM DOWNS, RECORDED MAY 24, 1949, IN BOOK 30154 PAGE 183, OFFICIAL RECORDS, AND THE TRUE POINT OF BEGINNING; THENCE PARALLEL WITH THE EASTERLY LINE OF SAID LOT 19, SOUTH 0° 18' 44" EAST 99.4 FEET, MORE OR LESS, TO A LINE PARALLEL WITH AND 15.00 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID LOT 19; THENCE ALONG SAID PARALLEL LINE SOUTH 89° 49' 55" WEST 165.00 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, NORTH 100.03 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 164.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTORS, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE

SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSE, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASE APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID ABOVE DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

(B) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE SOUTH 0° 18' 44" EAST 19.40 FEET TO THE NORTHWEST CORNER OF SAID LOT 11; THENCE ALONG THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID LOT 11, SOUTH 89° 49' 55" WEST 50 FEET; THENCE PARALLEL WITH THE EAST LINE OF SAID LOT, NORTH 0° 18' 44" WEST 19.55 FEET, MORE OR LESS, TO A LINE BEARING WEST FROM THE POINT OF BEGINNING; THENCE ALONG SAID LINE EAST 50 FEET TO THE POINT OF BEGINNING TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEEDS FROM PACIFIC ELECTRIC LAND COMPANY.

(C) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON, NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE ALONG THE EASTERLY LINE OF SAID LOT 19, THE FOLLOWING COURSES AND DISTANCES, NORTH 0° 18' 44" WEST 30.00 FEET; NORTH 20° 36' 15" EAST 117.65 FEET TO THE SOUTHWEST CORNER OF LOT 8 IN SAID BLOCK 4 AND NORTH 0° 18' 44" WEST 11.78 FEET; THENCE WEST 255.62 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, SOUTH 152.50 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 214.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTOR, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, AND OTHER HYDROCARBON SUBSTANCES

FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSES, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASING APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID LAST DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

EXHIBIT R

COUNTY'S POLICY REQUIREMENTS

1. **Employment.** The Parties shall not, in the implementation of this Lease and in design, development, operation, and use of the project, discriminate against any employee or applicant for employment on the basis of race, religion, sex, sexual orientation, age, physical handicap, or national origin and shall comply with all applicable provisions of federal, state and local law related to discrimination. Landlord shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment without regard to their race, religion, sex, sexual orientation, age, physical handicap, or national origin, including without limitation employment, promotion, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

2. **Rental or Sale.** Landlord shall refrain from restricting the rental, sale, or lease of the premises or project, or any portion thereof, on the basis of sex, age, handicap, marital status, race, color, religion, creed, ancestry, or national origin of any person. All leases and contracts affecting the premises or any portion thereof shall contain clauses expressly giving effect to this restriction.

3. **Local Hiring; Compliance with County Policy.** The construction of any improvements having an estimated cost greater than Two Million Five Hundred Thousand Dollars (\$2,500,000) shall be subject to county's countywide local and target worker hire policy, as that policy is described in the motion made by Supervisor Mark Ridley-Thomas and Board Chair Hilda Solis and adopted by the board on September 6, 2016, as that policy may be finally adopted and/or later amended by the board (the "local hiring policy"). Subject to amendment by the board, the local hiring policy has the following general terms and conditions:

3.1. **Local Resident.** A "**Local Resident**" means an individual living within Tier 1 or Tier 2 (as defined below).

3.2. **Tier 1.** "**Tier 1**" means the area covered by all ZIP Codes (a) of which a portion of such ZIP Code is within five (5) miles of the Premises and (b) in which the average percentage of households living below two hundred percent (200%) of the Federal Poverty Level ("FPL") is greater than the County average for such households.

3.3. **Tier 2.** "**Tier 2**" means the area covered by all ZIP Codes within the County in which the average **percentage** of households living below two hundred percent (200%) FPL is greater than the County average for such households.

3.4. **Local Residents.** At least thirty **percent** (30%) of total California construction labor hours worked on each work of improvement must be performed by a qualified Local Resident. Where allowable, contractors shall be encouraged to achieve higher participation levels for Local Residents.

3.5. **Priority.** Before employing worker(s) from Tier 2, the available pool of **local** residents whose primary place of residence is within Tier 1 must first be exhausted.

3.6. **Targeted Workers.** At least ten percent (10%) of total California hours worked on each work of Improvement subject to the Local Hiring Policy shall be worked by Targeted Worker(s) as defined below.

3.7. **Inclusive.** Hours worked by a Targeted Worker who is also a Local Resident may **be** applied towards the thirty percent (30%) Local Resident hiring goal.

3.8. **Definition of a Target Worker.** “**Target Worker**” means a resident of County who **has**, or is, one or more of the indicia of career-limiting circumstances set forth in this Section 15.25.8:

- (A) a documented annual income at or below one hundred percent (100%) of the FPL;
- (B) no high school diploma or GED;
- (C) a history of involvement with the criminal justice system;
- (D) a history of protracted unemployment;
- (E) is a current recipient of government cash or food assistance benefits;
- (F) is homeless or has been homeless within the last year;
- (G) is a custodial single parent;
- (H) is a former foster youth; or
- (I) is a veteran, or is the eligible spouse of a veteran of the United States armed forces, under Section 2(a) of the Jobs for Veterans Act (38 U.S.C.4215[a]).

EXHIBIT S
INDENTURE

[See Appendix C-1 to Official Statement dated July 12, 2018]

EXHIBIT T
TAX AGREEMENT

[On File with the Issuer]

EXHIBIT U
ISSUER FEE AND GOVERNANCE AGREEMENT

[Attached]

ISSUER FEE AND GOVERNANCE AGREEMENT

This Issuer Fee and Governance Agreement (“Agreement”) is entered into as of the 1st day of July, 2018, by and among the County of Los Angeles, California, a body corporate and politic (the “County”), Los Angeles County Facilities Inc., a California nonprofit corporation (“LACF”), and Public Facilities Group, a Washington nonprofit corporation (“PFG”).

RECITALS

A. The County and LACF are parties to a Pre-Development Agreement dated as of August 18, 2016 (the “Pre-Development Agreement”), a Ground Lease dated of even date herewith (the “Ground Lease”), and a Facilities Lease dated of even date herewith (the “Facilities Lease” and, together with the Pre-Development Agreement and the Ground Lease, the “Agreements”), relating to certain real property (the “Property”) owned by the County on South Vermont Avenue in Los Angeles, California.

B. Pursuant to the Agreements, LACF has undertaken to ground lease the Property from the County, to construct thereon (i) a new office building (the “Office Project” as defined in the Facilities Lease) and (ii) a new parking structure (the “Shatto Garage Project” as defined in Facilities Lease and, together with the Office Project, the “Project” as defined in the Facilities Lease), and to lease the completed Project to the County to serve as the headquarters of the County’s Department of Mental Health and for other County purposes. The Project is to be developed pursuant to a Development Agreement between LACF and TC LA Development, Inc. (“Developer”) dated of even date herewith (the “Development Agreement”).

C. LACF will finance the construction of the Project with proceeds of (i) tax-exempt bonds to be issued by LACF on behalf of the County pursuant to Revenue Ruling 63-20 and Revenue Procedure 82-26 of the U.S. Treasury, and (ii) taxable bonds to be issued by LACF on behalf of the County (collectively, the “Bonds”). The Bonds will be issued under an Indenture of Trust (the “Indenture”) between LACF and U.S. Bank National Association, as bond trustee (the “Trustee”)

D. PFG is the sole member of LACF.

E. In connection with the development of the Project and the issuance of the Bonds, the parties hereto wish to provide for certain matters, as set forth below.

AGREEMENTS

For good and valuable consideration, the parties hereto agree as follows:

1. Project Fee. Pursuant to Section 8.2 of the Pre-Development Agreement, the County and LACF have agreed that, upon issuance of the Bonds, LACF will receive a fee from the proceeds of the Bonds (the “LACF Fee”). The County and LACF hereby confirm and agree that the amount of the LACF Fee shall be Three Million Dollars (\$3,000,000.00), and that such LACF Fee shall be a Project cost to be paid out of the Project Fund established under the Indenture. The LACF Fee shall be disbursed to LACF by the Trustee according to the following

schedule, upon submission of a requisition therefor to the Trustee in accordance with the Indenture: (a) \$600,000 at closing of the sale of the Bonds; (b) \$600,000 at Commencement of Construction (as defined in the Development Agreement); (c) \$300,000 at 25% Percentage of Project Completion; (d) \$450,000 at 50% Percentage of Project Completion; (e) \$450,000 at 75% Percentage of Project Completion; (f) \$300,000 at Substantial Completion of the Project (as defined in the Development Agreement); (g) \$225,000 at Final Acceptance of the Project (as defined in the Development Agreement); and (h) \$75,000 in connection with LEED Silver certification of the Office Project at the same time as Developer is paid the portion of its fee related to LEED certification under Section 4.7 of the Development Agreement. For purposes of this paragraph, "Percentage of Project Completion" shall have the same meaning described in, and the associated payments shall be made concurrently with the payments to Developer required under, Section 11.3 of the Development Agreement.

2. Replacement of PFG as Sole Member of LACF. The parties agree that the County shall have the right, under the circumstances described herein, to cause PFG to be replaced as the sole member of LACF.

2.1. *Right to Replace PFG Prior to Expiration of the Warranty Period*. Prior to expiration of the Warranty Period (as defined below), the County shall have the right, upon written notice to LACF and PFG, upon the occurrence of a For Cause Event (as defined below) to require that PFG be replaced as the sole member of LACF by the County or its designee.

2.2. *Right to Replace PFG Following Expiration of the Warranty Period*. Following expiration of the Warranty Period, the County shall have the right, upon at least sixty (60) days' prior written notice to LACF and PFG, to require that PFG be replaced as the sole member of LACF by the County or its designee, regardless of whether or not a For Cause Event has occurred.

2.3. *Amendment of Articles and Bylaws*. PFG and LACF agree that, upon receipt of the notice described in Sections 2.1 and 2.2, they shall cause the Articles of Incorporation and Bylaws of LACF to be amended so as to remove PFG as the sole member of LACF and substitute in its place the County or the County's designee. PFG and LACF agree to take any further actions reasonably requested by the County to accomplish the purposes of this Section 2, so long as such actions do not require PFG or LACF to incur any additional costs or liabilities.

2.4. *Definition of "Warranty Period"*. For purposes of this Section 2, "Warranty Period" shall mean the period from the date of this Agreement to the date that is one (1) year following Substantial Completion of the Project.

2.5. *Definition of "For Cause Event"*. For purposes of this Section 2, "For Cause Event" shall mean any of the following:

- (a) Any officer or director of LACF is convicted of, or pleads guilty or *nolo contendere* to, (i) crimes involving fraud, misappropriation and embezzlement, or (ii) a felony;

(b) The officers, collectively, of LACF are absent from, or do not substantially perform their usual duties for, LACF for any continuous thirty (30) day period or for more than sixty (60) days in any 365-day period;

(c) LACF misappropriates Bond funds, otherwise acts fraudulently, commits willful misconduct, or is reckless or grossly negligent in the performance of its duties under the Ground Lease, Facilities Lease, Development Agreement (as defined in the Facilities Lease), or Construction Contracts (as defined in the Facilities Lease);

(d) (i) LACF materially breaches its obligations under the Ground Lease, Facilities Lease, Development Agreement or Construction Contracts; (ii) such breach has a material adverse effect on the construction of the Project; and (iii) LACF either fails to cure such breach within thirty (30) days after its receipt of written notice thereof from the County or, if such breach is incapable of being cured within such thirty (30) day period, fails to continue to use its best efforts to cure such breach;

(e) a court of competent jurisdiction enters an order or decree as a result of which PFG is effectively prohibited or enjoined from performing its responsibilities as the member of LACF; or

(f) PFG or LACF (i) files a petition under any federal or state law concerning bankruptcy, reorganization, insolvency or relief from creditors, or if such a petition is filed against PFG or LACF without its consent, it is not dismissed within sixty (60) days; or (ii) consents to the appointment of a receiver, trustee, liquidator or custodian with respect to PFG or LACF (as applicable), or a receiver, trustee, liquidator or custodian is appointed with respect to PFG or LACF and such appointment is not terminated within sixty (60) days.

2.6. *Limitations.* Notwithstanding any provision hereof to the contrary, no replacement of PFG as the member of LACF shall occur (a) unless and until LACF receives an opinion of nationally recognized bond counsel that such replacement will not adversely affect the tax-exempt character of the Bonds, or (b) if LACF reasonably determines that such replacement will adversely affect LACF's status as a 501(c)(3) corporation. Furthermore, nothing herein shall limit the right of LACF or PFG to contest, by appropriate legal action, the County's determination that a For Cause Event has occurred.

3. Miscellaneous.

3.1. *Counterparts.* This Agreement may be executed in counterparts.

3.2. *Binding Effect.* This Agreement shall be binding upon, and inure to the benefit of, the parties and their respective successors and assigns.

3.3. *Amendment.* This Agreement may be amended or modified only in writing, executed by the party or parties intended to be bound thereby.

3.4. *Entire Agreement.* This Agreement sets forth the entire agreement of the parties as to the subject matter hereof and supersedes all prior discussions and understandings between them.

3.5. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the state of California.

Executed as the date first written.

COUNTY OF LOS ANGELES

By _____
Its Senior Manager, CEO

LOS ANGELES COUNTY FACILITIES INC.

By _____
Its President

PUBLIC FACILITIES GROUP

By _____
Its President

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C-4

FORM OF DEVELOPMENT AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

DEVELOPMENT AGREEMENT

Between

**LOS ANGELES COUNTY FACILITIES INC.
a California nonprofit public benefit corporation**

and

**TC LA DEVELOPMENT, INC.
a Delaware corporation**

Dated as of July 1, 2018

**VERMONT CORRIDOR COUNTY ADMINISTRATION BUILDING
Los Angeles, California**

TABLE OF CONTENTS

	<u>Page</u>
1. Definitions	2
2. Development of the Project	16
2.1 Fixed Price.....	16
2.2 Owner Discretionary Costs	16
2.3 Diligent Efforts; Relationship of the Parties	16
2.4 Mutual Cooperation; Liability of Owner	16
2.5 Term	17
3. Project Financing	17
3.1 Issuance of Bonds.....	17
3.2 Disbursal of Proceeds.....	17
4. Project Design.....	17
4.1 Selection of Development Team for Project	17
4.2 Design-Build Contracts	18
4.3 Amendments of Design or Construction Contracts.....	18
4.4 Project Budget	18
4.5 Drawings	18
4.6 ADA Compliance.....	18
4.7 LEED Certification	18
4.8 Owner's Review	19
4.9 Resubmittals	20
4.10 Permit and Construction Documents	20
5. Construction Management Services	20
5.1 Preconstruction Phase	20
5.2 Construction Phase.....	22

TABLE OF CONTENTS CONTINUED

6. Permits.....25

 6.1 Permits.....25

 6.2 Costs.....25

 6.3 Schedule and Delays25

7. Construction.....26

 7.1 Commencement of Construction.....26

 7.2 Delays.....26

 7.3 Guaranteed Maximum Construction Contract28

 7.4 Construction Contracts.....28

 7.5 Protection of Persons and Property29

 7.6 Insurance during Construction30

 7.7 Use of Project Contingency.....30

 7.8 Warranties30

 7.9 Correction of Work30

 7.10 Stop Work by Owner.....31

 7.11 Developer Default31

8. Changes to the Work.31

 8.1 No Changes Without Owner Approval31

 8.2 Developer Approved Changes in the Work31

 8.3 Change in the Work Initiated by Owner32

9. Payment of Project Costs.....32

 9.1 Applications for Payment.....32

 9.2 Payment Procedures33

 9.3 Review and Inspections.....34

 9.4 Requisition to the Trustee34

TABLE OF CONTENTS CONTINUED

9.5	Initial Draw	34
9.6	Cost Overruns; Sufficiency of Funds to Complete Construction.....	35
9.7	Other Owner Costs	35
10.	Other Services by Developer.....	35
11.	Developer’s Fee and Overhead Allowance.	35
11.1	Developer’s Fee.....	35
11.2	Overhead Allowance	36
11.3	Payment of Developer’s Fee	36
12.	Completion of the Project.....	37
12.1	Early Occupancy of Tower Garage.....	37
12.2	Substantial Completion of the Project.....	37
12.3	Notice of Substantial Completion	39
12.4	Completion of Punch List Items.....	40
12.5	Final Acceptance	40
12.6	Approval of Final Project Application for Payment	41
12.7	Requisition of Final Payment.....	42
12.8	Disbursement of Project Contingency; Incentive Fee.....	42
13.	Developer Representations; Warranties	43
14.	Developer Obligations.....	45
14.1	As-Built Plans	45
14.2	Manuals	45
14.3	Warranties	45
14.4	Permits and Licenses.....	45
14.5	As-Built Survey.....	45
15.	Indemnification.....	45

TABLE OF CONTENTS CONTINUED

15.1	Developer’s Indemnification.....	45
15.2	Owner’s Indemnification.....	47
15.3	Notice of Claim	47
16.	Insurance Requirements.	48
16.1	Developer’s Insurance.....	48
16.2	Owner’s Insurance.....	48
16.3	Verification of Coverage.....	48
16.4	Builder’s Risk Insurance	48
17.	Representatives.....	49
17.1	Developer Representatives.....	49
17.2	Owner Representative	49
17.3	Tenant Representative	49
18.	Accounting, Inspection and Audit.....	49
18.1	Accounts.....	49
18.2	Inspection and Audit	50
18.3	Preservation of Records	50
19.	Construction Liens.....	50
20.	Priority Agreements.....	50
21.	Damage and Destruction; Condemnation.....	51
21.1	Damage and Destruction	51
21.2	Condemnation	51
22.	Payment of Taxes/Assessments.....	52
22.1	Real Property Taxes	52
22.2	Other State and Local Taxes	52
23.	Default.	52

TABLE OF CONTENTS CONTINUED

23.1	Developer Default	52
23.2	Owner Remedies upon Developer Event of Default.....	53
23.3	Owner Default	53
23.4	Developer Remedies upon Owner Event of Default.....	54
23.5	Remedies Not Exclusive	54
23.6	Limitation on Liability	54
24.	Disputes	54
25.	Miscellaneous.....	55
25.1	Waiver	55
25.2	Neutral Authorship.....	55
25.3	Severability.....	55
25.4	Relationship of Parties	55
25.5	Third Party Rights	55
25.6	Assignment; Encumbrance or Pledge	55
25.7	Notices.....	56
25.8	Entire Agreement	57
25.9	Time Is of the Essence	57
25.10	Employees of Developer	57
25.11	Exhibits.....	57
25.12	Compliance with Civil Rights Laws	58
25.13	Governing Law; Venue	58
25.14	Recitals.....	58
25.15	Meanings of Words Not Specifically Defined/General Rules of Interpretation	58

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this “**Agreement**”) is dated for reference purposes as of July 1, 2018 and is by and between LOS ANGELES COUNTY FACILITIES INC., a California nonprofit public benefit corporation (“**Owner**”), and TC LA DEVELOPMENT, INC., a Delaware corporation (“**Developer**”). Owner and Developer are each occasionally referred to herein as a “**Party**” or collectively as the “**Parties.**”

RECITALS

A. Owner is the tenant under that certain Ground Lease dated for reference purposes as of July 1, 2018 (the “**Ground Lease**”), in which the County of Los Angeles a public body, corporate and politic (“**County**” or “**Tenant**”), a political subdivision of the State of California, is the landlord and pursuant to which Owner leases that certain real property in the City of Los Angeles, County of Los Angeles, California, the address of which is 510, 526 and 532 South Vermont Avenue and 523 Shatto Place and which is legally described on the attached Exhibit A (collectively, the “**Premises**”).

B. Pursuant to California Government Code Sections 25549.1 et seq., Owner desires to construct and equip on the Land (i) a new office building with (A) approximately 468,000 gross square feet of Class A office with ground floor retail space and public serving uses, and (B) approximately 965 structured parking spaces; and (ii) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff. Design, permitting, construction, and equipping of the overall project described in the immediately preceding sentence is referred to herein as the “**Project**” and is comprised of two components, the design, permitting, construction, and equipping of a parking garage located at 523 Shatto Place (defined as the Shatto Garage Project in Section 1) and the design, permitting, construction, and equipping of the DMH headquarters building and all ancillary facilities and services (including structured parking) (defined as the Office Project in Section 1). The Project shall be delivered to Tenant in Turnkey Condition as defined in Section 1.

C. Owner, as sublandlord, and County as subtenant are parties to that certain Facilities Lease Agreement of even date herewith (the “**Facilities Lease**”), whereby Owner has agreed to sublease the Premises (defined in Section 1) upon substantial completion of the Project, at the rent and subject to all of the terms, covenants and conditions set forth in the Facilities Lease, a copy of which is attached hereto as Exhibit B.

D. Owner desires to retain Developer to develop, oversee and manage the design, permitting, construction, and equipping phases of the Project in accordance with the terms and conditions of this Agreement. Developer desires to perform development and construction management services in connection with the construction of the Project in accordance with the terms and conditions of this Agreement. Subject to the terms and conditions of this Agreement, Developer warrants to achieve Substantial Completion (defined in Section 1) of the Project no

later than the Developer Obligation Date (defined in Section 1) and for a total price not to exceed the Fixed Price (defined in Section 1).

E. Developer will not perform design or construction services. The Parties intend for Owner to contract directly and separately with (i) the Office Project General Contractor and the Shatto Garage Project General Contractor to construct the Project utilizing a design-build approach and (ii) such other Contractors or consultants who may be engaged to perform discrete elements of design or construction work on the Project to the extent not covered by either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract. If, during the performance of this Agreement, additional construction service contractors are retained, the Owner will contract with them directly or Developer will contract with them on behalf of and acting as the Owner's authorized representative.

F. Owner anticipates that financing for the Project will be obtained through the issuance of Bonds (defined in Section 1). Upon payment in full of the Bonds (and/or other circumstances set forth in the Ground Lease), Owner will convey the Project to County for no additional consideration.

NOW, THEREFORE, in order to fulfill the foregoing objectives, Owner and Developer desire to enter into this Agreement and proceed in accordance with its terms.

1. Definitions. As used herein, the following terms shall have the following meanings:

"ADA" means the Americans with Disabilities Act of 1990, as amended from time to time.

"Agreement" has the meaning set forth in the Preamble.

"Architect" means M. Arthur Gensler Jr. & Associates, Inc., a California corporation, the architect for the Project with respect to the Office Project and Parking Design Solutions Inc., a California corporation, with respect to the Shatto Garage Project, or another qualified architect proposed by Developer and approved by Owner.

"Bond Closing" refers to the date the Bond proceeds are made available to the Trustee.

"Bonds" means those tax-exempt or taxable obligations to be issued by Owner for design, permitting, construction, and equipping of the Project pursuant to the Indenture. The tax-exempt Bonds shall satisfy the requirements of Internal Revenue Service Revenue Ruling 63-20, as amended and updated by Internal Revenue Service Revenue Procedure 82-26, and other regulations, interpretations and letter rulings issued by the Internal Revenue Service with respect to such financings. From the proceeds of such Bonds, Owner intends to pay all costs associated with the Ground Lease, the development of the Project for the Fixed Price, all costs of issuing the Bonds, and capitalized interest during the construction period.

"Commencement of Construction" means the date Developer or Owner executes and delivers to either one or both of the Office Project General Contractor or Shatto Garage Project General Contractor a Notice to Proceed.

“Condemnation” has the meaning set forth in Section 21.2(b).

“Construction Contracts” means (i) the Office Project General Construction Contract (ii) the Shatto Garage Project General Construction Contract, and (iii) all other contracts for construction services entered into between Owner, or Developer on behalf of and acting as authorized representative for Owner, and any Contractor, for construction of any portion of the Project not covered by either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract.

“Construction Documents” means the Construction Drawings and Detailed Specifications approved, in writing, by Owner with Tenant’s Concurrence, for the construction of the Project, including technical drawings, schedules, diagrams, plans and specifications setting forth in detail the requirements for construction of the Project and providing information customarily required for the use of the building trades.

“Construction Drawings” means, collectively, the drawings setting forth in detail the requirements for (i) the construction of the Office Project and (ii) the construction of the Shatto Garage Project. As used herein, “Construction Drawings” include all graphic and pictorial documents depicting the design, location and dimensions of the elements of the Project (including Tenant Improvements) and include plans, elevations, sections, details, schedules and diagrams for the Project, all of which shall be consistent with the Project Requirements. The general design and location of the improvements are based upon the general design and concepts presented to Tenant by Owner in Tenant’s “Request for Proposal” process.

“Contract Documents” means the Construction Documents, the Construction Contracts and the other documents identified as Contract Documents in either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, copies of which shall be provided to Tenant.

“Contractors” means the Office Project General Contractor, the Shatto Garage Project General Contractor and any other construction contractors and design-builders with whom Owner enters into direct contracts upon the written recommendation of Developer, or with whom Developer on behalf of and acting as the Owner’s authorized representative, enters into contracts. The Office Project General Contractor and the Shatto Garage Project General Contractor shall be subject to Tenant’s Concurrence.

“Costs Resulting from Owner-Caused Delay” means any increase in costs of constructing the Project to the extent resulting from Owner-Caused Delay. Where additional costs are incurred as a result of a combination of Owner-Caused Delay and any other factor causing delay (whether caused by Developer, Contractor, a third-party, or by anyone or anything else), Costs Resulting From Owner-Caused Delay shall be only the portion of such costs fairly attributable to Owner-Caused Delay.

“County” has the meaning set forth in Recital A.

“Deed of Trust” has the meaning set forth in Section 16.4(b).

“Design Development Drawings” means drawings that are a consistent development of the Schematic Drawings and further define and describe all important aspects of the Project. The Design Development Drawings will serve as the basis for the Construction Drawings.

“Detailed Specifications” means all written detailed requirements for materials, equipment, construction systems, standards and workmanship for the construction of the Project.

“Developer” has the meaning set forth in the Preamble, together with any successors and assigns permitted under this Agreement.

“Developer Obligation Date” means October 15, 2021. The Developer Obligation Date shall be extended for any delays resulting from the following: the extent (i) Bond Closing has not occurred on or before August 1, 2018, (ii) Owner has not issued its Notice to Proceed on or before August 1, 2018, (iii) of Owner-Caused Delays, or (iv) of Unavoidable Delays; provided, however, extensions due to Unavoidable Delays shall not exceed ninety (90) days. Notwithstanding the foregoing, if, the Unavoidable Delay is a direct and unavoidable result of either (1) a casualty or condemnation subject to Section 21 or (2) the discovery of Hazardous Substances beneath the surface of the Premises, which existed but were unknown (or the location or extent of which were unknown based on the information in Developer’s possession as of the Effective Date) to Developer as of the Effective Date, then the ninety (90) day limitation set forth in the immediately preceding sentence shall not apply.

“Developer’s Fee” means the fee to be paid to Developer pursuant to Section 11.1 and subject to the terms and conditions set forth in Sections 7.2, 11 and 12.

“Effective Date” means the date that this Agreement is fully executed, acknowledged and delivered by Owner and Developer.

“Environmental Laws” means all federal, state, and local laws, statutes, rules, regulations, ordinances, and codes relating to the regulation or protection of human health, safety, the environment, and natural resources, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. §§ 9601 *et seq.*), the Hazardous Materials Transportation Act (49 U.S.C. §§ 5101 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 *et seq.*), the Clean Air Act (42 U.S.C. §§ 7401 *et seq.*), the Clean Water Act (33 U.S.C. §§ 1251 *et seq.*), the Solid Waste Disposal Act (42 U.S.C. §§ 6901 *et seq.*), the Toxic Substances Control Act (15 U.S.C. §§ 2601 *et seq.*), the Emergency Planning and Community Right-To-Know Act (42 U.S.C. §§ 11001 *et seq.*), the Occupational Safety and Health Act (29 U.S.C. §§ 651 *et seq.*), and any similar or comparable state or local laws, including, without limitation, the California Hazardous Substance Account Act (California Health & Safety Code §§ 25300 *et seq.*), as such federal, state, and local laws exist as of the Effective Date and as amended in the future.

“Event of Default” has the meanings set forth in Sections 23.2 and 23.3.

“Excess Liquidated Damages” has the meaning set forth in Section 7.2(d).

“Existing Garage” means the existing garage structure located at 523 Shatto Place.

“Facilities Lease” means the Facilities Lease Agreement to be executed between Owner and Tenant for occupancy of the Premises, in the form attached hereto as Exhibit B.

“Final Acceptance” means the Owner’s written approval and concurrence that certain events, more fully defined in Section 12.5, have occurred prior to Final Payment being made.

“Final Payment” means payment to the Developer, the Architect, the Office Project General Contractor, the Shatto Garage Project General Contractor, and any other Contractors, by Owner following Final Acceptance of the Project pursuant to Section 12.

“Financed FF&E” means furniture, fixtures, equipment and movable property as set forth on Exhibit J, the costs of which will (i) be included in Project Costs, but only to the extent of the Financed FF&E Allowance set forth in the approved Project Budget, and (ii) financed through the Bonds. Any cost of furniture, fixtures, equipment, and movable property that is in excess of the Financed FF&E Allowance set forth in the approved Project Budget shall not be part of the Fixed Price. The Financed FF&E will be designed, provided and installed as set forth on Exhibit J.

“Financed FF&E Allowance” means the amount of seventeen million seven hundred ninety-eight thousand nine hundred eighty-seven dollars (\$17,798,987), as set forth in the Project Budget for the Financed FF&E. Any costs of Financed FF&E in excess of the Financed FF&E Allowance shall be deemed to be an Other Owner Cost.

“Financing Costs” means all financing costs approved by bond counsel and County in connection with the issuance of the Bonds.

“Fixed Price” means an amount not to exceed two hundred ninety-five million five hundred forty thousand six hundred twenty-nine dollars (\$295,540,629), the total amount to be paid by Owner for Project Costs. A detailed description of Project Costs by line item and category is set forth in the Project Budget.

“Ground Lease” has the meaning set forth in Recital A.

“Guaranteed Maximum Construction Price” means (i) with respect to the Office Project, the maximum cost for construction of the Office Project, as guaranteed by the Office Project General Contractor pursuant to the terms of the Office Project General Construction Contract, and (ii) with respect to the Shatto Garage Project, the maximum cost for construction of the Shatto Garage Project, as guaranteed by the Shatto Garage Project General Contractor pursuant to the terms of the Shatto Garage Project General Construction Contract.

“Hazardous Substances” means the following: (a) petroleum, any petroleum by-products, waste oil, crude oil or natural gas; (b) any material, waste or substance that is or contains asbestos or polychlorinated biphenyls, or is radioactive; any medical waste; and (c) any substance, product, waste or other material of any nature whatsoever which is or becomes defined, listed or regulated as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “solid waste,” “radioactive material,” or similarly defined substance pursuant to any Applicable Laws, including the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§ 9601 *et seq.*; the Hazardous

Materials Transportation Act, 49 U.S.C. §§ 1801 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*; the California Health & Safety Code and all other analogous State of California and local statutes, ordinances and regulations, including, without limitation, any dealing with underground storage tanks; provided, however, “Hazardous Substances” shall not include any of the foregoing materials or substances described above that are of the types and in quantities customarily used in the ordinary course of construction, occupancy or operation of office buildings similar to the Project, including, without limitation, in the ordinary course of delivering medical care in accordance with generally accepted standard practices, consisting of (i) office, cleaning, building maintenance, and construction materials and supplies used in reasonable quantities and in the ordinary course of the construction, occupancy or operation of the Project, and (ii) gasoline or diesel fuel in the tanks of automobiles and other machines located on the Premises (whether during construction or otherwise); but only so long as, in the case of (i) and (ii), they are always stored, maintained, used and disposed of in compliance with all Applicable Laws.

“Indemnification Claim Notice” has the meaning set forth in Section 15.3.

“Indemnified Party” has the meaning set forth in Section 15.3.

“Indemnifying Party” has the meaning set forth in Section 15.3.

“Indenture” means the trust indenture pursuant to which Owner will cause the issuance of the Bonds.

“Initial Draw” means Developer’s first application for payment of Project Costs, which shall not occur before Bond Closing.

“Laws” means all of the following, even if unforeseen or extraordinary, to the extent affecting any of, (a) Owner, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (b) Tenant, its board members, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (c) Developer, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (d) Trustee, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (e) all or any portion of the Premises, or (f) the use, occupancy, possession, construction, operation, maintenance, improvement, alteration, repair, or restoration of any portion of the Project: (x) all present and future laws, statutes, requirements, ordinances, orders, judgments, regulations, resolutions, covenants, restrictions, or administrative or judicial determinations of every governmental authority and of every court or agency claiming jurisdiction over Owner, Tenant, Developer, Trustee, the Project, or the Premises or matters set forth in clauses (a) through (f), above, whether enacted or in effect as of the Effective Date or thereafter, including, but not limited to, California Labor Code §§ 1720 *et seq.*, environmental laws, zoning laws, building codes and regulations and those laws relating to accessibility to, usability by, and discrimination against, disabled individuals; and (y) all covenants, restrictions, and conditions of record affecting the Premises from time to time.

“LEED” has the meaning set forth in Section 4.7.

“Liabilities” has the meaning set forth in Section 15.1.

“LTWH” has the meaning set forth in Section 7.4(e)(1).

“Monthly Carrying Costs” has the meaning set forth in Section 7.2(b).

“Notice to Proceed” means the notice to be delivered by Owner to Developer, at or following the Bond Closing and the execution of all Construction Contracts, whereby Owner authorizes the Commencement of Construction.

“Office Project” means the new office building with (a) approximately 468,000 gross square feet of Class A office with ground floor retail space and public service uses, and (b) the Tower Garage, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff. The Office Project design shall be structured around a solid core and shell to ensure a functional and easily maintainable building foundation. The Office Project shall be designed to meet LEED Silver certification standards.

“Office Project General Construction Contract” means the agreement between Owner and the Office Project General Contractor for construction of the Office Project.

“Office Project General Contractor” means Hathaway Dinwiddie Construction Company, a California corporation, the anticipated general contractor for the Office Project, or another qualified general contractor proposed by Developer and approved by Owner.

“Office Project Substantial Completion Date” means the date of Substantial Completion of the Office Project.

“Other Owner Costs” means all costs that are explicitly stated in this Agreement to be the responsibility of Owner or Tenant or are stated not to be the responsibility of Developer. Other Owner Costs shall include, without limitation, Tenant’s Personal Property and any taxes thereon; any costs of Financed FF&E in excess of the Financed FF&E Allowance; Procured FF&E (if any); Relocation Services; the premium for the policy of builder’s risk insurance for the Project (and any deductible thereunder) that is procured by Owner; Financing Costs and any other costs associated with the Bonds; costs for the Ground Lease; title, escrow and recording costs); debt service on the Bonds; attorneys’ fees and costs incurred by Owner or Tenant; property taxes and assessments of any nature with respect to the Premises or any improvements located on the Premises; costs associated with any licensee, subtenant or other occupant of the Premises; expenses resulting from Owner-Caused Delays or Unavoidable Delays (including, without limitation, expenses incurred in connection with a casualty, and including, without limitation, environmental clean-up costs exceeding the line item allowance amount for environmental clean-up set forth in the Project Budget attached as Exhibit D) except as otherwise provided in Section 7.2; consulting fees for any consultants engaged by Owner, Tenant or Trustee as permitted under Section 9.3; and costs associated with any lawsuit, claim or other action pending or threatened against Owner or Tenant, except as otherwise provided in Sections 13, 15 and 24. Other Owner Costs are not part of the Fixed Price; provided, however,

the costs associated with Other Owner Costs that are managed by Developer shall be added to the Project Costs for purposes of calculating the Developer's Fee.

“Overhead Allowance” means the overhead allowance to be paid to Developer in accordance with the provisions of Section 11.2.

“Owner” has the meaning set forth in the Preamble together with its successors and permitted assigns in accordance with the Ground Lease and Facilities Lease.

“Owner's Representative” has the meaning set forth in Section 17.2.

“Owner's Warranty Claim” has the meaning set forth in Section 13(h).

“Owner-Caused Delay” means any period of delay in the overall progress of design, construction, and completion of the Project, including Tenant Improvements, to the extent caused by (i) Owner-initiated change orders to either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, (ii) Owner-initiated changes to the Construction Documents, (iii) Owner's failure to approve, disapprove, decide, or otherwise respond to Developer with respect to a particular item for which Owner's response is required hereunder or under either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, or failure to deliver plans, information, specifications, or other information within the time frames required under this Agreement or either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract (if Owner's failure to approve, disapprove, decide, or otherwise respond to Developer with respect to a particular item for which Owner's response is required is not a deemed approval under this Agreement), (iv) Owner's failure to timely fund Project Costs or Other Owner Costs, or (v) Tenant's intentional interference with work being performed under the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract. However, Owner-Caused Delay shall not include: (a) delay to the extent caused by Developer's failure to provide, within the time frames allowed hereunder, draw requests, architect's certifications, progress completion certifications, copies of change orders and supporting documentation, shop drawings, schedules, costs, invoices, job progress reports, or other documents or information which Owner is entitled to receive hereunder or which is reasonably requested by Owner in connection with any such decision or response, or (b) delay to the extent caused by the existence of reasonable cause to suspect that construction of the Project or any other services provided by Developer have not been performed in accordance with Construction Documents and other requirements hereunder, in which case Owner-Caused Delay shall not include the amount of additional time reasonably needed by Owner to determine whether such construction or other services conform to all requirements hereunder, so long as Owner proceeds with all reasonable diligence to make such determination. To facilitate timeliness in Owner's communications with Developer over matters relating to design or construction of the Project and to minimize the possibility of Owner-Caused Delay, Developer shall alert Owner to deadlines for approvals, decisions or other responses that Owner must provide hereunder, including, among other methods, attachment of “deadline cover sheets” on any submissions to Owner that require response by a particular deadline or distribution of weekly calendars that show deadlines imposed on Owner. If Developer at any time believes that an instance of Owner-Caused Delay has occurred that has directly caused or will directly cause an

increase in Project Costs or extension of the Developer Obligation Date, Developer shall send a written notification to Owner and Tenant within five (5) business days of Developer's discovery of the occurrence of such alleged Owner-Caused Delay setting forth in reasonable detail (w) a detailed description of alleged event that constituted such Owner-Caused Delay, (x) the period of alleged Owner-Caused Delay, (y) how the alleged Owner-Caused Delay adversely impacted the Project Schedule, and (z) any incremental increase in Project Costs that are identifiable or reasonably foreseeable as a direct result of such Owner-Caused Delay. Any disputes between Developer and Owner over Project Costs attributable to Owner-Caused Delay shall not be a reason to stop or delay construction of the Project and shall be resolved by the Parties as expeditiously as possible, either by mutual agreement of the Parties or in accordance with the dispute resolution mechanisms described in Section 24.

“Owner Discretionary Costs” means certain costs to be paid by Owner, and shall include, audit, inspection, and other administrative costs incurred prior to Substantial Completion, as described under the heading “Owner Discretionary Costs” on the Project Budget attached hereto as Exhibit D. Owner Discretionary Costs may be incurred only at the discretion of the Owner, and therefore are not part of the Fixed Price; provided, however, the costs associated with Owner Discretionary Costs that are managed by Developer shall be added to the Project Costs for purposes of calculating the Developer's Fee.

“Party” and **“Parties”** has the meaning set forth in the Preamble.

“Permits” means all land use approvals, permits and approvals required for construction and occupancy of the Project under any Law.

“Permitted Use” means use of the Premises by Tenant for office, retail, parking and/or any other lawful use consistent with the provisions of Section 7 and the Ground Lease.

“Preliminary Plans” means the initial renderings, program requirements, Schematic Design Drawings, Design Development Drawings, Plan Check Ready Drawings and specifications for the Project as approved by the Owner with Tenant Concurrence as a part of the pre-development deliverables. A detailed list of the Preliminary Plans is attached hereto as Exhibit E.

“Premises” means the real property described in Recital A and the entirety of the facilities and any other improvements located on such property from time to time.

“Procured FF&E” means furniture, fixtures, equipment, and movable property installed in the Project by Developer at Owner's direction through an Owner initiated change order, the costs of which will be an Other Owner Cost and shall not be part of the Fixed Price; provided, however, the costs associated with the Procured FF&E shall be added to the Project Cost for purposes of calculating the Developer Fee.

“Project” has the meaning set forth in Recital B, inclusive of all design, permitting and construction, all design and other professional services, and all labor, materials and equipment used or incorporated in such design and construction of the (a) Office Project, (b) Tenant Improvements to be constructed within the Office Project, (c) the Financed FF&E and the Procured FF&E, and (d) the Shatto Garage Project. The Project shall be consistent with and

reasonably inferable from the approved Project Requirements as being necessary to produce the intended results. Notwithstanding the foregoing or anything to the contrary contained in this Agreement, the Financed FF&E will be designed, provided and installed in accordance the provisions of Exhibit J.

“Project Application for Payment” means the procedures by which requests for payment for Project Costs and other costs shall be made in accordance with Section 9.

“Project Budget” means the budget for development of the Project attached to this Agreement as Exhibit D, as revised from time to time by Developer and Owner with Tenant’s Concurrence in accordance with this Agreement.

“Project Contingency” means the contingency by that name set forth in the Project Budget together with all cost savings in all line items that are not required for allocation to other line items in which excess Project Costs were incurred.

“Project Costs” means all costs for the completion of the development, design, permitting, construction, and equipping of the Project, including, without limitation, all site work, including utility relocation and installation of utilities as required to serve the Project, all roadway improvements (if any), sidewalks and landscaping, all permit fees, all costs of the Office Project and the Shatto Garage Project, HVAC, electrical and other building systems, including but not limited to conduit rough-in for data, telephone, and security, all costs of Tenant Improvements including HVAC thermostats and operating controls, all costs of Financed FF&E (but only to the extent of the Financed FF&E Allowance set forth in the approved Project Budget), all costs of architectural services provided by the Architect, all other professional design services and other services provided by Contractors or other professionals engaged by Developer, the Office Project General Contractor or the Shatto Garage Project General Contractor, all amounts paid to the Office Project General Contractor and the Shatto Garage Project General Contractor, under either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, including all labor, material, and equipment used or incorporated in such design and construction, all amounts paid to other Contractors and subcontractors, if any, under any other Construction Contract or subcontract entered into by Owner upon the written approval of Developer or by Developer on behalf of and acting as the Owner’s authorized representative in connection with the Project, including all labor, material, equipment used or incorporated in such design and construction, services provided by engineers, environmental consultants, surveyors and other professionals and consultants retained by Developer in connection with the Project, the Developer’s Overhead Allowance, Developer’s Fee, insurance (other than Bond insurance and other than builder’s risk insurance policy, which shall be purchased by Owner and not by Developer or General Contractor), payment and performance bonds, applicable state and local retail sales taxes, and the Project Contingency; provided, however, Project Costs shall not mean, except as specifically provided in Section 11 (relating to Developer’s Overhead Allowance and Developer’s Fee) or as set forth in the Project Budget, (i) salaries or other compensation of Developer’s personnel normally situated at Developer’s principal office or branch offices, (ii) except as otherwise provided in the Construction Contracts, salaries or other compensation for any Contractor’s personnel normally situated at such Contractor’s principal office or branch offices, (iii) salaries or other compensation for any officer of Developer or Contractor; (iv) expenses of Developer’s

or any Contractor's principal office; (v) overhead or general expenses, except as expressly provided in the definition of Project Costs; and (vi) Project Costs in excess of the Fixed Price.

Notwithstanding anything to the contrary herein, Project Costs do not include and Developer has no responsibility for (a) Tenant's Personal Property and any taxes thereon (which shall be paid by Tenant at its sole cost and expense); (b) Owner Discretionary Costs; (c) Costs Resulting from Owner-Caused Delay; (d) any increase in the cost of the Project resulting from Owner-initiated change orders; (e) real property taxes and assessments with respect to the Premises and the improvements thereon; and (f) Other Owner Costs.

"Project Fund" means the fund of that name established under the Indenture for the purpose, among others, of paying Project Costs.

"Project Requirements" means the Preliminary Plans, Construction Documents, Requirements of Law, and any other requirements for the Project specifically agreed to by Owner and Developer with Tenant's Concurrence.

"Project Schedule" means the schedule for development and construction of the Project as set forth on the attached Exhibit F, as revised from time to time by Developer and Owner with Tenant's Concurrence in accordance with this Agreement; provided, however, that in no event shall the Project Schedule provide for Substantial Completion of the Project to occur later than the Developer Obligation Date.

"Punch List" means a list of items required to be completed prior to Final Acceptance that are minor items which do not affect Owner's ability to lease the Premises to Tenant and do not affect Tenant's ability to occupy and use the Premises for the Permitted Use. The Punch List shall be subject to Tenant's Concurrence.

"Relocation Services" means the relocation and installation of Tenant's furniture, fixtures, equipment and movable property from Tenant's current buildings at 550 South Vermont Avenue and 3175 West 6th Street to the Office Project in conformance with plans, change orders and directions agreed by Owner and Developer with Tenant's Concurrence, the cost of which shall not be part of the Bonds and shall be paid with other monies.

"Required Art" means art to be installed in accordance with the County's arts policy and the Construction Documents.

"Requirements of Law" means all requirements relating to land and building construction, including those specifically applicable to Tenant's contemplated use of the Premises for the Permitted Use, and planning, zoning, subdivision, environmental, air quality, flood hazard, fire safety, accessibility, and other governmental approvals, permits, licenses and/or certificates as may be necessary from time to time to comply with all the foregoing and other applicable statutes, rules, orders, regulations, laws, Laws, ordinances, and covenants, conditions and restrictions, which apply to and/or affect the design, construction, existence, intended use, operation and/or occupancy of the Premises or any part thereof.

"Sale of the Bonds" means execution and delivery by Owner and a responsible bond underwriter of an agreement providing for the purchase and sale of the Bonds on terms

consistent with the terms of the Facilities Lease and with no conditions to the underwriter's obligation to pay for and accept delivery of the Bonds other than those conditions contained in said agreement between Owner and the responsible bond underwriter.

“Schematic Drawings” means drawings establishing the general scope, conceptual design, design intent and scale and relationship among the components of the Project.

“Shatto Garage Project” means the new parking structure consisting of a 10-story garage structure containing approximately 768 parking spaces located at 523 Shatto Place, Los Angeles California, which is intended to provide parking for the Office Project. A site plan of the Project showing the Shatto Garage Project is attached hereto as Exhibit C.

“Shatto Garage Project General Construction Contract” means the agreement between Owner and the Shatto Garage Project General Contractor for construction of the Shatto Garage Project.

“Shatto Garage Project General Contractor” means Bomel Construction Company Inc., a California corporation, the anticipated general contractor for the Shatto Garage Project, or another qualified general contractor proposed by Developer and approved by Owner.

“Shatto Garage Project Substantial Completion Date” means the date of Substantial Completion of the Shatto Garage Project.

“Substantial Completion Date” means the date of Substantial Completion of the Project.

“Substantial Completion of the Office Project” has the meaning set forth in Section 12.2(a).

“Substantial Completion of the Project” has the meaning set forth in Section 12.2(c).

“Substantial Completion of the Shatto Garage Project” has the meaning set forth in Section 12.2(b).

“Substantially Complete” or **“Substantially Completed”** means

(a) with respect to the Project in its entirety, that the Project has been constructed in substantial accordance with the Contract Documents and: (i) all elements required for the functioning of the Project are operational and in good working order and condition including satisfying applicable ADA building requirements, as well as regulations adopted thereunder; (ii) the Office Project and, to the extent applicable, the Shatto Garage Project, is weather tight and waterproof; (iii) the fire and life safety systems within the Project are operational and in good working order and condition; (iv) the elevators within the Project operate and function in good working order and condition, but may still require minor touch up installation and cleaning; (v) the mechanical and electrical systems, including but not limited to the HVAC system, have been individually tested and verified that they are in good working order and able to support the Permitted Use of the Project by the Tenant, and have been tested to assure that the Project systems operate on an integrated basis; (vi) the

finish work has been substantially completed, including, but not limited to, public lobby, elevator, HVAC, plumbing, fire and life safety, sprinkler and electrical systems, doors, partitions, cabinetry, carpet and base, including removal of all construction debris; and (vii) all roadway improvements, site utilities, sidewalks and landscaping have been substantially completed and construction barricades and equipment have been removed; except, in each case, minor Punch List items which do not materially affect use and occupancy of the Project for its Permitted Use;

(b) with respect to the Office Project, that the Office Project has been constructed in substantial accordance with the Contract Documents and that the requirements of clauses (a)(i) through (vii) above have been satisfied to the extent that such requirements apply to the Office Project; and

(c) with respect to the Shatto Garage Project, that the Shatto Garage Project has been constructed in substantial accordance with the Contract Documents and that the requirements of clauses (a)(i) through (vii) above have been satisfied to the extent that such requirements apply to the Shatto Garage Project.

“**Tenant**” has the meaning set forth in Recital A together with any successors and assigns permitted under the Facilities Lease.

“**Tenant Improvements**” means improvements to the interior of the Office Project, including but not limited to HVAC thermostats, operating controls and conduit rough-in for data, telephone, and security wiring, as they are described in the Construction Documents.

“**Tenant’s Concurrence**” means, with respect to any Contract Documents or any action to be taken by Owner with respect to the Project for which Tenant’s Concurrence is specified, (a) the written approval of Tenant to such Contract Document or action following written notice to Tenant from Owner or Developer requesting such concurrence or (b) any deemed concurrence pursuant to this Agreement. Tenant’s Concurrence (whether written or deemed) is given solely as an expression of Tenant’s lack of objection to any Contract Documents or any action for which Tenant’s Concurrence is sought and shall under no circumstance be deemed or construed to constitute (x) Tenant’s endorsement of such Contract Document or action, (y) a professional opinion by Tenant regarding the effect, safety, legality, or construction worthiness of any improvement or work conducted in accordance with such Contract Document or action, or (z) Tenant’s acceptance or assumption of any liability arising from such Contract Document or action. Tenant’s written approval of such Contract Document or action shall be made within ten (10) Business Days following written notice to Tenant from Owner requesting such concurrence. Owner shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE CONTRACT DOCUMENTS DESCRIBED HEREIN.”

If the foregoing legend is included by the Owner in its communication, then the submitted Contract Documents shall be deemed to have been approved if the Tenant fails to object with respect thereto within ten (10) Business Days of receipt of such notice. Tenant's Concurrence shall not be unreasonably withheld, conditioned or delayed.

"Tenant's Personal Property" means Tenant's furniture, equipment, and movable personal property placed in the Premises. Tenant shall provide and install Tenant's Personal Property at Tenant's sole cost and expense. Tenant's Personal Property does not include Financed FF&E or Procured FF&E otherwise purchased and installed by Developer.

"Title Policies" means the leasehold policy of title insurance issued to Owner upon its acquisition of a leasehold interest in the Premises pursuant to the Ground Lease and the lender's policy of title insurance issued to the Trustee upon the recording of the mortgage or deed of trust in favor of the Trustee.

"Tower Garage" means that certain parking structure having approximately 965 parking spaces located in the podium of the Office Project.

"Tower Garage Completion" means that the Tower Garage has been constructed in substantial accordance with the Contract Documents and: (a) all elements required for the functioning of the Tower Garage are operational and in good working order and condition including satisfying applicable ADA building requirements, as well as regulations adopted thereunder; (b) the fire and life safety systems within the Tower Garage are operational and in good working order and condition; (c) the Tower Garage elevators operate and function in good working order and condition, but may still require minor touch up installation and cleaning; (d) the mechanical and electrical systems, including but not limited to the ventilation system, have been individually tested and verified that they are in good working order and able to support the use of the Tower Garage by Tenant, and have been tested to assure that the Tower Garage systems operate on an integrated basis; (e) the finish work has been substantially completed, including, but not limited to elevator, ventilation, plumbing, fire and life safety, sprinkler and electrical systems, doors, including removal of all construction debris; (f) Tenant has been provided ingress and egress access to and from the Tower Garage, (g) a temporary certificate of occupancy has been issued by County allowing for Tenant's intended use of the Tower Garage, and (h) Tenant has accepted the Tower Garage as being available for its occupancy pursuant to the terms set forth above, except, in the case of (a) through (f) above, minor Punch List items which do not materially affect use and occupancy of the Tower Garage for its intended use by Tenant.

"Tower Garage Occupancy Agreement" means that certain occupancy agreement of even date herewith between Owner as licensor and Tenant as licensee, pursuant to which Tenant shall (a) have the right to occupy the Tower Garage from the date of the Tower Garage Completion to the Office Project Substantial Completion Date, and (b) pay the actual expenses attributable to its occupancy to Owner

"Trustee" means a national bank or other financial institution with trust powers selected by Owner to serve as the bond trustee under the Indenture or any duly authorized successor thereto appointed pursuant to the Indenture.

“Turnkey Condition” when used to describe the Office Project, means that Substantial Completion of the Office Project has been achieved, and all Financed FF&E and Procured FF&E has been installed in accordance with the Construction Documents, and the Office Project is fully occupiable and usable for its intended purposes by Tenant and any agreed Relocation Services have been completed.

“Unavoidable Delays” means any delay in the performance by Developer, the Office Project General Contractor or the Shatto Garage Project General Contractor of its obligations with respect to construction of the Project caused by strikes or labor disputes (other than those caused by Developer’s acts, omissions or failure to negotiate in good faith), acts of God, unavoidable casualties, adverse weather conditions in excess of those usually encountered in the Los Angeles area which prevent or delay critical path construction activities as and when scheduled by the Contractors, acts of terrorists, governmental delays in issuing permits or conducting inspections (beyond the typical delays expected in a project of the size and type of the Project and provided that Developer has filed all applications and paid all required fees for such permits in a timely fashion), delays caused by Tenant (which does not include any period of time provided in the Facilities Lease or this Agreement for Tenant to review and respond to any submission), governmental embargo restrictions, subsurface and environmental conditions not reasonably identified by Developer prior to the Effective Date in the exercise of its commercially reasonable due diligence (including, without limitation, the location and extent of oil wells or other Hazardous Substances), or other causes beyond the reasonable control of Developer or the Office Project General Contractor or the Shatto Garage Project General Contractor, which, after the exercise of due diligence to mitigate the effects thereof, delay construction of the Project. Unavoidable Delays are not delays resulting from (a) Developer’s or the Office Project General Contractor” or the Shatto Garage Project General Contractor’s failure to comply with the terms and provisions of this Agreement, the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract (as applicable), (b) increased prices, or (c) unavailability of funds, provided the Fixed Price (and all other funds payable by Owner under this Agreement) is timely paid by Owner in accordance with Section 9. Unavoidable Delays will entitle Developer and the Office Project General Contractor or the Shatto Garage Project General Contractor to an extension of the Developer Obligation Date, but will in no way entitle Developer to additional compensation, except as otherwise provided in this Agreement. Nothing contained herein shall prevent Developer from allocating the Project Contingency to increased costs of constructing the Project caused by Unavoidable Delays. Notwithstanding the foregoing, in order for either Party to claim an Unavoidable Delay, the Unavoidable Delay must be described in reasonable detail a written notice given by the Party claiming such Unavoidable Delay to the other Party within ten (10) Business Days after the Party claiming such Unavoidable Delay obtained knowledge of the event or circumstances giving rise to the claim of Unavoidable Delay, which notice shall reasonably specify the nature of the event giving rise to the claim of Unavoidable Delay and the date of commencement of the Unavoidable Delay and the (i) estimated delay (if ongoing) or (ii) the actual delay (if not ongoing) caused by such event or circumstances.

Any disagreements with regard to Unavoidable Delays that cannot be resolved by Developer and Owner shall be resolved in accordance with Section 24, but (subject to Owner's continued funding of the Project Costs up to the amount of the Fixed Price) work shall continue pending resolution of such dispute.

“USGBC” has the meaning set forth in Section 4.7.

“**Warranty Period**” means that period commencing on the date of Substantial Completion of the applicable portion of the Project and expiring one (1) year thereafter.

2. Development of the Project.

2.1 Fixed Price. Owner hereby retains Developer and Developer shall, in accordance with the terms of this Agreement, develop, oversee and manage the design, permitting, construction, and equipping phases of the Project in accordance with the terms and conditions of this Agreement. Subject to the terms of this Agreement, and provided the Fixed Price is paid in accordance with Section 9 and Owner timely pays all other amounts payable by Owner under this Agreement, Developer warrants Substantial Completion of the Project (i) constructed in a good and workmanlike manner, (ii) in substantial accordance with the Contract Documents, (iii) on or before the Developer Obligation Date, (iv) for the Fixed Price (excluding any components of the Project that are not Project Costs), and (v) free and clear of all liens. Project Costs exceeding the Fixed Price shall be paid by Developer, with Developer depositing any required funds with Trustee pursuant to Section 9.6.

2.2 Owner Discretionary Costs. Owner Discretionary Costs shall not be considered Project Costs but shall be Owner's sole responsibility and shall not be Developer's responsibility.

2.3 Diligent Efforts; Relationship of the Parties. Developer accepts the relationship of trust and confidence established with Owner by this Agreement and agrees that in providing the services set forth in this Agreement, Developer shall use its diligent efforts and shall furnish its best skill and judgment and shall cooperate with, coordinate, manage, direct and oversee the Office Project General Contractor, the Shatto Garage Project General Contractor, all other Contractors, all other engineers, design consultants, managers and other persons retained in connection with the design, permitting, development and construction of the Project so as to cause Substantial Completion of the Project for the Fixed Price in an expeditious and economic manner consistent with the best interests of Owner, and otherwise in a good and workmanlike manner and in substantial accordance with the Contract Documents, on or before the Developer Obligation Date, free and clear of all liens (provided the Fixed Price is paid in accordance with Section 9). Developer shall perform its services in accordance with the terms of this Agreement, including, without limitation, all services to be provided by Developer as described in Section 5. Developer shall not perform any construction services in connection with this Agreement. By the terms of this Agreement, Developer (a) is not obligated to perform services for which Owner has contracted with a third party without Developer's prior written consent, and (b) except as set forth in Section 23.2, is not obligated to pay for such services for which Owner has contracted with third parties without Developer's prior written consent, and such services shall be paid for directly by Owner and shall not be considered Project Costs unless they are pre-approved by Developer in writing.

2.4 Mutual Cooperation; Liability of Owner. Developer and Owner shall fully and in good faith cooperate with each other to accomplish all of the activities contemplated in this Agreement. Owner shall have no liability or responsibility whatsoever with respect to the

activities to be performed by Developer, except to timely pay the Fixed Price and to timely perform all obligations of Owner set forth in this Agreement pursuant to the terms and conditions contained herein.

2.5 Term. The rights and obligations of the Developer and Owner hereunder shall commence on the Effective Date and shall continue until expiration of the Warranty Period.

3. Project Financing.

3.1 Issuance of Bonds. Owner intends to issue Bonds in a principal amount sufficient to pay the Project Costs, Financing Costs and other costs payable pursuant to the terms of the Indenture.

3.2 Disbursal of Proceeds. A portion of the proceeds from the sale of the Bonds in an amount sufficient to pay the Fixed Price shall be deposited into the Project Fund held by the Trustee and shall be used to pay Project Costs and other costs in accordance with the terms of the Indenture and this Agreement.

4. Project Design. Developer shall cause design services to be performed by qualified architects, engineers and other professionals recommended by Developer, approved by Owner and paid as part of the Project Costs. Developer shall provide to Tenant copies of any notices, plans, specifications, or other documents required to be delivered to Owner under this Agreement. In addition, Tenant shall have the right, but not the obligation, to attend design meetings with Developer, Architect, and other design professionals as appropriate in the course of development of Construction Documents. Tenant shall also have the right to simultaneously provide to Developer a copy of any notice Tenant issues to Owner.

4.1 Selection of Development Team for Project. In addition to the Architect, the Office Project General Contractor and the Shatto Garage Project General Contractor, the following entities have been approved by Owner and are intended to be retained in connection with the Project:

- (a) Utility Consultant: E4 Utility Design
- (b) Civil Engineers: KPFF
- (c) Landscape Architect: Brightview
- (d) Geotechnical Engineers: Geotechnologies
- (e) Environmental Consultants: Tetra Tech; Citadel Environmental
- (f) Commissioning Agent: Salas O'Brien South, LLC
- (g) B-Permit Signal Design: KOA Corporation, Inc.

In order to complete the Project, Developer shall have the right to select other professionals as necessary or desirable for the design, permitting, and development of the Project

and shall have the obligation to recommend other Contractors for Owner's approval. Except as otherwise provided in this Agreement, all amounts paid to the entities outlined above and any others hereinafter engaged by Developer in connection with the performance of its duties and responsibilities under this Agreement, or as authorized representative for Owner, shall be part of the Fixed Price.

4.2 Design-Build Contracts. As a design-build contract, the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract shall provide that the design professionals shall be engaged by either the Office Project General Contractor or the Shatto Garage Project General Contractor, as applicable.

4.3 Amendments of Design or Construction Contracts. Consistent with the terms and conditions of each of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract, there shall be no amendment to such Construction Contracts or the Architect agreement, without the prior written consent of Owner, Tenant's Concurrence and the concurrence of Developer. Developer shall provide Tenant a copy of all proposed changes to the Construction Documents requiring Owner's review and/or approval pursuant to this Agreement and Section 9.17 of the Facilities Lease, as and when such proposed changes are provided to Owner. All rights of Owner and Developer, respectively, under each of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract and any other contract designated by Trustee shall be assigned to Trustee. Developer shall obtain, at no cost to Owner, the consent of Office Project General Contractor or the Shatto Garage Project General Contractor and other design professionals and Contractors as necessary to each such assignment.

4.4 Project Budget. The Project Budget sets forth a detailed itemization by line item and category of all Project Costs, including the Project Contingency, Overhead Allowance and Developer's Fee. The Project Budget is attached hereto as Exhibit D.

4.5 Drawings. Prior to the execution of this Agreement, Developer caused the Schematic Drawings, the Design Development Drawings and the Construction Drawings and Detailed Specifications for the Office Project and the Shatto Garage Project to be prepared, in each case for Developer's review, Owner's approval and Tenant's Concurrence. All such approved drawings and specifications are included in the Preliminary Plans and listed on Exhibit E.

4.6 ADA Compliance. Each design contract shall include a provision requiring that upon "substantial completion" of that portion of the work covered by that design contract, the work and the portion of the Project so constructed shall comply with the applicable Americans with Disabilities Act requirements referenced herein.

4.7 LEED Certification. Developer shall use commercially reasonable efforts to obtain a Leadership in Energy and Environmental Design – NC 2009 ("LEED") Silver certification from the U.S. Green Building Council ("USGBC") with respect to the Office Project. Owner acknowledges that the design decisions made by it and by Tenant will have an impact on the LEED certifications received and will work in good faith with Developer when making those decisions to consider their potential impact on LEED certifications. Developer

shall keep Owner and Tenant apprised throughout the design process of any design decisions that may affect the LEED certifications of the Office Project and with respect to any preliminary determinations made by the USGBC with respect to the LEED certification of those improvements. It is anticipated that the final determination by the USGBC of the LEED certification of the Office Project will not occur until after Final Acceptance. Owner shall hold back 2.5% of the Developer's Fee until a LEED certification is obtained for the Office Project, and Developer shall diligently and continuously use commercially reasonable efforts to pursue such LEED certification for the Office Project. If Developer has diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the Office Project, and the LEED certification for the Office Project has not been obtained within eighteen (18) months after Final Acceptance of the Office Project (subject to Unavoidable Delays), then Developer shall be entitled to payment of the remaining 2.5% of the Developer's fee being held by Owner. If the LEED certification for the Office Project has not been obtained within eighteen (18) months after Final Acceptance of the Office Project (subject to Unavoidable Delays), and Developer has not diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the Office Project (beyond any applicable notice and cure period), and such failure to obtain LEED certification is not as a result of the acts or omissions of Owner or Tenant, then Owner shall be entitled, as Owner's sole remedy, to retain the 2.5% of the Developer's Fee held back as liquidated damages resulting from Developer's failure to use diligent and continuous efforts to achieve the LEED certification.

4.8 Owner's Review. Owner and Tenant may participate in all design meetings with Developer, Architect, and other design professionals as appropriate in the course of the development of the Schematic Drawings, the Design Development Drawings and all Construction Documents in order to facilitate the approval of such Construction Documents in accordance with the terms of this Agreement. Developer shall also provide Tenant a copy of all submittals requiring Owner's review and approval pursuant to this Agreement, as and when such submittals are provided to Owner. Owner shall promptly review the Project Budget and each of the Schematic Drawings, the Design Development Drawings and all Construction Drawings and Detailed Specifications submitted in accordance with this Agreement and shall give Developer written notice within ten (10) business days following its receipt of the Project Budget and/or Construction Drawings and Detailed Specifications of its approval or disapproval thereof, specifying in the case of its disapproval, its reason therefor. Owner shall have the right to disapprove Schematic Drawings, Design Development Drawings, Construction Drawings and Detailed Specifications which (i) do not meet the Project Requirements, (ii) do not comply with Requirements of Law, (iii) do not comply with previous iterations of the Construction Drawings and Detailed Specifications in all material respects, or (iv) propose changes in work or materials that would result in a material change in appearance or diminution in quality of the Project. If no objections or comments are received within such ten (10) business day period, then the submittals shall be deemed approved; provided that Developer shall include in the required notice to Owner and to Tenant, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE

SCHEMATIC DRAWINGS, DESIGN DEVELOPMENT DRAWINGS, CONSTRUCTION DRAWINGS OR DETAILED SPECIFICATIONS DESCRIBED HEREIN.”

If the foregoing legend is included by Developer in its communication, then the submitted drawings and/or specification shall be deemed to have been approved if the Owner fails to object with respect thereto within ten (10) Business Days of receipt of such notice.

4.9 Resubmittals. If objections or comments are submitted in writing within the time frame and in accordance with the requirements set forth in the preceding subsection, Developer shall cause the Architect to make changes to the Schematic Drawings, Design Development Drawings, Construction Drawings and/or Detailed Specifications consistent with reasonable objections or comments made by the Owner and shall resubmit the same to Owner in accordance with the foregoing schedule for further review. The process of resubmittal and review shall continue until the submittals have been approved by all the parties. The final Construction Drawings and Detailed Specifications setting forth in detail the requirements for the construction of the Project which have been approved by Owner are called the Construction Documents. There shall be no material change in the Construction Documents except as set forth in Section 8.

4.10 Permit and Construction Documents. Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to cause its design professionals to prepare Construction Documents as required for submittal of the building permit and other permit applications in accordance with Section 6, and as required for construction of the Project.

5. Construction Management Services. Developer shall provide Owner with all construction administration and construction management services necessary or desirable to cause Substantial Completion of the Project on or before the Developer Obligation Date, all in a good and workmanlike manner and in substantial accordance with the Contract Documents, including, without limitation, the following:

5.1 Preconstruction Phase.

(a) Developer shall oversee all design work done by Architect and other design professionals for the design and development of the Project. Developer shall expeditiously review design documents during their development and advise Owner on proposed site use and improvements, selection of materials, building systems and equipment and methods of Project delivery. Developer shall provide recommendations on relative feasibility of construction methods, availability of materials and labor, and time requirements for procurement, installation, construction and factors related to construction costs including, but not limited to, costs of alternative designs or materials, budgets and possible economics.

(b) Developer shall prepare and periodically update the Project Schedule for Owner’s acceptance. Developer shall coordinate and integrate the services of Architect and other design professionals into the Project Schedule which shall also set forth Developer’s and Owner’s responsibilities with anticipated construction schedules, highlighting critical and long lead time items. Any changes to the Project Schedule that would extend the

scheduled date for the Substantial Completion of the Project (other than as may be extended under this Agreement) will require Tenant's Concurrence.

(c) Developer shall consult with Owner and Tenant regarding the Construction Documents and make recommendations whenever design details adversely affect constructability, cost or schedules.

(d) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to establish the assignment of responsibilities for temporary Project facilities and equipment, materials and services for common use of the Contractors. Developer shall verify that such requirements and assignment of responsibilities are included in the proposed Contract Documents.

(e) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to determine the division of the Office Project and the Garage Project into individual contracts for various categories of work, including the method to be used for selecting Contractors and awarding Construction Contracts. Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to review the Construction Documents as required to provide that (1) the work of the Contractors is coordinated; (2) all requirements for the Project have been assigned to the appropriate Construction Contract; (3) the likelihood of jurisdictional disputes has been minimized; and (4) proper coordination has been provided for phased construction.

(f) Developer shall prepare a Project Schedule providing for the components of the work and shall consult with each of the Office Project General Contractor and the Shatto Garage Project General Contractor in connection with the preparation and updating of the Project Schedule, including phasing of construction, times of commencement and completion required of each Contractor, ordering and delivery of products requiring long lead time, and the occupancy requirements of Tenant. Developer shall provide the current Project Schedule to each of the Office Project General Contractor and the Shatto Garage Project General Contractor for each set of bidding documents.

(g) Developer shall work with each of the Office Project General Contractor and the Shatto Garage Project General Contractor to expedite and coordinate the ordering and delivery of materials requiring long lead times.

(h) Developer shall select and coordinate the professional services of surveyors, special consultants and testing laboratories required for the Project.

(i) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to provide an analysis of the types and quantities of labor required for the Office Project and Shatto Garage Project, as applicable, and shall review with each of the Office Project General Contractor and the Shatto Garage Project General Contractor the availability of appropriate categories of labor required for critical phases. Developer shall make recommendations for actions designed to minimize adverse effects of labor shortages.

(j) Following Owner's approval of the Construction Documents, the Developer shall update and submit the latest estimate of Project Costs, Project Budget and the Project Schedule for Owner approval and Tenant's Concurrence.

(k) Developer shall direct each of the Office Project General Contractor and the Shatto Garage Project General Contractor to develop bidders' interest in the Office Project and Shatto Garage Project, as applicable, establish bidding procedures, issue bidding documents to bidders and conduct pre-bid conferences with prospective bidders. Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to submit the list of prospective bidders for Owner's review. Owner shall have the right to reject any bidder if there exists substantial and reasonable cause for such rejection. Developer shall assist each of the Office Project General Contractor and the Shatto Garage Project General Contractor with respect to questions from bidders and the issuance of addenda.

(l) Developer, working with each of the Office Project General Contractor and the Shatto Garage Project General Contractor, shall receive bids, prepare bid analyses and award contracts or reject bids.

5.2 Construction Phase.

(a) Developer shall administer all Construction Contracts for the Project.

(b) Developer shall provide administrative, management and related services to coordinate scheduled activities and responsibility of the Contractors with each other and with those of the Developer and Owner to manage the Project substantially in accordance with the Project Schedule and Contract Documents.

(c) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to update the Project Schedule incorporating the activities of the Contractors on the Project, including activity sequences and duration, allocation of labor and materials, processing of shop drawings, product data and samples and delivery of products requiring long lead time and procurement. The Project Schedule shall include Owner's and Tenant's occupancy requirement showing portions of the Project having occupancy priority. Developer shall update and reissue the Project Schedule as required to show current conditions. If an update indicates that the previously approved Project Schedule may not be met, Developer shall direct each of the Office Project General Contractor and the Shatto Garage Project General Contractor to take corrective action so as to cause Substantial Completion of the Project to be achieved on or before the Developer Obligation Date.

(d) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to schedule and coordinate the sequence of construction so as to cause Substantial Completion of the Project on or before the Developer Obligation Date.

(e) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to dutifully administer and enforce all Construction Contracts with subcontractors. Developer shall notify Owner and Tenant of and shall consult with Owner regarding any material breaches or defaults by any party to a Construction Contract relating to the Project. Developer shall, with respect to such breach or default by such contracting party, follow the instructions or directions of Owner so long as such instructions or directions do not, in the reasonable professional judgment of Developer, restrict, delay, impair or otherwise jeopardize the Substantial Completion of the Project by the Developer Obligation Date.

(f) Developer shall develop cash flow reports and forecasts for the Project (including variances between actual and budgeted costs) and provide Owner and Tenant with copies of same.

(g) Developer shall oversee the course of construction and shall conduct such inspections of the course of construction and testing of work to insure that the work of each Contractor is being performed in accordance with the requirements of the Contract Documents in a good and workmanlike manner, free of defects and deficiencies in work, and free and clear of all liens. Developer shall reject all work which does not conform to the requirements of the Contract Documents and cause corrective action to be taken.

(h) Developer shall transmit to Architect or any other appropriate design professional requests for interpretations of the meaning and intent of Construction Drawings and Detailed Specifications and assist in the resolution of questions that arise.

(i) Developer shall expedite the processing and approval of shop drawings, product data, samples and other submittals.

(j) Section 8 shall control with regard to changes in the work.

(k) Developer shall record the progress of the Project. Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to submit written monthly progress reports to Owner, Tenant and Developer, including information on each Contractor and each Contractor's work, as well as the entire Project, showing percentages of completion. Developer shall maintain or cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to maintain a daily log, containing a record of weather, each Contractor's work on the site, number of workers, identification of equipment, work accomplished, problems encountered and such other information as Owner may require.

(l) Developer shall maintain at the Project site or at Developer's offices in Los Angeles County, for Owner and Tenant one record copy of all Contract Documents, all drawings, specifications, addenda, change orders and other modifications, in good order and marked currently to record changes and selections made during construction together with approved shop drawings, product data, samples and similar required submittals. Developer shall maintain records, in duplicate, of principal building layout lines, elevations of the bottom of the footings, floor levels and key site elevations certified by a qualified surveyor or

professional engineer. All such records shall be made available to Owner and/or Tenant upon request and, upon completion of the Project, duplicate originals or electronic copies shall be delivered to Owner and Tenant.

(m) Although Developer shall not be responsible for the purchase of materials, systems and/or equipment (except as set forth in Exhibit J with respect to the Financed FF&E), Developer shall assure that each of the Office Project General Contractor and the Shatto Garage Project General Contractor provides reasonable accommodation to Owner for the delivery and storage, protection and security of such materials, systems and equipment that are part of the Project until such items are incorporated into the Project, subject to each of the Office Project General Contractor's and the Shatto Garage Project General Contractor's reasonable determination concerning the status of construction and the availability of safe and secure portions of the Project for such purpose.

(n) Developer shall develop and implement procedures for the review and processing of applications by Contractors for progress and final payments.

(o) Based on the Developer's observations and evaluations of each Contractor's payment application, the Developer shall review and certify the amounts due the respective Contractors. The Developer shall prepare a Project Application for Payment based on the Contractors' payment application.

(p) Each Project Application for Payment and certification of the Contractor(s)' application for payment shall constitute a representation to Owner based on the Developer's overall supervision of the course of construction, inspections conducted at the site, and review of the data comprising the Contractors' application for payment that, to the best of Developer's knowledge, information and belief, the work has progressed to the point indicated and the quality of the work is in accordance with the Contract Documents (subject to minor deviations from the Contract Documents correctable prior to completion and to specific qualifications expressed by Developer in Developer's Project Application for Payment).

(q) Developer shall supervise the final testing and start-up of utilities, operational systems and equipment, in the presence of Owner's maintenance personnel if so requested by Owner.

(r) When Developer considers each Contractor's work or a designated portion thereof Substantially Complete, the Developer shall prepare for the Contractor a list of incomplete or unsatisfactory items (Punch List) and a schedule for their completion. The Developer shall assist Architect or any other design professional, as appropriate, in conducting inspections to determine whether the work or designated portion thereof is Substantially Complete.

(s) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to coordinate the correction and completion of the work, including all Punch List items, and shall evaluate the completion of the work of the Contractors and make final recommendations to the Architect when the Project or any designated portion thereof has achieved Final Acceptance. Developer shall maintain a

database of all Punch List items or otherwise unsatisfactory items observed and record the resolution of these items. Developer shall assist Architect in conducting final inspections of the work.

(t) Developer shall procure and install the Procured FF&E in accordance with the applicable authorizing change order.

(u) Developer shall provide the Relocation Services in accordance with the applicable authorizing change order.

(v) Developer shall procure and install the Required Art in accordance with County policies and the Construction Documents.

(w) Developer shall take such other and further action as may be necessary or desirable to cause Substantial Completion of the Project to be achieved on or before the Developer Obligation Date.

6. Permits.

6.1 Permits. Developer shall obtain all Permits necessary for the construction of the Project pursuant to Requirements of Law. For those Permits yet to be acquired as of the Effective Date, prior to submission of an application for such Permits, Developer shall provide written notice to Owner including the Permit application to be submitted and Owner shall have three (3) business days from receipt of such notice to review any Permit application Developer intends to submit. Owner's failure to object to terms or conditions of a Permit application within three (3) business days shall be deemed Owner's approval of such Permit application and Owner's authorization for Developer to submit such Permit application, provided that Developer shall include in the required notice to Owner, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN THREE (3) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE PERMIT APPLICATION DESCRIBED HEREIN.”

For those Permit applications already submitted by Developer prior to the Effective Date, Owner and Tenant shall receive a copy upon either's request. Owner and/or Tenant shall join in any application for Permits as required; provided, however, neither Owner nor Tenant shall incur any expense or liability in connection therewith. Developer shall pursue issuance of such Permits with all due diligence.

6.2 Costs. All costs associated with issuance of the Permits, including the cost of any required off-site improvements, shall be Project Costs.

6.3 Schedule and Delays. Owner and Developer anticipate issuance of Permits and the Commencement of Construction within the time set forth in the Project Schedule set forth as Exhibit F. The Project Schedule shall be updated by Developer and Owner from time to time as reasonably required to reflect the current status of the Project. Except as otherwise

provided in this Agreement, there shall be no increase in the Fixed Price as a result of any delay in issuance of the Permits or commencement or completion of construction of the Project unless due to Costs Resulting from Owner-Caused Delay.

7. Construction.

7.1 Commencement of Construction. Developer shall cause Substantial Completion of the Project in a good and workmanlike manner, free from defects in work or materials and in substantial accordance with the Contract Documents, on or before the Developer Obligation Date, free and clear of all liens, provided the Fixed Price and any other costs are paid in accordance with Section 9. As soon as reasonably practical following Bond Closing and issuance of the Permits but no later than ninety (90) days thereafter, Developer shall cause Commencement of Construction to occur and to diligently and continuously prosecute such work to Final Acceptance. Developer shall coordinate the sequencing of all construction and shall cause all Contractors to commence construction of that portion of the work covered under their respective Construction Contracts and diligently and continuously prosecute such work to Final Acceptance. Developer warrants to the Owner that materials and equipment incorporated into the Project shall be new unless otherwise agreed in writing by Owner with Tenant's Concurrence.

7.2 Delays.

(a) The Developer Obligation Date shall be extended to the extent of Unavoidable Delays, provided, however, that extensions due to Unavoidable Delays shall not exceed ninety (90) days, unless the Unavoidable Delay results from any of (i) a casualty or condemnation subject to Section 21; (ii) the discovery of Hazardous Substances beneath the surface of the Premises, which existed but were unknown to Developer as of the Effective Date; and (iii) Owner-Caused Delays. The existence of Unavoidable Delays of up to ninety (90) days (or longer if the Unavoidable Delay results from either (A) a casualty or condemnation subject to Section 21 or (B) the discovery of Hazardous Substances beneath the surface of the Premises, which existed but were unknown to Developer as of the Effective Date) shall excuse each of the Office Project General Contractor, the Shatto Garage Project General Contractor and Developer for directly and unavoidably resulting delays and changes in the Project Schedule.

(b) If Substantial Completion of the Project fails to occur by the Developer Obligation Date, then commencing on the Developer Obligation Date and continuing on the first day of each successive calendar month through the month in which Substantial Completion of the Project occurs, as Owner's sole remedy for such delay, Developer shall pay to Trustee an amount (the "**Monthly Carrying Costs**") equal to the amount that would be payable to the Trustee under the Indenture if Substantial Completion of the Project had occurred on the Developer Obligation Date; provided, however, the Monthly Carrying Costs shall be calculated on a daily basis so that if, by way of example, Substantial Completion of the Project is one day after the Developer Obligation Date, then the Monthly Carrying Costs shall equal 1/30th of the Monthly Carrying Cost for the subject month. The Monthly Carrying Cost is, in turn, equal to one-sixth (1/6th) of the Base Rent that would be payable by Tenant under the Facilities Lease if Substantial Completion of the Project had so occurred, but Developer's obligation to pay the Monthly Carrying Cost shall be offset by any amounts of Base Rent paid or payable by Tenant

under the Facilities Lease. Prior to the due date, Owner shall provide and/or shall cause the Trustee to provide Developer with the amounts of such Monthly Carrying Costs. Such Monthly Carrying Costs shall be paid in advance by Developer on the first day of each calendar month or portion thereof, but any overpayment shall be refunded in arrears for the partial month in which Substantial Completion of the Project occurs. Any overpayment of Monthly Carrying Costs in a particular month shall be credited against the amount due in the next month.

(c) Notwithstanding the foregoing, to the extent Owner receives insurance proceeds under the builder's risk insurance policy described in Section 16 to reimburse Owner for loss of income and rents, such sums shall be credited against Developer's obligation to pay Monthly Carrying Costs to the Trustee. Furthermore, notwithstanding anything to the contrary contained in this Agreement, in no event and under no circumstance shall Developer be obligated to make out-of-pocket payments for Monthly Carrying Costs in excess of that portion of Developer's Fee theretofore received by Developer under this Agreement plus any available insurance proceeds. However, any further obligation of Developer for Monthly Carrying Costs shall result in a forfeiture by Developer of that portion of the remainder of its Developer's Fee equal to the amount of Developer's remaining obligation (if any) for such Monthly Carrying Costs and Owner shall issue notice to Trustee to transfer any such forfeited amount of Developer's Fee to the appropriate account under the Indenture for payment of debt service on the Bonds.

(d) Any liquidated damages or similar amount paid by either of the Office Project General Contractor or the Shatto Garage Project General Contractor under either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract as a result of the failure to achieve Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, by the Developer Obligation Date shall be deposited with the Trustee and held for payment of Monthly Carrying Costs and related expenses through the month in which Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, occurs to the extent that the aggregate amount paid or forfeited by Developer pursuant to Section 7.2(b) is not sufficient to pay all Monthly Carrying Costs through the month in which Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, occurs. Upon Final Acceptance and the making of all Final Payments (including the funding of the 150% holdback for uncompleted Punch List items), if Substantial Completion of the Project failed to occur by the Developer Obligation Date, the Developer and the Owner with Tenant's Concurrence shall (i) determine the amount of any liquidated damages or similar amount paid by either of the Office Project General Contractor or the Shatto Garage Project General Contractor and deposited with Trustee as result of the failure of Substantial Completion to occur prior to the Developer Obligation Date and which has not been disbursed by Trustee to cover Monthly Carrying Costs and related expenses ("**Excess Liquidated Damages**") and (ii) direct the Trustee to disburse such Excess Liquidated Damages to Developer to the extent of any Monthly Carrying Costs paid by Developer or resulting in any forfeited Developer's Fee pursuant to Section 7.2(c).

(e) Upon Final Acceptance and the making of all Final Payments (including the funding of the 150% holdback for uncompleted Punch List items), if there are funds remaining in the Bond Proceeds Account in the Project Fund (as defined in the Indenture) prior to the final distribution of said Account (i.e., the sharing of contingency money), if

Substantial Completion of the Project has failed to occur by the Developer Obligation Date and if Developer has made the payments it is required to make pursuant to this Section 7.2, the Developer and the Owner shall determine and direct Trustee to include within the Project Fund for sharing purposes any additional interest earnings that accrued on the undisbursed Bond proceeds as a direct result of such delay in excess of interest that would have accrued absent such delay.

7.3 Guaranteed Maximum Construction Contract. As part of the Fixed Price, the Project shall be constructed pursuant to one General Construction Contract for the Office Project and one General Construction Contract for the Shatto Garage Project, each of which shall contain the applicable Guaranteed Maximum Construction Price. Each General Construction Contract shall contain a provision for payment and performance bonds issued by a surety reasonably acceptable to Owner pursuant to which Owner, Trustee and Tenant shall be named as obligees pursuant to a rider or riders reasonably acceptable to Owner.

7.4 Construction Contracts. Developer shall cause all Construction Contracts Developer enters into on behalf of Owner (and shall use commercially reasonable efforts to assure that all Construction Contracts entered into by Owner) to include recitations or provisions requiring the following:

(a) Both the Office Project General Contractor and the Shatto Garage Project General Contractor and their respective subcontractors comply with the prevailing wage requirements and be subject to restrictions and penalties in accordance with Section 1770 of the California Labor Code which requires prevailing wages be paid to appropriate work classifications in all bid specifications and subcontracts.

(b) Both the Office Project General Contractor and the Shatto Garage Project General Contractor furnish all subcontractors/ employees a copy of the Department of Industrial Relations prevailing wage rates which they will post at the job site. All prevailing wages shall be obtained by the Contractor from the California Department of Industrial Relations, Division of Labor Statistics and Research.

(c) Both the Office Project General Contractor and the Shatto Garage Project General Contractor comply with the payroll record keeping and availability requirement of Section 1776 of the Labor Code.

(d) Both the Office Project General Contractor and the Shatto Garage Project General Contractor make travel and subsistence payments to workers needed for performance of work in accordance with Section 1773.8 of the Labor Code.

(e) Both the Office Project General Contractor and the Shatto Garage Project General Contractor contact the Division of Apprenticeship Standards and comply with Sections 1777.5, 1777.6 and 1777.7 of the Labor Code and applicable regulations.

(1) Provisions requiring all Contractors and subcontractors employed on the Project to comply with all applicable provisions of the Countywide Local and Targeted Worker Hiring (“LTWH”) policy as adopted by the Board of Supervisors of the

County of Los Angeles by a motion dated September 6, 2016 and any subsequent actions taken by the Board to implement the LTWH policy;

(2) Provisions for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Project; and

(3) Provisions for indemnifying Owner, Tenant, Developer and Trustee for claims arising out of the negligence or willful misconduct of such Contractor and its employees, agents and subcontractors.

(4) Provisions causing each of the Office Project General Contractor and the Shatto Garage Project General Contractor to procure and maintain, at a minimum, for the duration of either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, the insurance more particularly described in Facilities Lease Exhibit J against claims for injuries to persons or damages to property which may arise from, or in connection with the performance of work thereunder by each of the Office Project General Contractor and the Shatto Garage Project General Contractor and its agents, representatives, employees and/or subcontractors. The cost of such insurance shall be paid by each of the Office Project General Contractor and the Shatto Garage Project General Contractor.

In the event that Developer is unable to cause any of the foregoing provisions to be included in any Construction Contract and gives specific notice to Owner of that fact, Owner's execution of any such contract shall constitute Owner's waiver of such requirements.

7.5 Protection of Persons and Property.

(a) Developer shall (or shall cause the Office Project General Contractor or the Shatto Garage Project General Contractor to) be responsible for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Office Project and Shatto Garage Project, as applicable.

(b) Developer shall (or shall cause the Office Project General Contractor and/or the Shatto Garage Project General Contractor to) take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to: (1) all persons working on the Office Project and Shatto Garage Project construction site, as applicable, and all other persons who may be affected thereby; (2) the Project and materials and equipment to be incorporated therein; and (3) other property at or adjacent to the site.

(c) Developer shall or shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor and all other Contractors to give notices and comply with all applicable laws, ordinances, rules, regulations, and orders of public authorities bearing on the safety of persons and property and their protection from damage, injury or loss.

(d) Developer shall be liable for all damage or loss to the Project to the extent set forth in Section 15.1.

7.6 Insurance during Construction. Insurance shall be provided by Developer, Owner, Architect and Contractors in accordance with the provisions of Section 16.

7.7 Use of Project Contingency. The amounts set forth in the various line items of the Project Budget are estimates only of Project Costs to be incurred. To the extent the actual Project Costs in any line item of the Project Budget exceed the amount shown for such line item, Developer shall first allocate amounts in other line items, in which the actual known Project Costs shall have been less than the amount in the Project Budget, to the line item in which the excess Project Cost(s) has occurred. Following the allocation by Developer as set forth in the preceding sentence with respect to all line items, except Project Contingency, Developer is entitled to draw upon the Project Contingency for such excess Project Costs. The allocation of the Project Contingency for such purposes is solely under Developer's control, subject to the provisions of Section 12.8, if there is any unused Project Contingency following Final Acceptance. If the Project Contingency is not sufficient to pay such excess Project Costs, Developer shall be responsible therefor in accordance with Section 9.6. If Developer determines that there are cost savings in any line item and such cost savings are not currently required for allocation to another line item in which excess Project Costs were incurred, Developer shall allocate such cost savings to the Project Contingency. The monthly reports provided to Owner and Tenant shall contain an explanation in reasonable detail of any allocation of cost savings and Project Contingency to other line items in the Project Budget.

7.8 Warranties. Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to secure for the benefit of Owner all warranties and guarantees of the work by Contractors, suppliers and manufacturers of components of the Office Project and Shatto Garage Project, as applicable. Upon Final Acceptance, Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to assign such warranties to Owner (provided that such warranties shall also be for the benefit of Developer). After Final Acceptance of the Project and during the Warranty Period, Developer shall assist Owner to enforce any warranties or guarantees with respect to the Project upon request. The General Construction Contract shall provide a minimum of a one (1) year warranty for workmanship with respect to the Office Project and the Shatto Garage Project. Without increasing the Fixed Price, Developer and Owner have agreed that Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to obtain warranties of equal or longer periods from Contractors and material suppliers for the fixtures, services, or subcontracts as set forth in Exhibit I; provided, however, that the Developer shall not be required to assist Owner to enforce any warranties or guarantees that extend beyond the Warranty Period.

7.9 Correction of Work. During the Warranty Period, Developer shall cause the applicable Contractor to promptly correct or cause to be corrected work properly rejected by Owner or known by Developer to be defective or failing to conform to the Contract Documents, whether observed before or after Substantial Completion of the Project and whether or not fabricated, installed or completed, and shall cause to be corrected work found to be defective or non-conforming within the Warranty Period. Such costs (to the extent not borne by insurance) shall be Project Costs. At Final Acceptance, there shall remain at least \$200,000 in the Bond Proceeds Account in the Project Fund to cover these items during the Warranty Period; said \$200,000 shall be held by Trustee in trust upon Final Acceptance to be applied toward warranty

work, with any amounts not so expended to be treated as savings in accordance with, and subject to the limitations in, Section 12.7; however, if there are no funds left in the Bond Proceeds Account in the Project Fund (including the Project Contingency) to pay for the corrective action, such costs shall be paid by Developer from its own funds. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Sections 7.8, 7.9 and 13), the warranties to be provided or obtained by Developer or Contractors shall not include and shall not be applicable with respect to any of the Financed FF&E except for those items that are expressly set forth on Exhibit J to be the responsibility of Developer.

7.10 Stop Work by Owner. If either of the Office Project General Contractor or the Shatto Garage Project General Contractor fails to correct defective work as required, or persistently fails to carry out work in accordance with the Construction Documents, Owner, with Tenant's Concurrence, by written order, may order Developer and either the Office Project General Contractor or the Shatto Garage Project General Contractor (as applicable) to stop the work, or any portion thereof, until the cause for such order has been eliminated.

7.11 Developer Default. If Developer defaults or neglects to carry out the work in accordance with the Contract Documents and fails within ten (10) calendar days after receipt of written notice from Owner to commence and continue correction of such default or neglect with diligence and promptness, then Owner may, without prejudice to other remedies Owner may have, act to correct such deficiencies. In such case an appropriate change order shall be issued deducting from the Fixed Price the costs of correcting such deficiencies. If the payments then or thereafter due Developer are not sufficient to cover the amount of the deduction, Developer shall pay the difference to Owner. Such action by Owner shall be without prejudice to any other rights or remedies to which Owner may be entitled under this Agreement or applicable law.

8. Changes to the Work.

8.1 No Changes Without Owner Approval. Following approval of the Construction Documents by Owner with Tenant's Concurrence, there shall be no changes in the work except in accordance with this Section 8. Changes in the work covered by either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract and approved by Owner shall be processed in accordance with such Construction Contract.

8.2 Developer Approved Changes in the Work. It is anticipated that there will be field orders and change orders which shall result in changes to the scope of work. Developer shall use its reasonable efforts to apprise Owner and Tenant of proposed changes in the work and its recommendations regarding them prior to any action being taken. It may not always be possible to receive Owner's prior approval to these changes in a timely manner. Therefore, field orders and change orders may be approved by the Developer, without prior Owner approval, but only if the changes authorized by these field orders and change orders shall not have the effect of extending the Developer Obligation Date or materially altering the work. As soon as practical, but no later than with the next Project Application for Payment, Developer shall provide Owner and Tenant with all field orders and/or change orders approved by Developer. For the purposes of this Section 8.2, an alteration shall be deemed to be "material" if

it would reduce the intended quality of the Project, result in an increase of Owner's operational costs over time, or result in a substitution of any of the systems in the Project (including but not limited to HVAC, plumbing, electrical, elevators, roofing, fire and life safety, security systems, and infrastructure components). In the case of either a material alteration or a change that would result in failure to achieve Substantial Completion of the Project by the Developer Obligation Date, prior written approval by the Owner with Tenant's Concurrence of the proposed change must be received.

8.3 Change in the Work Initiated by Owner. Owner with Tenant's Concurrence may initiate changes in the work if, and only if, Owner deposits additional funds in the Non-Bond Proceeds Account held by the Trustee to cover any additional cost of such change including the applicable Developer's Fee payable for any such change pursuant to Section 11.1. Such Owner requested change orders are expected to include change orders related to Procured FF&E; additional environmental remediation in excess of the amount set forth in the Project Budget; performance of the Relocation Services; and tenant improvements to the retail area.

9. Payment of Project Costs. Trustee will act as disbursing agent and hold and disburse money on deposit in the Project Fund to pay Project Costs and other costs in accordance with the Indenture and this Agreement. Monthly disbursements will be made from the Project Fund to the Contractors with whom Owner has contracted (or, at Owner's election, such disbursements may be made to Developer for Developer to then pay the Contractors, as applicable, from such disbursements) and to Developer in order that Developer is able to pay other Project Costs. So long as there has not occurred an Event of Default by Developer under this Agreement, such disbursements from the Project Fund shall continue until the Fixed Price has been disbursed (except as provided in Sections 11 and 12). Disbursements received by Developer from the Project Fund shall, except as otherwise expressly provided herein, be used solely to pay the Project Costs. Upon Developer's compliance with its obligations under this Agreement, Owner shall take all such action as is necessary and required to obtain such disbursements by the Trustee.

9.1 Applications for Payment. Developer shall submit to Owner and Tenant on or before the last business day of each calendar month a Project Application for Payment signed by Developer, which shall also include a payment application submitted by either of the Office Project General Contractor or the Shatto Garage Project General Contractor consistent with the terms of the applicable Construction Contract and consistent with the format set forth in Exhibit K. The Project Application for Payment shall request payment of a specified dollar amount, which shall constitute a portion of the Fixed Price, reasonably detailed to reflect the amount of the Project Costs expended in each category of the Project Budget. Such Project Application for Payment shall request the appropriate amount of hard or soft costs based on a percentage of completion basis with respect to such work as of the date of such Project Application for Payment, less retainage being withheld by either of the Office Project General Contractor or the Shatto Garage Project General Contractor, from any of the Contractors. When retainage that has been previously withheld from a payment application submitted by either of the Office Project General Contractor or the Shatto Garage Project General Contractor is to be paid by either of the Office Project General Contractor or the Shatto Garage Project General Contractor to a Contractor, it shall be added to the next payment application of such Contractor submitted to Developer.

Project Costs other than hard and soft construction costs that are incurred or paid on a schedule that is not related to percentage of completion (e.g., Project Contingency paid only as allocated by Developer to specific costs incurred, Developer's Fee paid as described in Section 11.3, Developer's Overhead paid as described in Section 11.2, reserves for warranty work paid only after Substantial Completion of the Project, the 150% holdback for uncompleted Punch List items, payment of unutilized contingency accounts or construction savings to Owner and/or Developer, etc.) shall be included in the Project Application for Payment only when such items are to be paid in accordance with other provisions of this Agreement, without regard to the percentage completion of the Project.

Developer shall also provide a reconciliation between the total of all draw amounts requested (including such draw request) under a Project Application for Payment and the then-current Project Budget and include all the information and documentation required to be provided by either of the Office Project General Contractor or the Shatto Garage Project General Contractor to the Owner pursuant to the applicable Construction Contract, as well as a conditional partial lien release from either of the Office Project General Contractor or the Shatto Garage Project General Contractor and from such laborers, contractors and subcontractors performing work on site as Owner may require, to become effective upon payment to the Contractor or such other payees of the amount of the payment specified in said Contractor's payment application, and Endorsement No. 122 to the lender's title policy and a similar endorsement to the leasehold title policy showing no liens or claims of lien; provided, that if a lien has been filed, Developer and either of the Office Project General Contractor or the Shatto Garage Project General Contractor may resolve such lien in accordance with Section 19. Developer shall provide copies of all conditional partial lien releases to the title company issuing the Title Policies and shall execute or cause either of the Office Project General Contractor or the Shatto Garage Project General Contractor to execute an indemnity agreement with the title company in a form sufficient to enable the title company to issue the foregoing endorsements.

9.2 Payment Procedures. Architect shall certify each of the Office Project General Contractor's or the Shatto Garage Project General Contractor's payment application. Owner and Tenant shall have the opportunity to attend all meetings between Developer and Contractors at which Project Applications for Payment are to be discussed (e.g. Developer shall be available and shall require each of the Office Project General Contractor and the Shatto Garage Project General Contractor to be available for a monthly meeting for review of the current month's application for payment, if requested by Owner or Tenant). Owner shall receive with the Project Application for Payment any documentation submitted to Developer supporting such Contractor's payment application. So long as Owner shall have received the Project Application for Payment, including all required Developer certifications, Architect certifications, lien releases, and other required supporting documentation, on or before the last business day of a calendar month, Owner shall make any objections regarding such Project Application for Payment in writing prior to the twelfth (12th) day of the succeeding calendar month or the Owner shall be deemed to have waived its right to object to such Project Application for Payment. Notwithstanding Tenant's right to review applications for payment, nothing in this Agreement shall be construed as constituting any sort of responsibility or liability for the making of any such payment.

Owner shall be obligated to pay those portions of the Project Application for Payment as to which there was no objection in accordance with this Section 9.2 on or before the fifteenth (15th) day of the succeeding calendar month. If Owner fails to receive the Project Application for Payment on or before the last business day of the month, Owner shall have a period of twelve (12) days from its receipt of such Project Application for Payment to review and approve such application, and a period of fifteen (15) days from its receipt of such Project Application for Payment to pay amounts as to which there is no objection. If Owner objects to any portion of a Project Application for Payment, Owner shall provide detailed written comments explaining the nature of the disapproval, whereupon (i) Project Costs which are approved by Owner shall be paid in accordance with Section 9.4 and (ii) Developer and Owner shall meet within two (2) business days to determine mutually acceptable revisions to the Project Application for Payment.

Failure of Developer and Owner to determine mutually acceptable revisions to the Project Application for Payment within the two (2) business day period shall entitle either Owner or Developer to commence the dispute resolution process described in Section 24 or, if necessary, litigation. Failure to reach agreement on an application for payment shall not relieve Developer from its duties and obligations under this Agreement.

9.3 Review and Inspections. Owner, Tenant and/or Trustee shall have the right, but not the obligation, to have such additional independent consulting architects, engineers or any other appropriate consultants retained and paid by such party (which shall be treated as Other Owner Costs), to inspect the construction work as it progresses and to review the Contract Documents. Such inspections shall be coordinated with Developer so as to not interfere with or delay construction of the Project or payment of any Project Application for Payment. If during the course of such construction Owner and/or Tenant shall determine that the construction is not proceeding in accordance with the Contract Documents, Owner on its behalf or on behalf of Tenant shall give notice in writing to Developer that includes Owner's best efforts to specify the particular deficiency or omission and Developer shall thereupon take, or cause to be taken, all steps necessary to correct same. The failure to give such notice shall not give rise to any liability for Owner or Tenant and shall not be considered a waiver of any right of Owner or Tenant under this Agreement, including, without limitation, the enforcement of the representations and warranties of Developer under this Agreement and the requirements with respect to construction of the Project in accordance with the Contract Documents.

9.4 Requisition to the Trustee. Owner shall execute and deliver the requisition to the Trustee for the amount of the Project Application for Payment, or such undisputed portion thereof under Section 9.2, on or before expiration of the 15-day period specified in Section 9.2. Owner shall undertake good faith efforts to cause Trustee to disburse the amount shown on such requisition to Developer for disbursement to applicable Contractors and others on the thirteenth (13th) day of each calendar month, but in any event shall cause such payment to be made no later than the fifteenth (15th) day of the month if the Project Application for Payment was received by the last business day of the previous month.

9.5 Initial Draw. The Initial Draw shall include a mutually agreed amount to reimburse Developer for Project Costs actually incurred or paid by those parties (including, without limitation, fees and costs incurred prior to this Agreement for the Office Project General

Contractor, the Shatto Garage Project General Contractor, Architect and other design professionals) on and before the date of Bond Closing. Developer and Owner with Tenant's Concurrence shall agree on the maximum amount of the Initial Draw and shall notify Tenant of that agreed maximum amount by no later than five (5) business days prior to the Sale of the Bonds; in addition, Developer and Owner with Tenant's Concurrence shall agree on the exact amount of the Initial Draw and shall notify Tenant of that agreed Initial Draw amount by no later than seven (7) business days prior to the Bond Closing.

9.6 Cost Overruns; Sufficiency of Funds to Complete Construction.

Owner shall have no obligation to request any disbursement of money on deposit in the Bond Proceeds Account in the Project Fund unless and until the Project is in balance (as set forth in the next sentence). The Project shall be deemed to be in balance only when the undisbursed portion of Bond proceeds allocable to payment of the Fixed Price (which Owner shall cause to contain an amount sufficient to pay the Fixed Price plus all other funds that are the responsibility of Owner under this Agreement) in the Project Fund together with funds deposited by Developer (if applicable) with Trustee and expected earnings on the Project Fund to the date of their anticipated disbursement after provision for all contingencies shall equal or exceed the amount reasonably estimated by Owner to pay for all Project Costs that are the responsibility of Developer under the terms of this Agreement. In the event Owner properly advises Developer that the Project is not in balance, Developer shall deposit into the Project Fund held by the Trustee the amount necessary to bring the Project into balance (i.e., the excess amount, if any, by which the Project Costs that are Developer's responsibility under the terms of this Agreement exceed the Fixed Price), and such funds shall be disbursed in their entirety prior to any further disbursement of Bond proceeds from the Bond Proceeds Account in the Project Fund; provided that if the shortfall in the Bond Proceeds Account in the Project Fund is due to Owner's failure to deposit funds as required in connection with any Owner-initiated change orders, Owner shall deposit the necessary funds into the Bond Proceeds Account in the Project Fund held by the Trustee.

9.7 Other Owner Costs. Notwithstanding anything to the contrary contained in this Agreement, all costs of every nature that constitute Other Owner Costs shall be the sole responsibility, cost and expense of Owner or Tenant, as applicable, pursuant to the Facilities Lease or Ground Lease. Owner further agrees that Developer shall have no responsibility or liability for any of the Other Owner Costs and Owner shall timely fund all Other Owner Costs and shall use commercially reasonable efforts to cause Tenant to fund all Other Owner Costs that are Tenant's responsibility pursuant to the Facilities Lease or Ground Lease.

10. Other Services by Developer. Services may be performed by the Developer at the written request of Owner which are not included as part of the Project. Such services shall be performed pursuant to a separate written agreement between Owner and Developer.

11. Developer's Fee and Overhead Allowance.

11.1 Developer's Fee. The Fixed Price includes a fee payable to Developer of five million four hundred forty-nine thousand six hundred ninety dollars (\$5,449,690), which is an amount equal two percent (2.0%) of the Project Costs, excluding the Developer's Fee, the Overhead Allowance and the Project Contingency (except to the extent that the Project

Contingency is expended towards Project Costs). Any change in the work initiated by Owner in accordance with Section 8.3 shall (a) increase the Developer’s Fee in an amount calculated as two percent (2.0%) of the cost of any such change in the work, and (b) to the extent that such change in the work extends the Project Schedule, increase the Overhead Allowance as may be appropriate due to such extension as mutually agreed to by Owner and Developer.

11.2 Overhead Allowance. Developer shall also be paid an Overhead Allowance in connection with the work in the amount of \$3,474,000, payable in installments of \$96,500 per month from March 2018 (the commencement of pre-construction activity for the Project) through the earlier to occur of (i) occupancy of the Project by Tenant or (ii) full payment of the amount of \$3,474,000 (which amount shall not be changed notwithstanding any change to the Fixed Price). Such amount shall be paid to Developer as follows:

(a) In the initial Project Application for Payment following Bond Closing, an amount equal to \$96,500 multiplied by the number of months elapsed from March 2018 to the date of the Bond Closing;

(b) With each monthly Project Application for Payment prior to Final Acceptance, \$96,500 (not to exceed in the aggregate, including the payment following Bond Closing, the sum of \$3,474,000, except as may be increased in accordance with Section 11.1(b)); and

(c) Any unpaid balance shall be paid with the Final Payment.

11.3 Payment of Developer’s Fee. As part of a Project Application for Payment, Developer shall be entitled to a portion of the Developer’s Fee based upon achievement of the Project milestones set forth below. If the hard costs incurred as of a date a milestone is achieved exceed the budgeted percentage of hard costs, as set forth below, after application of the Project Contingency, Developer shall not be entitled to draw that portion of its Developer’s Fee equal to such excess until the next milestone is achieved, and then only if the hard costs incurred as of such milestone do not exceed the budgeted percentage of hard costs to be incurred by such milestone date after application of the Project Contingency. Any unpaid portion of the Developer’s Fee shall be paid with the Final Payment.

Project Completion Milestones	Percentage of Developer’s Fee Payable
Upon commencement of construction	10.0%
25%*	20.0%
50%*	35.0%
75%*	50.0%
Substantial Completion of the Office Project	80.0%
Substantial Completion of the Project	90.0%
Final Acceptance	97.5%
LEED Certification	100.0%

- * Percentage of Project completion to be calculated as the percentage of hard construction costs approved for disbursement divided by the total of all such hard construction costs as shown in the Project Budget; provided, however, that Developer shall be entitled to such payment only to the extent the hard costs incurred as of any such milestone dates do not exceed the hard costs budgeted (after application of the Project Contingency) to be incurred as of such milestone dates. The final installment of the Developer's Fee shall be paid to Developer as provided in Section 4.7.

12. Completion of the Project.

12.1 Early Occupancy of Tower Garage. Developer has advised Owner and Tenant that the most efficient phasing for construction of the Project will be to first achieve Tower Garage Completion. Owner shall give Tenant thirty (30) days' advance written notice of the date it anticipates receiving a temporary certificate of occupancy for the Tower Garage, requesting Tenant to vacate the Existing Garage to allow for its demolition and reconstruction as part of the Project, and Tenant shall vacate and cease using the Existing Garage. Owner and Tenant have entered into the Tower Garage Occupancy Agreement for Tenant's use of the Tower Garage after Tower Garage Completion has occurred. In no event shall Tenant's early occupancy of the Tower Garage be deemed to alter or affect in any way the requirements for Substantial Completion of the Project.

12.2 Substantial Completion of the Project.

(a) **Substantial Completion of the Office Project.** "Substantial Completion of the Office Project" shall have occurred when all of the following events have occurred with respect to the Office Project:

(1) Developer has notified Owner and Tenant in writing that the Office Project, including all Tenant Improvements, is Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items;

(2) Architect has issued its "Certificate of Substantial Completion" (AIA Document G704) stating that the work under the Construction Contracts is sufficiently complete in substantial accordance with the Contract Documents to permit Tenant to occupy or utilize the Office Project portion of the Premises for its Permitted Use;

(3) The County has issued a temporary or final certificate of occupancy or other approval sufficient for initial occupancy of the Office Project portion of the Premises and the City's Fire Department has also issued its approval for occupancy such that Tenant is permitted to and could, pursuant to such issued certificate of occupancy, physically occupy the Office Project portion of the Premises for its Permitted Use; provided, however, if (i) the certificate of occupancy is not issued solely because of Tenant's failure to install Tenant's Personal Property and/or any portion of the Financed FF&E to be installed by Tenant, in accordance with Exhibit N and the latest agreed upon schedule (but, if Tenant has not been provided with appropriate access rights to perform and complete the installation, then Tenant will be excused for every day it was not provided access) and (ii) Owner has given Tenant written notice of such failure, with enough detail for Tenant to reasonably understand the failure,

at least ten (10) Business Days prior to the deemed Office Project Substantial Completion Date, then this condition shall be deemed satisfied;

(4) The Office Project General Contractor has issued its “Certificate of Substantial Completion” together with its “Affidavit of Payment of Debts and Claims” (AIA Forms 706 and 706A), together with partial waivers and releases of lien for work performed prior to the date of its “Certificate of Substantial Completion” in form satisfactory to Owner, with Tenant’s Concurrence, from such materialmen, laborers, contractors and subcontractors as Owner, with Tenant’s Concurrence, may reasonably require;

(5) Access to the Office Project portion of the Premises has undergone inspection by a “Certified Access Specialist” and has been determined pursuant to such inspection to meet all applicable construction-related accessibility standards under California Civil Code Section 55.53, and Owner has so certified to Tenant pursuant to California Civil Code Section 1938;

(6) Owner, with Tenant’s Concurrence, has accepted the Office Project as Substantially Complete (which acceptance by Owner and concurrence by Tenant shall not be unreasonably withheld, conditioned or delayed and will presumptively be granted if items (a) through (e) have been satisfied), subject to completion of the Punch List items agreed upon by Owner, with Tenant’s Concurrence;

(7) Owner shall, or shall cause Developer to, have caused a Notice of Completion under California Civil Code Section 8190 to be recorded with respect to the Office Project.

(8) Notwithstanding that Substantial Completion of the Office Project shall have occurred, Owner shall be entitled to provide Developer with a Punch List.

Until Substantial Completion of the Project has occurred, Owner shall not occupy the Project and shall prohibit Tenant or any other party from occupying the Project; provided, however, that limited use of the Office Project (i) pursuant to Section 12.1 or (ii) for storage, move-in or installation of Tenant’s Personal Property by either Owner or Tenant when such use is approved by Developer, such approval not to be unreasonably withheld, shall not be deemed to be occupancy.

(b) **Substantial Completion of the Shatto Garage Project.** “Substantial Completion of the Shatto Garage Project” shall have occurred when all of the following events have occurred with respect to the Shatto Garage Project:

(1) Developer has notified Owner and Tenant in writing that the Shatto Garage Project is Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items;

(2) Architect has issued its “Certificate of Substantial Completion” (AIA Document G704) stating that the work under the Construction Contracts is sufficiently complete in substantial accordance with the Contract Documents to permit Tenant to occupy or utilize the Shatto Garage Project portion Premises for its Permitted Use;

(3) The County has issued a temporary or final certificate of occupancy or other approval sufficient for initial occupancy of the Shatto Garage Project portion of the Premises and the City's Fire Department has also issued its approval for occupancy such that Tenant is permitted to and could, pursuant to such issued certificate of occupancy, physically occupy the Shatto Garage Project portion of the Premises for its Permitted Use;

(4) The Shatto Garage Project General Contractor has issued its "Certificate of Substantial Completion" together with its "Affidavit of Payment of Debts and Claims" (AIA Forms 706 and 706A), together with partial waivers and releases of lien for work performed prior to the date of its "Certificate of Substantial Completion" in form satisfactory to Owner, with Tenant's Concurrence, from such materialmen, laborers, contractors and subcontractors as Owner, with Tenant's Concurrence, may reasonably require;

(5) Access to the Shatto Garage Project portion of the Premises has undergone inspection by a "Certified Access Specialist" and has been determined pursuant to such inspection to meet all applicable construction-related accessibility standards under California Civil Code Section 55.53, and Owner has so certified to Tenant pursuant to California Civil Code Section 1938;

(6) Owner, with Tenant's Concurrence, has accepted the Shatto Garage Project as Substantially Complete (which acceptance by Owner and concurrence by Tenant shall not be unreasonably withheld, conditioned or delayed and will presumptively be granted if items (a) through (e) have been satisfied), subject to completion of the Punch List items agreed upon by Owner, with Tenant's Concurrence;

(7) Owner shall, or shall cause Developer to, have caused a Notice of Completion under California Civil Code Section 8190 to be recorded.

(8) Notwithstanding that Substantial Completion of the Project shall have occurred, Owner shall be entitled to provide Developer with a Punch List.

(c) **Substantial Completion of the Project.** "Substantial Completion of the Project" shall have occurred when Substantial Completion of the Office Project and Substantial Completion of the Shatto Garage Project have been achieved, and when Developer has notified Owner and Tenant in writing that the Project, including all Tenant Improvements, are Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items and activities required for LEED Silver certification (or as otherwise agreed by Owner and Tenant). Notwithstanding that Substantial Completion of the Project shall have occurred, Owner shall be entitled to provide Developer with a Punch List.

12.3 Notice of Substantial Completion. Developer shall give notice in writing to Owner and Tenant at least thirty (30) days prior to the date upon which Developer anticipates that Substantial Completion of the Project will be achieved. During the fifteen (15) business day period after the delivery of the estimated completion notice, Owner, Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor and Tenant shall meet on one or more occasions, if necessary, and tour to inspect and review the Project to

determine whether it is Substantially Complete. The parties shall prepare the Punch List to be completed prior to Final Acceptance. The completion of the Punch List shall not be required in order for the Project to be Substantially Complete.

12.4 Completion of Punch List Items. Following Substantial Completion of the Project, Developer shall cause all Punch List items to be completed promptly (and in all events within sixty (60) days after Substantial Completion of the Project) in accordance with the Contract Documents. Developer shall coordinate the performance of any such Punch List work to avoid any unreasonable hindrance to Tenant's installation of Tenant's Personal Property and its occupancy of the Project.

12.5 Final Acceptance. Upon Final Acceptance, Developer shall be entitled to payment of the balance of Developer's Fee less the amount held back for LEED certification, as well as all other Project Costs incurred in connection with the work, but not to exceed the Fixed Price. Developer shall give notice in writing to Owner at least thirty (30) days prior to the date upon which the Project shall be ready for Final Acceptance. "Final Acceptance" means that all of the following items have occurred with respect to the Project:

(a) The County has issued all certificates of occupancy for the Project; provided, however, if issuance of a certificate of occupancy is subject to completion of installation of Tenant's Personal Property, then this condition shall be deemed satisfied; provided, further, that if the parties specifically agree that any element of the Financed FF&E will be installed by Tenant, that agreement shall be set forth in Exhibit J and this condition shall be deemed satisfied regardless of any delay in the issuance of any certificate of occupancy attributable to such installation.

(b) Each Contractor has issued its "Certificate of Substantial Completion" together with its "Affidavit of Payment of Debts and Claims" (AIA Forms 706 and 706A), together with final waivers and releases of lien, in form satisfactory to Owner with Tenant's Concurrence, from all Contractors and subcontractors who have performed work on site.

(c) All Punch List items for the Project have been completed to the reasonable satisfaction of Owner with Tenant's Concurrence; provided that Owner with Tenant's Concurrence, may consent to Final Acceptance prior to completion of all Punch List items, if (i) Owner and Developer have agreed upon the estimated cost of any Punch List items remaining to be completed and (ii) 150% of such estimated costs are withheld by the Trustee in the Project Fund until the Punch List items have been completed to the reasonable satisfaction of Landlord with Tenant's Concurrence. When the Punch List items have been completed, and Developer has so notified Owner, upon Owner's reasonable satisfaction (with Tenant's Concurrence) that such Punch List items have been completed, Owner shall deliver its requisition to the Trustee for payment of such funds being withheld by Trustee.

(d) Developer has submitted its application for Final Payment together with evidence reasonably satisfactory to Owner (with Tenant's Concurrence) that all construction costs for the Project have been paid in full including evidence of full payment for any personal property installed on the Premises as part of the Project Costs.

(e) The period for filing construction liens for the Project has expired and none have been filed or releases or discharges (as permitted under Section 19) of construction liens in form and substance satisfactory to Owner (with Tenant's Concurrence) have been obtained by Developer from all Contractors in accordance with all Construction Contracts and from such laborers, Contractors and subcontractors performing work on site as Owner, with Tenant's Concurrence, may require.

(f) Architect has issued its "Certificate of Final Completion" for the Project and Owner has received the certificate of any other architect or engineer reasonably requested by Owner or Tenant.

(1) Both (i) the Office Project General Contractor has issued a certificate that the Office Project has been finally completed in substantial accordance with the Contract Documents and no Hazardous Substances were incorporated into the structure of the Office Project (other than as set forth in the Construction Documents), and (ii) the Shatto Garage Project General Contractor has issued a certificate that the Shatto Garage Project has been finally completed in accordance with the Contract Documents and no Hazardous Substances were incorporated into the structure of the Shatto Garage Project (other than as set forth in the Construction Documents).

(g) Developer has delivered to Owner a written report showing the allocation of Project Costs among the categories of the Project Budget and the remaining specified dollar amount of the Project Contingency and the undisbursed portion of the Developer's Fee.

(h) Owner, Tenant and Trustee have each received an endorsement to its title policy, each dated as of and issued on the date of Final Acceptance, which shall (i) insure Owner, Tenant and Trustee, respectively, against any liens for labor or materials, whether or not of record, which may have arisen in connection with the construction of the Project, and (ii) show no additional exceptions to such title policy other than those approved by or arising through Owner (with Tenant's Concurrence).

(i) Developer shall have delivered to Owner and Tenant its affidavit that the Construction Contracts for the Project required the Contractors under those contracts and their subcontractors to pay prevailing wage in accordance with Section 7.4.

(j) The Required Art has been installed.

(k) Developer shall have submitted the initial applications, supporting documents, and other materials needed to obtain LEED Silver certification (or as otherwise agreed by Owner and Tenant).

12.6 Approval of Final Project Application for Payment. Upon delivery of Developer's final Project Application for Payment and other materials set forth above, Owner with Tenant's Concurrence shall, acting reasonably and in good faith, review and approve the final Project Application for Payment on or before that period expiring fourteen (14) business days after receipt of the final Project Application for Payment, receipt of notice from Developer that the Punch List matters are complete (except those items permitted to remain outstanding

pursuant to Section 12.4(c), and Owner’s receipt of the materials set forth in Section 14. In the event no comments are received within said fourteen (14) business day period, Owner shall be deemed to have waived its right to comment on the final Project Application for Payment or to disapprove the completion of the Punch List, except those items permitted to remain outstanding pursuant to Section 12.4 (c). If Owner disapproves the final Project Application for Payment or completion of the Punch List, or any portion thereof, Owner shall provide detailed written comments explaining the nature of the disapproval; whereupon, Developer and Owner shall meet within two (2) business days to determine mutually acceptable revisions to the final Project Application for Payment and the completion of the Punch List. Failure of Developer and Owner to determine mutually acceptable revisions to the final Project Application for Payment and the completion of the Punch List within the two (2) business day period, shall entitle either Owner or Developer to commence the dispute resolution process described in Section 24. Failure to reach agreement on the amount of the Developer’s final Project Application for Payment which is approved for payment shall in no way release Developer from its duties and obligations under this Agreement.

12.7 Requisition of Final Payment. Owner shall execute and deliver the requisition for Final Payment to the Trustee within one (1) business day following expiration of said fourteen (14) business day period, or if Owner disapproves of the final Project Application for Payment, then within one (1) business day after the date of approval of the mutually acceptable revisions to the final Project Application for Payment or the determination of the dispute resolution process, if applicable. Subject to the provisions for disbursement of unused contingency funds in Section 12.8, Owner shall take all steps to cause the Trustee to disburse the remaining money in the Bond Proceeds Account in the Project Fund, except for (1) any money withheld for completion of the Punch List items under Section 12.4(c), (2) the \$200,000 reserved for warranty work as provided for in Section 7.9, and (3) the installment of the Developer’s Fee that is reserved for payment only upon a LEED certification, but in any event not more than the Fixed Price, in the amount shown on such requisition within one (1) business day of Trustee’s receipt of such requisition. In addition, Owner shall in such requisition direct payment of the unexpended Project Contingency and of the remaining Developer’s Fee in accordance with the provisions of Sections 11.3 and 12.8.

12.8 Disbursement of Project Contingency; Incentive Fee. Subject to allocation of the Project Contingency by Developer to pay for Project Costs pursuant to Section 7.7, if all or some portion of the Project Contingency (as such amount may be increased or decreased in accordance with the terms of this Agreement) is not used for Project Costs, then a portion of the unused Project Contingency shall be paid as an incentive fee to Developer as part of the Final Payment, and the remainder shall be paid as set forth in the Indenture, as follows:

Amounts of Unused Project Contingency	% Payable to Developer	% Payable per Indenture
Amounts up to \$2,000,000	33.0%	67.0%
Amounts in excess of \$2,000,000	25.0%	75.0%

EXAMPLE: If unused Project Contingency is \$2,700,000, Developer would receive an incentive fee calculated on 33% of \$2,000,000 or \$660,000 plus 25% of \$700,000 or \$175,000 for a total of \$835,000. The balance would be applied in accordance with the Indenture.

NOTE: In no event shall Developer's Incentive Fee exceed Six Million Dollars (\$6,000,000).

13. Developer Representations; Warranties. Upon Substantial Completion of the Project, Developer shall represent and warrant to Owner in writing as follows:

(a) The Project has been completed in substantial accordance with the Contract Documents (as revised by Project change orders pursuant to Section 8) and is, and at all times during the Warranty Period shall be, free from defects in workmanship and materials in connection with the construction thereof.

(b) Developer has no knowledge of any structural defects, latent defects or building systems defects within the Project.

(c) The Project has been constructed in accordance with all Requirements of Law, all Permits and all insurance laws, regulations and requirements in effect at the time of construction of the Project.

(d) The Project is served by water, storm and sanitary sewage facilities, telephone, electricity, fire protection and other required public utilities adequate to serve the Project at the time of Substantial Completion of the Project.

(e) The Office Project General Contractor, the Shatto Garage Project General Contractor all other Contractors, suppliers, materialmen and consultants have (subject to Owner's payment of the Fixed Price and Owner's timely payment of all other amounts that are the responsibility of Owner) been paid in full for work related to construction of the Project billed to date (to the extent such costs are Project Costs) and there are no liens, encumbrances or other defects affecting title to the Premises which has been or will be filed against the Premises and/or the Project with respect thereto, or if any such lien has been filed, Developer, the Office Project General Contractor or the Shatto Garage Project General Contractor shall have arranged for a bond to remove such lien in accordance with Section 19.

(f) Developer is not aware of any physical defect in the Premises or the Project which would prevent Owner from leasing the Project to Tenant for the Permitted Use.

(g) The use and operation of the Project for the Permitted Use is permitted under applicable municipal codes.

(h) To the best of Developer's knowledge and except as disclosed in writing there are no condemnation, environmental, zoning or other land use regulation proceedings currently instituted which could detrimentally affect the use and operation of the Project for its intended purpose. If during the term of this Agreement any such proceedings have been

instituted, Developer shall have used its best efforts and due diligence to resolve them prior to Substantial Completion of the Project.

(i) Developer has provided Owner with prompt notice of any special assessment proceedings affecting the Premises known by Developer.

(j) Except as disclosed to Owner in writing prior to the Bond Closing or as otherwise approved by Owner, the Project does not encroach onto adjoining land or onto any easements and there are no encroachments of improvements from adjoining land onto the Premises, except as otherwise provided in a reciprocal easement agreement to which the Premises and such adjoining land are subject. The location of the Project does not violate any applicable setback requirements. The Premises is not located in a flood zone.

(k) Except as disclosed to Owner in writing, there is no litigation pending, or to the best knowledge of Developer, threatened, with respect to the Project for matters undertaken by Developer under this Agreement.

(l) To the best of Developer's knowledge and except as disclosed in writing, (i) no Hazardous Substances have been released following the Effective Date in, on, under or affecting the Premises or the Project and any such Hazardous Substance which has been so released has been remediated in accordance with applicable law and (ii) no Hazardous Substances have been incorporated into the structure of the Project except as may be required in construction of the Project and only to the extent permitted by Laws.

(m) Prior to Substantial Completion of the Project, Developer has caused to be removed or remediated and properly disposed of all known Hazardous Substances requiring removal or remediation first existing on the Premises following the Commencement of Construction and if applicable, received a no further action letter from the appropriate governmental agency with respect to such Hazardous Substances.

(n) To the best of Developer's knowledge, all Permits necessary for the construction and occupancy of the Project have been obtained and are in full force and effect.

Each of the foregoing warranties with respect to the Project (and any other warranties, if any, from Developer) shall expire and be of no further force or effect, unless Owner shall have made a claim based upon an alleged breach of such warranties by Developer on or before the expiration of the Warranty Period. In the event Owner alleges a breach of any of the foregoing warranties, Owner shall give Developer written notice of any such allegation together with a detailed explanation of the alleged breach ("**Owner's Warranty Claim**"). Developer shall, within thirty (30) days after receipt of an Owner's Warranty Claim, proceed to commence to cure the circumstances specified in such Owner's Warranty Claim, or provide Owner with written notice of Developer's dispute of such Owner's Warranty Claim. If Developer commences a cure or correction of the matter alleged in Owner's Warranty Claim, Developer shall proceed reasonably diligently and promptly to complete such cure or correction, and the Warranty Period for the particular matter shall be extended for the period necessary to complete cure or correction. Notwithstanding anything to the contrary contained in this Agreement, Owner agrees that in no event shall Developer have any liability or responsibility with respect to any of the

foregoing warranties that are not accurate as a result of any negligent act or omission of Owner or Tenant or based on information known by Owner as of the date of this Agreement, or with respect to any such untrue representation or warranty that becomes untrue due to new facts and circumstances not previously known to, Developer as of the Effective Date and not within the reasonable control of Developer; provided that such new facts and circumstances have been disclosed in writing to Owner prior to the date of Substantial Completion, and do not prevent the occurrence of Substantial Completion.

Developer shall warrant neither artist-made materials included in the Project nor those recycled construction products which Owner has directed Developer to include in the Project over Developer's prior written objections.

14. Developer Obligations. On or before Final Acceptance of the Project, Developer shall obtain and submit to Owner, the following:

14.1 As-Built Plans. A complete set of final as-built plans and specifications prepared by each of the Office Project General Contractor and the Shatto Garage Project General Contractor for the Project. Tenant Improvements will be provided on CAD.

14.2 Manuals. All technical and service, instruction and procedure manuals relating to the operation and maintenance of all HVAC systems and other mechanical devices and equipment installed in the Project, except insofar as relating to Tenant's Personal Property.

14.3 Warranties. An assignment (on a non-exclusive basis) and delivery of all warranties, guarantees, maintenance contracts, and machinery and equipment warranties received by Developer from either of the Office Project General Contractor or the Shatto Garage Project General Contractor or any subcontractor thereof, or any supplier, materialmen or manufacturer relating to the Project; provided, however, that so long as Developer's warranty set forth in Section 13 remains in effect, Developer reserves the right, notwithstanding the assignment and delivery of such warranties hereunder to Owner, to fully enforce all such warranties in the place and stead of Owner.

14.4 Permits and Licenses. The originals (if not posted at the Project) of all Permits, licenses and other approvals necessary for the occupation, use and operation of the Project.

14.5 As-Built Survey. An as-built Survey of the Premises showing the location of all improvements constructed thereon.

15. Indemnification.

15.1 Developer's Indemnification. The Developer shall protect, defend, indemnify, and save harmless the Owner, Trustee, Tenant, and their respective officers, officials, employees, and agents, from and against any and all liability, demands, liens, damages, claims, causes of action, expenses, and fees (including reasonable attorneys' fees and costs and expert witness fees) for bodily injury, property damage, and death (hereinafter collectively referred to as "**Liabilities**"), to the extent arising out of or in any way resulting from the Developer's

officers, employees and/or agents negligence, willful misconduct, or Event of Default under this Agreement, to the maximum extent permitted by law.

Developer's obligations under this Section 15 shall, except for third-party claims for personal injury, expire at the end of the Warranty Period. Developer's obligations under this Section 15 with respect to third-party claims for personal injury shall remain in full force and effect and survive the termination and/or expiration of this Agreement. Such obligations shall include, but not be limited to:

(a) The duty to promptly accept tender of defense and provide defense to Owner, Trustee and Tenant at Developer's own expense.

(b) The duty to indemnify and defend Owner, Tenant and Trustee from any such claim, demand, and/or cause of action brought by or on behalf of any of Developer's employees, or agents, including attorneys' fees, expert costs and expenses. The foregoing duty is specifically and expressly intended to constitute a waiver of Developer's immunity under the Labor Code of the State of California, as respects the Owner, Trustee and Tenant only, with a full and complete indemnity and defense of claims made by Developer's employees. The parties acknowledge that these provisions were mutually negotiated and agreed upon by them.

(c) To the maximum extent permitted by law, Developer shall indemnify and defend Owner, Trustee and Tenant from and be liable for all damages and injury which shall be caused to owners of property on or in the vicinity of the construction of the Project or which shall occur to any person or persons or property whatsoever arising out of or in any way resulting from the Developer's officers, employees and/or agents of all tiers, negligence, willful misconduct or Event of Default under this Agreement.

(d) In the event the Owner, Tenant or Trustee incurs any judgment, award, and/or costs arising from any claim to which they are entitled to be indemnified hereunder, including attorneys' fees, to enforce the provisions of this Section, all such reasonable fees, expenses, and costs shall be recoverable from the Developer.

Notwithstanding the provisions contained in this subsection above, Developer's obligation to indemnify Owner, Tenant and Trustee shall not extend to any claim, demand or cause of action to the extent caused by or arising out of the negligence, intentional acts, willful misconduct, or breach of this Agreement by Owner, Trustee, Tenant or their respective agents or employees. Furthermore, Owner and Developer hereby mutually release each other from liability and waive all rights of recovery against each other for any loss from perils insured against under the builder's risk insurance policy to be carried by Owner pursuant to Exhibit G.

(e) Developer is not, and shall not act as, a design professional hereunder. However, Developer shall facilitate the negotiation of the contract(s) between Owner and any design professional retained in connection with the Project to contain a clause whereby the design professional shall indemnify, defend and hold harmless Owner, Tenant and Trustee from and against any and all Liabilities that arise out of, pertain to, or relate to the negligence,

recklessness, or willful misconduct of such Design Professional for the performance of professional services pertaining to the Project.

15.2 Owner's Indemnification. Owner shall protect, defend, indemnify, and save harmless Developer, Trustee, Tenant and its respective officers, officials, employees, and agents, from and against any and all Liabilities to the extent arising out of or in any way resulting from the Owner's officers, employees and/or agents negligence, willful misconduct, or Event of Default under this Agreement, to the maximum extent permitted by law. Owner's obligations under this Section 15 shall, except for third party claims for personal injury, expire at the end of the Warranty Period. Owner's obligations under this Section 15 with respect to third party claims for personal injury shall remain in full force and effect and survive the termination and/or expiration of this Agreement. Owner's indemnification obligations shall include, but not be limited to:

(a) The duty to promptly accept tender of defense and provide defense to Developer, Trustee and Tenant at Owner's own expense.

(b) The duty to indemnify and defend Developer, Trustee and Tenant from any such claim, demand, and/or cause of action brought by or on behalf of any of Owner's employees, or agents, including attorneys' fees, expert costs and expenses. The foregoing duty is specifically and expressly intended to constitute a waiver of Owner's immunity under the Labor Code of the State of California, as respects the Developer, Tenant and Trustee only, with a full and complete indemnity and defense of claims made by Owner's employees. The parties acknowledge that these provisions were mutually negotiated and agreed upon by them.

(c) To the maximum extent permitted by law, Owner shall indemnify and defend Developer, Trustee and Tenant from and be liable for all damages and injury which shall be caused to owners of property on or in the vicinity of the construction of the Project or which shall occur to any person or persons or property whatsoever arising out of or in any way resulting from the Owner's officers, employees and/or agents of all tiers, negligence, willful misconduct or Event of Default under this Agreement.

(d) In the event the Developer, Trustee or Tenant incurs any judgment, award, and/or costs arising from any claim to which they are entitled to be indemnified hereunder, including attorneys' fees, to enforce the provisions of this Section, all such reasonable fees, expenses, and costs shall be recoverable from the Owner.

Notwithstanding the foregoing, Owner's obligation to indemnify Developer, Trustee and Tenant shall not extend to any claim, demand or cause of action to the extent caused by Developer's negligence, intentional acts or breach of this Agreement.

15.3 Notice of Claim. Any party making a claim for indemnification pursuant to this Section 15 (an "**Indemnified Party**") must give the party from whom indemnification is sought (an "**Indemnifying Party**") written notice of such claim (an "**Indemnification Claim Notice**") promptly after the Indemnified Party receives any written notice of any action, lawsuit, proceeding, investigation or other claim against or involving the Indemnified Party by a government entity or other third party, or otherwise discovers the liability, obligation or facts

giving rise to such claim for indemnification; provided that the failure to notify or delay in notifying an Indemnifying Party will not relieve the Indemnifying Party of its obligations pursuant to this Section 15 except to the extent that the Indemnifying Party's ability to defend against such claim is actually prejudiced thereby. Such notice shall contain a description of the claim and the nature and amount of such loss (to the extent that the nature and amount of such loss is known at such time).

16. Insurance Requirements.

16.1 Developer's Insurance. By the Effective Date, Developer shall procure and maintain, at a minimum, for the duration of this Agreement insurance against claims for injuries to persons or damages to the Project which may arise from, or in connection with the performance of work hereunder by the Developer, its agents, representatives and/or employees in accordance with the requirements of Exhibit G. The cost of such insurance shall be a Project Cost.

16.2 Owner's Insurance. By the Effective Date, Owner shall procure and maintain for the duration of this Agreement, insurance against claims for injuries to persons or damages to the Project which may arise from, or in connection with the performance of work hereunder by the Owner, its agents, representatives and/or employees. The cost of such insurance shall be paid by the Owner. Owner's insurance shall meet the minimum requirements set forth in Exhibit K of the Facilities Lease and will name Developer and affiliated companies as Additional Insureds on applicable policies for the Owners indemnification obligations to Developer in this agreement.

16.3 Verification of Coverage. Each Party shall furnish the other with certificates of insurance and endorsements required by this Agreement. The certificates and endorsements for each policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements are to be on forms reasonably approved by the other Party and are to be received and approved by such other Party prior to the commencement of activities associated with this Agreement. Each Party reserves the right to require complete certified copies of all required policies at any time.

16.4 Builder's Risk Insurance. Unless Owner, Developer and either of the Office Project General Contractor or the Shatto Garage Project General Contractor agree that such Contractor shall be responsible for procuring builder's risk insurance coverage for the Project, Owner shall be responsible therefor. Such insurance shall be written on an "all risk" or "open perils" basis. The premium for such insurance shall be an Other Owner Cost. The builder's risk insurance shall cover all work to be done on the Project for the full 100% replacement cost of all such improvements.

(a) Coverage shall be provided for (i) losses on an all-risk basis and shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, boiler explosion, and sprinkler coverage; (ii) the perils of earth movement and flood so long as such coverage is available at commercially reasonable cost and in coverage amounts that are commercially available; (iii) resultant damage from errors in design, plans,

specifications, faulty workmanship, materials and construction; (iv) “extra expense”; (v) all materials to be stored offsite and while in transit to the jobsite; (vi) “cold testing” of all building systems; (vii) Owner’s, Tenant’s and Developer’s loss of use of the Project due to delays in Project completion caused by covered peril losses to the Project, including loss of income and rents (for at least twenty-four (24) months) and soft costs such as interest on the Bonds, real estate taxes and insurance premiums; (viii) the increased cost of construction, debris removal and demolition due to the operation of building laws and code upgrades; and (ix) direct physical damage to the Project and loss of use caused by an off premises power interruption.

(b) Coverage shall not be provided for Tenant’s Personal Property.

(c) The policy shall include a waiver of subrogation provision, shall grant permission for partial occupancy of the facilities without having a detrimental effect on the coverage provided, and shall contain a separate debris removal limit of liability which is separate from, in addition to, and not part of the overall policy limit of liability.

(d) Owner shall have the required builder’s risk insurance coverage in place no later than commencement of construction of the Project. The policy shall include Developer, either of the Office Project General Contractor or the Shatto Garage Project General Contractor and its subcontractors, Owner, Tenant as insureds in an amount equal to their interest with a loss payable clause in favor of Trustee. Owner shall keep the builder’s risk policy in place from commencement of construction to the Substantial Completion Date.

17. Representatives.

17.1 Developer Representatives. Developer shall consult with Owner on initial assignments of personnel assigned to the Project. Owner agrees that the persons with overall responsibility for the work for the Project for the Developer shall be Greg Ames. The Project Manager shall be Nancy Moses. Owner shall have the right to approve any changes in the personnel named above, such approval not to be unreasonably withheld.

17.2 Owner Representative. Owner designates John Finke as the “**Owner’s Representative**” authorized to act on the Owner’s behalf with respect to the Project. Owner shall promptly render decisions to avoid delay in the orderly process of design and construction of the Project. Owner shall communicate with the Contractor only through Developer. Owner’s Representative may be changed by Owner from time to time.

17.3 Tenant Representative. Owner hereby confirms that Tenant’s Construction Representative (as defined in the Facilities Lease) is authorized to act on the Tenant’s behalf with respect to the Project. Owner shall cause Tenant to promptly render any decisions required of Tenant to avoid delay in the orderly process of design and construction of the Project.

18. Accounting, Inspection and Audit.

18.1 Accounts. Developer shall keep such full and detailed accounts as may be necessary for proper financial management under this Agreement.

18.2 Inspection and Audit. Owner and/or Tenant may, each at their sole discretion or by request of Tenant, from time to time whether before or after Final Acceptance or termination of this Agreement, inspect all books and records of Developer or any Contractor relating to the Project and/or elect to have an audit conducted to verify Project Costs through the date of the latest progress payment. If Owner and/or Tenant so elects to conduct such an audit, it shall give notice to Developer, and such audit shall be conducted as soon as is reasonably feasible thereafter, but progress payments to Developer shall not be delayed pending the outcome of the audit. Such audit shall be conducted by an auditor selected by Owner and Tenant, and Owner and/or Tenant shall, except as hereinafter provided, pay the cost of such audit. Developer agrees to cooperate with the auditor and make available for examination at its principal office all of its books, records, correspondence and other documents deemed necessary to conduct the audit by the auditor. If the audit reveals a variation of one percent (1%) or more of the then Project Costs, Developer shall pay the cost of the audit, not to exceed Ten Thousand Dollars (\$10,000).

18.3 Preservation of Records. Developer shall preserve all records for a period of six (6) years after Final Payment hereunder; provided, however, if at any time prior to the expiration of ten (10) years after Final Payment, Developer proposes to dispose of any Contract Documents related to the Project, Developer shall deliver the same to Owner for disposition by Owner.

19. Construction Liens. Upon Final Acceptance of the Project and upon Owner's request during the progress of the Project, Developer shall submit evidence that all payrolls, material bills and other indebtedness relating to the work have been paid (subject to Owner's timely funding the Fixed Price and all other costs that are the responsibility of Owner). If at any time there shall be appropriate evidence of any lien or claim for which, if established, Owner shall be liable, or which would constitute a lien on the Project, and which is chargeable to and the responsibility of Developer, then provided that Owner has timely funded the Fixed Price and all other costs that are the responsibility of Owner under this Agreement, upon written request by Owner, Developer or Contractor shall furnish a bond or other assurance in form and amount satisfactory to remove such lien from the public records. If any potential lien claimant gives notice to Trustee in accordance with the provisions of applicable law that it has filed a mechanics' lien against the Project and such lien is the responsibility of Developer in accordance with the previous provisions of this Section 19, there shall be no further disbursement of Bond proceeds until Developer shall have provided Trustee and Owner with a bond or other security in accordance with applicable law, to the amount claimed under the lien or notice until resolution of such dispute and payment of such lien, agreement with such potential lien claimant that such notice is withdrawn, or a court declaration that such notice is void in accordance with the provisions of applicable law. Developer shall notify Owner, Tenant and Trustee upon Developer's knowledge of the filing of any lien or the service of any notice in connection with the Project.

20. Priority Agreements. To the extent permissible under California law, Developer shall require each of the Office Project General Contractor and the Shatto Garage Project General Contractor to subordinate its lien rights, by agreement in form and substance satisfactory to Owner, to the lien of mortgage(s) securing the Bonds in favor of Trustee and its respective successors or assigns, and shall use its best efforts to obtain a similar subordination from all

subcontractors under this Agreement. Any subcontractor which refuses to so subordinate its lien rights must be specifically approved in writing by Owner.

21. Damage and Destruction; Condemnation.

21.1 Damage and Destruction. After the happening of any casualty to the Project, Developer shall give Owner, Tenant and Trustee prompt written notice thereof generally describing the nature and cause of such casualty and the extent of the damage or destruction to the Project. Developer and Owner acknowledge, agree and assign all insurance proceeds which Developer or Owner may be entitled to receive prior to Final Acceptance of the Project with respect to damage or destruction to the Project to Trustee for deposit into the Non-Bond Proceeds Account, pursuant to Section 4.01 of the Indenture held by Trustee under the Indenture, and the insurance carrier is hereby irrevocably instructed in accordance herewith. Such insurance proceeds shall be used to pay Project Costs, including increases in the Project Costs caused by such casualty so long as such use is permitted by the Indenture. If, prior to the Substantial Completion of the Project, damage or destruction occurs to the Project, Developer shall proceed diligently to reconstruct and restore the Project in accordance with the Contract Documents and the provisions of this Agreement. Insurance proceeds deposited in the Non-Bond Proceeds Account, pursuant to Section 4.02 of Indenture shall be disbursed to Developer in accordance with the provisions of Section 9 for payment of progress payments for payment of the costs to repair and restore the Project. All costs of such repair or restoration of the Project exceeding the amount of the insurance proceeds shall be paid in accordance with the Facilities Lease, and Developer shall not be responsible for any such costs.

21.2 Condemnation.

(a) If, prior to Substantial Completion of the Project, there is a partial taking of the Premises by Condemnation but the Project can be completed substantially in accordance with the Project Requirements, such condemnation proceeds shall be paid to Trustee who shall deposit such condemnation proceeds into the Non-Bond Proceeds Account established under Section 4.02 the Indenture for purposes of paying Project Costs. Following Substantial Completion of the Project, if there is a partial taking of the Premises by Condemnation, and Tenant determines that restoration is possible or a reasonable use can be made of the Premises without restoration, then the condemnation proceeds shall be paid to Trustee who shall, as applicable, (i) deposit such condemnation proceeds into the Capital Repairs Fund (as defined in the Indenture) and shall disburse such condemnation proceeds to Owner from time to time as restoration progresses, or (ii) deposit such condemnation proceeds in the Bond Fund (as defined in the Indenture) to be used to repay or defease Bonds.

(b) If there is a taking or damaging of all or any portion of the Premises by the exercise of any governmental power, whether by legal proceedings or otherwise, by a governmental agency with jurisdiction over the Premises or a transfer by Owner either under threat of condemnation or while legal proceedings for condemnation are pending (a “**Condemnation**”) such that there can be no reasonable use of the Premises by Tenant, as reasonably determined by Tenant, the entire award with respect to a taking of the Premises (including Tenant’s leasehold estate under the Facilities Lease) shall be paid to Trustee and applied at Tenant’s direction to repay or defease Bonds or to reimburse Trustee for any costs

incurred by Trustee for which it is entitled to reimbursement under the Indenture. Any Condemnation proceeds remaining after Bonds have been paid in full shall be paid to Tenant.

22. Payment of Taxes/Assessments.

22.1 Real Property Taxes. Any and all real property taxes and assessments (including leasehold excise tax) levied against the Premises and the Project or any portion thereof shall be paid by Owner. Notwithstanding anything to the contrary contained in this Agreement, Developer shall have no liability whatsoever for any real property taxes or assessments (including any leasehold excise tax).

22.2 Other State and Local Taxes. Except as otherwise provided in Section 22.1, Developer shall pay any and all state and local taxes assessed in connection with the Project, including, but not limited to, state and local retail sales taxes as part of the Fixed Price. Developer shall complete all necessary tax returns relating to such taxes and file the same with the applicable state or local governmental agency and remit, on or before the date such tax payment is due, payment of such state and local taxes to the proper taxing authority.

23. Default.

23.1 Developer Default. The following events shall constitute an “**Event of Default**” by Developer if the same shall continue uncured after expiration of the applicable notice and cure period set forth in Section 23.2:

- (a) If Developer shall fail to perform any material obligation under this Agreement;
- (b) If Developer persistently or repeatedly refuses or fails to cause to be supplied to the Project enough properly skilled workers or proper materials to complete the Project, including Tenant Improvements, or if Developer ceases work on the Project for a period of fourteen (14) consecutive days (subject to Unavoidable Delays);
- (c) If Developer misappropriates any funds received by Developer pursuant to the provisions of this Agreement;
- (d) If Developer persistently disregards and fails to comply with laws, ordinances or rules, regulations or orders of a public authority having jurisdiction over the Project;
- (e) If, due to the wrongful actions of Developer, any Permit required for construction of the Project shall be revoked or canceled;
- (f) If there shall occur any lien or other encumbrance on the Premises or the Project caused by Developer which is not bonded and removed in accordance with Section 19 above;
- (g) If there shall have occurred defective workmanship or materials within the Project which is not cured within the time period provided in Section 7.11;

(h) If Developer shall have assigned, pledged or encumbered its rights, duties or obligations under this Agreement in violation of Section 25.6;

(i) If any warranty made by Developer as set forth in Section 13 shall be untrue or breached in any material respect;

(j) If Developer abandons the Project during the term of this Agreement; or

(k) If Developer files a petition for bankruptcy or if it makes a general assignment for the benefit of Developer's creditors, or if a receiver is appointed on account of Developer's insolvency and any such petition or appointment is not dismissed within sixty (60) days.

23.2 Owner Remedies upon Developer Event of Default. Upon any Event of Default by Developer, Owner shall give Developer written notice of the same, whereupon following receipt of such written notice Developer shall have thirty (30) days within which to commence all necessary action to cure any such Event of Default, (and if such cure is commenced, proceed to diligently complete such cure within a reasonable period of time), except with respect to Events of Default set forth in Section 23.1(h) for which the cure period shall be ten (10) business days, or Section 23.1(k) for which no cure period exists beyond the time period stated therein; provided however, that such cure period shall not apply to failure of Developer to achieve Substantial Completion of the Project on or before the Developer Obligation Date for the Project. In the event Developer fails to cure such Event of Default within the time period set forth above, Owner shall be entitled to the following remedies:

(a) To take over and complete the Project. Owner is hereby irrevocably appointed attorney-in-fact (the appointment being coupled with an interest) to enforce contracts or agreements theretofore made by Developer and to do any and all things that are necessary and proper to complete the Project and be entitled to use the undisbursed Project Fund proceeds to pay Project Costs;

(b) In addition to a claim for damages for such breach or default, and in addition to and without prejudice to any other right or remedy available under this Agreement or at law or in equity, to commence an action for specific performance of this Agreement;

(c) To withhold approval of further disbursement of Bond proceeds;

(d) To bring an action for damages; or

(e) To terminate this Agreement without liability upon ten (10) days written notice.

23.3 Owner Default. The following shall constitute an "Event of Default" by Owner:

(a) Owner fails to cause Trustee to make disbursements to Developer of any sum of money owed to Developer pursuant to this Agreement as and when due, including

without limitation, all monies due and owing from the Bond Proceeds Account in the Project Fund unless Developer shall have committed an Event of Default as set forth in Section 23.1;

(b) Owner shall have assigned, pledged or encumbered its rights, duties or obligations under this Agreement in violation of Section 25.6; or

(c) Owner shall have failed to perform any other material obligation under this Agreement.

23.4 Developer Remedies upon Owner Event of Default. Upon any Event of Default by Owner, Developer shall give Owner written notice of the same. Upon receipt of such written notice Owner shall have ten (10) business days to cure any such Event of Default. In the event Owner fails to cure such Event of Default within said ten (10) business day period, Developer shall be entitled to stop all work relating to the Project, if Developer so desires and shall further be entitled to pursue its rights and remedies at law and in equity under this Agreement, including without limitation, specific performance of Owner's obligations hereunder.

23.5 Remedies Not Exclusive. No remedy conferred upon either Party in this Agreement is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

23.6 Limitation on Liability. Notwithstanding anything to the contrary contained in this Agreement, in no event and under no circumstances shall Developer's liability under this Agreement or in connection with the Project exceed the cumulative amount of (a) the Developer's Fee and (b) any and all available insurance coverage; provided, however, to the extent that such liability is caused by Developer's gross negligence, abandonment of the Project, or willful misconduct, the limitation of liability set forth in this Section 23.6 shall not apply.

24. Disputes. Owner and Developer agree to follow the independent resolution process set forth in this Section 24 to resolve disputes regarding preparation of the Construction Drawings and Detailed Specifications and changes to Construction Documents in an economic and time efficient manner so that such documents conform to the requirements of this Agreement, the Project Schedule is not adversely impacted, and the Project as constructed will satisfy the Project Requirements. In the event that a dispute arises between Owner and Developer during the design or construction of the Project regarding the adequacy of any Drawings or Specifications or the responsibility for any costs associated with any design development, addition or change (e.g., whether any design development is consistent with and reasonably inferable from the Project Requirements), the Parties shall attempt to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the Parties are unable to resolve the dispute within three (3) business days, either Party may, by delivering written notice to the other and the Trustee, refer the matter to a dispute resolution mediation as set forth on the attached Exhibit H. In the event that either Party to this Agreement brings an action to enforce the terms hereof or declare rights hereunder, the prevailing Party in any such action or dispute shall be entitled to recover its reasonable attorneys' fees from the non-prevailing Party.

25. Miscellaneous.

25.1 Waiver. Any waiver by either of the Parties of any breach of any covenant herein contained to be kept and performed by the other Party shall not be deemed or considered as a continuing waiver, and shall not operate to bar or prevent the damaged Party from declaring a forfeiture for any succeeding breach, either of the same condition or covenant or otherwise.

25.2 Neutral Authorship. In connection with the execution and delivery hereof, each Party has been represented by counsel. Each of the provisions of this Agreement has been reviewed and negotiated, and represents the combined work product of both Parties. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the Party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement.

25.3 Severability. If any portion or portions of this Agreement is declared void or unenforceable, it shall not affect the other provisions of this Agreement.

25.4 Relationship of Parties. Developer and Owner shall not be construed as joint venturers or general partners, and neither shall have the power to bind or obligate the other party except as set forth in this Agreement. Nothing herein shall be construed as reserving to Owner the right to control Developer's business.

25.5 Third Party Rights. The provisions of this Agreement are intended for the benefit of, and may only be enforced by the Parties hereto and their respective successors and assigns, including, as to Owner, the Trustee and/or Tenant (as applicable). None of the rights or obligations of the Parties herein set forth (or implied) is intended to confer any claim, cause of action, remedy, defense, legal justification, indemnity, contribution claim, set-off, or other right whatsoever upon or otherwise inure to the benefit of any Contractor, Architect, subcontractor, worker, supplier, mechanic, architect, insurer, surety, guest, member of the public, or other third parties having dealings with either of the parties hereto or involved, in any manner, in the Project. Notwithstanding the foregoing, (i) if Developer fails to cause Substantial Completion of the Project to be achieved by the date set forth in the Project Schedule (subject to adjustment for Unavoidable Delays and Owner-Caused Delays as provided herein), or (ii) if Developer otherwise suffers an Event of Default which Developer does not cure within the allotted cure period, then Tenant shall be deemed a third party beneficiary of this Agreement and may enforce the performance by Developer of its obligations under this Agreement.

25.6 Assignment; Encumbrance or Pledge. Neither this Agreement nor any rights or duties hereunder nor any benefits derived from this Agreement may be assigned, delegated, pledged or encumbered to any other person or entity by either Party hereto without the express written consent of the other and Tenant, which consent may be withheld by either Party or Tenant in the exercise of its absolute discretion, except that Owner may assign its rights under this Agreement to the Trustee pursuant to the Indenture as security in connection with the financing described in Section 3.

25.7 Notices. All notices or requests required or permitted under this Lease shall be in writing, shall be (i) personally delivered, (ii) sent by certified or registered mail, return receipt requested, postage prepaid, or (iii) by nationally recognized overnight courier and shall be deemed given when so delivered or received. All notices or requests to any Party shall be sent to the other Party as follows:

Owner: Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, WA 98101
Attn: John Finke

With a copy to:

Hillis Clark Martin & Peterson, P.S.
999 Third Ave, Suite 4600
Seattle, WA 98104
Attn: Steven R. Rovig

Developer: TC LA Development, Inc.
2221 Rosecrans Ave, Suite 200
El Segundo, CA 90245
Attn: Greg Ames

Either Party may change its address for the purposes of this section by giving written notice of such change to the other party in the manner provided in this Section 25.7.

A copy of all notices, plans and specifications, change orders, invoices, documents or other agreements required to be delivered by one party to the other pursuant to this Agreement shall be simultaneously sent to Tenant at its address set forth below.

Tenant: County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Real Estate Division – Senior Manager

With copies to:

Office of County Counsel
County of Los Angeles
500 West Temple St. 6th Floor
Los Angeles, CA 90012-2932

Chief Executive Office – Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012

Treasurer and Tax Collector – Public Finance
County of Los Angeles
500 West Temple St., Room 432
Los Angeles, CA 90012

Anything contained in this Section 25.7 to the contrary notwithstanding, copies of notices (other than notices of default), plans and specifications, change orders, invoices, documents or other agreements required to be delivered by one Party to the other pursuant to this Agreement and any requests for approval or concurrence that may be required by this Agreement may be given to the Parties and Tenant by email to the email addresses set forth below or such other email addresses as a Party or Tenant may specify from time to time by notice to the other Party and Tenant as provided herein. Unless the sender receives an email delivery failure notification, an email communication sent in accordance with this Section 25.7 shall be deemed delivered on the business day sent by the sender, unless sent after 6:00 p.m. Pacific Time or on a non-business day, in which case such email communication shall be deemed delivered on the following business day. The email addresses for the Parties and Tenant as of the Effective Date are:

Owner: johnfinke@publicfacilitiesgroup.org
Developer: games@trammellcrow.com
Tenant: leaseacquisitions@ceo.lacounty.gov

25.8 Entire Agreement. This Agreement (and the Exhibits referred to herein) constitute the entire agreement between the Parties with respect to the subject matter hereof and may be amended only in writing signed by both Parties.

25.9 Time Is of the Essence. Time is of the essence of this Agreement.

25.10 Employees of Developer. Developer is acting under this Agreement as an independent contractor and nothing herein contained, or any acts of Developer or Owner, nor any other circumstances, shall be construed to establish Developer as an agent of Owner. Developer shall be responsible for each of Developer’s employees or other persons performing services to be performed by Developer hereunder and for determining the manner and time of performance of all acts to be performed by Developer hereunder. Developer shall maintain all required industrial and worker’s compensation insurance for all employees of Developer and shall cause all Contractors, Architect and all design professionals and other persons, firms and corporations employed to perform services in connection with the Project to provide worker’s compensation and similar insurance with respect to their respective employees.

25.11 Exhibits. The Exhibits to this Agreement are:

Exhibit	Description	Partial Section Reference
A	Legal Description of Premises	Recitals; Section 1
B	Facilities Lease Agreement	Recitals; Section 1
C	Site Plan	Recitals; Section 1
D	Project Budget	Sections 1, 4.4

E	Schedule of Preliminary Plans and Specifications	Section 1
F	Project Schedule	Sections 1, 6.3
G	Developer’s Insurance Requirements	Section 16
H	Dispute Resolution Procedure	Section 24
I	List of Additional Warranties	Section 7.9
J	Financed FF&E	Section 1
K	Form of Payment Requisition	Section 9.1

25.12 Compliance with Civil Rights Laws. During the performance of this Agreement, Developer shall comply with all federal and applicable state nondiscrimination laws, including but not limited to: Title VII of the Civil Rights Act, 42 U.S.C. §§ 12101 *et seq.*; the Americans with Disabilities Act (ADA); and the provisions of Section 32.11 of the Facilities Lease that are applicable to Developer’s performance of this Agreement.

25.13 Governing Law; Venue. This Agreement and all provisions hereof shall be interpreted in accordance with the laws of the State of California in effect on the date of execution of this Agreement. The Superior Court of Los Angeles County, State of California shall have exclusive jurisdiction and venue over any legal action arising under this Agreement.

25.14 Recitals. All Recitals set forth herein are hereby incorporated into this Agreement. The Parties agree that the Recitals are true and correct and have the same force and effect as all other provisions contained in this Agreement.

25.15 Meanings of Words Not Specifically Defined/General Rules of Interpretation. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in Section 1, are to be construed according to such technical, peculiar, and appropriate meaning or definition. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. As used in this Agreement, the word “includes or “including” means including without limitation, the word “or” is not exclusive and the words “herein,” “hereof,” “hereto” and hereunder refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (a) to articles, paragraphs, sections and exhibits mean the articles, paragraphs, sections and exhibits which are part of this Agreement as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Agreement, (b) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Agreement, and (c) to a statute means such statute as amended, supplemented or replaced from time to time. The exhibits, schedules, addenda, and attachments which are attached to this Lease are made a part of this Lease.

[Signatures appear on next page.]

DATED the day and year first above written.

OWNER: LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation

By: _____
Name: John Finke
Its: Vice President

DEVELOPER: TC LA DEVELOPMENT, INC.,
a Delaware corporation

By: _____
Name: _____
Its: _____

EXHIBIT A

Legal Description of Premises

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

LOTS 12, 13 AND 18 BLOCK 4, SHATTO PLACE, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP FILED IN BOOK 6, PAGE 86, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE NORTHERLY 10 FEET OF LOT 14, SAID BLOCK, AND THAT PORTION OF LOT 19, SAID BLOCK WHICH LIES SOUTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE WESTERLY LINE OF LOT 8, SAID BLOCK, DISTANT NORTH 0° 18' 44" WEST THEREON 11.78 FEET FROM THE SOUTHWESTERLY CORNER OF SAID LAST MENTIONED LOT; THENCE WEST TO THE WESTERLY LINE OF SAID LOT 19.

EXCEPT ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING SAID LAND TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE FOLLOWING PORTIONS OF LOT 19.

(A) BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE WEST 50 FEET TO THE NORTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO WILLSON WILLIAM DOWNS, RECORDED MAY 24, 1949, IN BOOK 30154 PAGE 183, OFFICIAL RECORDS, AND THE TRUE POINT OF BEGINNING; THENCE PARALLEL WITH THE EASTERLY LINE OF SAID LOT 19, SOUTH 0° 18' 44" EAST 99.4 FEET, MORE OR LESS, TO A LINE PARALLEL WITH AND 15.00 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID LOT 19; THENCE ALONG SAID PARALLEL LINE SOUTH 89° 49' 55" WEST 165.00 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, NORTH 100.03 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 164.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTORS, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE

SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSE, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASE APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID ABOVE DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

(B) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE SOUTH 0° 18' 44" EAST 19.40 FEET TO THE NORTHWEST CORNER OF SAID LOT 11; THENCE ALONG THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID LOT 11, SOUTH 89° 49' 55" WEST 50 FEET; THENCE PARALLEL WITH THE EAST LINE OF SAID LOT, NORTH 0° 18' 44" WEST 19.55 FEET, MORE OR LESS, TO A LINE BEARING WEST FROM THE POINT OF BEGINNING; THENCE ALONG SAID LINE EAST 50 FEET TO THE POINT OF BEGINNING TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEEDS FROM PACIFIC ELECTRIC LAND COMPANY.

(C) ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THAT PORTION OF LOT 19 BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 19, DISTANT THEREON, NORTH 0° 18' 44" WEST 19.40 FEET FROM THE NORTHWEST CORNER OF LOT 11 IN SAID BLOCK 4; THENCE ALONG THE EASTERLY LINE OF SAID LOT 19, THE FOLLOWING COURSES AND DISTANCES, NORTH 0° 18' 44" WEST 30.00 FEET; NORTH 20° 36' 15" EAST 117.65 FEET TO THE SOUTHWEST CORNER OF LOT 8 IN SAID BLOCK 4 AND NORTH 0° 18' 44" WEST 11.78 FEET; THENCE WEST 255.62 FEET TO THE WEST LINE OF SAID LOT 19, BEING A POINT IN THE EAST LINE OF VERMONT AVENUE, 80.00 FEET WIDE, AS SHOWN ON THE MAP OF SAID TRACT; THENCE ALONG THE WEST LINE OF SAID LOT 19, SOUTH 152.50 FEET TO A POINT WEST OF THE POINT OF BEGINNING; THENCE EAST 214.45 FEET TO THE POINT OF BEGINNING, TOGETHER WITH THE RIGHT OF PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS PROVIDED IN DEED FROM PACIFIC ELECTRIC LAND COMPANY, RECORDED OCTOBER 15, 1947 IN BOOK 25391 PAGE 183, OFFICIAL RECORDS, WHICH DEED RECITES:

“RESERVING UNTO THE GRANTOR, ITS SUCCESSORS OR ASSIGNS, ONE HALF OF ANY OIL OR MINERAL RIGHTS UNDERLYING THE ABOVE DESCRIBED PROPERTY; ALSO THE RIGHT TO PRODUCE OIL, AND OTHER HYDROCARBON SUBSTANCES

FROM THE PROPERTY HEREIN DESCRIBED BY DIRECTIONAL DRILLING OR ANY OTHER MEANS NOT REQUIRING THE OCCUPANCY OF THE SURFACE OF SAID LANDS OR OF ANY PORTION THEREOF, INCLUDING THE RIGHT TO COMBINE SAID PROPERTY IN ANY COMMUNITY OIL LEASE BUT NOT INCLUDING THE RIGHT TO ENTER UPON OR OCCUPY ANY PORTION OF THE SURFACE OF SAID PROPERTY FOR SUCH PURPOSES, THE PRODUCTION FROM SAID DIRECTIONAL DRILLING OR THE ROYALTIES FROM SUCH COMMUNITY OIL LEASING APPLYING TO THE HEREIN DESCRIBED PROPERTY TO BE DIVIDED EQUALLY BETWEEN GRANTEE AND GRANTOR, THEIR SUCCESSORS OR ASSIGNS.”

ALSO EXCEPT THE REMAINDER OF THE MINERALS, HYDROCARBON SUBSTANCES AND MINERAL RIGHT UNDER SAID LAST DESCRIBED PORTION OF SAID LOT 19, WITHOUT THE RIGHT OF SURFACE ENTRY, AS CONVEYED TO WESTERN REPUBLIC CO., LTD., A LIMITED PARTNERSHIP, DOING BUSINESS AS FAR WESTERN HEMISPHERE OIL EXPLORATION CO., BY DEED RECORDED MARCH 3, 1959 AS INSTRUMENT NO. 4188 IN BOOK D386 PAGE 475, OFFICIAL RECORDS.

Assessor's Parcel Number: **5077-003-901, 5077-003-903, 5077-003-904 & 5077-003-905**

EXHIBIT B

Facilities Lease Agreement

[See Appendix C-3 to Official Statement dated July 12, 2018]

EXHIBIT C

Site Plan

[Attached]

EXHIBIT D
Project Budget

[Attached]

Vermont Corridor Project Budget

Vermont Corridor Project Budget	
Construction Budget	
Construction Budget	CURRENT BUDGET
Podium Parking	\$50,787,560
Class A Office Building	\$108,174,411
Tenant Improvement Build-Out	\$31,280,283
Shatto	\$30,340,523
Project Escalation	\$1,455,828
Podium Parking Delivery Clause per GMP	\$750,000
Construction Budget Total	\$222,788,605
Design Consultants (Post Pre-Development)	
Design Consultants (Plan Check and Construction Administration)	
Architect Core & Shell	\$3,593,545
ADA Consultant per Development Agreement	\$28,340
Architect TI	\$475,000
MEP Design (with Hathaway Dinwiddie as Design Build)	\$0
Emergency Helicopter Landing Facility Design	\$27,000
Structural	\$282,500
JA Weir/Skin System Detailing	\$60,600
Vertical Transportation	\$19,872
LEED	\$30,000
Architectural Lighting	\$20,500
Civil	\$27,000
Civil for Shatto	\$24,750
Landscape for Vermont and Shatto	\$63,760
Waterproofing	\$40,500
Code Consultant	\$5,000
Acoustics	\$13,560
Consultant Mark-Up	\$49,653
Reimbursables	\$295,800
Design Consultant Total	\$5,057,380
Project Consultants	
Project Consultants	
Commissioning	\$623,100
WELL- Per County Removed from Scope	\$0
Vermont Podium Parking Consultant	\$100,000
Environmental (Soils/Methane Design/Oil Wells)	\$3,169,001
EV Parking Equipment	\$285,945
Local Hiring Outreach	\$150,000
3rd Party Overview	\$150,000
Community Outreach	\$150,000
Project Consultants Total	\$4,628,046
Plan Check, Inspections, Site Utilities, Permit & Bonds	
Plan Check, Inspection, Site Utilities and Permit & Bonds	
Testing and Inspection Concrete & Steel	\$1,399,893
Soils and Geo Inspection	\$195,500
DWP Electric Service	\$840,833
Sewer Connection Fees	\$300,000
DWP Domestic and Fire Water /Dry Utilities/City Services	\$950,000
Utility Consumption	\$1,146,591
Plan Check Fees	\$1,584,210
Permits	\$1,936,263
School Board Fees	\$455,107
Mitigation Measures per CEQA Requirements	\$1,938,300
B Permit Offsite Fees/Bonds and Misc. City Fees	\$329,178
Printing/Reimbursables	\$300,000
Plan Check, Site Utilities Total	\$11,375,875
Additional Tenant Improvement Budget	
Additional Tenant Improvement Budget	
Telco/Data Design and Equipment ROM	\$3,650,891
Decommissioning of Existing Building ROM- Per County Removed from Scope	\$0
FF&E (furniture) + Install ROM	\$10,337,226
Relocation Services ROM- Per County Removed from Scope	\$0
Fitness Center Equipment	\$272,270
Audio Visual Design and Equipment ROM	\$1,338,600
Graphics/Signage ROM	\$1,200,000
Art Program for County	\$1,000,000
Additional Tenant Improvement Total	\$17,798,987
Supplemental Scope, Insurance, Fees and Contingency	
Supplemental Project Scope ROM	
WDACS Floor TI Build-Out ALLOWANCE	\$9,116,423
Clinic TI Build-Out ALLOWANCE	\$1,719,178
Additional Supplemental Scope	\$10,835,601
Insurance, Fees & Contingency	
Builder's Risk Insurance	\$1,000,000
Overhead Allowance	\$3,474,000
Developer Fee	\$5,449,690
Hard Contingency (5%)	\$11,139,430
Soft Project Contingency (5%)	\$1,993,014
Other Total	\$23,056,135
Total Estimated Fixed Project Budget	\$295,540,629

Vermont Corridor Estimated Project Budget

WDACS TI Build-Out ROM

3-Jul-18

BUDGET LINE ITEM	Budget
Design Consultants (Plan Check and Construction Administration)	
Design Consultants (Project Design Completion Post Programming)	
Architect TI	\$240,000
Structural	\$35,000
LEED	\$30,000
Architectural Lighting	\$35,000
Acoustics	\$35,000
Code/ Life Safety	\$15,000
Consultant Mark-Up	\$12,000
Reimbursables	\$22,500
Design Consultant Total	\$424,500
Project Consultants	
Project Consultants	
GC MEP&F Design-Build Fees	inc. w/ HD
Commissioning	\$7,500
Reimbursables	\$750
Project Consultants Total	\$8,250
Plan Check, Site Utilities and Permit Budget	
Plan Check, Site Utilities and Permit Impacts	
Plan Check and Permit Fees (separate TI)	\$140,066
Plan Check, Site Utilities Total	\$140,066
Construction Budget	
Construction Budget	
Tenant Improvement Build-Out GC Hard Costs	\$5,602,631
Interconnecting Stairs	Inc.
Construction Budget Total	\$5,602,631
Additional Tenant Improvement Budget	
Additional Tenant Improvement Budget	
Telco/Data * assumes 315 phones	\$360,767
FF&E (furniture)- takeoff from floor 8 and 9 @ 315 workstations total	\$1,760,611
Relocation Services	\$50,000
Security	\$30,000
Audio Visual- takeoff from floor 7 and 8 without Microsoft Hub	\$165,483
Graphics/Signage	\$140,000
Additional Tenant Improvement Total	\$2,506,861
PROJECT Specific Contingency	\$434,115
Project Cost ROM	\$9,116,423

Vermont Corridor Estimated Project Budget

CLINIC TI Build-Out ROM

3-Jul-18

BUDGET LINE ITEM	Budget
Design Consultants (Plan Check and Construction Administration)	
Design Consultants (From Preliminary Space Plan to TI Design Set)	
Architect TI	\$85,000
Structural	\$7,000
Civil	\$12,000
Code/ Life Safety	\$5,000
Consultant Mark-Up	\$2,400
Reimbursables	\$10,900
Design Consultant Total	\$122,300
Project Consultants	
Project Consultants	
GC MEP&F Design-Build Fees	Included w/ HD Budget
Commissioning	\$5,000
Reimbursables	\$500
Project Consultants Total	\$5,500
Plan Check, Site Utilities and Permit Budget	
Plan Check, Site Utilities and Permit Impacts	
Plan Check and Permit Fees	\$36,067
Plan Check, Site Utilities Total	\$36,067
Construction Budget	
Construction Budget	
Tenant Improvement Build-Out	\$1,144,991
Misc. Contingency (Space Plan unknowns) 5%	\$57,250
Construction Budget Total	\$1,202,241
Additional Tenant Improvement Budget	
Additional Tenant Improvement Budget	
Telco/Data- based on space plan layout	\$91,272
FF&E (furniture)- based on space plan layout	\$74,933
Security	\$30,000
Audio Visual	\$25,000
Graphics/Signage	\$50,000
Additional Tenant Improvement Total	\$271,205
Project Specific Contingency	\$81,866
Project Costs (Beyond Pre-Development)	\$1,719,178

EXHIBIT E

Schedule of Preliminary Plans

[On File with the Issuer]

EXHIBIT F
Project Schedule

[Attached]

EXHIBIT G

MINIMUM INSURANCE REQUIREMENTS FOR DEVELOPER

I. GENERAL INSURANCE PROVISIONS.

Without limiting the Developer's indemnification of Owner, and in the performance of this Agreement and until all of its obligations pursuant to this Agreement have been met, Developer shall provide and maintain as a Project Cost insurance coverage satisfying the requirements specified in this Exhibit G and elsewhere in the Agreement (the "**Required Insurance**"). Owner in no way warrants that the Required Insurance is sufficient to protect the Developer for liabilities which may arise from or relate to this Agreement.

A. **Evidence of Coverage and Notice to Owner.** Certificate(s) of insurance coverage (each an "**Insurance Certificate**") or other evidence of coverage satisfactory to Owner shall be delivered to Owner prior to (i) the Effective Date with respect to coverage required to be carried by the Developer pursuant to Part II of this Exhibit G; (ii) the date required under the Office Project General Construction Contract with respect to insurance required to be carried by the Office Project General Contractor; and (iii) the date required under the Shatto Garage Project General Construction Contract with respect to insurance required to be carried by the Shatto Garage Project General Contractor. Such Insurance Certificates or other evidence shall:

(1) Specifically identify this Agreement by name or number.

(2) Clearly identify all insurance coverage types and limits required in this Agreement and be signed by an authorized representative of the insurer(s). The Insured party named on the Certificate shall match the name of Developer or its parent company. Certificates shall provide the full name of each insurer providing coverage, and list any Owner required endorsement forms.

(3) Include a copy of the additional insured endorsement to the commercial general liability policy, adding (a) Owner, its officers, directors, employees and agents (collectively, the "**Indemnified Owner Parties**," and (b) County and its Special Districts, Elected Officials, Officers, Agents, Employees and Volunteers (collectively, the "**Indemnified County Parties**") as additional insureds for the indemnification obligation of the Developer. The full limits and scope of protection of Developer's policy shall apply to Owner and County as additional insureds, even if they exceed Owner's minimum insurance requirements set forth herein. Use of an automatic additional insured endorsement form is acceptable providing it satisfies this and the other insurance requirement provisions herein.

(4) Show Developer's insurance policies, with respect to any claims related to this Agreement, are primary with respect to all other sources of coverage available to Developer.

Any Owner insurance and self-insurance coverage shall be excess of and not contribute to any Developer coverage, which may be evidenced by adding a statement to the additional insured endorsement required in item (3) above, stating “It is further agreed that the insurance afforded by this policy is primary to any insurance or self-insurance programs maintained by Owner and County’s insurance and self-insurance coverage are in excess of and non-contributing to the Named Insureds’ coverage for Named Insureds indemnity obligations in this agreement.

(5) Insurance Certificates and copies of any required endorsements, notices of cancellation shall be delivered to:

Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, WA 98101
Attn: John Finke

Renewal Insurance Certificates shall be provided to Owner prior to Developer’s policy expiration dates.

(6) Neither Owner’s failure to obtain, nor Owner’s receipt of, or failure to object to a non-complying insurance certificate or endorsement, or any other insurance documentation or information provided by the Developer, its insurance broker(s) and/or insurer(s), shall be construed as a waiver of any of the Required Insurance provisions.

(7) Developer also shall promptly report to Owner any injury or property damage accident or incident, including any injury to a Developer employee occurring on Owner property, and any loss, disappearance, destruction, misuse, or theft of Owner property, monies or securities entrusted to Developer. Developer also shall promptly notify Owner of any third party claim or suit filed against Developer which arises from or relates to this Agreement, and could result in the filing of a claim or lawsuit against Developer and/or Owner.

B. Insurer Financial Ratings. Insurance is to be provided by an insurance company authorized to do business in the State of California, with an A.M. Best rating of not less than A-:VII, unless otherwise approved by Owner.

C. Waiver of Subrogation. To the fullest extent permitted by law, Owner and Developer waives its and its insurer(s) rights of recovery against each other under all required insurance policies for any loss arising from or related to this Agreement. Both Parties shall require its insurers to execute any waiver of subrogation endorsements which may be necessary to effect such waiver.

D. Cancellation of or Changes in Insurance. Developer shall provide Owner with, or Developer’s insurance policies shall contain a provision that Owner shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to Owner at least ten (10) days in advance of cancellation for non-payment of premium and thirty (30) days in advance for

any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance shall constitute an Event of Default by Developer, upon which Owner may suspend or terminate this Agreement.

E. **Failure to Maintain Insurance:** Developer's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall constitute an Event of Default by Developer, upon which Owner immediately may withhold payments due to Developer, and/or suspend or terminate this Agreement. Owner, at its sole discretion, may obtain damages from Developer resulting from such Event of Default by Developer. Alternatively, Owner may purchase the Required Insurance, and without further notice to Developer, deduct the premium cost from sums due to Developer or pursue Developer reimbursement.

F. **Deductibles and Self-Insured Retentions.** Developer shall identify any deductibles or self-insured retention ("SIR") exceeding \$25,000. Developer's policies shall not obligate Owner to pay any portion of any Developer deductible or SIR.

G. **Claims Made Coverage.** If any part of the Required Insurance is written on a claims made basis, any policy retroactive date shall precede the Effective Date. Developer shall maintain such coverage for a period of not less than three (3) years following the expiration, termination or cancellation of this Agreement.

H. **Application of Excess Liability Coverage.** Developer may use a combination of primary, and excess insurance policies which provide coverage as broad as ("follow form" over) the underlying primary policies, to satisfy the Required Insurance provisions.

I. **Separation of Insureds.** All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations.

J. **Alternative Risk Financing Programs.** Owner reserves the right to review, and then approve, Developer use of self-insurance, risk retention groups, risk purchasing groups, pooling arrangements and captive insurance to satisfy the Required Insurance provisions. Owner and its agents shall be designated as an Additional Covered Party under any approved program, as they would under required insurance.

J. **Owner Review and Approval of Insurance Requirements.** Owner reserves the right to review and reasonably adjust the Required Insurance provisions, conditioned upon Owner's reasonable determination of changes in risk exposures.

II. INSURANCE COVERAGE REQUIREMENTS FOR DEVELOPER — TYPES AND LIMITS

A. **Commercial General Liability Commercial General Liability** insurance (providing scope of coverage equivalent to ISO policy form CG 2010 and CG 2037 (10/01 edition) or its equivalent), naming the Indemnified Owner Parties and the Indemnified County Parties as an additional insured in accordance with the requirements of this Agreement, ISO policy form, with limits of not less than:

General Aggregate:	\$10 million
Products/Completed Operations Aggregate:	\$10 million
Personal and Advertising Injury:	\$ 5 million
Each Occurrence:	\$ 5 million

The Products/Completed Operations coverage shall continue to be maintained in the amount indicated above for at least three (3) years after the date of Substantial Completion of the Project. Such insurance policies shall be endorsed with the CG 2404 (05/09 edition) Waiver of Transfer of Rights of Recovery Against Others to Us Endorsement and shall include a Per Project Aggregate Endorsement per form CG 2503 (03/97 edition). Such insurance shall be Primary and Non-Contributory in accordance with the requirements of this agreement.

B. **Automobile Liability** insurance (providing scope of coverage equivalent to ISO policy form CA 00 01) with limits of not less than \$1 million for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Insurance shall cover liability arising out of Developer’s use of autos pursuant to this Agreement, including owned, leased, hired, and/or non-owned autos, as each may be applicable.

C. **Workers Compensation and Employers’ Liability** insurance or qualified self-insurance satisfying statutory requirements, which includes Employers’ Liability coverage with limits of not less than \$1 million per accident. If Developer will provide leased employees, or, is an employee leasing or temporary staffing firm or a professional employer organization (“PEO”), coverage also shall include an Alternate Employer Endorsement (providing scope of coverage equivalent to ISO policy form WC 00 03 01 A) naming County as the Alternate Employer, and the endorsement form shall be modified to provide that County will receive not less than thirty (30) days advance written notice of cancellation of this coverage provision. If applicable to Developer’s operations, coverage also shall be arranged to satisfy the requirements of any federal workers or workmen’s compensation law or any federal occupational disease law.

III. INSURANCE COVERAGE REQUIREMENTS FOR CONSTRUCTION PHASE — TYPES AND LIMITS

A. **Builder’s Risk Course of Construction Insurance.** Such coverage shall:

(1) Insure against damage from perils covered by the Causes-of-Loss Special Form (ISO policy form CP 10 30), and be endorsed to include earthquake, flood, ordinance or law coverage, coverage for temporary offsite storage, debris removal, pollutant cleanup and removal, preservation of property, excavation costs, landscaping, shrubs and plants and full collapse coverage during construction (without restricting collapse coverage to specified perils). Such insurance shall be extended to include boiler & machinery coverage for air conditioning, heating and other equipment during testing.

(2) Be written on a completed-value basis and cover the entire value of the construction project, including \$(Insert the replacement value of Owner-furnished materials and equipment here) in Owner-furnished materials and equipment, against loss or damage until completion and acceptance by Owner.

Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to provide the requisite insurance coverage listed below:

The Office Project General Contractor Required Insurance Types and Limits are outlined in subparagraphs B(1) through D(1) and E:

B(1). General Liability Insurance. Such coverage shall be written on ISO policy form CG 2010 and CG 2037 (10/01 edition) or its equivalent, naming Owner, its officers, directors, employees and agents as an additional insured, with limits of not less than:

General Aggregate:	\$50,000,000
Products/Completed Operations Aggregate:	\$50,000,000
Personal and Advertising Injury:	\$25,000,000
Each Occurrence:	\$25,000,000

The Products/Completed Operations coverage shall continue to be maintained in the amount indicated above for at least three (3) years after the date of Substantial Completion of the Project. Such insurance policies shall be endorsed with the CG 2404 (05/09 edition) Waiver of Transfer of Rights of Recovery Against Others to Us Endorsement and shall include a Per Project Aggregate Endorsement per form CG 2503 (03/97 edition). Such insurance shall be Primary and Non-Contributory.

C(1). Automobile Liability insurance. Such coverage shall be written on ISO policy form CA 00 01 or its equivalent with a limit of liability of not less than \$5,000,000 for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Such insurance shall cover liability arising out of Contractor's use of autos pursuant to this Agreement, including owned, leased, hired, and/or non-owned autos, as each may be applicable.

D(1). Professional Liability/Errors and Omissions insurance. Such insurance shall cover liability arising from any error, omission, negligent or wrongful act of Contractor, its officers or employees arising from or related to this Agreement with limits of not less than \$3,000,000 per occurrence and \$6,000,000 aggregate. The coverage shall remain in place for a period of not less than six (6) years following completion of the Project and shall provide an extended two-year reporting period commencing upon expiration, termination or cancellation of this Agreement.

The Shatto Garage Project General Contractor Required Insurance Types and Limits are

outlined in subparagraphs B(2) through D(2) and E:

B(2). General Liability Insurance. Such coverage shall be written on ISO policy form CG 2010 and CG 2037 (10/01 edition) or its equivalent, naming Owner, its officers, directors, employees and agents as an additional insured, with limits of not less than:

General Aggregate:	\$20,000,000
Products/Completed Operations Aggregate:	\$20,000,000
Personal and Advertising Injury:	\$10,000,000
Each Occurrence:	\$10,000,000

The Products/Completed Operations coverage shall continue to be maintained in the amount indicated above for at least three (3) years after the date of Substantial Completion of the Project. Such insurance policies shall be endorsed with the CG 2404 (05/09 edition) Waiver of Transfer of Rights of Recovery Against Others to Us Endorsement and shall include a Per Project Aggregate Endorsement per form CG 2503 (03/97 edition). Such insurance shall be Primary and Non-Contributory.

C(2). Automobile Liability insurance. Such coverage shall be written on ISO policy form CA 00 01 or its equivalent with a limit of liability of not less than \$3,000,000 for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Such insurance shall cover liability arising out of Contractor's use of autos pursuant to this Agreement, including owned, leased, hired, and/or non-owned autos, as each may be applicable.

D(2). Professional Liability/Errors and Omissions insurance. Such insurance shall cover liability arising from any error, omission, negligent or wrongful act of Contractor, its officers or employees arising from or related to this Agreement with limits of not less than \$2,000,000 per occurrence and \$4,000,000 aggregate. The coverage shall remain in place for a period of not less than six (6) years following completion of the Project and shall provide an extended two-year reporting period commencing upon expiration, termination or cancellation of this Agreement.

E. Workers Compensation and Employers' Liability Insurance or qualified self-insurance satisfying statutory requirements. Such coverage shall provide Employers' Liability coverage with limits of not less than \$1 million per accident. Such policy shall be endorsed to waive subrogation against Owner for injury to Contractor's employees. If the Contractor's employees will be engaged in maritime employment, the coverage shall provide the benefits required by the *U.S. Longshore and Harbor Workers Compensation Act, Jones Act* or any other federal law to which Contractor is subject. If Contractor will provide PEO, coverage also shall include an Alternate Employer Endorsement (providing scope of coverage equivalent to ISO policy form WC 00 03 01 A) naming Owner as the Alternate

Employer, and the endorsement form shall be modified to provide that Owner will receive not less than thirty (30) days advance written notice of cancellation of this coverage provision.

The insurance coverage described in Sections III.F and III.G below should be required only as applicable to the Projects. In the event operations performed by or on behalf of the Contractor result in pollution conditions (sudden/accidental or gradual) or release, discharge, escape, dispersal or emission of asbestos, whether gradual or sudden, Contractor's Pollution Liability Insurance or Asbestos Liability Insurance should be requested, respectively.

F. Contractor's Pollution Liability Insurance. Such insurance shall cover liability arising from the release, discharge, escape, dispersal or emission of pollutants, whether gradual or sudden, and include coverage for the costs and expenses associated with voluntary clean-up, testing, monitoring and treatment of pollutants in compliance with governmental mandate or requests. Motor vehicle pollution liability will be required under the Automobile Liability Insurance indicated above under section C above for removal of pollutant from the work site. Contractor shall maintain limits not less than \$3,000,000 per occurrence and \$6,000,000 aggregate.

G. Asbestos Liability Insurance. Such insurance shall cover liability for personal injury and property damage arising from the release, discharge, escape, dispersal or emission of asbestos, whether gradual or sudden, and include coverage for the costs and expenses associated with voluntary clean-up, testing, monitoring and treatment of asbestos in compliance with governmental mandate or requests. Motor vehicle asbestos liability will be required under the Automobile Liability Insurance indicated above under section C above if asbestos will be removed from the work site. Contractor shall maintain limits not less than \$3,000,000 per occurrence and \$6,000,000 aggregate.

H. Performance Security Requirements. Each Contractor shall file surety bonds with Owner in the amounts and for the purposes noted below prior to the date required under its Construction Contract. All bonds issued in compliance with this Agreement shall be duly executed by a solvent surety company that is authorized by the State of California, is listed in the United States Department of the Treasury's Listing of Approved Sureties Treasury (Circular 570) (see www.fms.treas.gov/c570/) and is satisfactory to Owner, and Contractor shall pay all premiums and costs thereof and incidental thereto. =

Each bond shall be signed by both Contractor (as Principal) and the Surety.

The Office Project Contractor shall give two surety bonds with good and sufficient sureties, as explained in subparagraphs III.H.1. and III.H.2. below: the first in the sum of not less than 100% of the sum of the Office Project General Construction Contract price to assure the payment of claims of material men supplying materials to the Office Project General Contractor, Subcontractors and mechanics and laborers employed by the Office Project General Contractor or Subcontractors on the Project, and the second in the sum of not less than 100% of the sum of the Office Project General Construction Contract price to assure the faithful performance of the Office Project General Construction Contract.

The Shatto Garage Project Contractor shall give two surety bonds with good and sufficient

sureties, as explained in subparagraphs III.H.1. and III.H.2. below: the first in the sum of not less than 100% of the sum of the Shatto Garage Project General Construction Contract price to assure the payment of claims of material men supplying materials to the Shatto Garage Project General Contractor, Subcontractors and mechanics and laborers employed by the Shatto Garage Project General Contractor or Subcontractors on the Project and the second in the sum of not less than 100% of the sum of the Shatto Garage Project General Construction Contract price to assure the faithful performance of the Shatto Garage Project General Construction Contract.

(1) The “Materials and Labor Bond” shall be so conditioned as to insure to the benefit of persons furnishing materials for or performing labor upon the Project. This bond shall be maintained by Contractor in full force and effect until (a) Substantial Completion and (b) payment of all claims for materials, labor and subcontracts.

(2) The “Bond for Faithful Performance” shall be so conditioned as to assure the faithful performance by the Contractor of all work under the Project General Construction Contract, within the time limits prescribed, including any maintenance and warranty provisions, in a manner that is satisfactory and acceptable to Owner, that all materials and workmanship supplied by the Contractor will be free from original or developed defects, and that should original or developed defects or failures appear within a period of one year from the date of Substantial Completion of the Project, Contractor shall, at Contractor’s own expense, make good such defects and failures and make all replacements and adjustments required, within a reasonable time after being notified by the Owner to do so, and to the approval of County. This bond shall be maintained by the General Contractor in full force and effect during the performance of the work under the Project General Construction Contract and for a period of one year after the date of Substantial Completion of the Project.

Should any surety or sureties upon said bonds or any of them become insufficient or be deemed unsatisfactory by Owner, Contractor shall replace said bond or bonds with good and sufficient sureties within ten (10) days after receiving notice from the Owner that the surety or sureties are insufficient or unsatisfactory. No further payment shall be deemed due or will be made under this Agreement until the new sureties shall qualify and be accepted by Owner.

EXHIBIT H

Dispute Resolution Procedure

Owner and Developer shall act in good faith and deal fairly in performing their respective duties under this Agreement in order to accomplish their mutual objectives and avoid disputes. If a dispute arises with respect to design or construction of the Project, the Parties agree to utilize the dispute resolution process contained herein, which will be non-binding but a condition precedent to having said dispute decided in court by a judge or jury.

1. Mediation. Pursuant to Section 24, in the event a dispute arises between Developer and Owner with respect to design and/or construction of the Project the Parties shall proceed in good faith to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the Parties are unable to resolve the dispute within three (3) business days, either Party may refer the dispute to the Mediator named below.

1.1 Mediator. For any dispute which cannot be resolved by the Parties, a qualified, independent mediator (“**Mediator**”) shall be mutually designated by Owner and Developer to resolve such dispute. If the Parties cannot agree on the Mediator, each party shall select a mediator with at least five (5) years-experience in construction related mediation and the two mediators will in turn select the Mediator. The Mediator is to act impartially and independently in the consideration of facts and conditions surrounding any dispute presented by Developer and Owner; however, the Mediator’s recommendations concerning any such dispute are advisory only. The Mediator’s recommendations shall be based on the pertinent provisions of this Agreement, and the facts and circumstances involved in the dispute. The Mediator’s recommendations shall be furnished in writing to the parties.

1.2 Developer Responsibility. Developer shall furnish the Mediator one copy of all documents it might have, other than those furnished by the Owner, which are pertinent to the performance of the Mediator’s duties hereunder.

1.3 Owner Responsibility. Owner shall furnish the Mediator one copy of all Contract Documents, including but not limited to the building design guidelines, applicable contracts, interpretative reports, progress schedule and updates, monthly progress reports, and other documents pertinent to the performance of this Agreement and necessary to the performance of the Mediator’s duties hereunder.

1.4 Term. Following execution of this Agreement, the Mediator shall have authority to act hereunder upon written request from either Owner or Developer and such authority shall terminate upon Final Acceptance, after Final Payment has been made.

1.5 Payment. The fees charged by the Mediator shall be shared equally by the Parties. The Mediator’s compensation shall include compensation for all materials, supplies, travel, office assistance and support and incidentals necessary to provide the services described herein. Payment for services rendered by the Mediator will be at the Mediator’s standard hourly

rate as approved by Owner and Developer prior to commencement of the dispute resolution proceeding.

1.6 Legal Relationship. The Mediator, in the performance of the duties described herein, is acting in the capacity of an independent agent and not as an employee of either Developer or Owner. The Mediator is absolved of any personal or professional liability arising from the recommendations made hereunder, unless due to gross negligence or willful malfeasance.

EXHIBIT I

List of Additional Warranties

[On File with the Issuer]

EXHIBIT J
Financed FF&E

[Attached]

FINANCED FF&E ALLOWANCE BREAKDOWN

IT EQUIPMENT BUDGET BREAKDOWN			
	HW Cost	Labor	TOTAL
Design & Configure/PM Svc		\$150,000	\$150,000
Core Svc (MDP)	\$301,324	\$227,400	\$528,724
6500 Series Switches			
Data Switches (DP)	\$1,380,119	\$13,800	\$1,393,919
Cisco 5300 Series Switches (approx 105)			
VOIP Phone System + Handsets	\$594,609	\$300,400	\$895,009
1000 Cisco handsets connected to Cisco BE 7000	\$270,929	\$200,000	
Assumes 1904 7821 Cisco Phones	\$323,680	\$100,400	
Wireless Access Points	\$569,089	\$24,150	\$593,239
150+ access points			
Misc. Unknown Contingency			\$0
IT Equipment Total			\$3,650,891

FURNITURE BUDGET BREAKDOWN			
	#	\$ per	Total
FLOORS 1-12			
Workstation			\$5,678,154
1 person Cluster	1	\$8,886	\$8,886
4 person cluster	58	\$11,848	\$687,184
6 person cluster	28	\$17,772	\$497,616
8 person cluster	8	\$23,696	\$189,568
10 person cluster	145	\$29,620	\$4,294,900
Executive Area	24	\$3,500	\$84,000
Interior Area	5	\$3,000	\$15,000
Freestanding Desks	29	\$1,500	\$43,500
Reception Desk	1	\$10,000	\$10,000
30" diameter table	33	\$525	\$17,325
36 Diameter Table	63	\$550	\$34,650
42" diameter table	7	\$750	\$5,250
Sofa	3	\$1,500	\$4,500
Sofa Chairs Tables	18	\$4,000	\$72,000
6x4 conference table	25	\$5,000	\$125,000
9x3 large huddle	18	\$5,500	\$99,000
Credenza	12	\$5,300	\$63,600
Large Meeting 5 x 2.6 training tbl	125	\$80	\$10,000
barheight parsons table	81	\$2,000	\$162,000
Sayl task chair	1,917	\$448	\$858,816
Conference/Huddle/TD	799	\$448	\$357,952
Large File Room HD storage	1	\$65,000	\$65,000
Files 4-high with lam top	592	\$800	\$473,600
Lounge Chairs	88	\$1,500	\$132,000
Side Tables	34	\$600	\$20,400
Side Chairs	52	\$800	\$41,600
Banquet Seating	21	\$2,000	\$42,000
Stools	408	\$500	\$204,000
Terrace Level			\$212,806
Lunch room (42 36x36 tbl 84 chairs)	1	\$212,806	\$212,806
Training/Press (12 24x60 tbl w/ 24 multi purpose chairs)			
Outdoor Dining (12 48" round tables w/ 48 chairs)			
Pre-Function (12 lounge chairs, 3 coffee tables, 2 bar height tables, 8 bar stools)			
Lobby (1 task chair, 2 L shaped sofas, 2 lounge chairs, 2 coffee tables, 2 bar height tables, 8 stools)			
Misc. Area (2 task chairs, 3 task stools, 2 club chairs)			
Meeting Rooms (300 stacking chairs + 9 chair dollies)			
Ground Level			\$62,444
Desk for mail room, warehouse, PG vault, parking security, security office	1	\$62,444	\$62,444
Peer Center (1 36x84 table w/ 6 chairs 2 sofa 2 coffe tables 4 arm chairs)			
Bld lobby reception (1 task, 1 sofa, 2 lounge, 1 coffee table, 2 end tables, 1 bar height, stools)			
Interview rooms (3 36" diameter tables, 3 side chairs, 6 double wide benches)			
Warehouse shelving - 6 high shelving each 36"Wx24"Dx85"H			
Misc. 17 task chairs			
Subtotal			\$8,990,847
Tax			\$854,130
Allowance (missing details, additional ancillary, add'l outdoor, etc)			\$492,249
Furniture Budget Total			\$10,337,226

FITNESS CENTER BUDGET BREAKDOWN			
	Unit	Cost	Original
Leg Press Machine	1	\$26,044	\$248,648
Leg Curl Machine	1	6,330	\$6,952
Leg Extension Machine	1	4,050	\$4,455
Biaxial Upper Back	1	4,050	\$4,455
Biaxial Chest Machine	1	4,200	\$4,620
Abdominal Machine	1	3,295	\$3,625
Lower Back Machine	1	3,295	\$3,625
Treadmill	3	32,985	\$98,754
EFX Dual Action w/ Adjustable Crossram Elliptical	3	29,985	\$89,954
Adaptive Motion Trainer	2	22,590	\$45,180
Freestanding Bike	1	22,590	\$22,590
Functional Trainer	1	4,180	\$4,598
Bicep Curl	1	3,100	\$3,410
Seated Dip	1	3,100	\$3,410
Line Rear Delt/Pec Fly	1	4,200	\$4,620
Lateral Raise	1	3,600	\$3,960
Gliate Extension	1	3,600	\$3,960
Multi-purpose bench	1	425	\$468
Seated preacher curl	1	695	\$765
back extension	1	745	\$820
olympic bench press	1	695	\$765
angled leg press	1	3,375	\$3,713
Seated calf raise	1	1,150	\$1,265
Freestanding bench	1	2,440	\$2,684
Dip Assist	1	3,375	\$3,713
Ab Bench Experience	1	1,195	\$1,315
Olympic Incline Bench	1	895	\$985
Dumbbells and rack	1	7,406	\$8,147
Bar and Weights and rack	1	8,297	\$9,127
Freight	1	18,149	\$19,964
install	1	17,637	\$19,401
Subtotal			\$248,648
Tax @5%			\$23,622
Fitness Center Equipment Total			\$272,270

AUDIO VISUAL BUDGET			
	Unit Cost	Count	Original
Huddle/Touchdown (No AV) YELLOW	\$0	105	\$0
Medium Conference Room (6 ppl) PINK	\$0	14	\$0
Large Conference Room (10 ppl) RED	\$10,060	18	\$181,074
Large Conference Room (14-16 ppl) BLUE	\$30,465	10	\$304,648
X-Large (40+ ppl) GREEN	\$105,125	2	\$210,250
Training (15-20) ORANGE	\$35,034	3	\$105,102
AVL Conference Room(s) TEAL	\$196,272	1	\$196,272
Press Room PURPLE	\$165,731	1	\$165,731
Misc. unknowns		1	\$176,123
Audio Visual Budget Total			\$1,338,600

SIGNAGE BUDGET BREAKDOWN			
	SF	\$ P/F	TOTAL
Class A Parking Structure Wayfinding Comp			
Parking Structure 1	674,000	\$0.22	\$150,276
Parking Structure 2	120,000	\$0.27	\$32,400
Parking Structure 3	1,000,000	\$0.13	\$130,745
Average:		\$0.28	
Shatto Parking Structure Proposed Budget	300,580		\$83,035
Podium Parking Structure Proposed Budget	377,139		\$104,184
Building Signage Comp			
Office Building 1	100,000	\$2.20	\$220,000
Office Building 2	120,000	\$2.25	\$270,000
Average:		\$2.23	
Office Tower SF Proposed Budget	454,277		\$1,010,766
Round Up			\$2,015
Signage Budget Total			\$1,200,000

County Art Program		
Department of Mental Health Office Project County Arts Program NTE Budget		\$1,000,000
County Art Budget Total		\$1,000,000

FINANCED FF&E TOTAL \$17,798,987

EXHIBIT K
Form of Payment Requisition

[Attached]

APPLICATION AND CERTIFICATE FOR PAYMENT

TO OWNER:	PROJECT:	APPLICATION NO:
FROM CONTRACTOR:	VIA CONSTRUCTION MANAGER:	PERIOD TO:
Bomel Construction Co., Inc. 96 Corporate Park Irvine, CA 92606	VIA ARCHITECT:	PROJECT NOS:
CONTRACT FOR:		CONTRACT DATE:

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment as shown below, in connection with the Contract.
Continuation sheet is attached.

1.	ORIGINAL CONTRACT SUM.....	0.00
2.	Net change by Change Orders.....	0.00
3.	CONTRACT SUM TO DATE.....	0.00
4.	TOTAL COMPLETED & STORED TO DATE.....	0.00
5.	RETAINAGE 10%	
a.		
	Total Retainage	0.00
6.	TOTAL EARNED LESS RETAINAGE..... (Line 4 less Line 5 Total)	0.00
7.	LESS PREVIOUS CERTIFICATES FOR PAYMENT..... (Line 6 from prior certification)	0.00
8.	CURRENT PAYMENT DUE.....	0.00
9.	BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 4)	0.00

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by owner		
Total Pending / Total approved this month		
TOTALS	0.00	0.00
NET CHANGES by Change Order		0.00

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and the belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.
CONTRACTOR:

By: _____ Date: _____
Kimberly Scurto, Accounting Manager
 State of: California County of: Orange

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018, by **Kimberly Scurto**, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

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.

Notary Signature: _____ Commission expires: _____

CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on the on-site observations and the data comprising this application, the architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED.....

(Attach explanation if amount certified differs from the amount applied for. Initial all figures on this Application and on the Continuation Sheet that are changed to conform to the amount certified.)

CONSTRUCTION MANAGER:

By: _____ Date: _____
 ARCHITECT:

By: _____ Date: _____

This certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of Owner or Contractor under this Contract.

CONTINUATION SHEET

0

APPLICATION AND CERTIFICATE FOR PAYMENT,
 containing Contractor's signed Certification, is attached.
 In tabulations below, amounts are stated to the nearest dollar.
 Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO: 0
 APPLICATION DATE: 7/2/2018
 PERIOD TO: 1/0/1900

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G TOTAL COMPLETED AND STORED TO DATE (D + E + F)	H BALANCE TO FINISH (C - G)	I RETAINAGE	
			FROM PREVIOUS APPLICATION	THIS PERIOD					% (G / C)
1				0.00	0.00	0.00	0.00	0.00	0.00
2				0.00	0.00	0.00	0.00	0.00	0.00
3				0.00	0.00	0.00	0.00	0.00	0.00
4				0.00	0.00	0.00	0.00	0.00	0.00
5				0.00	0.00	0.00	0.00	0.00	0.00
6				0.00	0.00	0.00	0.00	0.00	0.00
7				0.00	0.00	0.00	0.00	0.00	0.00
8				0.00	0.00	0.00	0.00	0.00	0.00
9				0.00	0.00	0.00	0.00	0.00	0.00
10				0.00	0.00	0.00	0.00	0.00	0.00
11				0.00	0.00	0.00	0.00	0.00	0.00
12				0.00	0.00	0.00	0.00	0.00	0.00
13				0.00	0.00	0.00	0.00	0.00	0.00
14				0.00	0.00	0.00	0.00	0.00	0.00
15				0.00	0.00	0.00	0.00	0.00	0.00
16				0.00	0.00	0.00	0.00	0.00	0.00
17				0.00	0.00	0.00	0.00	0.00	0.00
18				0.00	0.00	0.00	0.00	0.00	0.00
19				0.00	0.00	0.00	0.00	0.00	0.00
20				0.00	0.00	0.00	0.00	0.00	0.00
21				0.00	0.00	0.00	0.00	0.00	0.00
22				0.00	0.00	0.00	0.00	0.00	0.00
23				0.00	0.00	0.00	0.00	0.00	0.00
24				0.00	0.00	0.00	0.00	0.00	0.00
25				0.00	0.00	0.00	0.00	0.00	0.00
26				0.00	0.00	0.00	0.00	0.00	0.00
27				0.00	0.00	0.00	0.00	0.00	0.00
28				0.00	0.00	0.00	0.00	0.00	0.00
29				0.00	0.00	0.00	0.00	0.00	0.00
30				0.00	0.00	0.00	0.00	0.00	0.00
31				0.00	0.00	0.00	0.00	0.00	0.00
32				0.00	0.00	0.00	0.00	0.00	0.00
GRAND TOTAL		0.00	0.00	0.00	0.00	0.00	#DIV/0!	0.00	0.00

APPLICATION AND CERTIFICATE FOR PAYMENT

TO OWNER:	Los Angeles Facilities Group C/O Trammell Crow Company 2221 Rosecrans Ave, Suite 200 El Segundo, California 90245	PROJECT:	VCD DMH Headquarters Site 1 510 S. Vermont Los Angeles, California, 90020	APPLICATION NO:	
FROM CONTRACTOR:	Hathaway Dinwiddie Construction Company 811 Wilshire Blvd., Suite 1500 Los Angeles, California 90017	VIA CONSTRUCTION MANAGER:		PERIOD TO:	
CONTRACT FOR:		VIA ARCHITECT:	Gensler 500 S. Figueroa Los Angeles, California 90071	PROJECT NOS:	
				CONTRACT DATE:	

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment as shown below, in connection with the Contract.
Continuation sheet is attached.

1. ORIGINAL CONTRACT SUM.....	0.00
2. Net change by Change Orders.....	0.00
3. CONTRACT SUM TO DATE.....	0.00
4. TOTAL COMPLETED & STORED TO DATE.....	0.00
5. RETAINAGE 10%	
a.	
 Total Retainage	0.00
6. TOTAL EARNED LESS RETAINAGE..... (Line 4 less Line 5 Total)	0.00
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT..... (Line 6 from prior certification)	0.00
8. CURRENT PAYMENT DUE.....	0.00
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 4)	0.00

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by owner		
Total Pending / Total approved this month		
TOTALS	0.00	0.00
NET CHANGES by Change Order		0.00

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and the belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.
CONTRACTOR:

By: _____ Date: _____
Raj Turun, Project Manager
State of: California County of: Los Angeles

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018, by **Raj Turun**, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

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.

Notary Signature: _____ Commission expires: _____

CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on the on-site observations and the data comprising this application, the architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED.....

(Attach explanation if amount certified differs from the amount applied for. Initial all figures on this Application and on the Continuation Sheet that are changed to conform to the amount certified.)

CONSTRUCTION MANAGER:

By: _____ Date: _____
ARCHITECT:

By: _____ Date: _____

This certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of Owner or Contractor under this Contract.

CONTINUATION SHEET

0

APPLICATION AND CERTIFICATE FOR PAYMENT,
containing Contractor's signed Certification, is attached.
In tabulations below, amounts are stated to the nearest dollar.
Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO: 0
APPLICATION DATE: 7/2/2018
PERIOD TO: 1/0/1900

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G TOTAL COMPLETED AND STORED TO DATE (D + E + F)	H BALANCE TO FINISH (C - G)	I RETAINAGE	
			FROM PREVIOUS APPLICATION	THIS PERIOD					% (G / C)
1				0.00	0.00	0.00	0.00	0.00	0.00
2				0.00	0.00	0.00	0.00	0.00	0.00
3				0.00	0.00	0.00	0.00	0.00	0.00
4				0.00	0.00	0.00	0.00	0.00	0.00
5				0.00	0.00	0.00	0.00	0.00	0.00
6				0.00	0.00	0.00	0.00	0.00	0.00
7				0.00	0.00	0.00	0.00	0.00	0.00
8				0.00	0.00	0.00	0.00	0.00	0.00
9				0.00	0.00	0.00	0.00	0.00	0.00
10				0.00	0.00	0.00	0.00	0.00	0.00
11				0.00	0.00	0.00	0.00	0.00	0.00
12				0.00	0.00	0.00	0.00	0.00	0.00
13				0.00	0.00	0.00	0.00	0.00	0.00
14				0.00	0.00	0.00	0.00	0.00	0.00
15				0.00	0.00	0.00	0.00	0.00	0.00
16				0.00	0.00	0.00	0.00	0.00	0.00
17				0.00	0.00	0.00	0.00	0.00	0.00
18				0.00	0.00	0.00	0.00	0.00	0.00
19				0.00	0.00	0.00	0.00	0.00	0.00
20				0.00	0.00	0.00	0.00	0.00	0.00
21				0.00	0.00	0.00	0.00	0.00	0.00
22				0.00	0.00	0.00	0.00	0.00	0.00
23				0.00	0.00	0.00	0.00	0.00	0.00
24				0.00	0.00	0.00	0.00	0.00	0.00
25				0.00	0.00	0.00	0.00	0.00	0.00
26				0.00	0.00	0.00	0.00	0.00	0.00
27				0.00	0.00	0.00	0.00	0.00	0.00
28				0.00	0.00	0.00	0.00	0.00	0.00
29				0.00	0.00	0.00	0.00	0.00	0.00
30				0.00	0.00	0.00	0.00	0.00	0.00
31				0.00	0.00	0.00	0.00	0.00	0.00
32				0.00	0.00	0.00	0.00	0.00	0.00
GRAND TOTAL		0.00	0.00	0.00	0.00	0.00	#DIV/0!	0.00	0.00

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer, proposes to render its final opinion in substantially the following form:

[Delivery Date]

Los Angeles County Facilities Inc.
Seattle, Washington

Los Angeles County Facilities Inc.
Lease Revenue Bonds, Series 2018A
(Vermont Corridor County Administrative Building) (Tax-Exempt)

Los Angeles County Facilities Inc.
Lease Revenue Bonds, Series 2018B
(Vermont Corridor County Administrative Building) (Federally Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Los Angeles County Facilities Inc. (the “Issuer”) in connection with the issuance of \$297,280,000 aggregate principal amount of Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administrative Building) (Tax-Exempt) (the “Series 2018A Bonds”), and \$5,100,000 aggregate principal amount of Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administrative Building) (Federally Taxable) (the “Series 2018B Bonds” and together with the Series 2018A Bonds, the “Bonds”), issued pursuant to the Indenture, dated as of July 1, 2018 (the “Indenture”), by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Issuer, dated the date hereof (the “Tax Certificate”), relating to the Series 2018A Bonds, opinions of counsel to the Issuer, the County, the Trustee and others, certificates of the Issuer, the County, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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

events will not cause interest on the Series 2018A Bonds to be included in gross income for federal income tax purposes.

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

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

1. The Bonds constitute the valid and binding special, limited obligations of the Issuer, payable solely from the Trust Estate, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

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

3. Interest on the Series 2018A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2018A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

**CONTINUING DISCLOSURE UNDERTAKINGS
OF THE ISSUER AND THE COUNTY**

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE UNDERTAKING OF THE ISSUER

Los Angeles County Facilities Inc. (the “Issuer”) has agreed, pursuant to the Indenture of Trust dated as of July 1, 2018 (the “Indenture”) by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”), to provide certain continuing disclosure in connection with the issuance of the Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Tax-Exempt Bonds”) and Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Federally Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”) in accordance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time. Capitalized terms used in this Appendix E without definition shall have the meanings ascribed thereto in the Indenture.

The Issuer agrees as follows:

(a) Financial Statements/Operating Data. The Issuer agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board (“MSRB”), the following annual financial information and operating data for the prior fiscal year:

- (1) Annual financial statements showing ending fund balances for the Issuer prepared in accordance with generally accepted accounting principles; and
- (2) Information regarding material changes to the Facilities Lease, Rent delinquencies, changes in tenancy of the Premises and any change in Trustee, presented in substantially the form set forth on Exhibit D of the Indenture.

Such information and data described above shall be provided on or before April 1 following the end of the Issuer’s fiscal year, commencing with the report for the Issuer’s June 30, 2019 fiscal year (which is due no later than April 1, 2020). The Issuer’s current fiscal year ends June 30. The Issuer may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the Issuer may cross-reference to other documents available to the public on the MSRB’s internet website or filed with the SEC.

If not provided as part of the annual financial information discussed above, the Issuer shall provide the Issuer’s audited annual financial statement prepared in accordance with generally accepted accounting principles, when and if available, to the MSRB.

(b) Enumerated Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material

notices or determinations with respect to the tax status of the Tax-Exempt Bonds, or other material events affecting the tax status of the Tax-Exempt Bonds;

7. Modifications to the rights of Bond Owners, if material;
8. Bond calls, if material, and tender offers for the Bonds;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition of the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

(c) Notification Upon Failure to Provide Financial Data. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information and operating data described in subsection (a) above on or prior to the date set forth in subsection (a) above.

(d) Additional Information. In addition to the information required to be provided under the Rule, the Issuer agrees to provide in a timely manner to the MSRB, notice (i) if the County ceases to be the lessee of the Premises, and (ii) if the Facilities Lease expires or terminates.

(e) EMMA; Format for Filings With the MSRB. Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) Termination/Modification. The Issuer's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the Issuer (1) obtains an Opinion of Bond Counsel to the effect that those portions of the Rule that require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies the MSRB of such opinion and the cancellation of this section.

Notwithstanding any other provision of the Indenture including without limitation the provisions of Article IX, the Issuer may amend Section 11.12 (The Issuer's Compliance With Continuing Disclosure Requirements of the SEC) of the Indenture, and any provision of such Section may be waived, with an Opinion of Bond Counsel to the effect that such amendment or waiver is consistent with and does not violate the Rule.

In the event of any amendment or waiver of a provision of Section 11.12 (The Issuer's Compliance With Continuing Disclosure Requirements of the SEC) of the Indenture, the Issuer shall describe such

amendment or waiver in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (b) of Section 11.12 (The Issuer's Compliance With Continuing Disclosure Requirements of the SEC) of the Indenture, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**FORM OF CONTINUING DISCLOSURE CERTIFICATE
OF THE COUNTY**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the County of Los Angeles (the “County”) in connection with the issuance of the Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Tax-Exempt Bonds”) and Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Federally Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”) by the Los Angeles County Facilities Inc. (the “Issuer”). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of July 1, 2018 (the “Indenture”) by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

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

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than April 1 after the end of the County’s fiscal year, commencing with the report for the County’s June 30, 2018 fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the County may be submitted

separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the County) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the County for the preceding fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the County, the Annual Report shall also include the following:

- (1) Assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;
- (2) Summary financial information on revenues, expenditures and fund balances for the fiscal year of the County most recently ended;
- (3) Summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;
- (4) Summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;
- (5) Summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and
- (6) The ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been made available to the public on the MSRB's website. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes; or
- (9) Bankruptcy, insolvency, receivership or similar event of the obligated person.

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

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

- (1) Unless described in paragraph 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Tax-Exempt Bonds or other events affecting the tax status of the Tax-Exempt Bonds;
- (2) Modifications to rights of Bond holders;
- (3) Optional, unscheduled or contingent Bond calls;
- (4) Release, substitution, or sale of property securing repayment of the Bonds;
- (5) Non-payment related defaults;
- (6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

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

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the County determines would be material under applicable federal securities laws, the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Los Angeles or in U.S. District Court in or nearest to the County of Los Angeles. The sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: July 26, 2018.

COUNTY OF LOS ANGELES

By: _____
Authorized Signatory

CONTINUING DISCLOSURE EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligor: County of Los Angeles

Name of Bond Issue: Los Angeles County Facilities Inc.
Lease Revenue Bonds, Series 2018A
(Los Angeles County Department of Mental Health
Headquarters Building Project) (Tax-Exempt)
and
Los Angeles County Facilities Inc.
Lease Revenue Bonds, Series 2018B
(Los Angeles County Department of Mental Health
Headquarters Building Project) (Federally Taxable)

Date of Issuance: July 26, 2018

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the County, dated the Date of Issuance. [The County anticipates that the Annual Report will be filed by _____.]

Dated: _____

COUNTY OF LOS ANGELES

By: _____

APPENDIX F
BOOK-ENTRY ONLY SYSTEM

[THIS PAGE INTENTIONALLY LEFT BLANK]

BOOK-ENTRY ONLY SYSTEM

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an Authorized Officer of DTC. One fully registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an

Authorized Officer of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

NONE OF THE AUTHORITY, THE COUNTY, THE UNDERWRITERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE

PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR PREPAYMENT.

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

[THIS PAGE INTENTIONALLY LEFT BLANK]

