

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, 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 individual alternative minimum tax. Bond Counsel observes that interest on the Federally Taxable Bonds is not excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Federally Taxable Bonds is not excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. 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.”

\$212,135,000**LOS ANGELES COUNTY FACILITIES 2 INC.****\$205,910,000**

**Lease Revenue Bonds, Series 2024A
(Vermont Corridor Site 2)
(Tax-Exempt)**

\$6,225,000

**Lease Revenue Bonds, Series 2024B
(Vermont Corridor Site 2)
(Federally Taxable)**

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

Los Angeles County Facilities 2 Inc. (the “Issuer”), a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the Code, is issuing its \$205,910,000 Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt) (the “Tax-Exempt Bonds”) and its \$6,225,000 Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (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 August 1, 2024 (the “Indenture”) by and between the Issuer and U.S. Bank Trust Company, National Association. 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, 2024. 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 on a site (located at 550 South Vermont Avenue and 3175 West 6th Street in the City of Los Angeles, California (the “Land”) owned by the County and leased to the Issuer pursuant to a ground lease, consisting of (i) renovation and expansion of the existing office building comprised of (a) approximately 154,793 gross square feet of existing space renovated to Class A office space, including two ground floor retail spaces of approximately 1,000 square feet each, (b) an extension of the existing building floorplates to include an additional approximately 88,340 gross square feet of new Class A office space, for a total of approximately 243,133 gross square feet of Class A office space, (c) approximately 12,050 gross square feet of renovated subterranean back-of-house support space, and (d) an elevated pedestrian walkway connecting the existing office building to the terrace level of the neighboring office building commonly known as 510 South Vermont Avenue ((a), (b), (c) and (d) collectively, the “Office Building”), (ii) the installation of approximately 10 surface parking spots and landscaping located on the Land; and (iii) demolition of the existing 52,000 square foot former Department of Workforce Development, Aging and Community Services headquarters and adjacent two-story parking structure located on the Land, all to serve as office space and related ancillary facilities for various County departments, commissions and staff (collectively, the “Project”), (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 Office Building, surface parking, landscaping and such other improvements as may be located on the Land from time to time (together with the Issuer’s leasehold interest in the Land, the “Premises”), pursuant to a Facilities Lease Agreement, dated as of August 1, 2024 (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 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 have 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 and secured solely as provided in the Indenture and the Other Documents (as described herein), primarily by the Trust Estate (as defined herein) as provided in 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 are special, limited obligations of the Issuer payable solely and secured solely as provided in the Indenture and the Other Documents, primarily by the Trust Estate as provided in 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 Jordan & Shapiro LLP, Los Angeles, California, for the County by the County Counsel’s Office, Loeb and Loeb, LLP, and Hawkins Delafield & Wood LLP, Disclosure Counsel, 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 August 22, 2024.

Barclays**Stern Brothers****Cabrera Capital Markets, LLC****Backstrom McCarley Berry & Co., LLC****Academy Securities**

MATURITY SCHEDULE

\$205,910,000
LOS ANGELES COUNTY FACILITIES 2 INC.
Lease Revenue Bonds, Series 2024A
(Vermont Corridor Site 2)
(Tax-Exempt)

Due (June 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] (Base 54531P)	Due (June 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] (Base 54531P)
2029	\$ 300,000	5.000%	2.430%	AA7	2037	\$4,905,000	5.000%	2.790% ^C	AJ8
2030	3,485,000	5.000	2.440	AB5	2038	5,150,000	5.000	2.850 ^C	AK5
2031	3,660,000	5.000	2.470	AC3	2039	5,405,000	5.000	2.940 ^C	AL3
2032	3,845,000	5.000	2.490	AD1	2040	5,680,000	5.000	3.040 ^C	AM1
2033	4,035,000	5.000	2.540	AE9	2041	5,960,000	5.000	3.150 ^C	AN9
2034	4,235,000	5.000	2.580	AF6	2042	6,260,000	5.000	3.230 ^C	AP4
2035	4,450,000	5.000	2.670 ^C	AG4	2043	6,570,000	5.000	3.310 ^C	AQ2
2036	4,670,000	5.000	2.720 ^C	AH2	2044	6,900,000	5.000	3.360 ^C	AR0

\$40,235,000 5.250% Term Bonds due June 1, 2049; Yield – 3.650%^C; CUSIP[†]: 54531PAS8
 \$51,970,000 5.250% Term Bonds due June 1, 2054; Yield – 3.780%^C; CUSIP[†]: 54531PAT6
 \$38,195,000 5.250% Term Bonds due June 1, 2057; Yield – 3.830%^C; CUSIP[†]: 54531PAU3

\$6,225,000
LOS ANGELES COUNTY FACILITIES 2 INC.
Lease Revenue Bonds, Series 2024B
(Vermont Corridor Site 2)
(Taxable)

\$6,225,000 4.538% Term Bonds due June 1, 2029; Yield – 4.538%; CUSIP[†]: 54531PAV1

[†] CUSIP® is a registered trademark of The American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of The American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Issuer, the County, the Underwriters or their respective agents or counsel assume responsibility for the accuracy of such numbers.

^C Yield calculated based on June 1, 2034 first optional redemption date.

LOS ANGELES COUNTY FACILITIES 2 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

Lindsey P. Horvath	Third District (Chair)
Hilda L. Solis	First District
Holly J. Mitchell	Second District
Janice Hahn	Fourth District
Kathryn Barger	Fifth District
Edward Yen	Executive Officer-Clerk Board of Supervisors

County Officials

Fesia A. Davenport	Chief Executive Officer
Dawyn R. Harrison	County Counsel
Elizabeth Buenrostro Ginsberg	Treasurer and Tax Collector
Oscar Valdez	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 Trust Company, 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, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” 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 believed to be 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.

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OFFICIAL STATEMENT

\$212,135,000

LOS ANGELES COUNTY FACILITIES 2 INC.

\$205,910,000

**Lease Revenue Bonds, Series 2024A
(Vermont Corridor Site 2)
(Tax-Exempt)**

\$6,225,000

**Lease Revenue Bonds, Series 2024B
(Vermont Corridor Site 2)
(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 2 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 \$205,910,000 Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt) (the “Tax-Exempt Bonds”) and its \$6,225,000 Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (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 August 1, 2024 (the “Indenture”) by and between the Issuer and U.S. Bank Trust Company, National Association. 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 on a site (located at 550 South Vermont Avenue and 3175 West 6th Street in the City of Los Angeles, California (the “Land”)) owned by the County and leased to the Issuer pursuant to a ground lease, consisting of (i) renovation and expansion of the existing office building comprised of (a) approximately 154,793 gross square feet of existing space renovated to Class A office space, including two ground floor retail spaces of approximately 1,000 square feet each, (b) an extension of the existing building floorplates to include an additional approximately 88,340 gross square feet of new Class A office space, for a total of approximately 243,133 gross square feet of Class A office space, (c) approximately 12,050 gross square feet of renovated subterranean back-of-house support space, and (d) an elevated pedestrian walkway connecting the existing office building to the terrace level of the neighboring office building commonly known as 510 South Vermont Avenue ((a), (b), (c) and (d) collectively, the “Office Building”), (ii) the installation of approximately 10 surface parking spots and landscaping located on the Land; and (iii) demolition of the existing 52,000 square foot former Department of Workforce Development, Aging and Community Services headquarters and adjacent two-story parking structure located on the Land, all to serve as office space and related ancillary facilities for various County departments, commissions and staff (collectively, the “Project” and, together with the Land 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 Land 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 August 1, 2024 (the “Ground

Lease”), by and between the County, as ground lessor, and the Issuer, as ground lessee. Unless extended pursuant to its terms, the Ground Lease 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 have been conveyed by the Issuer to the County pursuant to the Facilities Lease (as hereafter defined).

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 dated as of August 1, 2024 (the “Facilities Lease”), by and between the County, as tenant, and the Issuer, as landlord. Pursuant to the terms of the Facilities Lease, the County will not be entitled to occupy the Premises, and will not be obligated to pay Rent, 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 in advance on the Rent Commencement Date and thereafter in advance on each June 1 and December 1 (each a “Rent Payment Date”) throughout the term of the Facilities Lease. Base Rent, together with amounts of capitalized interest prior to the Rent Commencement Date, 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 August 1, 2024 (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 March 2019 under the California Nonprofit Public Benefit Corporation Law (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 (as defined below) 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 40 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 July 12, 2024. By Ordinance No. 2024-0037 passed on June 25, 2024, and effective July 25, 2024, 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 June 4, 2024.

Description of the Bonds

The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof within a maturity (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, 2024.

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 and secured solely as provided in the Indenture, the Ground Lease, the Facilities Lease, the Deed of Trust, the Development Agreement and certain other documents as set forth in the Indenture (collectively, the "Other Documents"), primarily by 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 general revenues of the County. The Bonds are not a debt or general obligation of the County. 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 as further set forth in the Facilities Lease ("Additional Rent"). See "THE PROJECT." The Facilities Lease is an absolute net lease.

Pursuant to the Facilities Lease, the County shall pay Base Rent to the Trustee without deduction, offset, prior notice or demand in advance on the Rent Commencement Date and thereafter in advance on each Rent Payment Date throughout the term of the Facilities Lease. 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 on the Rent Commencement Date shall equal the prorated amount attributable to the period occurring between the Rent Commencement Date and the next following Rent Payment Date, and the last Base Rent payment shall equal the prorated amount attributable to the period occurring between the last Rent Payment Date and the Expiration Date (as defined below). 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), the Annual Capital Repair Reserve Payment and Capital Expenditures and Alterations by Landlord (each as defined in the Facilities Lease) 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 (1) in the event that (a) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date 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 (as defined therein) 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 have 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 of the Facilities Lease, in the event of a 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. 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 August 1, 2024 (the “Deed of Trust”) for the benefit of the Trustee, and the Assignment of Leases and Cash Collateral, dated as of August 1, 2024 (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 are special, limited obligations of the Issuer payable solely and secured solely as provided in the Indenture and the Other Documents, primarily by the Trust Estate as provided in 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, construction, furnishing and equipping phases of the Project for an amount not to exceed \$210 million (the “Fixed Price”), and to deliver the completed Project to the Issuer on or before March 23, 2027 (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 “Construction Contract”) between the Issuer and Snyder Langston, LLC, a Delaware limited liability company (the “General Contractor”), the general contractor for the Project, or another qualified general contractor proposed by the Developer and approved by the Issuer with the County’s concurrence. The 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 Project, and provisions for indemnification of claims arising out of the 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 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) 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. **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 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 security interest, pledge, or a lien on the Trust Estate on a parity with the security interest, pledge or 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, 2025 with respect to the fiscal year ended June 30, 2024, 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, 2025 with respect to the fiscal year ended June 30, 2024, 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 the 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 the financing or refinancing of the costs of designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment on a site (located at 550 South

Vermont Avenue and 3175 West 6th Street in the City of Los Angeles, California) owned by the County and leased to the Issuer pursuant to the Ground Lease, consisting of (i) renovation and expansion of the existing office building comprised of (a) approximately 154,793 gross square feet of existing space renovated to Class A office space, including two ground floor retail spaces of approximately 1,000 square feet each, (b) an extension of the existing building floorplates to include an additional approximately 88,340 gross square feet of new Class A office space, for a total of approximately 243,133 gross square feet of Class A office space, (c) approximately 12,050 gross square feet of renovated subterranean back-of-house support space, and (d) an elevated pedestrian walkway connecting the existing office building to the terrace level of the neighboring office building commonly known as 510 South Vermont Avenue that is part of the Site 1 Project described below ((a), (b), (c), and (d) being previously defined as the “Office Building”), (ii) the installation of approximately 10 surface parking spots (“Surface Parking Spaces”) and landscaping located on the Land; and (iii) demolition of the existing 52,000 square foot former Department of Workforce Development, Aging and Community Services headquarters and adjacent two-story parking structure located on the Land, all to serve as office space and related ancillary facilities for various County departments, commissions and staff.

The Project is the third of three related projects being undertaken by the County as part of its Vermont Corridor Development Plan (the “Vermont Corridor Development Plan”). The first project (the “Site 1 Project”) consisted of the construction of a new office building located at 510 South Vermont Avenue 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 a separate 10-story garage structure, located at 523 Shatto Place, containing approximately 768 parking spaces (the “Shatto Garage”), all to serve as the headquarters and office space for the County. The Site 1 Project utilized a development and financing structure similar to the structure described herein for the Project, using the proceeds of \$302,380,000 in tax-exempt and taxable bonds issued by Los Angeles County Facilities Inc., a California nonprofit corporation that is related by common management to the Issuer (“LACF”). The Site 1 Project was completed in October 2021.

The second project, which was completed in 2023, consisted of the 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, only the Project will be financed with proceeds of the Bonds and only the Project will secure payment of the Bonds.

The Site 1 Project is adjacent to the Project, and it is anticipated that a number of agreements will be entered into among the affected parties of the Site 1 Project and the Project to facilitate development, construction and operation of the Project. First, the Issuer will enter into a parking agreement with LACF and the County, as tenant of the Site 1 Project, for the use of 610 parking spaces in the Shatto Garage by the County, as tenant of the Project, together with the non-exclusive right to use those portions of the Shatto Garage and the Site 1 Project reasonably necessary for vehicular and pedestrian ingress and egress to such parking spaces. Second, the Issuer will enter an easement agreement with LACF and the County, as fee owner of the land underlying the Site 1 Project and tenant of the Site 1 Project, for the construction and operation of the elevated pedestrian walkway described above. Third, the County, as fee owner of the land underlying the Site 1 Project, will grant a permanent easement along the boundary of the Site 1 Project adjacent to the Project to construct, install, repair and replace electrical utilities serving the Project. Fourth, the Issuer will enter into a license agreement with LACF and the County allowing the Project to temporarily access the electrical supply available through the Site 1 Project during construction of the Project. Fifth, the County, as fee owner of the land underlying the Site 1 Project, will grant a no build covenant, or execute an agreement or document reasonably required by the County Department of Building and Safety for the use and operation of the shared drive aisle along the boundary of the Site 1 Project adjacent to the Project, in order to allow the Project to comply with applicable permitting requirements. Some or all of these agreements (or memoranda thereof) may be recorded against the Project and the Site 1 Project; however, because any such recording would be later in time than the deed of trust securing the Site 1 Project bonds, these agreements, even if recorded, are subject to being extinguished in the event of a foreclosure under the Site 1 Project deed of trust.

Construction of the Project

General Construction Contract. The Project will be constructed pursuant to the Construction Contract between the Issuer and Snyder Langston, the general contractor for the Project, or another qualified general contractor proposed by Developer and approved by the Issuer.

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, construction, furnishing and equipping 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 (consisting of the Construction Contract and other contracts as described in the Development Agreement), (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 \$210 million, being the total amount to be paid by the Issuer for Project Costs. A detailed description of Project Costs by line item and category is set forth under “Project Budget” below. “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).

The Development Agreement provides that the Developer Obligation Date shall be extended for any delays resulting from the following: to the extent (i) issuance of the Bonds has not occurred on or before August 22, 2024, (ii) the Issuer has not issued its Notice to Proceed on or before August 23, 2024, (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’s Fee Payments and Incentives for Timely Completion. The Developer’s Fee under the Development Agreement is \$4,563,260, consisting of two and one-half percent (2.5%) of the Project Costs. 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 (as defined in the Development Agreement), 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 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.

The Developer will also be paid an Overhead Allowance in connection with the work in the amount of \$4,563,260, payable in installments of \$152,108.67 per month from July 1, 2024 (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 \$4,563,260 (which amount shall not be changed except as agreed to by the Issuer and the Developer).

Subject to allocation of the Project Contingency by Developer to pay for Project Costs pursuant to Section 7.7 of the Development Agreement, if all or some portion of the Project Contingency (as such amount may be increased or decreased in accordance with the terms of the Development 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 under the Development Agreement, 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 \$10,000,000	50.0%	50.0%
Amounts in excess of \$10,000,000	0.0%	100.0%

provided that, in no event shall Developer's incentive fee exceed Five Million Dollars (\$5,000,000).

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, 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. To the extent a Developer’s Fee is payable pursuant to the definitions of Owner Discretionary Costs and Other Owner Costs, the 2.5% Developer’s Fee shall also be paid with respect to Owner Discretionary Costs and Other Owner 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 and one-half percent (2.5%) 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 the Issuer and 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 the Construction Contract which shall contain the Guaranteed Maximum Construction Price. “Guaranteed Maximum Construction Price” means the maximum cost for construction of the Project, as guaranteed by the General Contractor pursuant to the terms of the Construction Contract. The 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 the General Contractor under the General Construction Contract as a result of the failure to achieve Substantial Completion of the Project 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 Project 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 Project 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 the General Contractor and deposited with Trustee as a 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.

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”) Gold certification from the U.S. Green Building Council (“USGBC”) with respect to the 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 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 Project, and the Developer shall diligently and continuously use commercially reasonable efforts to pursue such LEED certification for the Project. If the Developer has diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the Project, and the LEED certification for the Project has not been obtained within eighteen (18) months after Final Acceptance of the 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 Project has not been obtained within eighteen (18) months after Final Acceptance of the Project (subject to Unavoidable Delays), and the Developer has not diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the 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 so long as such coverage is available at commercially reasonable cost and in coverage amounts that are commercially available), 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 Requirements.*"

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 in the Project Fund 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 General Contractor does not achieve substantial completion of the work described in the Construction Contract by February 3, 2027 (as such date may be extended under the Construction Contract) (the "Required Completion Date"), a liquidated damages clause in the Construction Contract provides that the General Contractor will pay the Issuer as reimbursement for the Issuer's additional costs, starting at \$5,000 per day for days 31 to 60 after the Required Completion Date, \$10,000 per day for the next 30 days (days 61-90 after the Required Completion Date), \$20,000 per day for the next 30 days (days 91-120 after the Required Completion Date), and then \$25,000 per day for each day thereafter, until substantial completion of the Project is achieved or the General Contractor has paid 100% of the General Contractors Fee.

Cost Overruns; Sufficiency of Funds to Complete Construction. Pursuant to the Development Agreement, the Issuer 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. 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 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) 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 the Issuer to pay for all Project Costs that are the responsibility of Developer under the terms of the Development Agreement. In the event the Issuer 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 the Development 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 the Issuer's failure to deposit funds as required in connection with any Issuer-initiated change orders, the Issuer shall deposit the necessary funds into the Non-Bond Proceeds Account in the Project Fund held by the Trustee.

All costs of every nature that constitute "Other Owner Costs" shall be the responsibility, cost and expense of the Issuer or the County, as applicable, pursuant to the Facilities Lease or the Ground Lease. "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), 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 Issuer 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, and 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 Development 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 the 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 be subject to the County's prior approval, and 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, any and all management contracts relating to the Project, including the original property management contract, shall immediately terminate at the time that the Bonds are no longer Outstanding.

Capital Repairs Fund. The Indenture provides that there shall be created and held by the Trustee a separate fund designated the "Capital Repairs Fund." Pursuant to the Facilities Lease, the County shall make semi-annual deposits into the Capital Repairs Fund in an amount equal to one-half of the Annual Capital Repair Reserve Payment determined in the manner provided in the Facilities Lease. The initial Annual Capital Repair Reserve Payment shall be \$243,000, but such amount shall be subject to periodic review and adjustment as provided in the Facilities Lease. From time to time, the Trustee shall disburse amounts in the Capital Repairs Fund for capital expenditures on the Project at the request of the Issuer and the County. The Capital Repairs Fund is not part of the Trust Estate and does not secure the Bonds.

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 655 million square feet of buildings with a value exceeding \$75 billion, and currently has over \$18.8 billion of projects in-process. The local Southern California team has over 45 years of experience and expertise in development, investment and construction and has delivered over 43.4 million square feet of office, mixed use, retail and industrial space in excess of \$11 billion. In the last ten years, Trammell Crow has executed tax-exempt financial structures for the 468,000 square foot Vermont Corridor Site 1 Project at 510 S. Vermont adjacent to the Project, the Gateway at Alhambra project for the Community Development Commission of Los Angeles County, and the 2001 Soto project for the University of Southern California.

General Contractor

Snyder Langston serves as the General Contractor. Established in 1959, Snyder Langston is a real estate and construction adviser to Fortune 500, mid-size and start-up companies. It maintains a presence as one of Southern California's largest builders, and has developed millions of square feet of space across many real estate sectors. Snyder Langston has a successful track record with Trammell Crow, including the Boardwalk, and Vivo on Harbor.

Architect

M. Arthur Gensler Jr. & Associates, Inc. ("Gensler") is the architect for the 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. 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 has a successful track record with Trammell Crow and the County, including the Site 1 Project at 510 S. Vermont.

Design, Permits and Approvals

The Project Construction Document design is plan check ready. The Project will be submitted to the Los Angeles County Building and Safety Department for plan check review and approval following bond issuance. Tenant improvement spaces for the anticipated County occupants (Department of Public Health, Department of Children and Family Services, DMH, Department of Public Social Services, and Executive Office of the Board) are included as part of the plans. Various permits, including demolition permits, building permits, B-permits, city right of way permits, deferred permits, and any other permits required to complete the 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.

A final EIR for the Vermont Corridor Project was prepared by the County as lead agency and was certified by the Board of Supervisors on May 22, 2018. Under section 15164 of the State CEQA Guidelines, an Addendum (Final Vermont Site 2 Addendum) to a previously certified EIR may be prepared if none of the conditions described in State CEQA Guidelines Section 15162 calling for preparation of a Subsequent EIR have occurred. The Addendum to the final EIR was prepared for the proposed changes to the previously analyzed project, in compliance with CEQA Guidelines Sections 15164(a) and 15162 and with CEQA Section 21166.

Construction Schedule

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

Activity	Date
Ground Breaking	October 8, 2024
Building TCO	February 3, 2027
Building Tenant Improvement Complete ⁽¹⁾	February 3, 2027
Substantial Completion/Developer Obligation Date	March 23, 2027

Source: TC LA Development, Inc.

⁽¹⁾ “Building Tenant Improvement” consists of improvements requested by the County to the interior of the Office Building, 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 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 of issuance in connection with the issuance of the Bonds and (iii) 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:

<u>Activity</u>	<u>Estimated Project Cost</u>
Office Building Shell and Core and Tenant Improvements	\$152,500,000
Financed Furniture, Fixtures and Equipment Allowance	9,062,875
Environmental Allowance	1,000,000
Soft Costs, Insurance, Permits, Plan Check and Fees	23,060,605
Developer's Fee	4,563,260
Developer's Overhead Allowance	4,563,260
Contingency	15,250,000
Total:	<u>\$210,000,000</u>

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	\$ 205,910,000.00	\$ 6,225,000.00
Original Issue Premium	28,477,884.25	--
Total	<u>\$ 234,387,884.25</u>	<u>\$ 6,225,000.00</u>
<u>Uses of Funds:</u>		
Deposit to Project Fund	\$ 206,948,895.94	\$ --
Deposit to Capitalized Interest Fund ⁽¹⁾	26,280,461.11	6,188,824.64
Deposit to Costs of Issuance Fund ⁽²⁾	1,158,527.20	36,175.36
Total	<u>\$ 234,387,884.25</u>	<u>\$ 6,225,000.00</u>

⁽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, Issuer's 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, 2024 (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 June 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 June 1, 2034 are not subject to optional redemption prior to their scheduled maturity. The Tax-Exempt Bonds maturing on and after June 1, 2035, are subject to redemption, in whole or in part, in Authorized Denominations, on any date on and after June 1, 2034, 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 June 1, 2049, 2054 and 2057 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 June 1 in the years and amounts as follows:

2049 Term Bonds	
Redemption Years	Redemption Amounts
2045	\$7,245,000
2046	7,625,000
2047	8,025,000
2048	8,450,000
2049 (Final Maturity)	8,890,000

2054 Term Bonds

Redemption Years	Redemption Amounts
2050	\$9,360,000
2051	9,850,000
2052	10,365,000
2053	10,910,000
2054 (Final Maturity)	11,485,000

2057 Term Bonds

Redemption Years	Redemption Amounts
2055	\$12,085,000
2056	12,720,000
2057 (Final Maturity)	13,390,000

The principal amount of any Tax-Exempt Term 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.

The Federally Taxable Bonds maturing on June 1, 2029, are Term Taxable Bonds (the “Federally Taxable Term 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 Federally Taxable Term Bonds to be redeemed plus accrued interest to the date of redemption on June 1 in the years and amounts as follows:

2029 Term Bonds

Redemption Years	Redemption Amounts
2028	\$3,190,000
2029 (Final Maturity)	3,035,000

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 or as otherwise provided in Section 4.4 of the Facilities Lease, but without recourse against the Trustee, and the Indenture, the Ground Lease, and the Facilities Lease shall automatically terminate. Nothing in the Indenture or the Facilities Lease 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 the 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.

Conveyance of Premises. 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 or the Issuer, as applicable, 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 securing 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 such rights as exist with respect to payment, exchange and transfer of such Bonds under the pertinent provisions of the Indenture, 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. 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 so defeased. “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	
2025	\$ -	\$ 8,231,663	\$ -	\$ 218,930	\$ 8,450,593
2026	-	10,621,500	-	282,491	10,903,991
2027	-	10,621,500	-	282,491	10,903,991
2028	-	10,621,500	3,190,000	282,491	14,093,991
2029	300,000	10,621,500	3,035,000	137,728	14,094,228
2030	3,485,000	10,606,500	-	-	14,091,500
2031	3,660,000	10,432,250	-	-	14,092,250
2032	3,845,000	10,249,250	-	-	14,094,250
2033	4,035,000	10,057,000	-	-	14,092,000
2034	4,235,000	9,855,250	-	-	14,090,250
2035	4,450,000	9,643,500	-	-	14,093,500
2036	4,670,000	9,421,000	-	-	14,091,000
2037	4,905,000	9,187,500	-	-	14,092,500
2038	5,150,000	8,942,250	-	-	14,092,250
2039	5,405,000	8,684,750	-	-	14,089,750
2040	5,680,000	8,414,500	-	-	14,094,500
2041	5,960,000	8,130,500	-	-	14,090,500
2042	6,260,000	7,832,500	-	-	14,092,500
2043	6,570,000	7,519,500	-	-	14,089,500
2044	6,900,000	7,191,000	-	-	14,091,000
2045	7,245,000	6,846,000	-	-	14,091,000
2046	7,625,000	6,465,638	-	-	14,090,638
2047	8,025,000	6,065,325	-	-	14,090,325
2048	8,450,000	5,644,013	-	-	14,094,013
2049	8,890,000	5,200,388	-	-	14,090,388
2050	9,360,000	4,733,663	-	-	14,093,663
2051	9,850,000	4,242,263	-	-	14,092,263
2052	10,365,000	3,725,138	-	-	14,090,138
2053	10,910,000	3,180,975	-	-	14,090,975
2054	11,485,000	2,608,200	-	-	14,093,200
2055	12,085,000	2,005,238	-	-	14,090,238
2056	12,720,000	1,370,775	-	-	14,090,775
2057	13,390,000	702,975	-	-	14,092,975
TOTAL⁽²⁾	\$205,910,000	\$239,675,500	\$6,225,000	\$1,204,130	\$453,014,630

⁽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 and secured solely as provided in the Indenture and the Other Documents, primarily by the Trust Estate as provided in 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 director, 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 director, 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 director, 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 all of the Issuer's right, title and interest in, to and under the following, whether now owned or hereafter acquired, (i) 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 money, earnings, revenues, rights to the payment of money, receivables, accounts, instruments, and general intangibles, including, without limitation, all rents, issues, profits, income, revenues and receipts derived by the Issuer in any fashion from the Premises, and all rights to be paid any of the foregoing, (ii) the Premises; (iii) all Revenues and all rights to be paid any of the Revenues and all Other Documents; (iv) 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; (v) all Accounts, all other Funds and Accounts established under the Indenture, all investments of any of the foregoing, and all money, instruments, investment property, and other property on deposit in or credited to any Account or any other Fund or Account established under the Indenture or held by the Trustee, except for the Rebate Fund and the Capital Repairs Fund and money held in the Rebate Fund or the Capital Repairs Fund; (vi) all accounts, chattel paper, commercial tort claims, deposit accounts, documents, general intangibles, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, and other minerals; (vii) any and all other property of every kind and nature from time to time hereafter granted, pledged, assigned or transferred by delivery or by writing of any kind, as and for additional security by the Issuer, the County or by anyone on its or their behalf to the Trustee, which is authorized to receive the same at any time as additional security under the Indenture; and (viii) all proceeds of all of the foregoing; provided, however, that the Trust Estate shall not include the Rebate Fund, the Capital Repairs Fund, money, instruments, investment property, or other property on deposit in or credited to the Rebate Fund or the Capital Repairs Fund, or payments under the Facilities Lease for deposit into the Capital Repairs Fund, Administrative Fees and Expenses, or Rebatable Arbitrage.

"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 herein), but not including (i) Administrative Fees and Expenses, (ii) Rebataable 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 in advance on the Rent Commencement Date and thereafter in advance on each Rent Payment Date throughout the term of the Facilities Lease. 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 on 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. 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 the Facilities 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. As of the Effective Date of the Facilities Lease, the County and the Issuer have agreed and determined that the Fair Market Rent for the Premises is not less than \$16 million per annum.

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 the caption “Abatement” below.

The County’s obligation to pay Rent, including Base Rent, is a general fund obligation of the County. 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. 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.

See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – Facilities Lease – *Base Rent; Conveyance of Premises.*”

In the event that Substantial Completion of the Project is not achieved by the Developer Obligation Date, and as a consequence the Rent Commencement Date has not occurred, 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 the 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 the Construction Contract including, without limitation, provisions requiring the payment of liquidated damages in the event that the General Contractor fails to achieve completion of construction of the Project by the date set forth in the General Construction Contract. Amounts received from the 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 (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.

Assignment of Project; Subletting

The Facilities Lease provides that, except as provided in the Indenture and allowed by the Ground Lease, the Issuer shall not sell, transfer, convey, or assign all or any portion of its interest in the Facilities Lease or in the Premises (except to Trustee) without the prior written consent of the County (which may be granted or withheld at the County's sole and absolute discretion) and a Favorable Opinion of Bond Counsel (as defined in the Indenture) shall have been delivered to Trustee. In addition, the County shall not sell, transfer, convey, or assign all or any portion of its interest in the Facilities Lease or in the Premises without the prior written consent of the Issuer (which may be granted or withheld at the Issuer's sole and absolute discretion) and a Favorable Opinion of Bond Counsel, which shall have been delivered to Trustee.

Pursuant to the Facilities Lease, any sale, transfer, conveyance, assignment, or sublease as described under this caption shall be in writing and shall require the purchaser, transferee, grantee, assignee, or subtenant to comply fully with the terms of the Facilities Lease and the Ground Lease, including, without limitation, the provisions of the Facilities Lease regarding use of the Premises. Any attempted sale, transfer, conveyance, assignment or sublease in material violation of the requirements as described in this caption shall be null and void and shall constitute an event of default under the Indenture.

Notwithstanding the foregoing, upon the County's election, the Issuer shall sublease from the County a portion of the Premises consisting of approximately two (2) one-thousand (1,000) square foot spaces located within the ground floor retail space of the Office Building (the "Retail Spaces"), or a portion thereof, pursuant to a lease agreement (a "Retail Space Lease"), provided that the sole purpose of executing a Retail Space Lease shall be for the Issuer to sub-sublease the Retail Spaces or portions thereof to a Retail Space Lessee (each, a "Retail Space Sublease"). The Issuer's rent obligation under the Retail Space Lease shall be to pay to the County the balance remaining, if any, from the rent (base or additional), operating expense reimbursements or other amounts paid to the Issuer by the Retail Space Lessee pursuant to the Retail Space Sublease, after first deducting any leasehold excise or other similar tax payable by the Issuer, and all management and leasing fees, administration costs, leasing commissions, operating expenses, utilities, repair costs, legal fees and similar costs and expenses incurred by the Issuer in connection with the Retail Space Sublease. Each Retail Space Sublease and the permitted use thereunder shall be subject to (i) the provisions of the Facilities Lease regarding use of the Premises, (ii) the Issuer and the County receiving a Favorable Opinion of Bond Counsel, which shall have been delivered to Trustee, and (iii) all Applicable Laws. The County shall have the right to select, by written notice to the Issuer, the third party user of all or any portion of the Retail Spaces (collectively, the "Retail Space Lessees"), subject to the requirements described above.

Absolute Net Lease

The Facilities Lease is an absolute net lease. In addition to Base Rent, 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 the business day prior to 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 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, pledge, and security interest 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 in trust with the Trustee a separate Fund designated the “Capitalized Interest Fund,” and shall establish therein and maintain in trust with the Trustee separate Accounts designated the “Series 2024A Capitalized Interest Account” and the “Series 2024B Capitalized Interest Account.” The Trustee shall use the moneys deposited in the Series 2024A Capitalized Interest Account to make transfers to the Interest Account to pay interest accrued on the Series 2024A Bonds until the end of the Tax-Exempt Capitalized Interest Period. Upon providing the Trustee with notice of a Project Completion Date, the Issuer shall direct the Trustee as to the amount that can be transferred to the Interest Account to pay interest accrued but unpaid on the Series 2024A Bonds until such Project Completion Date. Effective on the Project Completion Date, the balance on hand in the Series 2024A Capitalized Interest Account, 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. The Trustee shall use the moneys deposited in the Series 2024B Capitalized Interest Account to make transfers to the Interest Account to pay interest accrued on all of the Series 2024B Bonds until the Rent Commencement Date. The Trustee shall also use the moneys deposited in the Series 2024B Capitalized Interest Account to pay interest accrued on the Series 2024A Bonds until the Rent Commencement Date. Effective on the Rent Commencement Date, the balance on hand in the Series 2024B Capitalized Interest Account, 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.

Deposits into the Bond Fund

Following the issuance of the Bonds and until the Substantial Completion 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 Substantial Completion 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, pledge, and security interest of the Trustee for the benefit of the Owners of Bonds on such money shall be first and prior to the lien, pledge, or security interest of any other Person thereon.

Additional Rent

From and after the Rent Commencement Date, 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 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 security interest, pledge, or lien on the Trust Estate on a parity with the security interest, pledge, and 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 August 1, 2024 (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, 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. Such earth movement and flood insurance, if available at a commercially reasonable cost and in coverage amounts which are commercially available, shall include twenty-four (24) months of rental interruption coverage and shall name the Trustee as loss payee as its interests may appear. 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".

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 the 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 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, after Substantial Completion of the Project, 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 be required to indemnify the Trustee pursuant to the Unsecured Environmental Indemnity Agreement, dated as of August 1, 2024, 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 the 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 the Issuer, the 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 the Issuer or the 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 August 1, 2024 (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 exercise its rights and remedies as set forth above and in Section 23 of the Facilities Lease (which rights and remedies do not include the right to terminate the Facilities Lease or the Ground Lease so long as the Bonds remain Outstanding), 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, but in any event, not more than an additional ninety (90) days. 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—*Developer Payments for Late Project Delivery*" and "*—Cost Overruns; Sufficiency of Funds to Complete Construction.*"

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 and 501(c)(3) organization organized in March 2019 under the Nonprofit Public Benefit Corporation Law of the State (Corporations Code Sections 5110 *et seq.*) exclusively to act as a supporting organization described in Section 509(a)(3) of the Internal Revenue Code authorized to benefit, perform the functions of and/or assist in carrying out the governmental purposes of the County, 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 to

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 in 2016 under the laws of the State of Washington. PFG’s primary purpose is to form single purpose 501(c)(3) organizations, including the Issuer, to structure, finance, develop, own and operate specific public facilities on behalf of governmental entities, and to act as a supporting organization to such governmental entities. However, the Issuer, like the other such organizations formed 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 August 1, 2024 (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 the foregoing, 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 Tax-Exempt 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

Since PFG's formation in 2016, single purpose 501(c)(3) organizations formed by PFG have successfully undertaken three projects in the State. In 2018, Los Angeles County Facilities Inc., a California nonprofit public benefit corporation of which PFG is the sole member, issued \$297,280,000 in tax-exempt bonds and \$5,100,000 in taxable bonds to finance the construction of the adjacent Site 1 Project on behalf of the County. The Site 1 Project was completed in October 2021, ahead of schedule and under-budget, and was the recipient of the Los Angeles Business Council's 2022 Annual Architectural Award (Civic Category). Also in 2018, Salinas Public Facilities Inc, a California nonprofit public benefit corporation of which PFG is the sole member, issued tax-exempt bonds to finance two projects on behalf of the City of Salinas, California: the approximately \$56 million Salinas Police Services Headquarters, and the approximately \$21 million El Gabilan Branch Library. Both projects were completed on time and on budget.

Prior to forming PFG in 2016, the principals of the Issuer had extensive experience in the structuring, development, financing and management of economic development projects on behalf of a variety of governmental entities as employees of The National Development Council (now Grow America). John Finke, the President and chairman 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.

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 served on the Board of the Pike Place Market Preservation and Development Authority from 1989 to 2015. 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 in Seattle. Ms. Birkenkopf received her B.A. from the University of Washington.

Matt Calcavecchia, Director and Vice President. Mr. Calcavecchia is also a 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 and secured solely as provided in the Indenture and the Other Documents, primarily by 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 (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 the 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. The General Contractor is required to obtain payment and performance bonds to insure its performance under the Construction Contract, and no payments will be made to the General Contractor under that contract until those bonds are in place.

Proceeds of the Bonds will fund capitalized interest. The 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 March 2027. However, in the event that Substantial Completion is significantly delayed beyond such date, there may be insufficient capitalized interest to cover all interest payments as they come due.

Additional Obligations of the County

The County has the ability 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.” 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.

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 (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 Issuer’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 and the Other Documents, 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 or any other affiliate of the Issuer, 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 or any such affiliate, 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 or any such affiliate 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 or such affiliate. 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 or such affiliate. 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 Facilities Lease, but the County as owner may still be able to use the Premises 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 Premises 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 Premises 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 Facilities Lease assigns to the Trustee the Issuer's rights to receive payments from the County and the Issuer's rights to enforce the Facilities 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 Facilities Lease against the County and the Issuer may be able to require that the County make all payments under the Facilities 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 Facilities Lease, the Ground Lease or the other transaction documents.

The occurrence of any of these events, 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 Issuer as a debtor in possession could take action which could adversely affect the exclusion of the interest on 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, (a) the right to 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 to enforce all of its rights and remedies under the Facilities Lease, including the right to recover Base Rent payments as they become due thereunder 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 Facilities 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 August 8, 2022 (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 that while the site contains three oil wells, the testing found that no evidence of soil impacted with TPH, VOCs, SVOCs, PCBs, or CCR metals above the SLs was encountered in the analyzed soil samples; no TPH, VOCs, SVOCs, PCBs, or CCR metals above the MCLs was encountered in the analyzed groundwater sample; and no methane concentrations were encountered and there were no measurable gas pressures detected in the methane test areas/borings. The VOCs concentrations detected in the soil gas samples were below the SLs. None of the detected compounds concentrations exceeded the soil gas screening levels calculated using an attenuation factor of 0.03. Therefore, a vapor encroachment condition indicative of vapor intrusion is not present at the Site. 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 of the Ground Lease; (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 funds to pay for Environmental Work for which it is responsible and environmental clean-up costs exceeding the line item allowance amount for environmental clean-up set forth in the Project Budget.

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 Issuer is required to maintain builder’s risk course

of construction insurance, which is to include an endorsement for earthquakes (so long as such coverage is available at commercially reasonable cost and in coverage amounts that are commercially available). 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 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. Such earth movement and flood insurance, if available at a commercially reasonable cost and in coverage amounts which are commercially available, shall include twenty-four (24) months of rental interruption coverage and shall name Trustee as loss payee as its interests may appear. The County presently maintains earthquake insurance on certain of its properties, including the Land and the improvements currently thereon. However, the County is not obligated to continue such insurance and, in any event, 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, and is under no obligation to do so. 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."

Public Health Emergencies

There can be no assurance that the spread of an epidemic or a pandemic, or similar public health emergency, will not materially impact both local and national economies and, accordingly, have a materially adverse impact on the source of payment of Base Rent under the Facilities Lease. No assurance can be given that the County would receive federal aid akin to the aid it received in 2020 and 2021 if another pandemic or similar public health emergency were to occur.

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 Tax-Exempt 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 Tax-Exempt Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Tax-Exempt Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Tax-Exempt 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 Tax-Exempt 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

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County ("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 individual alternative minimum tax. Bond Counsel observes that interest on the Federally Taxable Bonds is not excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. 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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

The following discussion summarizes certain United States federal income tax considerations generally applicable to U.S. Holders (as defined in the Federally Taxable Bonds discussion, below) of the Bonds that acquire their Bonds in the initial offering, and does not address tax considerations applicable to any investors in the Bonds other than investors that are U.S. Holders.

Tax-Exempt Bonds

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 exempt from 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 semiannually (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 trade or business 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 expresses 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, 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

The following discussion summarizes certain U.S. federal income 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 income tax considerations 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, investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. 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).

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.

To the extent that the issue price of any maturity of the Federally Taxable Bonds is less than the amount to be paid at maturity of such Federally Taxable Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Federally Taxable Bonds) by more than a de minimis amount, the difference may constitute original issue discount (“OID”). U.S. Holders of Federally Taxable Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

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, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Federally Taxable Bond). 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 U.S. federal income 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 ("FATCA") – U.S. Holders and Non-U.S. Holders," payments of principal of, and interest on, any Federally Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation described in Section 881(c)(3)(C) of the Code, 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 "Foreign Account Tax Compliance Act ("FATCA") – U.S. Holders and Non-U.S. Holders," 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.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading “Foreign Account Tax Compliance Act (“FATCA”) – U.S. Holders and Non-U.S. Holders,” 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. Under current guidance, 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 on the Federally Taxable Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” 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, 2025, 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, 2025, 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.”

The annual report for Fiscal Year ending 2019 for the County’s Community Facilities District No. 3, Area C Special Tax 2012A Bonds and the annual report for the Fiscal Year ending 2021 for the County of Los Angeles 2012 Refunding Certificates of Participation (Disney Concert Hall Parking Garage) and the Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2018A and 2018B (Vermont Corridor County Administration Building) did not identify all applicable CUSIPs of each respective issue. The County filed notices of failure to file the annual reports and the respective annual reports with all applicable CUSIPs.

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 County. 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 Jordan & Shapiro LLP, Los Angeles, California, for the County by the County Counsel’s Office, Loeb and Loeb, LLP, and Hawkins Delafield & Wood LLP, Disclosure Counsel, 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, 2023, 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 the Independent Auditor with respect to any event subsequent to its report dated December 8, 2023.

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 Stern Brothers, Cabrera Capital Markets, LLC, Backstrom McCarley Berry & Co., LLC, and Academy Securities, Inc. (collectively, the "Underwriters"), have agreed to purchase the Bonds from the Issuer at an aggregate purchase price of \$240,121,569.62 (consisting of the aggregate principal amount of the Bonds of \$212,135,000.00, plus an original issue premium of \$28,477,884.25 and less an underwriters' discount of \$491,314.63), 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.

Academy Securities, Inc. ("Academy Securities") has provided the following sentences for inclusion in this Official Statement: Academy Securities, Inc. has entered into third-party distribution agreements with various dealers for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these third-party distribution agreements, Academy Securities may share a portion of its underwriting compensation with the respective dealers.

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 2 INC.

By: _____ /s/ John Finke
President

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APPENDIX A

THE COUNTY OF LOS ANGELES INFORMATION STATEMENT

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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 9.8 million in 2023, the County is the most populous of the 58 counties in California and the largest county in the nation, with a population greater than 40 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, with the potential to serve two additional four-year terms if re-elected by voters. 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.

On July 7, 2015, the Board of Supervisors approved a new governance structure, pursuant to which all non-elected department heads report directly to the Board of Supervisors, and all Deputy Chief Executive Officer ("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 Supervisors' 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 2022, the County experienced significant changes to its elected leadership on the Board of Supervisors. 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 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. Voters elected a new Supervisor to the Second District in

November 2020, replacing the previous Supervisor who termed out of office in December 2020. Voters elected a new Supervisor for the Third District in the November 2022 election to replace the previous Supervisor who retired in December 2022 after serving two terms.

In the November 2022 election, County voters approved Measure A, which authorizes the Board of Supervisors, by a four-fifths vote, to remove the Sheriff from office for cause, which is defined to include: violation of laws related to the Sheriff's duties; repeated neglect of the Sheriff's duties; misuse of public funds or properties; willful falsification of documents; or obstruction of an investigation into the department's conduct. In November 2022, voters also elected a new Sheriff to replace the previous Sheriff who served one term.

On July 30, 2024, the Board of Supervisors approved an ordinance and resolution authorizing a proposed amendment to the County Charter to reconstitute the County governance structure for placement on the November 5, 2024 ballot. The key provisions of the ballot measure include expanding the Board of Supervisors from five members to nine members following the 2030 redistricting process; establishing an office of the County Executive that would be elected directly by voters at the general election in 2028, and every four years thereafter, who would assume all executive and administrative powers and duties of the Board of Supervisors except for administrative oversight of the Clerk of the Board and the newly established position of County Legislative Analyst; and establishing an independent Ethics Commission by 2026 that would be charged with investigating allegations of misconduct by County officials and monitoring and enforcing laws in coordination with other agencies related to governmental ethics. If approved by a majority of voters, the ballot measure would result in a significant and historical change to the governance structure of the County.

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 countywide 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, including the COVID-19 pandemic. 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 3,399 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 countywide 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 13,242 inmates in 2023. This number includes 128 inmates who were serving their sentences outside of the jail in community-based 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 5.6 million registered voters and maintains approximately 5,544 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 183 parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 9 regional parks, 38 neighborhood parks, 20 community parks, 15 wildlife sanctuaries, 9 nature centers, 36 public swimming pools, over 200 miles of horse, biking and hiking trails, and 20 golf courses. The County also maintains four botanical centers, including the Los Angeles County Arboretum and Botanic Garden, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Gardens, which provide County residents with valuable environmental and educational resources.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

The County has a total of approximately 116,571 budgeted positions with 87.1% of the workforce represented by sixty-four (64) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union Local 721 ("SEIU"), which includes twenty-four (24) collective bargaining units that represent 57.1% of County employees; the Coalition of County Unions ("CCU"), which includes thirty-three (33) collective bargaining units representing 28.3% of County employees; and the Independent Unions (the "Independent Unions"), which encompass seven (7) collective bargaining units representing 1.7% 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-four (64) individual collective bargaining agreements for wages and salaries and an additional two (2) fringe benefit agreements with SEIU and the CCU. The Independent Unions generally receive benefits in line with those of non-represented employees.

All of the previous Memoranda of Understanding ("MOUs") with the various collective bargaining units covering wages, salaries and fringe benefits expired on dates ranging from December 31, 2020 to September 30, 2021. As the previous MOUs began to expire, the County successfully negotiated 0% Cost of Living Adjustments ("COLA") roll-over contract extensions with nearly all collective bargaining units. The 0% COLA extensions were of limited duration and designed to facilitate a new round of negotiations in early 2022.

The County previously had two MOUs with the CCU and the SEIU covering fringe benefits, which expired on June 30, 2021 and September 30, 2021, respectively. The County successfully reached agreement with the CCU and SEIU extending the fringe benefit contracts through March 31, 2022. The extended fringe benefit agreements resulted in the addition of a new "Juneteenth" County Holiday, a one-time \$1,000 payment in lieu of COLA, a \$500 COVID Appreciation Pay bonus with an additional "Hero Pay" bonus of up to \$650 for DHS employees, and a 2.5% increase in the healthcare benefit

allowance. The overall effect of these MOU extensions helped position the County to recover from the adverse financial impact of the COVID-19 pandemic without incurring additional labor-related expenditures for Fiscal Year 2021-22.

On March 31, 2020, the Board approved a hard hiring freeze that exempted critical health and safety positions as determined by the CEO. The Board also instructed the CEO to work with the Auditor-Controller to freeze non-essential purchases of services, equipment, travel and training. The Board of Supervisors also approved a temporary suspension of the County's matching contribution to the Deferred Compensation and Thrift Plan and the 401(k) Savings Plan for non-represented employees and certain represented employees covered by the Flex and MegaFlex benefit plans as of May 1, 2020. These measures were one of many strategies employed to manage the negative impact of the COVID-19 pandemic on the financial condition of the County.

As the local economy and financial outlook improved, the County rescinded the hard-hiring freeze in October 2021 for all departments except for the Sheriff's Department and a single budgetary unit within the Probation Department related to juvenile services. The County also rescinded the freeze on non-essential services, supplies and equipment purchases for all departments except for the Sheriff's Department. The suspension of the matching contributions to the Deferred Compensation and Thrift Plan and the 401(k) Savings Plan ended on June 30, 2021.

In December 2022, the Board of Supervisors approved agreements with the collective bargaining units in SEIU covering wages, salaries and fringe benefits. The agreements included salary increases of 5.5%, 3.25%, and 3.25% effective October 1, 2022, 2023 and 2024, respectively; and fringe benefit increases of 4.0%, 2.5%, and 2.0% effective January 1, 2023, 2024 and 2025, respectively. The foregoing, which establishes the COLA for all SEIU members, was used as the basis for negotiating the economic benefits for all remaining County unions. In addition, the County and bargaining units 311 (Registered Nurses) and 312 (Supervising Registered Nurses) of SEIU agreed to additional economic benefits that provide additional salary increases of 2.0% on October 1, 2023, 1.0% on October 1, 2024, and 0.25% on March 1, 2025. Based upon the above parameters, the County has closed negotiations with 23 of the 24 bargaining units represented by SEIU.

Negotiations with all 33 collective bargaining units participating in the CCU's fringe benefit agreement, and 6 of the 7 Independent Unions are complete, with settlement terms matching the 5.5%, 3.25% and 3.25% salary increases established with SEIU. Bargaining units 324 (Physicians and Veterinarians) and 325 (Mental Health Psychiatrists and Dental Professionals) ratified their successor MOUs in May 2024, and the MOUs were subsequently approved by the Board of Supervisors on June 25, 2024. One outstanding Independent Union remains which is newly formed and in the process of negotiating its first collective bargaining agreement. MOUs for most Independent Unions and a majority of the CCU units will expire September 30, 2025. A small number of public safety related bargaining units under the CCU will expire December 31, 2024 and January 31, 2025, respectively. The County and its collective bargaining units will commence negotiations for successor MOUs beginning in late summer of 2024.

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 had 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 between January 4, 1982 and January 1, 2013 had 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, 2023 was 190,327, consisting of 96,905 active members, 73,008 retired members and beneficiaries and 20,414 vested former members. Of the 96,905 active members, 84,295 are general members in General Plans A through G, and 12,610 are safety members in Safety Plans A through C.

Of the 73,008 retired members, 58,745 are general members in General Plans A through G, and 14,263 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, 2023, approximately 40% of the total active general members were enrolled in General Plan D, and 60% of all active safety members 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 of 2013 ("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 Retirement Law, 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. As of June 30, 2023, approximately 44% of the total active general members were enrolled in General Plan G, and 40% of all active safety members were enrolled in Safety Plan C. Based on the June 30, 2023 Actuarial Valuation (the "2023 Actuarial Valuation"), the total employer contribution rate for Fiscal Year 2024-25 for new employees hired on and after January 1, 2013 is 24.15% for General Plan G and 29.84% for Public Safety Plan C. The new employer contribution rates are lower than comparative rates of 24.23% for General Plan D participants and 33.23% 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.

When measuring assets to determine the unfunded actuarial accrued liability ("UAAL"), which is defined as the actuarial accrued liability ("AAL") minus the actuarial value of the assets of LACERA at a particular valuation date, the Board of Investments has elected to "smooth" gains and losses to reduce the potential volatility of its funding requirements. If in any fiscal year, the actual investment return on the Retirement Fund's assets is lower or higher than the current actuarial assumed rate of return, 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"). As a result of the 2009 Funding Policy, the smoothing period to account for asset gains and losses increased from three years to five years.

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.

UAAL and Deferred Investment Returns

In January 2023, Milliman released the 2022 Investigation of Experience for Retirement Benefit Assumptions (the "2022 Investigation of Experience"). The 2022 Investigation of Experience provided the basis for Milliman's recommended actuarial assumptions for the June 30, 2022 Actuarial Valuation (the "2022 Actuarial Valuation") and the 2023 Actuarial Valuation. The key economic assumptions proposed by Milliman

remain unchanged from the 2019 Investigation of Experience, which include maintaining the assumed investment rate of return at 7.00%, no changes in the assumed rates for wage growth, payroll growth and price inflation (currently at 3.25%, 3.25% and 2.75%, respectively), and no changes to the base mortality tables. However, Milliman recommended an update to the most recent mortality improvement scale (MP-2021) published by the Society of Actuaries, which will result in higher mortality rate assumptions (shorter life expectancy) for most retired members.

The key changes to other actuarial assumptions and methods recommended by Milliman include updating the rates of assumed merit salary increases; updating the assumed rates of service retirement to reflect a member's length of service in addition to their age; a modification to the actuarial asset smoothing method, which is expected to result in more stable employer contribution rates in future actuarial valuations; and designating the Supplemental Targeted Adjustment for Retirees Program Reserve (the "STAR Program Reserve") as a non-valuation asset.

For the 2022 Actuarial Valuation, LACERA reported a rate of return on Retirement Fund assets of 0.1%, which was lower than the 7.0% assumed rate of return. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by \$3.802 billion or 5.9% from \$64.909 billion to \$68.712 billion as of June 30, 2022. The 2022 Actuarial Valuation reported that the AAL increased by \$4.422 billion to \$86.320 billion, and the UAAL increased by \$620 million to \$17.609 billion from June 30, 2021 to June 30, 2022. As a result, the Funded Ratio as of June 30, 2022 increased to 79.6% from the prior year Funded Ratio of 79.3%.

The 2022 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2023. The County's required contribution rate will increase from 24.46% to 25.84% of covered payroll in Fiscal Year 2023-24. The components of the 1.38% increase in the employer contribution rate include a 1.88% cost decrease from the actuarial recognition of prior year investment gains, a 1.08% cost increase from the recognition of current year investment losses, and a 2.18% cost increase from actuarial assumptions and methodology changes implemented based on the 2022 Investigation of Experience.

The 2022 Actuarial Valuation does not include \$261 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 79.9% as of June 30, 2022, and the required County contribution rate would be 25.63% for Fiscal Year 2023-24.

For the 2023 Actuarial Valuation, LACERA reported a rate of return on Retirement Fund assets of 6.4%, which was lower than the 7.0% assumed rate of return. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by \$3.703 billion or 5.4% from \$68.712 billion to \$72.415 billion as of June 30, 2023. The 2023 Actuarial Valuation reported that the AAL increased by \$4.331 billion to \$90.651 billion, and the UAAL increased by \$628 million to \$18.236 billion from June 30, 2022 to June 30, 2023. As a result, the Funded Ratio as of June 30, 2023 increased to 79.9% from the prior year Funded Ratio of 79.6%.

The 2023 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2024. The County's required contribution rate will increase from 25.84% to 25.88% of covered payroll in Fiscal Year 2024-25. The components of the 0.04% net increase in the employer contribution rate include

a 0.55% cost decrease from the actuarial recognition of investment gains, a greater than assumed payroll increase and various other factors, which were offset by a 0.59% cost increase from greater than assumed salary increases.

The 2023 Actuarial Valuation does not include \$86.887 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, 2023, and the required County contribution rate would be 25.82% for Fiscal Year 2024-25.

For the nine months ended March 31, 2024, LACERA reported a net gain on Retirement Fund assets of 7.4%, which is above the actuarial assumed investment rate of return of 7.0%. 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 2020-21, 2021-22 and 2022-23, the County's total contributions to the Retirement Fund were \$1.971 billion, \$2.150 billion and \$2.243 billion, respectively. In Fiscal Year 2023-24, the County's retirement contribution payments to LACERA are estimated to be \$2.440 billion, which would represent an 8.8% or \$197.375 million increase from Fiscal Year 2022-23. For Fiscal Year 2024-25, the County is projecting retirement contribution payments to LACERA of \$2.651 billion.

A summary of actual and projected County pension payments to LACERA for the eight-year period ending June 30, 2025 is presented in Table 3 ("County Pension and OPEB Payments") at the end of this Information Statement section.

STAR Program

The 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, 2022, \$614 million is available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve is included in the Retirement Fund's valuation assets. However, there was no corresponding liability for any STAR Program benefits in the annual Actuarial Valuations that may be granted in the future. Based on the 2022 Investigation of Experience, Milliman recommended excluding the STAR Program Reserve from valuation assets commencing with the 2022 Actuarial Valuation. As of June 30, 2023, the balance of the STAR Program Reserve was \$611.5 million.

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, replaced 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 did 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 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 included additional reporting requirements, which expanded the pension-related note disclosures and supplementary information requirements.

The GASB 68 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, 2023 the County reported a Net Pension Liability of \$13.161 billion, which represents a \$6.131 billion increase from the \$7.030 billion Net Pension Liability reported as of June 30, 2022. The June 30, 2023 Net Pension Liability was calculated based on the 2022 Actuarial Valuation.

Other Postemployment Benefits (OPEB)

LACERA administers a retiree 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 began 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 continue to 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.

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 reach full funding of the OPEB actuarial determined contribution ("ADC") by incrementally increasing the annual contribution to the OPEB Trust. The County intends to comply with the OPEB Pre-funding Plan by incrementally increasing its OPEB funding by approximately \$60 million per year, which includes an annual \$25 million increase in the Net County Cost ("NCC") contribution from the General Fund and a \$35 million annual increase funded by subvention revenue.

In accordance with the OPEB Pre-funding Plan, the County contributed \$309.4 million, \$372.2 million and \$441.5 million to the OPEB Trust in Fiscal Years 2020-21, 2021-22 and 2022-23, respectively. For Fiscal Years 2023-24 and 2024-25, the County is projecting contributions to the OPEB Trust in the amounts of \$503.4 million and \$570.3 million, respectively. Based on current actuarial assumptions for the OPEB Pre-funding Plan, the OPEB ADC will be fully funded by Fiscal Year 2027-28.

As of May 31, 2024, the balance of the OPEB Trust was \$3.795 billion. For the eleven months ended May 31, LACERA reported a net gain on OPEB Trust Fund assets of 9.7%.

Investment Policy

The LACERA Board of Investments has exclusive control of all OPEB Trust 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.

OPEB Accounting Standards

In June 2015, GASB issued Statement No. 74 and Statement No. 75, which replaced previous 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, replaced 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 2016-17 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, replaced the requirements of GASB Statement No. 45 and is focused on employers (the County) providing defined OPEB benefits. GASB 75 was implemented with the issuance of the County's Fiscal Year 2017-18 financial statements. Although GASB 75 did not materially affect the existing process used to calculate the County's UAAL, it did 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 expanded the existing OPEB-related note disclosures and supplementary information.

The requirement from GASB 75 to recognize the full amount of net OPEB liabilities in the financial statements is a substantive and material change to the previous standards. Prior accounting standards only required recognition of OPEB liabilities to the extent that OPEB funding was less than the actuarially determined amount. As of June 30, 2023, the County reported a Net OPEB Liability of \$23.451 billion, which represented a \$2.073 billion or 8.1% decrease from the \$25.524 billion OPEB liability reported as of June 30, 2022. The June 30, 2023 Net OPEB Liability was calculated based on the July 1, 2021 OPEB Actuarial Valuation. The revised 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 74 and GASB 75, 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.

OPEB Contributions

In Fiscal Years 2020-21, 2021-22 and 2022-23, the total pay as you go payments from the County to LACERA for retiree health care benefits were \$668.6 million, \$692.6 million and \$713.0 million, respectively. In Fiscal Year 2023-24, pay as you go contributions to LACERA for OPEB are estimated to be \$760.0 million, which would represent a 6.6% or \$46.9 million increase from Fiscal Year 2022-23. For Fiscal Year 2024-25, the County is projecting pay as you go payments to LACERA of \$838.6 million.

Long-Term Disability Benefits

In addition to its Retiree Healthcare 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 their medical premiums.

The County has determined that the liability related to long-term disability benefits is an additional OPEB liability, which is reported as a component of the Net OPEB Liability in the Annual Comprehensive Financial Report. In Fiscal Years 2020-21, 2021-22 and 2022-23, the County made total DBP payments of \$38.7 million, \$39.9 million and \$40.6, respectively. In Fiscal Year 2023-24, the County is estimating total DBP payments in the amount of \$41.7 million. For Fiscal Year 2024-25, the County is projecting total DBP payments of \$46.9 million. As of June 30, 2023, the County's total net OPEB liability of \$24.741 billion included \$23.451 billion for retiree healthcare and \$1.289 billion for long-term disability benefits. The OPEB liability for long-term disability benefits was determined based on an actuarial valuation as of July 1, 2021.

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.

AB 218 Cases

The Child Victims Act (AB 218), which became effective January 1, 2020, extended the statute of limitations for commencing an action for recovery of damages suffered as a result of childhood sexual assault to 22 years from the date the plaintiff attains the age of majority (*i.e.*, until age 40) or within five years of the date the plaintiff discovers or reasonably should have discovered that the psychological injury or illness occurring after the age of majority was caused by sexual assault, whichever is later. AB 218 also revived a three year-window to file certain claims that were previously barred and excluded certain claims from the Government Claims Act's procedural requirements. As of July 19, 2024, the County has been served with approximately 2,342 lawsuits related to childhood sexual assault involving approximately 5,527 plaintiffs (whose age ranges from 22 to 70 years old). The majority of the plaintiffs allege they were sexually assaulted while in Department of Children and Family Services (DCFS) and/or Probation Department (Probation) placements from 1959 to 2019. The alleged perpetrators include foster parents, family members of foster parents, County employees, staff, or residents from group home facilities, including MacLaren Children's Center, which was a temporary housing facility that closed in 2003, and various probation camps and halls. The County believes that all claims revived by AB 218's three-year revival window have been filed but all claims may not have been served on the County. Most of the

pending lawsuits are in the early stages of litigation and the County cannot predict the extent of its liability in such cases, especially due to the volume of cases, the length of time since the alleged conduct may have occurred, the availability of records, whether the claimants will prevail, and if so, how final court decisions or settlement agreements with respect to such lawsuits may affect the financial status, policies or operations of the County. Nonetheless, based on existing cases that have been served, the County preliminarily estimates that liability and settlement costs relating to AB 218 could exceed \$3 billion. The County does not have insurance coverage that would cover losses stemming from AB 218 claims. The County expects it may pay for resulting liabilities from these claims through existing budget resources and is considering various options for payment of potential AB 218-related costs. Further, the County may determine to finance or refinance certain liabilities arising from AB 218 claims, which may include a phased funding process involving a combination of interim funding vehicles and long-term financing structured to complement existing debt and cash on hand. As indicated above, under AB 218, individuals who were over 26 and under 40 as of December 31, 2022, or who are within five years of discovering the psychological injury or illness occurring after the age of majority, may still timely file a lawsuit until they turn 40. The County is unable to estimate the potential liability associated with this group of potential claimants.

Additionally, Assembly Bill 452 was enacted in October 2023, and removed all time limits to file lawsuits for childhood sexual assault for conduct occurring on or after January 1, 2024. The State Assembly is considering Assembly Bill 2693, which as currently drafted, proposes to revive time barred claims for damages suffered because of childhood sexual assault by an employee of a county owned and operated juvenile probation camp or detention facility and would allow such lawsuits to be filed by December 31, 2025, regardless of when the alleged abuse occurred. The County cannot predict how many additional claims could arise against the County as a result of AB 218, Assembly Bill 452 or other enacted legislation, or whether, when, or the extent to which any liability could be imposed against the County in any particular year with respect to any such claims.

Child abuse reporting laws have evolved significantly over the past several decades. The Child Abuse and Neglect Reporting Act was enacted in California in 1980 to provide definitions and procedures for mandated reporting of child abuse. The County's policies have continued to evolve since then consistent with laws and best practices. DCFS currently maintains policies including mandatory training regarding child abuse and neglect reporting, and sexual harassment, as well as protocols and procedures for reporting and investigating allegations of employee misconduct. Probation has issued directives consistent with the Prison Rape Elimination Act, a federal law enacted in 2003 to address sexual abuse in detention facilities, as well as changes to California law. County departments including DCFS and Probation offer employees a variety of online and in-person training courses and other relevant resources, and regularly review their policies, procedures, and protocols. The County offers training and resources to all County employees to ensure consistent awareness of standards for reporting child abuse and neglect, such as mandated training on commercial sexual exploitation of children. Additionally, all County employees are subject to fingerprint-based background checks prior to employment. The County continues to explore and evolve its training and education practices to minimize child abuse.

Labor and Employment Cases

In March 2019, the Service Employees International Union, Local 721 filed a lawsuit seeking to enforce an October 2018 arbitrator's decision against the County holding that certain classes of Eligibility Workers in the Department of Public Social Services were not properly paid "bonus pay" going back to 2004. Legal arguments have been submitted and, after a mutual agreement to continue the prior hearing date of December 5, 2023, the court will hear plaintiffs' motion to confirm the arbitration award on August 14, 2024. Based on preliminary estimates, the County may face a potential liability of \$15 million.

In March 2024, a class action lawsuit was filed (*Raul Gutierrez v. Los Angeles County Probation Department*) on behalf of disabled deputy probation officers alleging that they have been intentionally denied reasonable accommodation for their injuries and work restrictions in violation of the California Fair Employment and Housing Act when they were ordered to work in the Probation Department's juvenile detention facilities to address staffing shortages. The case is in the early stages and the County is unable to determine the potential liability at this time.

On May 15, 2024, former County Sheriff Alex Villanueva filed a tort claim with the Board of Supervisors indicating his intent to sue the County for \$25 million for putting a "do not rehire" notation in his personnel file after a County oversight panel found he had violated several policies against discrimination and harassment while he was in office from 2018 to 2022. Villanueva alleges that his career was "dealt a lethal blow" when County authorities allegedly held secret, closed session meetings in the fall of 2023 without notice or due process. On June 13, 2024, Villanueva filed a lawsuit in district court claiming violation of his due process and First Amendment rights. The County has not yet had a chance to fully evaluate this lawsuit.

Public Safety Cases

In September 2019, a lawsuit was filed (*Art Hernandez et al. v. County of Los Angeles, et al.*) by eight Sheriff's Department deputies alleging that they were retaliated against and harassed by other deputies who are members of the "Banditos" subgroup. The claims include California Fair Employment and Housing Act ("FEHA") retaliation, harassment, and hostile work environment; Labor Code retaliation; assault and battery; intentional infliction of emotional distress; and negligent hiring, training, supervision, and retention. Individual plaintiffs have also alleged that the County has engaged in civil rights violations by permitting "a larger pattern of tolerance and endorsement of unconstitutional and unlawful conduct of deputies." The plaintiffs brought in the American Civil Liberties Union Foundation of Southern California ("ACLU") in March 2021. The ACLU has one claim and seeks only injunctive relief. On May 3, 2023, the court granted in part and denied in part the County's motion for summary judgment. Although the potential liability is unknown at this time, the plaintiffs' settlement demand at the last mediation session in September 2022 was approximately \$40 million. The matter is currently set for trial in July 2024. Other lawsuits have been filed based on similar allegations of misconduct related to deputy subgroup activity. Several of these cases have gone to trial and reached judgment or tentative settlement in amounts ranging from \$250,000 to \$400,000. The potential liability for the remaining cases is unknown at this time.

In August 2020, a proposed class action was filed (*Krizia Berg et al. v. County of Los Angeles, et al.*) by individuals involved in protests against police violence that took place in 2020. Plaintiffs

allege civil rights violations based on excessive force/false arrest and improper use of "less-lethal force" by Sheriff's Department deputies. Plaintiffs initially sought injunctive relief prohibiting use of "less-lethal" force on protestors as well as damages. On July 30, 2021, the plaintiffs filed a second amended complaint seeking a permanent injunction against the Sheriff's Department as well as damages. On April 3, 2024, the court granted the plaintiffs' motion for class certification and issued an order certifying three classes: (1) injunctive relief, (2) arrest, and (3) direct force. The court also ordered the parties to meet and confer regarding a plan for the provision of class notice to class members. On April 17, 2024, the County filed a petition with the Ninth Circuit Court of Appeals for permission to appeal the order granting certification of plaintiffs' classes on the grounds that the certification order illustrates the unsettled and fundamental issue of law relating to mass protest-damages class actions, and similar issues are on appeal to the Ninth Circuit and under submission in another lawsuit (*Black Lives Matter Los Angeles, et al. v. City of Los Angeles*) that involves a similar certification order relating to 2020 mass protests in the City of Los Angeles. The resolution of those legal issues in the *Black Lives Matter Los Angeles* lawsuit will likewise impact this case. On June 21, 2024, the Ninth Circuit granted the petition for permission to appeal and the County's appeal opening brief is due September 16, 2024. In light of the appeal, the proceedings have been stayed until November 15, 2024.

In February 2022, a potential Federal class action lawsuit was filed (*Agustin Herrera v. County of Los Angeles, et al.*) alleging unsafe and uninhabitable conditions for the youth housed at the County's juvenile hall facilities. The proposed class included all current and former youth detainees born on or after February 15, 2002. The plaintiff amended his complaint to allege the same conditions for youth housed at the County's juvenile camp facilities. The plaintiff contended the class allegations extend back to approximately 2014. If the class was certified, the County estimated it would consist of approximately 7,000+ members. However, before any class was certified, this matter was settled through mediation in March 2024 for \$30 million, subject to Board of Supervisors' approval. The County projects initial payments to be made in Fiscal Year 2024-25.

On April 3, 2024, the City of Lancaster filed a putative class action lawsuit (*City of Lancaster v. Los Angeles County Sheriff's Department, et al.*) against the County on behalf of all 42 contract cities ("Contract Cities") that contract with the Sheriff's Department for general law enforcement services. The lawsuit alleges that the County has made an illegal profit of more than \$10 million by overcharging the Contract Cities in violation of California Government Code section 51350, which permits the County to charge a city only those costs that are actually incurred in providing contracted services. The lawsuit alleges that due to staffing issues, the Sheriff's Department has not been able to assign as many deputies to the City of Lancaster as the city has paid for, and instead has utilized existing deputies working overtime to make up for it. The plaintiff claims that the County profits by charging the Contract Cities the full cost of services even though the County incurs less costs by utilizing existing personnel working overtime rather than filling the vacant deputy sheriff positions. An initial status conference is scheduled for July 26, 2024.

On October 13, 2022, a lawsuit was filed (*Alexander Torres v. County of Los Angeles*) alleging that Sheriff's Department detectives failed to disclose exculpatory and impeachment evidence resulting in the plaintiff's wrongful conviction for homicide and being incarcerated for over 20 years. The plaintiff's conviction was set aside in October 2021 due to evidence of a third party's culpability for the crime, and the

plaintiff was subsequently found to be factually innocent in April 2022. Plaintiff seeks damages for alleged violations of his civil rights, intentional infliction of emotional distress, and for malicious prosecution. The case is in the discovery phase and has been referred to private mediation. Plaintiff's last demand for settlement was \$27 million. The matter is currently set for trial on September 24, 2024.

On March 1, 2024, Juan Marshall Rayford and Dupree Antoine Glass filed a lawsuit (*Juan Rayford, et al. v. County of Los Angeles, et al.*) alleging that Sheriff's Department detectives falsified evidence and failed to disclose exculpatory and impeachment evidence resulting in their wrongful conviction and 17-year incarceration. On June 16, 2020, the Court of Appeal granted plaintiffs' writ of habeas corpus and vacated their conviction of 11 counts of attempted murder. The plaintiffs were found factually innocent in April 2023. The plaintiffs seek damages for alleged violations of their civil rights, negligence, and for malicious prosecution. The case is in the very early stages and discovery has not yet commenced. Given these uncertainties, the potential liability for the County is unknown at this time.

Social Services Cases

In July 2020, *Evangelina Hernandez et al. v. County of Los Angeles, et al.* was filed, arising out of the child-abuse related death of a four-year old boy in Palmdale, California in July 2019. The plaintiffs (the child's great-grandmother and three surviving siblings) have sued two named defendants and allege that DCFS failed to follow court orders, adequately investigate alleged abuse, and take the child into protective custody. The County participated in early mediation efforts in January 2021 but did not reach a resolution. In January 2022, the court sustained the non-County defendant's demurrer without leave to amend, thereby dismissing that defendant; however, the plaintiffs successfully appealed the ruling. The case is currently set for trial in February 2025. The County anticipates plaintiffs will seek \$40-50 million in damages, however the County expects its apportionment of liability, if any, to be less.

In December 2022, *A.F., a minor, et al. v. Gabriela Casarez et al.* was filed, arising out of the child-abuse related near fatality of a four-year-old boy in October 2021 while in foster care. The plaintiffs (the child, his siblings, and both parents) have sued the child's former foster parents, the County, and four DCFS social workers, alleging that the four-year-old suffered repeated physical and emotional abuse at the hands of his foster mother during the five months he and his younger brother were placed in the home. Plaintiffs allege that this abuse ultimately resulted in the child suffering a seizure due to severe head trauma that required life-saving surgery and caused permanent injury. Plaintiffs allege, *inter alia*, that DCFS failed to vet and train the foster parents adequately, and that DCFS social workers failed to follow up appropriately on prior reports of suspicious injuries to the child. This incident attracted significant media attention, and in January 2022 the Office of Child Protection issued the first of two reports noting deficiencies in DCFS's handling of the case. The County defendants have filed a demurrer, which is set for hearing in late October 2024. No trial date has been set. The case is in the early stages of discovery, settlement discussions have not yet occurred, and potential liability is unknown at this time.

In July 2023, a wrongful death lawsuit (*Sogui Godinez v. County of Los Angeles, et al.*) was filed arising out of the child-abuse related death of a five-year old child. The plaintiff is the child's mother, who alleges negligence and negligent hiring, supervision, and/or retention of employees against the County

and one DCFS social worker, claiming that the child died at the hands of his father due to the County's failure to abide by its mandatory duty to appropriately investigate reports made by the Plaintiff to the DCFS Child Protection Hotline. The child's death attracted media attention from various news outlets. Trial is currently set for January 2025 and discovery is in the early phases. The potential liability is unknown at this time.

In June 2024, a notice of claims was filed with the County indicating intent to file a wrongful death lawsuit against DCFS for damages of \$65 million, arising out of the death of one-year old Justin Bulley from an accidental fentanyl overdose on February 18, 2024. The toddler had been in the custody of DCFS but was on an approved visit with his mother. The claim was filed on behalf of the child's father and two of the child's siblings. The County has not yet had a chance to fully evaluate this claim.

Other Cases

A lawsuit was filed in March 2020 by LA Alliance for Human Rights ("LA Alliance") against the City of Los Angeles (the "City") and the County alleging that the City and the County have not taken adequate action to address the homelessness crisis in Los Angeles. Initially, the parties agreed to stay formal litigation in an effort to negotiate a settlement. In June 2020, the court approved an agreement between the City and the County to fund housing/shelter and services for a segment of the homeless population in the City. The City agreed to provide 6,700 beds within 18 months to house or shelter people experiencing homelessness within 500 feet of freeway overpasses, underpasses and ramps. To assist in funding services for 6,000 new beds, the County agreed to pay the City \$53 million for Fiscal Year 2020-21 and up to \$60 million per year for the following four years, for a total cost of \$293 million. To date, the County has paid the City \$293 million, and no additional payments are due. The County agreed to pay the City a one-time bonus of \$8 million if the City provided 5,300 new beds by April 16, 2021. However, an audit conducted by the Auditor-Controller's Office concluded the City did not meet the bonus threshold by that date.

In April 2021, the district court issued a preliminary injunction ordering the City and County to house all people experiencing homelessness in Skid Row within 180 days and to provide funding for additional supportive services and operations countywide. The City, County, and intervenors filed appeals and in September 2021, the Ninth Circuit vacated the district court's preliminary injunction and remanded the case. In November 2021, the plaintiffs filed an amended complaint and the County and City filed motions to dismiss. While the ruling on the motions was pending, the City and the plaintiffs reached a settlement. In July 2022, the plaintiffs filed a second amended complaint against the County only. In September 2022, the County reached an agreement with the plaintiffs to resolve the lawsuit and the parties notified the court of the settlement and requested a dismissal. At the settlement hearing in January 2023, the parties indicated their interest in reviewing and potentially increasing resources for people experiencing homelessness as part of the settlement. In April 2023, the parties filed an addendum to the settlement pursuant to which the County would commit up to an estimated \$850.5 million in additional resources over five years through Fiscal Year 2026-27. On April 20, 2023, the court denied the parties' request to dismiss the lawsuit and placed the matter back on the litigation track with a trial date of November 6, 2023. On September 25, 2023, the parties filed a second addendum to the County settlement agreement with the court, which increased the number of mental health and substance use disorder beds in the

settlement and added a provision that the parties agreed to the court's recommendation of a monitor and increased the prior attorneys' fees and costs from \$2 million to \$2.4 million. On September 28, 2023, the court approved the settlement with two additional terms – all future provider bills and invoices are to be public documents and the County's monitor must work under the court's Special Master for the first year with their compensation being equal. On September 29, 2023, the court issued an order dismissing the plaintiffs' claims against the County. The settlement agreement became effective September 29, 2023, and terminates on June 30, 2027. In addition, on September 19, 2023, the court granted the County's motion for an order to show cause regarding the dismissal of the claims filed by one plaintiff. The plaintiff did not respond to the court's order, and his time to do so has ended.

In August 2021, a lawsuit was filed (*GHP Management Corp., et al. v. County of Los Angeles, et al.*) by eleven lessors/landlords of residential rental housing against the County and the State of California, alleging that the defendants' eviction moratoria, including the County's eviction moratorium, are an unlawful regulatory and per se taking of property, claiming violations of the Fifth Amendment of the United States Constitution under 42 U.S.C. § 1983. The plaintiffs seek monetary compensation for the allegedly unlawful taking. In April 2022, the court overruled the defendants' demurrers, and after denial of an interlocutory appeal, discovery in the matter is proceeding. A similar ruling was made by the same court in the related case of *Casa Greene, Inc. v. State of California, et al.*, in which the County is also a party. The plaintiffs' complaint alleges rent losses in excess of \$11 million and asserts they are entitled to compensation exceeding \$50 million. However, the County expects its apportionment of liability, if any, to be substantially less.

In October 2021, the first of what is now over 60 related mass tort actions, involving more than 21,000 plaintiffs, was filed against numerous public and private defendants, including the County of Los Angeles and the Los Angeles County Flood Control District ("Flood Control District"). These lawsuits are collectively known as *Monique Alvarez, et al. v. Prologic, Inc., et al.* These lawsuits arose from a three-day fire in the City of Carson ("Carson") in late September 2021 at an industrial warehouse, which stored large amounts of "hand sanitizer" containing toxic chemicals. The water and fire retardant used to put out the fire washed the chemicals into the storm drain system, causing them to be conveyed into the Dominguez Channel, an estuary owned and operated by the Flood Control District. The toxic chemicals resulted in the Dominguez Channel experiencing a condition known as "anaerobic digestion," which caused odor-producing hydrogen sulfide gas to be released into the air over Carson and its surrounding communities. In early October 2021, a substantial number of residents began complaining of pervasive, foul-smelling odors and of associated short-term adverse effects, including sore throats and headaches. Responding to the conditions in the Dominguez Channel and the resultant odors, the Los Angeles County Department of Public Works initiated aggressive mitigation efforts, which involved applying odor neutralizer to the water and oxygenating it through the use of nano-bubblers. The "odor incident" (a declared public nuisance) lasted for roughly six to eight weeks. The various plaintiffs' lawsuits (which were deemed related by the Los Angeles Superior Court) allege that the Flood Control District and the County are liable for personal injury damages (based on dangerous condition on public property theory), as well as for property damage (based on inverse condemnation). The Flood Control District, Fire District, and the County have, to date, sued the company that stored the hand sanitizer and its landlord (the "industrial defendants"), to recover

over \$52 million expended in mitigating the impacts of the incident, including providing air purifiers (over 47,000) and hotel rooms to affected residents. Regarding the tort claims, given the tens of thousands of plaintiffs, even if each class member obtains a relatively small recovery, the potential exposure in the aggregate could still be substantial. Regarding the inverse condemnation claims, if liability were established at trial, the plaintiffs could recover damages for the "diminution in value" of their residential properties, plus attorneys' fees and costs. This could, similarly, result in a potentially large liability exposure for the Flood Control District, as the operator of the Dominguez Channel. However, the Flood Control District and the County are asserting numerous statutory immunities and are asserting that the industrial defendants are solely responsible for causing the fire and the ensuing public nuisance, as well as for any resultant damages, such that any liability should be allocated to those entities alone. The case is in a very early discovery stage, and no detailed information is yet known about either the circumstances of the over 21,000 plaintiffs or of their claims. Given these uncertainties, the preliminary estimate is that the County may face a potential liability of \$90 million.

In May 2022, two lawsuits were filed (*Southern California Edison v. State Board of Equalization, et al.*) by Southern California Edison ("SCE") alleging the State Board of Equalization ("BOE") overvalued SCE's statewide unitary property in tax years 2020 and 2021, due to factors including climate change and the risk of wildfires. A third lawsuit was filed in 2023 based on the same allegations, applicable to the 2022 tax year. SCE is seeking a reduction of approximately \$6 billion in valuation per tax year. Unitary property is assessed by the BOE but counties levy and collect local property taxes on unitary property and distribute the tax revenue among local taxing entities within each county. If granted by the court, SCE's requested valuation reduction would result in estimated refunds from taxing entities within Los Angeles County of approximately \$71 million, of which the County and County-controlled taxing entities would be responsible for refunding approximately \$27 million.

The County currently operates two juvenile detention facilities, Los Padrinos Juvenile Hall ("Los Padrinos") and Barry J. Nidorf Secured Youth Treatment Facility ("SYTF"). Los Padrinos houses predisposition and post-disposition youth waiting to transfer to placement, camp, or SYTF, which houses post-disposition youth charged with certain types of statutory crimes. On February 15, 2024, the Board of State and Community Corrections ("BSCC") determined that Los Padrinos and SYTF were unsuitable for the confinement of youth. Subsequently, on April 11, 2024, the BSCC determined that Los Padrinos and SYTF had addressed the areas of noncompliance and found them suitable. The BSCC conditioned their approval on no less than monthly targeted inspections at both facilities to audit staffing, room confinement, and other areas to be determined by BSCC field staff. Further, Los Padrinos will be subject to a comprehensive inspection auditing every Title 15 regulation within six months. The current inspections have only been "targeted" by the BSCC. The suitability of the juvenile facilities has garnered significant media attention. Any suitability finding for Los Padrinos or SYTF will have significant legal implications on the current California Department of Justice settlement agreement with the Probation Department.

In March 2023, four lawsuits were filed challenging the County's adoption of an ordinance on January 24, 2023 (the "Oil Well Ordinance"), prohibiting new oil wells and production facilities, and phasing out existing oil wells and production facilities subject to an amortization schedule. Among other things, the lawsuits allege the Oil Well Ordinance is preempted by State and federal law and is inconsistent with the County's General

Plan, that the County abused its discretion in adopting the Oil Well Ordinance and amortization schedule, and that the County adopted the Oil Well Ordinance in violation of the California Environmental Quality Act ("CEQA"). The County resolved one of the lawsuits, but the remainder of the CEQA and preemption claims, which will determine solely legal issues without monetary exposure, will proceed to writ trial on October 25, 2024. Depending on the outcome of the CEQA and preemption claims, the County will determine whether to litigate the remaining claims, which include inverse condemnation, interference with vested rights, and breach of contract. If the lawsuits advance to a determination of monetary damages on a regulatory taking, it will be difficult to estimate the potential liability. The plaintiffs claim their property is worth \$1.3 billion. However, it is unlikely the County would be liable for the full value of the property, as the plaintiffs have already financially benefitted from the property and mineral rights for decades. Additionally, the court would likely order the County to rescind the Oil Well Ordinance, or the County may have the option to settle by rescinding the Oil Well Ordinance and stipulating to attorneys' fees.

On May 13, 2024, a lawsuit was filed by the Kizh Nation – Gabrieleño Band of Mission Indians against the County, the Archdiocese of Los Angeles, and the nonprofit museum LA Plaza de Cultura y Artes ("Museum"), alleging that the remains of the plaintiff's ancestors were mishandled when such remains were relocated in connection with the construction of the Museum in downtown Los Angeles. The plaintiffs allege that more than 100 graves were desecrated when the remains from those graves were placed in an illegal mass grave on the site of the First Cemetery of Los Angeles rather than placed in individual graves in accordance with Catholic rituals. The plaintiffs allege this was in violation of express promises from the defendants. The Museum opened in 2011, and the County holds title to the land on which the First Cemetery is located. The case is in the very early stages and discovery has not yet commenced. Given these uncertainties, the potential liability for the County is unknown at this time.

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)**

<u>Actuarial Valuation Date</u>	<u>Market Value of Plan Assets</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>UAAL</u>	<u>Funded Ratio</u>
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%
06/30/2018	56,299,982	55,233,108	68,527,354	13,294,246	80.60%
06/30/2019	58,294,837	57,617,288	74,635,840	17,018,552	77.20%
06/30/2020	58,510,408	59,762,991	78,275,175	18,512,184	76.35%
06/30/2021	73,012,026	64,909,377	81,898,044	16,988,667	79.26%
06/30/2022	70,289,612	68,711,610	86,320,151	17,608,541	79.60%
06/30/2023	73,851,886	72,414,936	90,651,092	18,236,156	79.88%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2023.

TABLE 2: INVESTMENT RETURN ON RETIREMENT PLAN ASSETS**(in thousands)**

<u>Fiscal Year</u>	<u>Market Value of Plan Assets</u>	<u>Market Rate of Return</u>	<u>Funded Ratio Based on Market Value</u>
2015-16	47,846,694	0.8%	76.1%
2016-17	52,743,651	12.7%	80.0%
2017-18	56,299,982	9.0%	81.3%
2018-19	58,294,837	5.5%	77.3%
2019-20	58,510,408	1.8%	74.0%
2020-21	73,012,026	25.2%	88.3%
2021-22	70,289,612	0.1%	79.9%
2022-23	73,851,886	6.4%	80.0%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2023.

TABLE 3: COUNTY PENSION AND OPEB PAYMENTS**(in thousands)**

<u>Fiscal Year</u>	<u>Retirement Fund</u>	<u>Payments to LACERA</u>		<u>OPEB Disability</u>	<u>Total Retirement & OPEB Payments</u>
		<u>OPEB (PAYGO)</u>	<u>OPEB (Prefund)</u>		
2017-18	1,499,212	559,233	120,796	41,141	2,220,382
2018-19	1,635,719	604,515	182,851	41,626	2,464,711
2019-20	1,766,735	634,753	246,197	42,567	2,690,252
2020-21	1,971,006	668,582	309,394	38,715	2,987,697
2021-22	2,150,155	692,616	372,243	39,902	3,254,916
2022-23	2,242,925	713,034	441,452	40,607	3,438,018
2023-24	2,440,300 *	759,937 *	503,393 *	41,683 *	3,745,313 *
2024-25	2,650,935 *	838,564 *	570,280 *	46,929 *	4,106,708 *

Source: Milliman Actuarial Valuations (of LACERA), Los Angeles County Annual Comprehensive Financial Reports and the Los Angeles County 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 Fiduciary Fund.

The General County Budget accounts for 77.6% of the Fiscal Year 2024-25 Adopted Budget (the "2024-25 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 10.9% of the 2024-25 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 1.1% of the 2024-25 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 7.2% of the 2024-25 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 Fiduciary Funds account for 3.2% of the 2024-25 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 2024-25 is \$36,347,018,630. The 2024-25 Adopted Budget includes proceeds from taxes of \$18,929,425,000, 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 prerequisite to the filing of a lawsuit against a public entity in California.

Proposition 218

Proposition 218, a 1996 ballot initiative that added Articles XIIC and XIID 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 XIIC or SB 919, and the scope of the initiative power under Article XIIC 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 has historically been comprised of revenues received from the Federal and State governments. As indicated in the table "Historical Appropriations by Fund" at the end of this Budgetary Information section of Appendix A, \$5.471 billion of the \$35.410 billion 2024-25 Adopted Budget is received from the Federal government and \$9.714 billion is funded by the State. The remaining \$20.225 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 43% of General County Budget funding is provided by the State and Federal government illustrates the County's significant reliance on outside funding sources.

Federal Budget Update

On March 8, 2024, President Joseph R. Biden, Jr. signed into law the Consolidated Appropriations Act, 2024 ("H.R. 4366"), which contains \$467.5 billion for six of the 12 Federal Fiscal Year (FFY) 2024 appropriations bills, a \$1.5 billion increase over FFY 2023 enacted levels. This first tranche of bills funds several agencies, including the departments of Transportation, Veterans Affairs, Energy, Agriculture, Interior, and Housing and Urban Development, as well as the Environmental Protection Agency and the Food and Drug Administration. Funding for agencies included in this bill will last through FFY 2024, which ends on September 30, 2024.

H.R. 4366 included funding for eight Los Angeles County Community Project Funding and Congressional Directed Spending allocations, \$23.4 million in Civil Works funding for the Los Angeles County Drainage Area's (LACDA) operations and maintenance, \$300,000 for the LACDA Divestiture Study, and \$8,000 for Marina del Rey's operations and maintenance.

H.R. 4366 also included health-related extenders including: the elimination of the Medicaid Disproportionate Share Hospital (DSH) Payments cuts through December 31, 2024; a permanent state option to provide Medicaid covered services to individuals who have substance use disorders and reside in Institutions for Mental Diseases; and a requirement that state Medicaid programs suspend rather than terminate Medicaid eligibility for persons in custody.

On March 23, 2024, President Biden signed into law the Further Consolidated Appropriations Act, 2024 ("H.R. 2882"), which contains \$1.2 trillion for the remaining six of the 12 FFY 2024 appropriations bills and averted a partial government shutdown. This second tranche of bills funds all remaining federal agencies, including the departments of Defense, Homeland Security and Health and Human Services (HHS). The Joint Explanatory Statements accompanying H.R. 2882 include Community Project Funding and Congressional Directed Spending (also known as earmarks).

Funding for most programs of interest to the County was maintained or increased from the previous fiscal year. H.R. 2882 also included increased funding for border security, childcare, and the Head Start early education grants. H.R. 2882 did not include additional funding to extend the Affordable Connectivity Program, which had been funded through April 2024.

President Biden released his \$7.3 trillion budget blueprint for FFY 2025 on March 11, 2024. The budget request proposes approximately \$734 billion in non-defense discretionary funding in FFY 2025 and defense spending of approximately \$895 billion. Mandatory (entitlement) spending and interest on the national debt continues to represent the fastest growing components of the budget. Among other provisions, the President's budget request includes restoring the expanded Child Tax Credit, extending mandatory Medicare drug pricing negotiations to additional drugs, instituting national paid family leave programs, increasing affordable housing assistance, and funding environmental initiatives, among other proposals. The proposal also seeks to reduce the federal deficit by nearly \$3 trillion over the next ten years, primarily through increases in taxes.

STATE BUDGET PROCESS

Over the last 30+ years since the early 1990's, 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 and 2008 recessions and subsequent recoveries, and the financial challenges caused by the COVID-19 pandemic. 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 experienced significant improvement to its budget stability and overall financial condition and is in a historically strong position to manage the fiscal impact of a potential recession given the current economic conditions that have resulted in a reduction in State revenues in Fiscal Year 2022-23 and Fiscal Year 2023-24.

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 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23, the County General Fund received \$201.9 million, \$243.2 million, \$232.5 million, \$352.4 million, \$315.4 million, and \$390.5 million of residual taxes,

respectively. The budgeted and estimated residual tax revenue for 2023-24 is \$394.7 million. The 2024-25 Adopted Budget includes a projected \$404.4 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 Los Angeles County Development Authority. The dissolution of County related projects has not had a material impact, if any, on the financial condition of the County.

2023-24 State Budget

On June 27, 2023, Governor Newsom signed the primary budget bill (SB 101) for the final Fiscal Year 2023-24 State Budget. The Governor also signed two additional budget bills, including AB 102 and AB 103 on July 10, 2023 and June 30, 2023, respectively. AB 102 made technical and substantive changes to SB 101 to reflect the budget agreement reached between the Governor and the Legislature, while AB 103 made budget bill amendments to the 2021 and 2022 State Budget Acts. The three measures (SB 101, AB 103 and AB 102), along with 20 trailer bills signed by the Governor encompass the Fiscal Year 2023-24 State Budget Act (the "2023-24 State Budget Act").

The 2023-24 State Budget Act projected a beginning fund balance from Fiscal Year 2022-23 of \$26.352 billion, total revenues and transfers of \$208.688 billion, total expenditures of \$225.928 billion, and a year-end fund balance of \$9.112 billion for Fiscal Year 2023-24. Of the projected year-end fund balance, \$5.272 billion would be allocated to the Reserve for Liquidation of Encumbrances and \$3.840 billion would be deposited to the Special Fund for Economic Uncertainties. The 2023-24 State Budget Act also allocated \$10.831 billion to the Public School System Stabilization Account and \$900.0 million to the Safety Net Reserve. The State Budget Act included a balance of \$22.252 billion in the State's Budget Stabilization Account (Rainy Day Fund).

The 2023-24 State Budget Act reflects the State's values and priorities related to implementing transitional kindergarten; child care availability and affordability; universal school meals; reproductive health care; investments in housing and infrastructure; workforce development; combatting organized retail theft and other crimes; increasing access to health care and protecting the State's most vulnerable residents; and addressing homelessness, behavioral health challenges and the impacts of climate change.

The items in the 2023-24 State Budget Act that were of major interest to the County include the following:

Carryover of Unspent SB 129 Pretrial Funding – Provided authority for the County to carryover up to \$28.2 million of unspent SB 129 pretrial funding allocated to the County for Fiscal Year 2021-22 and Fiscal Year 2022-23 to spend or encumber in Fiscal Year 2023-24.

Community Assistance, Recovery & Empowerment (CARE) Act – Provided \$128.9 million in State funding in Fiscal Year 2023-24, \$234 million in State funding in Fiscal Year 2024-25, \$290.6 million in State funding in Fiscal Year 2025-26, and nearly \$291 million in Fiscal Year 2026-27 and annually thereafter to support estimated county behavioral health department costs for the CARE Act. The Fiscal Year 2023-24 State funding consists of \$67.3 million for

behavioral health department activities, which includes \$15 million in one-time State funding for the County's planning activities to implement on an accelerated schedule by December 1, 2023, \$29.4 million to the trial courts for program administration and coordination of self-help centers, \$22.9 million to support public defender and legal services organizations that will provide legal counsel to CARE participants, \$6.1 million to the Department of Health Care Services to support implementation activities, and \$3.2 million to the Judicial Council to support implementation activities.

Opioid and Fentanyl Response – Provided \$14 million in one-time Opioid Settlements Fund over four years for fentanyl program grants to increase local efforts in education, testing, recovery, and support services to implement AB 2365, and to support innovative approaches to make fentanyl test strips and naloxone more widely available.

Reproductive Health Services 1115 Waiver – Provided \$200 million (\$15 million in State funding) in Fiscal Year 2024-25 for a one-time grant program through an 1115 Federal demonstration waiver focused on supporting access to family planning and related services, system transformation, capacity, and sustainability of California's safety net.

General Fund Loan for Hospitals – Provided a State loan of up to \$150 million for the County supported Distressed Hospital Loan Program (DHLP) and requires repayment by June 30, 2024.

Electronic Benefit Transfer (EBT) Fraud Mitigation – Provided \$50 million (\$15.5 in State funding) to improve EBT technology.

CalWORKs Grant Increase – Provided \$111.2 million in Fiscal Year 2023-24 for an ongoing MAP increase of 3.6 percent, effective October 2023, funded with revenues in the Child Poverty and Family Supplemental Support Subaccount. These increases were expected to bring the non-exempt MAP level from \$1,130 to \$1,171 per month for an assistance unit of three family members residing in a high-cost county.

Medi-Cal County Administration Funding – Provided a \$93.2 million statewide increase for the Medi-Cal County Administration Allocation for Fiscal Year 2023-24 due to the California Department of Health Care Services increasing the total allocation by 4.11 percent for the projected California Consumer Price Index (CPI).

In-Home Supportive Services (IHSS) County Administration Funding – Provided \$13.4 million of state funding for the IHSS County Administration Allocation for Fiscal Year 2023-24 to reflect growth in the projected monthly caseload.

Stage One Child Care – Provided a \$71.2 million (\$17.7 million in State funding) to fund statewide increase to the CalWORKS Stage One Child Care allocation.

CalFresh State Administration Funding – Provided an additional \$406.5 million (\$159.5 in State funding) in Fiscal Year 2023-24 to reflect a revised budgeting methodology for counties CalFresh administration activities, which is an 18.6 percent increase compared to the previous methodology.

Local Child Support Agency (LCSA) Administrative Allocation – Provided \$35.8 million ongoing (\$12.2 million in State funding) for

LCSAs to help mitigate increased staffing costs, caseload, and call volumes, to maintain current service levels.

California Motion Picture and Television Production Credit Extension – Extends authority of the California Film Commission to allocate the California Motion Picture and Television Production Credit for an additional five years, starting in Fiscal Year 2025-26, at \$330 million per year.

Exide Parkways Cleanup Funding – Provided \$67.3 million in Fiscal Year 2023-24 to cleanup parkways surrounding the former Exide Technologies facility identified with high levels of lead and/or other metals.

Foreclosure Intervention Housing Prevention Program (FIHPP) – Maintained \$82.5 million in one-time State funding for the FIHPP in Fiscal Year 2023-24 and deferred funding previously allocated to the program in the 2021 State Budget Act as follows: \$70 million in Fiscal Year 2024-25, \$100 million in Fiscal Year 2025-26, and \$62.5 million in Fiscal Year 2026-27.

Dam Safety and Flood Management Grant Program – Approved the Dam Safety and Flood Management Grant Program which provides funding repairs, rehabilitation, enhancements, and other dam safety projects at State jurisdictional dams and associated facilities.

Behavioral Health Bridge Housing (BHBH) Program – Provided a one-time \$265 million to the Mental Health Services Fund in Fiscal Year 2023-24 in lieu of State funding for the BHBH, and delays \$235 million in State funding to Fiscal Year 2024-25.

Behavioral Health Continuum Infrastructure Program (BHCIP) – Delayed \$480.7 million in State funding appropriated in the 2022 State Budget Act for Fiscal Year 2023-24 for the final round of behavioral health continuum capacity funding to \$240.4 million in Fiscal Year 2024-25 and \$240.3 million in Fiscal Year 2025-26.

Community Health Workers (CHW) Program – Reallocated \$115 million in State funding from Fiscal Year 2023-24 to Fiscal Year 2024-25 and Fiscal Year 2025-26 by \$57.5 million for each year.

Public Defender Pilot – Reinstated \$40 million of the \$50 million for the Board of State and Community Corrections' (BSCC) Public Defender Pilot Program to help fund counties indigent defense providers, including public defenders and alternate defenders.

CalWORKs Single Allocation (CWSA) Decrease – Included a \$72.2 million statewide reduction to the eligibility component of the CWSA to reflect a lower projected final caseload relative to the appropriation.

Public Health Workforce Reductions – Maintained \$97.5 million is State funding over four years beginning in Fiscal Year 2022-23, for various public health workforce training and development programs.

2024-25 State Budget

On January 10, 2024, Governor Newsom released his Fiscal Year 2024-25 Proposed State Budget (the "Proposed State Budget"). The Proposed State Budget projected a beginning fund balance from Fiscal Year 2023-24 of \$8.029 billion, total revenues and transfers of \$214.699 billion, total expenditures of \$208.718 billion, and a year-end fund balance of \$14.010 billion for Fiscal Year

2024-25. Of the projected year-end fund balance, \$10.569 billion would be allocated to the Reserve for Liquidation of Encumbrances and \$3.441 billion would be deposited to the Special Fund for Economic Uncertainties. The Proposed State Budget also allocates \$3.852 billion to the Public School System Stabilization Account. The Proposed State Budget includes a balance of \$11.106 billion in the State's Budget Stabilization Account (Rainy Day Fund).

On May 10, 2024, Governor Newsom released his Fiscal Year 2024-25 May Budget Revision (the "May Budget Revision"). The May Budget Revision projects a beginning fund balance from Fiscal Year 2023-24 of \$9.726 billion, total revenues and transfers of \$205.249 billion, total expenditures of \$200.974 billion, and a year-end fund balance of \$14.001 billion for Fiscal Year 2024-25. Of the projected year-end fund balance, \$10.569 billion would be allocated to the Reserve for Liquidation of Encumbrances and \$3.432 billion would be deposited to the Special Fund for Economic Uncertainties. The Proposed State Budget includes a balance of \$19.429 billion in the State's Budget Stabilization Account (Rainy Day Fund).

On June 29, 2024, Governor Newsom signed the primary budget bill for the final Fiscal Year 2024-25 State Budget, along with various budget-related trailer bills that encompass the Fiscal Year 2024-25 State Budget Act (the "2024-25 State Budget Act"). The 2024-25 State Budget Act projects a beginning fund balance from Fiscal Year 2023-24 of \$13.443 billion, total revenues and transfers of \$212.139 billion, total expenditures of \$211.504 billion, and a year-end fund balance of \$14.078 billion for Fiscal Year 2024-25. Of the projected year-end fund balance, \$10.569 billion would be allocated to the Reserve for Liquidation of Encumbrances and \$3.509 billion would be deposited to the Special Fund for Economic Uncertainties. The 2024-25 State Budget Act also allocates \$1.054 billion to the Public School System Stabilization Account and includes a balance of \$17.633 billion in the State's Budget Stabilization Account (Rainy Day Fund).

The 2024-25 State Budget Act maintains the multi-year fiscal structure proposed by Governor Newsom in the May Budget Revision to balance both the Fiscal Year 2024-25 and 2025-26 State budgets. The 2024-25 State Budget Act utilizes a combination of expenditure reductions, new revenues, budget reserves, fund shifts and expenditure delays and deferrals to close a \$46.8 billion budget deficit, which is intended to provide a stronger fiscal footing for the State, while continuing to maintain vital programs and services for its residents. The County's extensive advocacy efforts to oppose budget cuts and the elimination of State funding that supports critical County safety net services resulted in the complete or partial restoration of funding for various behavioral health, child welfare, public safety and other State programs.

The items in the 2024-25 State Budget Act that are of major interest to the County include the following:

Future of Public Health – Reduces State operational expenditures by \$8 million and eliminates \$15.9 million in State funding for assistance and support to local health jurisdictions.

Behavioral Health Continuum Infrastructure Program (BHCIP) – Reverts State funding expenditure authority of \$450.7 million for the final round of BHCIP expenditures, with additional rounds to be supported by Proposition 1 bond funding.

Behavioral Health Bridge Housing (BHBH) – Provides \$132.5 million in State funding to implement the BHBH Program to award competitive grants to qualified counties and tribal entities.

Health Care Enrollment Navigators – Eliminates \$18 million in Fiscal Year 2024-25 expenditures for health enrollment navigators.

Bringing Families Home Program (BFHP) – Modifies the Governor's revised proposal for the BFHP by accepting an \$80 million funding delay to Fiscal Year 2025-26, reducing the funding amount by \$40 million in Fiscal Year 2025-26 and then delaying this \$40 million expenditure until Fiscal Year 2026-27.

Foster Care Caregiver Approvals Program (FCCAP) – Rejects the Governor's May Budget Revision proposal for an ongoing reduction of \$50 million in State funding to the FCCAP starting in Fiscal Year 2024-25.

Emergency Child Care Bridge Program (ECCBP) – Rejects the Governor's May Budget Revision proposal for a \$34.8 million reduction in State funding for the ECCBP starting in Fiscal Year 2024-25 and reappropriating \$47 million in State funding from Fiscal Year 2023-24 to Fiscal Year 2024-25.

Family Urgent Response System (FURS) – Rejects the Governor's January Budget proposal to eliminate \$30 million in State funding in Fiscal Year 2024-25 and future fiscal years.

Housing Supplements for Foster Youth in Supervised Independent Living Placements (SILPs) – Approves the Governor's January Budget proposal to eliminate \$195,000 in State funding for Fiscal Year 2024-25 and \$25.5 million in Fiscal Year 2025-26 and future fiscal years.

Housing Navigation and Maintenance Program (HNMP) – Rejects the Governor's January Budget proposal to eliminate \$13.7 million for the HNMP in Fiscal Year 2024-25 and future fiscal years.

Los Angeles County Child Welfare Services Public Health Nursing Early Intervention Program (PHNEI) – Approves the Governor's January Budget proposal to eliminate the PHNEI with a reduction of \$8.3 million in State funding in Fiscal Year 2024-25 and future fiscal years.

CalWORKs Single Allocation – Rejects the Governor's January Budget proposal for an ongoing annual reduction in State funding of \$40.8 million and the May Budget Revision proposal to cut an additional \$272 million in one-time funding from the Single Allocation in Fiscal Year 2024-25.

CalWORKs Family Stabilization – Rejects the Governor's January Budget proposal to eliminate the program, with a proposed cut of \$71.2 million in State funding beginning in Fiscal Year 2024-25 and future fiscal years.

CalWORKs Expanded Subsidized Employment (ESE) – Rejects the Governor's January Budget proposal to eliminate the program with a reduction of \$134.1 million in State funding in Fiscal Year 2024-25 and future fiscal years. Modifies the ESE to reduce funding on a short-term basis by up to \$30 million in State funding in Fiscal Year 2023-24 and up to \$37 million in Fiscal Year 2024-25.

CalWORKs Employment Services Intensive Case Management – Approves the Governor's January Budget proposal to eliminate the program, with a reduction of \$47 million in State funding beginning in Fiscal Year 2024-25.

CalWORKs Home Visiting Program (HVP) – Rejects the Governor's May Budget Revision proposal for an ongoing reduction of \$47.1 million in State funding starting in Fiscal Year 2024-25 for the CalWORKs HVP, but reduces funding by up to \$30 million in Fiscal Year 2023-24, and temporarily reduces funding by up to \$25 million in Fiscal Year 2024-25 and Fiscal Year 2025-26.

CalWORKs Mental Health and Substance Abuse Services – Rejects the Governor's May Budget Revision proposal for an ongoing reduction of \$126 million starting in Fiscal Year 2024-25, but reduces funding by \$30 million in Fiscal Year 2023-24, \$37 million in Fiscal Year 2024-25, and \$26 million in Fiscal Year 2025-26.

In-Home Supportive Services (IHSS) Budget Methodology – Approves updating of the budgeting methodology used to determine the annual funding for county administration for the IHSS program, beginning with Fiscal Year 2025-26 and every third fiscal year thereafter.

Homeless Housing, Assistance and Prevention (HHAP) Program – Provides \$1 billion for Round 6 of HHAP with statutory language to strengthen oversight, transparency, and program accountability.

Regional Early Action Planning 2.0 (REAP 2.0) Grants – Rejects the Governor's January Budget proposal to reduce REAP 2.0 grants by \$300 million, but approves a \$40 million reduction in grant funding.

Public Defender Pilot Program – Rejects the Governor's January Budget proposal to reduce the program by \$40 million and preserves the third and final year of this pilot program.

Victims Services/Backfill of federal Victims of Crime Act (VOCA) – Allocates \$103 million in Fiscal Year 2024-25 for supplemental funding under the VOCA.

Los Angeles County Fire Camp Contract – Rejects the Governor's May Budget Revision proposal to reduce the fire suppression services contract by \$2.4 million in Fiscal Year 2024-25, but approves a reduction of \$4.8 million starting in Fiscal Year 2025-26 and future fiscal years.

Lunch at the Library Program – Modifies the May Budget Revision proposal to eliminate funding for the Lunch at the Library Program by providing \$3 million in State funding in Fiscal Year 2024-25 and future fiscal years.

Library Services Act – Approves the May Budget Revision proposal to reduce State funding by \$1.8 million for the California Library Services Act in Fiscal Year 2024-25 and future fiscal years.

California State University Immigration Legal Services – Rejects the Governor's January Budget proposal to reduce State funding by \$5.2 million in Fiscal Year 2024-25 and future fiscal years to maintain an annual ongoing funding amount of \$7 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 2020 economic downturn caused by the COVID-19 pandemic, the County experienced a budget deficit as sales tax-based revenues declined. The economic downturn resulted in an estimated \$355.9 million NCC budget gap in Fiscal Year 2020-21. 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 Fiscal Year 2020-21 budget gap, the County utilized a combination of ongoing structural changes including departmental budget curtailments which resulted in the elimination of 2,586 budgeted positions, the temporary suspension of the deferred compensation contribution match for non-represented employees, and the suspension of Management Appraisal and Performance Plan Tier I salaries and employee benefits increases. The County did not implement any layoffs or furloughs.

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 2008 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 Years 2009-10 and 2010-11, respectively. After the economic downturn in 2008, and the subsequent recovery in the real estate market, the County has experienced fourteen 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%, 6.04%, 6.62%, 6.25%, 5.97%, 3.70%, 6.95%, 5.91% and 4.85% in Fiscal Years 2011-12 through 2024-25, respectively.

On July 24, 2024, the Assessor released the Fiscal Year 2024-25 Assessment Roll. For Fiscal Year 2024-25, the Assessor reported a Net Local Roll of \$2.094 trillion, which represents an increase of 4.85% or \$97.0 billion from Fiscal Year 2023-24. The Fiscal Year 2024-25 Net Local Roll represents the largest revenue-producing valuation in the history of the County, and the fourteenth consecutive year of assessed valuation growth. The largest factors contributing to the increase in assessed valuation are transfers in ownership (\$53.5 billion) and an increase in the consumer price index (\$39.0 billion).

Although real estate sales declined significantly in 2023 primarily due to higher mortgage interest rates, the increase in the Net Local Roll reflects the ongoing price strength of the single-family housing market, with the median single-family home value reaching a

record high of \$900,000 in September 2023. The decrease in real estate sales and increasing home prices were the direct result of rising mortgage interest rates and the limited number of homes available for sale in the residential market. A California Consumer Price Index that exceeded the allowable limit of 2% was also a contributing factor to the increased growth of the Net Local Roll for Fiscal Year 2024-25.

For the Fiscal Year 2023-24 tax roll, the Assessor estimates that approximately 8.0% of all single-family residential parcels, 8.6% of all residential income parcels, and 11.4% 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. For Fiscal Year 2024-25, the County anticipates a 4.75% growth in assessed valuation primarily due to a full 2% consumer price index adjustment and expected sales activity.

With the downturn in the real estate market caused by the 2008 recession, 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 535,000 parcels to their Proposition 13 base year value, with 17,000 parcels still eligible for potential restorations in value.

FISCAL YEAR 2023-24 FINAL ADOPTED BUDGET

The Fiscal Year 2023-24 Final Adopted Budget (the "2023-24 Final Adopted Budget") was approved by the Board of Supervisors on October 3, 2023. The 2023-24 Final Adopted Budget appropriated \$46.743 billion, which reflects a \$2.101 billion or 4.7% increase in total funding requirements from the 2022-23 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriated \$35.934 billion, which represents a \$2.601 billion or 7.8% increase from the 2022-23 Final Adopted Budget. The 2023-24 Final Adopted Budget appropriated \$10.809 billion for Special Funds/Districts, reflecting a \$0.500 billion or 4.4% decrease from the Fiscal Year 2022-23 Final Adopted Budget.

The primary year-over-year changes to the ongoing NCC component of the 2023-24 Final Adopted Budget are outlined in the following table.

Public Assistance Changes	\$120,420,000
Unavoidable Cost Increases	
Employee Salaries	201,120,000
Health Insurance Subsidies	961,000
Retiree Healthcare Benefits	43,556,000
Various MOE Requirements	6,954,000
Program Changes	
Debt Service	(18,530,000)
Care First & Community Investment	88,304,000
Legal Settlements/Consent Decree	73,195,000
All Other Program Changes	77,680,000
Fiscal Policies	
Appropriations for Contingencies	(9,953,000)
Deferred Maintenance	5,000,000
Total Net County Cost Increases	588,707,000
Revenue Changes	
Property Taxes	380,475,000
Property Taxes - CRA Dissolution Residual	59,690,000
Public Safety Sales Tax	6,888,000
1991 Realignment - Sales Tax	8,741,000
1991 Realignment - Vehicle License Fee	1,739,000
Interest Earnings	101,542,000
Various Other Revenue Changes	29,632,000
Total Locally Generated Revenue	588,707,000
Total NCC Budget Gap	\$0

Public Assistance Change

The increase in funding for Public Assistance in the 2023-24 Final Adopted Budget is primarily due to funding increases for In-Home Supportive Services, General Relief, and Kinship Guardianship Assistance Payment Programs, as well as Foster Care and Adoptions Assistance programs.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of approved salaries and employee benefit increases, and expected salary and benefit increases that are subject to negotiations with the County's collective bargaining units.

Prefund Retiree Healthcare Benefits – The 2023-24 Final Adopted Budget appropriated \$502.5 million in pre-funding contributions to the OPEB Trust Fund, which is comprised of \$200.0 million in NCC and \$302.5 million in projected subvention revenue received from Federal, State, and other local government entities.

Program Changes

The 2023-24 Final Adopted Budget included \$220.6 million of adjustments to various County programs, including increases for public safety, social services, and health and mental services.

Fiscal Policies

The balance of the County's Rainy Day Fund for Fiscal Year 2023-24 is \$971.1 million, which represents 11.5% of ongoing

discretionary revenues. As part of the 2023-24 Final Adopted Budget, \$77.4 million was set aside in Appropriations for Contingencies, which reflected 17% of new ongoing discretionary revenues. The 2023-24 Final Adopted Budget also included a \$5.0 million allocation for deferred maintenance needs.

Revenue Changes

The 2023-24 Final Adopted Budget included a \$380.5 million increase in property tax revenues based on the Assessor's 2023 Assessment Roll, which reflected an increase of 5.91% in the Net Local Roll for Fiscal Year 2023-24. The 2023-24 Final Adopted Budget also included a \$59.7 million increase in property tax residual from the dissolution of redevelopment agencies. The 2023-24 Final Adopted Budget included projected increases in Proposition 172 Public Safety sales tax revenue, 1991 Realignment sales tax revenue, and 1991 Realignment - Vehicle License Fee revenue. The 2023-24 Final Adopted Budget also included a projected increase in interest earnings as a result of action by the Federal Reserve to raise interest rates.

FISCAL YEAR 2024-25 ADOPTED BUDGET

The Fiscal Year 2024-25 Adopted Budget (the "2024-25 Adopted Budget") was approved by the Board of Supervisors on June 24, 2024. The 2024-25 Adopted Budget appropriates \$45.628 billion, which reflects a \$1.115 billion or 2.4% decrease in total funding requirements from the 2023-24 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates \$35.410 billion, which represents a \$0.524 billion or 1.5% decrease from the 2023-24 Final Adopted Budget. The 2024-25 Adopted Budget appropriates \$10.218 billion for Special Funds/Districts, reflecting a \$0.591 billion or 5.5% decrease from the Fiscal Year 2023-24 Final Adopted Budget.

The primary changes to the ongoing NCC component of the 2024-25 Adopted Budget are outlined in the following table.

Public Assistance Changes	\$56,621,000
Unavoidable Cost Increases	
Health Insurance Subsidies	14,761,000
Pension Costs	(7,668,000)
Employee Salaries	206,113,000
Retiree Healthcare Benefits	48,654,000
Various MOE Requirements	8,399,000
Program Changes	
Care First & Community Investment	12,340,000
Debt Service	(11,019,000)
Legal Settlements/Consent Decree	18,143,000
All Other Program Changes	56,066,000
Fiscal Policies	
Appropriations for Contingencies	(10,496,000)
Deferred Maintenance	5,000,000
Total Net County Cost Increases	396,914,000
Revenue Changes	
Property Taxes	318,707,000
Property Taxes - CRA Dissolution Residual	9,772,000
Public Safety Sales Tax	(15,276,000)
1991 Realignment - Sales Tax	25,914,000
Interest Earnings	53,091,000
Various Other Revenue Changes	4,706,000
Total Locally Generated Revenue	396,914,000
Total NCC Budget Gap	\$0

Public Assistance Change

The increase in funding for Public Assistance in the 2024-25 Adopted Budget is primarily due to funding increases for In-Home Supportive Services, General Relief, and Kinship Guardianship Assistance Payment programs, as well as Foster Care, Adoptions, and Emergency Assistance programs.

Unavoidable Cost Increases

Salaries and Employee Benefits – The unavoidable cost increases are primarily the result of approved salaries and employee benefit increases, and expected salary and benefit increases that are subject to negotiations with the County's collective bargaining units.

Pension Costs - Reflects adjustments for the Fiscal Year 2024-25 employer contribution retirement rates based upon the 2023 Actuarial Valuation

Prefund Retiree Healthcare Benefits – The 2024-25 Adopted Budget appropriates \$570.3 million in pre-funding contributions to the OPEB Trust Fund, which is comprised of \$225.0 million in NCC and \$345.3 million in projected subvention revenue received from Federal, State and other local government entities.

Program Changes

The 2024-25 Adopted Budget includes \$75.5 million of adjustments to various County programs, including increases for public safety, social services, and health and mental services.

Fiscal Policies

As of the 2024-25 Adopted Budget, the balance of the County's Rainy Day Fund is \$978.6 million, which represents approximately 11.2% of ongoing discretionary revenues. The 2024-25 Adopted Budget includes \$56.7 million in Appropriations for Contingencies, which reflects 17% of new ongoing discretionary revenues in Fiscal Year 2024-25. The 2024-25 Adopted Budget also includes a \$5.0 million allocation for deferred maintenance needs.

Revenue Changes

The 2024-25 Adopted Budget includes a \$318.7 million increase in property tax revenues based on a preliminary projected growth rate of 4.75% in assessed valuation. The 2024-25 Adopted Budget also includes a \$9.8 million increase in the property tax residual from the dissolution of redevelopment agencies. The 2024-25 Adopted Budget includes projected increases in Realignment sales tax revenue, interest earnings, and various other revenue sources, offset by Proposition 172 Public Safety sales tax revenue.

Assembly Bill 218

Liability and settlement costs associated with the Child Victims Act (AB 218) are expected to have a significant long-term effect on the financial condition of the County. The County preliminarily estimates that liability and settlement costs relating to AB 218 could exceed \$3.0 billion. The County is assessing the potential impact of AB 218 on its future programmatic funding needs, and expects that addressing the related claims may require funding through a multi-year, long-term financing approach.

HEALTH SERVICES BUDGET

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals: Los Angeles General Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center. Two of the hospitals, Los Angeles General 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 at multiple other facilities, including one outpatient center, one regional health center, six comprehensive health centers, fifteen 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 1,800 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 to DHS. DHS has been able to limit these subsidies by developing new revenue sources, implementing operational efficiencies, and using one-time reserve funds.

Health System Funding

On December 29, 2021, the Federal Centers for Medicare and Medicaid Services (“CMS”) approved a renewed 5-year Section 1115 Waiver (the “Waiver”) submitted by the California Department of Health Care Services (“DHCS”) effective through December 31, 2026. The renewed Waiver includes full funding for the Global Payment Program (“GPP”). The GPP includes both Disproportionate Share Hospital and Safety Net Care Pool funding. An agreement for distributing the GPP funding has been negotiated for the 5-year Waiver term among all of the public county hospitals, including DHS hospitals.

Through a combination of 1915(b) and 1115 waiver authorities, CMS also approved the California Advancing & Innovating Medi-Cal (“CalAIM”) initiative effective January 1, 2022. Under CalAIM, expanded services to some of DHS’ most vulnerable populations, such as persons experiencing homelessness, are reimbursable under the Enhanced Care Management (“ECM”) and the Community Supports program. ECM is a care coordination benefit for the highest need cases that launched for most eligible populations on January 1, 2022, with additional populations related to nursing home use eligible as of January 2023. The Community Supports program provides 14 different services that Medi-Cal managed care plans may offer that will provide social supports such as housing navigation, tenancy sustaining services, housing deposits, recuperative care, sobering centers, and components of enhanced residential care for persons with disabilities who have support needs related to their daily living activities, and others. DHS offers, and has contracted with, local managed care plans for many of these services, which were previously covered under the Whole Person Care and Health Homes programs. Under CalAIM, expanded services to some of DHS’ most vulnerable populations, such as persons experiencing homelessness, are reimbursable under the ECM and Community Supports programs.

Also, under CalAIM, the Providing Access and Transforming Health Program (the “PATH Program”) will provide \$1.44 billion in gross statewide funding over five years. The PATH Program will provide: a) support for sustaining existing Whole Person Care pilot services that will continue under CalAIM as Community Supports; b) support to maintain justice involved services currently provided through Whole Person Care pilot programs that do not transition to managed care or Medi-Cal coverage until January 1, 2023, or later; c) funding for technical assistance support to help expand ECM and Community Supports; d) support for collaborative planning and implementation for ECM and Community Supports; e) support for expanding access to ECM and Community Supports services beyond what was offered under Whole Person Care; and f) support for Medi-Cal pre-release application planning and purchase of certified electronic health record technology to support Medi-Cal pre-release applications. An additional \$410.0 million in statewide funding was approved by CMS in January 2023 to support expanded coordination for justice involved populations, including coverage of certain services in jails to support reentry into the community.

Through a separate approval on January 4, 2022, CMS granted authority for the Home and Community-Based Services Spending Plan, which includes two major initiatives related to CalAIM that could benefit DHS through March 31, 2024: a) \$1.3 billion gross statewide one-time funding for Medi-Cal managed care plans to earn incentives for making investments that address homelessness; and b) \$298.0 million gross statewide one-time

funding for “Community Based Residential Continuum Pilots” to provide medical and supportive services in various non-hospital settings that are designed to avoid unnecessary healthcare costs, including emergency services and future long-term care placement in a nursing home.

In addition, reductions to Disproportionate Share Hospital (“DSH”) payments are scheduled to be implemented on January 1, 2025. Without action from Congress to delay the DSH cuts, DHS estimates a potential annual revenue loss of \$150 million in its GPP. Congress has delayed these cuts on multiple occasions in the past, as they could have a significant impact on the nation’s hospital system. DHS is tracking this issue closely and will update their forecasts to reflect the additional use of fund balance if the DSH reductions are implemented.

Medi-Cal Capitation Revenue

In response to the COVID-19 pandemic, the U.S. Department of Health & Human Services (“HHS”) issued a PHE order on January 31, 2020. In March 2020, Governor Gavin Newsom issued an executive order suspending the normal annual redetermination requirement for Medi-Cal eligibility while the PHE order remained in effect. Over the next several years, the redetermination moratorium has allowed many more Medi-Cal beneficiaries in California to retain their Medi-Cal eligibility. The moratorium resulted in a significant increase in the number of Medi-Cal beneficiaries assigned to DHS and considerable increases in Medi-Cal capitation revenues.

On March 31, 2023, Congress passed the Federal Consolidated Appropriations Act of 2023 which terminated the continuous coverage requirement. Accordingly, the redetermination process resumed in July 2023 and is expected to be fully phased in by June 2024. Since the majority of the increase in Medi-Cal beneficiaries during the pandemic period belonged to the Medi-Cal Coverage Expansion (“MCE”) category of aid, MCE beneficiaries are more likely to be infrequent or “one-time only” users of DHS services. Based on this usage trend, DHS anticipates that the MCE population will be less likely to complete the redetermination process and will lose their Medi-Cal eligibility. This is expected to result in significant reductions in managed care assignments and associated capitation revenues to DHS. Once the redetermination process fully returns to normal, DHS is estimating the number of its currently assigned members will be reduced to pre-pandemic levels, with an estimated loss of 89,000 members and a decrease of approximately \$140 million annually in net capitation revenue.

COVID-19 Funding

Beginning in April 2020, HHS distributed multiple phases of Provider Relief Funds (“PRF”) to cover increased expenditures and lost revenues related to COVID-19. To date, DHS has received \$325.3 million in PRF funding. Due to uncertainties and pending HHS directions regarding PRF reporting and claiming guidelines, DHS reserved \$325.3 million of its fund balance, which will be released upon completion of required financial audits.

In September 2022, the Office of Inspector General (“OIG”) initiated an audit of DHS’ compliance with the PRF requirements. The audit’s scope of review was on the PRF expenditure reports submitted as of April 2022. Over a 12-month period, the auditors requested and reviewed detailed supporting documentation on

the reported eligible health care related expenses, calculation of lost revenues attributable to COVID-19, and a number of internal protocols, policies, and procedures. In June 2023, OIG also conducted an on-site meeting with DHS management to discuss DHS' use and reporting of PRF payments. Although OIG has completed the PRF audit, DHS has not received any formal notification or report regarding their audit findings.

Assembly Bill 85

Assembly Bill 85 ("AB 85") was enacted as part of the State's implementation of the Affordable Care Act ("ACA") in 2014. Under AB 85, the State's funding mechanism for county health care and human services programs, which had been in place since the 1991-92 Realignment Program, was revised to account for the expected reduction in unreimbursed services for DHS patients pursuant to implementation of the ACA. AB 85 uses a formula to determine the amount of State realignment funds provided to a county that will be redirected to fund social service programs. The County's funding formula is unique in that it uses the entire DHS budget to determine if there are "excess" funds that must be returned 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 determined by the funding formula, the sharing ratio for the excess revenue is 80% State and 20% County. The current projected redirection amount for Fiscal Year 2021-22 and forward is \$0. The County will continue to work with the State to evaluate and update the redirection numbers and close out each fiscal year by the scheduled due dates.

In addition, AB 85 established a Maintenance of Effort ("MOE") funding requirement for an annual County General Fund contribution based on Fiscal Year 2012-13 funding levels, with increases to the MOE of 1% each subsequent fiscal year. The initial MOE funding requirement for Fiscal Year 2013-14 was \$326.2 million. The MOE funding requirement for Fiscal Year 2024-25 is \$364.0 million. The MOE provides a stable and ongoing source of funding for DHS from the County General Fund.

General Fund Contributions

The Fiscal Year 2024-25 NCC contribution to DHS is \$1.251 billion, 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. 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 2024-25 Adopted Budget	
(\$ in millions)	
	Amount
County General Fund - AB 85 MOE	\$ 364.0
County General Fund - Correctional Health ^(A)	486.1
County General Fund - Specific Programs ^(B)	84.6
Vehicle License Fees Realignment	292.5
Tobacco Settlement Revenue	55.0
Transfers to Other Budget Units ^(C)	(31.6)
Total	\$ 1,250.6

(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 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. As of June 30, 2024, the balance of General Fund cash advances to the Hospital Funds was \$0.

However, going forward, due to changes made by DHCS in certain Medi-Cal programs, it is expected that the level of cash advances to the Hospital Funds will be impacted. The most significant change is the transition of Rate Years for Medi-Cal managed care from a fiscal year to a calendar year basis. This transition results in a 6-month delay in payments for certain managed care programs so that only one-half of the payments earned in a current fiscal year will be collected by the end of the following fiscal year. The other half of the payment will be recorded as a long-term receivable which cannot be used for DHS' operating expenses, in accordance with County policy. DHS is continuing its discussions with DHCS about accelerating these payments, but the outcome is uncertain. As of June 2023, long term receivables for the affected DHS Medi-Cal managed care programs are estimated to be \$812.8 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. As of June 30, 2023, the total estimated receivable balance is \$36.2 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 2023-24 will be determined during the fiscal year-end closing process.

Managed Care

The EPP establishes a pool to supplement the base rates received by public hospitals through their Medi-Cal managed care contracts. DHS currently estimates the net revenue for EPP to be approximately \$644.2 million for Fiscal Year 2021-22, \$648.4 million for Fiscal Year 2022-23, \$737.8 million for Fiscal Year 2023-24, and \$840.8 million for Fiscal Year 2024-25.

The QIP provides value-based payments for the achievement of clinically established quality measures for Medi-Cal managed care enrollees. CMS has approved four years of QIP with an annual cost of living adjustment. The net revenue for QIP is estimated to be approximately \$340.0 million for Fiscal Year 2021-22, \$358.5 million for Fiscal Year 2022-23, \$338.8 million for Fiscal Year 2023-24, and \$337.8 million for Fiscal Year 2024-25.

Effective May 1, 2022, DHCS implemented the Older Adult Expansion ("OAE") Medi-Cal program. The OAE program is a state-only funded (no federal funds) program that expands eligibility for full-scope Medi-Cal benefits to individuals who are 50 years of age or older, regardless of their citizenship or immigration status. Previously, these individuals were only eligible to receive limited scope benefits. Under the OAE program, those individuals with limited benefits are automatically transitioned into full scope Medi-Cal managed care. DHS estimates approximately 43,000 of its assignments are in the OAE program.

Beginning in January 2024, the State is expanding full Medi-Cal eligibility to the remaining group of income-eligible Californians, aged 26-49, regardless of their citizenship or immigration status. These coverage expansions may result in increased DHS member assignments, although there will likely be some offset depending on the number of potentially eligible individuals who fail to comply with the redetermination process.

On April 22, 2024, CMS finalized rules governing managed care delivery systems related to access to care requirements, States use of in lieu of services or settings, directed payments, quality rating systems, and other policy and reporting changes to ensure the efficient operation of state managed care programs. DHS will be reviewing the final rules to determine the financial impact to the department, if any.

DHS Reserve Funds

In Fiscal Year 2022-23, DHS closed with a Fund Balance of \$2.641 billion. Of this amount, approximately \$849.0 million with respect to the CBRC, EPP, QIP, and managed care rate supplement payments for Fiscal Years 2020-21 through 2022-23 was established as a long-term receivable and reserved in a separate account until the payments are collected. The remaining estimated Fund Balance of \$1.792 billion is available to fund DHS operations and balance its budget in the future, as needed.

As mentioned previously, the Fund Balance includes restricted fund for the PRF in the amount of \$325.3 million. DHS recognized the PRF amount based on preliminary estimates of allowable expenditure claims, pending final claiming instructions and guidance from HHS.

Harbor-UCLA Medical Center Replacement Project

On November 10, 2020, the Board of Supervisors approved the Harbor-UCLA Medical Center Replacement Project (the "Harbor-UCLA Replacement Project"). The Harbor-UCLA Replacement Project, with an estimated cost of \$1.755 billion, will be shared between DHS (89.4%) and the Department of Mental Health (10.6%), whose share will fund the construction of psychiatric emergency services and psychiatric inpatient beds. The Harbor-UCLA Replacement Project is expected to be completed by the end of 2027. In February 2022, the Board of Supervisors approved the design-build contract with Hensel-Phelps for the construction of the Harbor-UCLA Replacement Project.

In order to fund the equipment needed for the new hospital facility, DHS previously reserved \$175.0 million from its Fund Balance during the Fiscal Year 2020-21 closing process and used those funds to set up the Accumulated Capital Outlay (ACO) fund of \$175.0 million in Fiscal Year 2021-22. In addition, DHS is paying the planning, design, and construction costs for the Harbor-UCLA Replacement Project and other projects as they occur. In Fiscal Year 2022-23 and Fiscal Year 2023-24, DHS covered approximately \$220.0 million and \$203.0 million of DHS project costs, respectively, using Fund Balance.

The County is planning to issue long-term lease revenue bonds in the third quarter of 2024 in the approximate amount of \$500 million to finance the remaining costs for Phase I of the Harbor-UCLA Replacement Project, the components of which include the Support Services Building, Parking Structure 2, Outpatient Clinic Building, Laboratory Building and Central Plant Building. The total project costs for Phase I of the Harbor-UCLA Replacement Project are estimated to be \$796.0 million.

Construction of the Support Services Building, which houses the Facilities Management, Information Technology, and Safety programs, was completed in May 2024, with construction of the 1,500 space Parking Structure 2 completed in June 2024. Construction of the Outpatient Clinic Building is expected to be completed by June 2026. Construction of the Laboratory Building is expected to begin in August 2024 and be completed by December 2025. Construction of the Central Plant Building is expected to begin in October 2024 and be completed by May 2027.

Martin Luther King Jr. Community Hospital

Separate from the County-operated hospitals described above, the County also provides financial assistance from time to time to MLK Community Hospital ("MLKCH"), a safety-net community hospital that provides services to Medi-Cal and uninsured patients from the surrounding community. MLKCH is operated by Martin Luther King, Jr. Los Angeles Healthcare Corporation ("MLK-LA"), a 501(c)(3) entity, which is governed by a board of directors with members appointed by the County and the University of California. The financial assistance provided by the County currently includes a loan with an outstanding balance of \$37.5 million and a \$20 million advance on a line of credit that MLK-LA established with the County in 2014. Since 2014, DHS has committed to make ongoing annual payments of \$18.0 million for indigent care support, and up to \$50.0 million of intergovernmental transfers for the benefit of MLKCH.

MLKCH has recently experienced some revenue and cash flow challenges primarily due to increased uncompensated

emergency department use, and a payer mix dominated by lower-reimbursement programs. To address this challenge, MLKCH is exploring a multitude of options including, pursuing new revenue sources and operating cost reductions. In January 2024, the County authorized a three-year pause on interest accrual for both the loan and line of credit mentioned above, along with a deferral of payment obligations and extension of the maturity dates for the same period, to allow MLKCH additional time to explore all increased revenue and cost reduction options. Furthermore, the County also authorized \$20.0 million in existing one-time Measure B funding for MLKCH, to be distributed incrementally through Fiscal Year 2026-27.

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 "2006 Tobacco Bonds"). The 2006 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 2006 Tobacco Bonds. The proceeds from the sale of the 2006 Tobacco Bonds were used to finance a portion of the construction costs related to the Los Angeles General 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. On June 10, 2020, the County issued \$349.6 million of 2020 Tobacco Settlement Bonds to fully refund the 2006 Tobacco Bonds. The transaction, which is described in further detail in the Debt Summary Section of Appendix A, resulted in significant interest cost savings to the County and mitigated the risk of future default that existed with the 2006 Tobacco Bonds.

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 2023-24, the County received \$64.6 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 2020 Tobacco Settlement Bonds, which have been deposited with a trustee to pay the annual debt service.

BUDGET TABLES

The 2024-25 Adopted Budget is supported by \$7.936 billion in property tax revenue, \$5.471 billion in Federal funding, \$9.714 billion in State funding, \$430 million in cancelled obligated fund balance, \$2.776 billion in Fund Balance and \$9.083 billion from other funding sources.

County of Los Angeles: General County Budget Historical Appropriations by Fund (in thousands)						
Fund	Final 2020-21	Final 2021-22	Final 2022-23	Final 2023-24	Recommended 2024-25	Adopted 2024-25
General Fund	\$ 25,468,803	\$ 25,413,850	\$ 28,583,600	\$ 30,966,118	\$ 29,856,295	\$ 30,155,948
Hospital Enterprise Fund	3,803,498	4,468,193	4,749,724	4,967,704	5,427,438	5,254,444
Total General County Budget	\$ 29,272,301	\$ 29,882,043	\$ 33,333,324	\$ 35,933,822	\$ 35,283,733	\$ 35,410,392

County of Los Angeles: General County Budget Historical Funding Requirements and Revenue Sources						
	Final 2020-21	Final 2021-22	Final 2022-23	Final 2023-24	Recommended 2024-25	Adopted 2024-25
Requirements						
Social Services	\$ 8,298,441	\$ 8,186,912	\$ 9,295,250	\$ 9,884,885	\$ 9,866,299	\$ 9,878,517
Health	10,438,420	10,893,123	11,731,196	12,928,360	12,945,694	12,993,315
Justice	6,308,501	6,450,531	7,138,202	7,523,508	7,410,572	7,461,159
Other	4,226,939	4,351,477	5,168,676	5,597,069	5,061,168	5,077,401
Total	\$ 29,272,301	\$ 29,882,043	\$ 33,333,324	\$ 35,933,822	\$ 35,283,733	\$ 35,410,392
Revenue Sources						
Property Taxes	\$ 6,371,071	\$ 6,586,439	\$ 7,163,808	\$ 7,607,483	\$ 7,935,874	\$ 7,935,874
State Assistance	7,146,855	7,669,963	8,811,781	9,565,638	9,702,993	9,713,600
Federal Assistance	5,633,127	5,148,436	5,489,983	6,001,402	5,449,837	5,471,385
Other	10,121,248	10,477,205	11,867,752	12,759,299	12,195,029	12,289,533
Total	\$ 29,272,301	\$ 29,882,043	\$ 33,333,324	\$ 35,933,822	\$ 35,283,733	\$ 35,410,392

County of Los Angeles: General County Budget Historical Summary of Funding Requirements by Budgetary Object and Available Financing (in thousands)						
	Final 2020-21	Final 2021-22	Final 2022-23	Final 2023-24	Recommended 2024-25	Adopted 2024-25
Financing Requirements						
Salaries & Employee Benefits	\$ 14,252,672	\$ 15,027,355	\$ 16,044,329	\$ 16,984,661	\$ 17,647,906	\$ 17,848,749
Services & Supplies	10,457,231	10,840,813	12,410,538	13,659,081	12,796,015	12,818,401
Other Charges	6,178,632	5,794,476	6,543,900	7,146,058	7,275,802	7,296,803
Capital Assets	1,432,583	1,346,599	1,486,108	1,847,405	1,710,797	1,753,061
Other Financing Uses	1,186,455	877,986	942,102	1,084,815	1,115,388	1,014,506
Appropriations for Contingencies	22,113	25,119	77,191	77,376	56,742	56,742
Interbudget Transfers ¹	(2,581,864)	(2,363,930)	(2,413,443)	(3,059,977)	(3,299,370)	(3,272,816)
Gross Appropriation	\$ 30,947,822	\$ 31,548,418	\$ 35,090,725	\$ 37,739,419	\$ 37,303,280	\$ 37,515,446
Less: Intrafund Transfers	1,883,836	1,894,352	1,985,472	1,972,104	2,043,003	2,124,820
Net Appropriation	\$ 29,063,986	\$ 29,654,066	\$ 33,105,253	\$ 35,767,315	\$ 35,260,277	\$ 35,390,626
Provision for Obligated Fund Balance						
General Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	3,400	-	-	-	-	-
Assigned for Rainy Day Funds	53,450	13,929	96,490	116,135	-	-
Committed Fund Balance	151,465	214,048	131,581	50,372	23,456	19,766
Total Financing Requirements	\$ 29,272,301	\$ 29,882,043	\$ 33,333,324	\$ 35,933,822	\$ 35,283,733	\$ 35,410,392
Available Financing						
Fund Balance	\$ 2,196,874	\$ 2,437,598	\$ 3,177,971	\$ 3,764,489	\$ 2,725,095	\$ 2,776,005
Cancel Provision for Obligated Fund Balance	482,861	359,685	222,647	395,690	378,645	429,883
Property Taxes: Regular Roll	6,316,080	6,531,284	7,104,477	7,547,149	7,875,078	7,875,078
Supplemental Roll	54,991	55,155	59,331	60,334	60,796	60,796
Revenue	20,221,495	20,498,321	22,768,898	24,166,160	24,244,119	24,268,630
Total Available Financing	\$ 29,272,301	\$ 29,882,043	\$ 33,333,324	\$ 35,933,822	\$ 35,283,733	\$ 35,410,392

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 \$3.3 billion in 2024-25, from the above table would give the impression that there are more resources than are actually available and

Source: Chief Executive Office

**COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF 2023-24 FINAL ADOPTED BUDGET TO 2024-25 ADOPTED BUDGET
Net Appropriation: By Function
(In thousands)**

Function	2023-24 Final ⁽¹⁾	2024-25 Adopted ⁽²⁾	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	\$ 1,826,384.0	\$ 1,721,159.0	\$ (105,225.0)	-5.76%
General Services	1,468,073.0	1,376,269.0	(91,804.0)	-6.25%
Public Buildings	1,747,549.0	1,612,754.0	(134,795.0)	-7.71%
Total General	\$ 5,042,006.0	\$ 4,710,182.0	\$ (331,824.0)	-6.58%
Public Protection				
Justice	\$ 6,487,241.0	\$ 6,618,309.0	\$ 131,068.0	2.02%
Other Public Protection	540,511.0	351,785.0	(188,726.0)	-34.92%
Total Public Protection	\$ 7,027,752.0	\$ 6,970,094.0	\$ (57,658.0)	-0.82%
Health and Sanitation	12,643,239.0	12,693,908.0	50,669.0	0.40%
Public Assistance	9,860,696.0	9,820,333.0	(40,363.0)	-0.41%
Recreation and Cultural Services	497,398.0	485,968.0	(11,430.0)	-2.30%
Education	50,726.0	43,986.0	(6,740.0)	-13.29%
Other	474,612.0	527,053.0	52,441.0	11.05%
Insurance and Loss Reserve	93,510.0	82,360.0	(11,150.0)	-11.92%
Provision for Obligated Fund Balance	166,507.0	19,766.0	(146,741.0)	-88.13%
Appropriations for Contingencies	77,376.0	56,742.0	(20,634.0)	-26.67%
Total Requirements	\$ 35,933,822.0	\$ 35,410,392.0	\$ (523,430.0)	-1.46%
AVAILABLE FUNDS				
Property Taxes	\$ 7,607,483.0	\$ 7,935,874.0	\$ 328,391.0	4.32%
Fund Balance	3,764,489.0	2,776,005.0	(988,484.0)	-26.26%
Cancelled Prior-Year Reserves	395,690.0	429,883.0	34,193.0	8.64%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	\$ 447,088.0	\$ 447,088.0	\$ -	0.00%
Homeowners' Exemption	19,000.0	19,000.0	-	0.00%
Public Assistance Subventions	1,895,433.0	2,011,866.0	116,433.0	6.14%
Other Public Assistance	2,875,930.0	2,937,992.0	62,062.0	2.16%
Public Protection	1,804,679.0	1,750,478.0	(54,201.0)	-3.00%
Health and Mental Health	2,311,715.0	2,309,392.0	(2,323.0)	-0.10%
Capital Projects	163,896.0	172,904.0	9,008.0	5.50%
Other State Revenues	47,897.0	64,880.0	16,983.0	35.46%
Total State Revenues	\$ 9,565,638.0	\$ 9,713,600.0	\$ 147,962.0	1.55%
Federal Revenues				
Public Assistance Subventions	\$ 3,084,976.0	\$ 3,224,404.0	\$ 139,428.0	4.52%
Other Public Assistance	228,490.0	209,154.0	(19,336.0)	-8.46%
Public Protection	178,658.0	84,573.0	(94,085.0)	-52.66%
Health and Mental Health	1,978,080.0	1,749,354.0	(228,726.0)	-11.56%
Capital Projects	277,080.0	44,495.0	(232,585.0)	-83.94%
Other Federal Revenues	254,118.0	159,405.0	(94,713.0)	-37.27%
Total Federal Revenues	\$ 6,001,402.0	\$ 5,471,385.0	\$ (530,017.0)	-8.83%
Other Governmental Agencies	52,778.0	53,244.0	466.0	0.88%
Total Intergovernmental Revenues	\$ 15,619,818.0	\$ 15,238,229.0	\$ (381,589.0)	-2.44%
Fines, Forfeitures and Penalties	138,706.0	143,279.0	4,573.0	3.30%
Licenses, Permits and Franchises	70,958.0	72,387.0	1,429.0	2.01%
Charges for Services	6,358,694.0	6,845,699.0	487,005.0	7.66%
Other Taxes	246,195.0	228,001.0	(18,194.0)	-7.39%
Use of Money and Property	377,084.0	442,360.0	65,276.0	17.31%
Miscellaneous Revenues	703,311.0	789,780.0	86,469.0	12.29%
Operating Contribution from General Fund	651,394.0	508,895.0	(142,499.0)	-21.88%
Total Available Funds	\$ 35,933,822.0	\$ 35,410,392.0	\$ (523,430.0)	-1.46%

(1) Reflects the 2023-24 Final Adopted General County Budget approved by the Board of Supervisors on October 3, 2023

(2) Reflects the 2024-25 Adopted General County Budget approved by the Board of Supervisors on June 24, 2024

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2023-24 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	\$ 1,826,384.0	\$ -	\$ 1,826,384.0
General Services	1,468,073.0	-	1,468,073.0
Public Buildings	1,747,549.0	-	1,747,549.0
Total General	\$ 5,042,006.0	\$ -	\$ 5,042,006.0
Public Protection			
Justice	\$ 6,487,241.0	\$ -	\$ 6,487,241.0
Other Public Protection	540,511.0	-	540,511.0
Total Public Protection	\$ 7,027,752.0	\$ -	\$ 7,027,752.0
Health and Sanitation			
Public Assistance	\$ 7,675,535.0	\$ 4,967,704.0	\$ 12,643,239.0
Recreation and Cultural Services	9,860,696.0	-	9,860,696.0
Education	497,398.0	-	497,398.0
Other	50,726.0	-	50,726.0
Insurance and Loss Reserve	474,612.0	-	474,612.0
Provision for Obligated Fund Balance	93,510.0	-	93,510.0
Appropriation for Contingency	166,507.0	-	166,507.0
	77,376.0	-	77,376.0
Total Requirements	\$ 30,966,118.0	\$ 4,967,704.0	\$ 35,933,822.0
AVAILABLE FUNDS			
Property Taxes	\$ 7,607,483.0	\$ -	\$ 7,607,483.0
Fund Balance	3,764,489.0	-	3,764,489.0
Cancel Provision for Obligated Fund Balance	80,645.0	315,045.0	395,690.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 447,088.0	\$ -	\$ 447,088.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	1,895,433.0	-	1,895,433.0
Other Public Assistance	2,875,930.0	-	2,875,930.0
Public Protection	1,804,679.0	-	1,804,679.0
Health and Mental Health	2,267,555.0	44,160.0	2,311,715.0
Capital Projects	163,896.0	-	163,896.0
Other State Revenues	47,897.0	-	47,897.0
Total State Revenues	9,521,478.0	44,160.0	9,565,638.0
Federal Revenues			
Public Assistance Subventions	\$ 3,084,976.0	\$ -	\$ 3,084,976.0
Other Public Assistance	228,490.0	-	228,490.0
Public Protection	178,658.0	-	178,658.0
Health and Mental Health	1,977,108.0	972.0	1,978,080.0
Capital Projects	277,080.0	-	277,080.0
Other Federal Revenues	254,118.0	-	254,118.0
Total Federal Revenues	\$ 6,000,430.0	\$ 972.0	\$ 6,001,402.0
Other Governmental Agencies	52,778.0	-	52,778.0
Total Intergovernmental Revenues	\$ 15,574,686.0	\$ 45,132.0	\$ 15,619,818.0
Fines, Forfeitures and Penalties	138,706.0	-	138,706.0
Licenses, Permits and Franchises	70,832.0	126.0	70,958.0
Charges for Services	2,962,561.0	3,396,133.0	6,358,694.0
Other Taxes	246,195.0	-	246,195.0
Use of Money and Property	367,104.0	9,980.0	377,084.0
Miscellaneous Revenues	153,417.0	549,894.0	703,311.0
Operating Contribution from General Fund	-	651,394.0	651,394.0
Total Available Funds	\$ 30,966,118.0	\$ 4,967,704.0	\$ 35,933,822.0

(1) Reflects the 2023-24 Final Adopted General County Budget approved by the Board of Supervisors on October 3, 2023

COUNTY OF LOS ANGELES
RECOMMENDED BUDGET 2024-25 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	\$ 1,669,383.0	\$ -	\$ 1,669,383.0
General Services	1,405,291.0	-	1,405,291.0
Public Buildings	1,628,159.0	-	1,628,159.0
Total General	\$ 4,702,833.0	\$ -	\$ 4,702,833.0
Public Protection			
Justice	\$ 6,578,890.0	\$ -	\$ 6,578,890.0
Other Public Protection	341,117.0	-	341,117.0
Total Public Protection	\$ 6,920,007.0	\$ -	\$ 6,920,007.0
Health and Sanitation			
Public Assistance	\$ 7,218,849.0	\$ 5,427,438.0	\$ 12,646,287.0
Recreation and Cultural Services	9,808,115.0	-	9,808,115.0
Education	472,373.0	-	472,373.0
Other	44,507.0	-	44,507.0
Insurance and Loss Reserve	527,053.0	-	527,053.0
Provision for Obligated Fund Balance	82,360.0	-	82,360.0
Appropriation for Contingency	23,456.0	-	23,456.0
	56,742.0	-	56,742.0
Total Requirements	\$ 29,856,295.0	\$ 5,427,438.0	\$ 35,283,733.0
AVAILABLE FUNDS			
Property Taxes			
Fund Balance	\$ 7,935,874.0	\$ -	\$ 7,935,874.0
Cancel Provision for Obligated Fund Balance	2,725,095.0	-	2,725,095.0
	31,477.0	347,168.0	378,645.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 447,088.0	\$ -	\$ 447,088.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	1,984,318.0	-	1,984,318.0
Other Public Assistance	2,930,960.0	-	2,930,960.0
Public Protection	1,744,960.0	-	1,744,960.0
Health and Mental Health	2,235,600.0	105,308.0	2,340,908.0
Capital Projects	171,573.0	-	171,573.0
Other State Revenues	64,186.0	-	64,186.0
Total State Revenues	9,597,685.0	105,308.0	9,702,993.0
Federal Revenues			
Public Assistance Subventions	\$ 3,211,717.0	\$ -	\$ 3,211,717.0
Other Public Assistance	209,154.0	-	209,154.0
Public Protection	81,979.0	-	81,979.0
Health and Mental Health	1,730,477.0	972.0	1,731,449.0
Capital Projects	63,695.0	-	63,695.0
Other Federal Revenues	151,843.0	-	151,843.0
Total Federal Revenues	\$ 5,448,865.0	\$ 972.0	\$ 5,449,837.0
Other Governmental Agencies			
	51,116.0	-	51,116.0
Total Intergovernmental Revenues	\$ 15,097,666.0	\$ 106,280.0	\$ 15,203,946.0
Fines, Forfeitures and Penalties	140,606.0	20.0	140,626.0
Licenses, Permits and Franchises	72,074.0	126.0	72,200.0
Charges for Services	3,049,425.0	3,700,610.0	6,750,035.0
Other Taxes	228,001.0	-	228,001.0
Use of Money and Property	419,764.0	19,468.0	439,232.0
Miscellaneous Revenues	156,313.0	583,028.0	739,341.0
Operating Contribution from General Fund	-	670,738.0	670,738.0
Total Available Funds	\$ 29,856,295.0	\$ 5,427,438.0	\$ 35,283,733.0

(1) Reflects the 2024-25 Recommended General County Budget approved by the Board of Supervisors on April 16, 2024

COUNTY OF LOS ANGELES
ADOPTED BUDGET 2024-25 GENERAL COUNTY BUDGET ⁽¹⁾
Net Appropriation: By Fund and Function
(In thousands)

<u>Function</u>	<u>General Fund</u>	<u>Hospital Enterprise Fund</u>	<u>Total General County</u>
REQUIREMENTS			
General			
General Government	\$ 1,721,159.0	\$ -	\$ 1,721,159.0
General Services	1,376,269.0	-	1,376,269.0
Public Buildings	1,612,754.0	-	1,612,754.0
Total General	\$ 4,710,182.0	\$ -	\$ 4,710,182.0
Public Protection			
Justice	\$ 6,618,309.0	\$ -	\$ 6,618,309.0
Other Public Protection	351,785.0	-	351,785.0
Total Public Protection	\$ 6,970,094.0	\$ -	\$ 6,970,094.0
Health and Sanitation			
Public Assistance	\$ 7,439,464.0	\$ 5,254,444.0	\$ 12,693,908.0
Recreation and Cultural Services	9,820,333.0	-	9,820,333.0
Education	485,968.0	-	485,968.0
Other	43,986.0	-	43,986.0
Insurance and Loss Reserve	527,053.0	-	527,053.0
Provision for Obligated Fund Balance	82,360.0	-	82,360.0
Appropriation for Contingency	19,766.0	-	19,766.0
	56,742.0	-	56,742.0
Total Requirements	\$ 30,155,948.0	\$ 5,254,444.0	\$ 35,410,392.0
AVAILABLE FUNDS			
Property Taxes	\$ 7,935,874.0	\$ -	\$ 7,935,874.0
Fund Balance	2,776,005.0	-	2,776,005.0
Cancel Provision for Obligated Fund Balance	31,477.0	398,406.0	429,883.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 447,088.0	\$ -	\$ 447,088.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	2,011,866.0	-	2,011,866.0
Other Public Assistance	2,937,992.0	-	2,937,992.0
Public Protection	1,750,478.0	-	1,750,478.0
Health and Mental Health	2,219,440.0	89,952.0	2,309,392.0
Capital Projects	172,904.0	-	172,904.0
Other State Revenues	64,880.0	-	64,880.0
Total State Revenues	9,623,648.0	89,952.0	9,713,600.0
Federal Revenues			
Public Assistance Subventions	\$ 3,224,404.0	\$ -	\$ 3,224,404.0
Other Public Assistance	209,154.0	-	209,154.0
Public Protection	84,573.0	-	84,573.0
Health and Mental Health	1,748,382.0	972.0	1,749,354.0
Capital Projects	44,495.0	-	44,495.0
Other Federal Revenues	159,405.0	-	159,405.0
Total Federal Revenues	\$ 5,470,413.0	\$ 972.0	\$ 5,471,385.0
Other Governmental Agencies	53,244.0	-	53,244.0
Total Intergovernmental Revenues	\$ 15,147,305.0	\$ 90,924.0	\$ 15,238,229.0
Fines, Forfeitures and Penalties	143,259.0	20.0	143,279.0
Licenses, Permits and Franchises	72,261.0	126.0	72,387.0
Charges for Services	3,243,193.0	3,602,506.0	6,845,699.0
Other Taxes	228,001.0	-	228,001.0
Use of Money and Property	422,892.0	19,468.0	442,360.0
Miscellaneous Revenues	155,681.0	634,099.0	789,780.0
Operating Contribution from General Fund	-	508,895.0	508,895.0
Total Available Funds	\$ 30,155,948.0	\$ 5,254,444.0	\$ 35,410,392.0

(1) Reflects the 2024-25 Adopted General County Budget approved by the Board of Supervisors on June 24, 2024

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 citywide 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 2023-24 secured property 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 \$57,430,748,091, which constitutes only 2.97% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2023-24
SOUTHERN CALIFORNIA EDISON CO	\$ 159,211,341
SOUTHERN CALIFORNIA GAS COMPANY	61,364,978
REXFORD INDUSTRIAL	60,959,590
TESORO REFINING AND MARKETING CO	56,496,094
DOUGLAS EMMETT RESIDENTIAL	45,374,362
PINCA Y RE LLC LESSOR	39,418,623
EQR / ERP LIMITED	35,261,077
CHEVRON USA INC	32,066,302
MAGUIRE PROPERTIES	29,628,247
AMB/MAR CARSON LLC	28,452,723
TISHMAN SPEYER / ARCHSTONE SMITH / ASN	25,423,243
AT&T MOBILITY LLC	21,649,021
ESSEX PORTFOLIO LP	19,781,847
PHILLIPS 66 PIPE LINE LLC	19,038,627
CENTURY CITY MALL LLC	13,848,316
FSP SOUTH FLOWER STREET	12,547,145
DE PACIFIC 9665 LLC	12,070,194
CJDB LLC LESSOR AND	11,718,986
DUKE REALTY WILMINGTON LP	11,671,662
DEL AMO FASHION CENTER OPERATING	11,272,536
	\$ 707,254,913

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 2019-20 through 2023-24.

COUNTY OF LOS ANGELES
 COMPARISON OF FULL CASH VALUE
 PROPERTY TAXATION AND COLLECTIONS
 FISCAL YEARS 2019-20 THROUGH 2023-24

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 %
2019-20	\$1,549,271,724,044	\$3,748,846,036	\$3,664,667,048	97.75%
2020-21	1,643,560,494,991	3,959,536,042	3,893,270,771	98.33%
2021-22	1,708,149,256,743	4,123,258,603	4,059,314,940	98.45%
2022-23	1,826,210,292,243	4,404,079,935	4,333,441,881	98.40%
2023-24	1,931,399,894,780	4,674,105,893	4,593,626,211	98.28%

(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 successor redevelopment agencies are excluded. See "Successor Redevelopment Agencies".

(2) Reflects collection within the fiscal year originally levied.

SUCCESSOR REDEVELOPMENT AGENCIES

Pursuant to ABX1 26, 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 2019-20 through 2023-24.

PROJECTS IN THE COUNTY OF LOS ANGELES
 FULL CASH VALUE AND TAX ALLOCATIONS
 FISCAL YEARS 2019-20 THROUGH 2023-24

Fiscal Year	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾
2019-20	\$220,959,568,982	\$2,006,676,731
2020-21	238,966,302,250	2,240,003,569
2021-22	250,158,784,812	2,272,777,323
2022-23	265,699,780,678	2,377,926,942
2023-24	282,248,200,705	2,523,841,524 ⁽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 2023 through July 2024.

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.

2024-25 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 21, 2024, the County issued the 2024-25 TRANs with an aggregate principal amount of \$700,000,000 on July 1, 2024. The 2024-25 TRANs, which will mature on June 30, 2025, are general obligations of the County attributable to Fiscal Year 2024-25 and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys which will be received by, or accrue to the County in Fiscal Year 2024-25, and are lawfully available for the payment of current expenses and other obligations 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 2024-25 for the purpose of repaying the 2024-25 TRANs on the June 30, 2025 maturity date. The deposits to the Repayment Fund have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES	
2024-25 TAX AND REVENUE ANTICIPATION NOTES	
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*	
Deposit Date	Deposit Amount
December, 2024	\$315,000,000
January, 2025	315,000,000
April, 2025	104,902,778
Total	\$734,902,778

* Includes \$700,000,000 of 2024-25 TRANs principal and 5.00% 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 from Fiscal Year 2019-20 to Fiscal Year 2023-24.

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

	2019-20	2020-21	2021-22	2022-23	2023-24
Property Taxes	\$ 6,114,188	\$ 6,632,057	\$ 6,757,307	\$ 7,488,759	\$ 7,793,678
Other Taxes	217,568	227,840	293,548	271,809	250,207
Licenses, Permits and Franchises	69,060	65,989	71,281	73,784	86,508
Fines, Forfeitures and Penalties	195,093	147,618	166,194	175,622	193,565
Investment and Rental Income	247,094	143,986	149,077	362,993	616,392
State In-Lieu Taxes	339,802	(101,848)	407,236	364,801	381,298
State Homeowner Exemptions	18,536	18,382	18,419	18,299	17,718
Charges for Current Services	2,301,629	3,042,996	2,606,320	2,832,406	2,873,769
Other Revenue*	1,106,808	1,525,749	1,264,482	1,504,348	1,603,064
TOTAL UNRESTRICTED RECEIPTS	\$ 10,609,778	\$ 11,702,769	\$ 11,733,864	\$ 13,092,821	\$ 13,816,199

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.

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 2022-23 and Fiscal Year 2023-24.

General Fund Cash Flow Statements

The Fiscal Year 2022-23 and Fiscal Year 2023-24 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2022-23, the County had an ending General Fund cash balance of \$4.709 billion. For Fiscal Year 2023-24, the County had an ending General Fund cash balance of \$4.937 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 June 30, 2024, 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:

<u>Local Agency</u>	<u>Invested Funds</u> <u>(in Billions)</u>
County of Los Angeles and Special Districts	\$ 23.065
Schools and Community Colleges	32.156
Discretionary Participants	3.777
<u>Total</u>	<u>\$ 58.998</u>

Of these entities, the discretionary participants accounted for 6.4% 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 19, 2024, 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 July 31, 2024, the June 30, 2024 book value of the Treasury Pool was approximately \$58.998 billion and the corresponding market value was approximately \$56.738 billion.

The County maintains a strong system of internal controls for monitoring the cash accounting and investment process. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and

accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of June 30, 2024:

Type of Investment	% of Pool
Certificates of Deposit	3.56
U.S. Government and Agency Obligations	68.45
Bankers Acceptances	0.00
Commercial Paper	27.93
Municipal Obligations	0.06
Corporate Notes & Deposit Notes	0.00
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of June 30, 2024, approximately 39.69% of the investments mature within 60 days, with an average of 668 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, 2023, and the unmodified opinion of Macias Gini & O’Connell LLP are attached hereto as Appendix B. Since 1982, the County’s Annual Comprehensive Financial Reports 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 2023-24 Final Adopted Budget included an available General Fund balance of \$3,764,489,000 as of June 30, 2023.

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 the 2006 Tobacco Bonds in Fiscal Year 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 2022-23 Annual Comprehensive Financial Report, 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.
- The County determined that certain assets were held by LACERA (as the OPEB administrator) in an OPEB Custodial 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 Custodial assets as of June 30, 2023.

The tables below provide a reconciliation of the General Fund’s June 30, 2023 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 2018-19 to Fiscal Year 2022-23.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2023 (in thousands of \$)

Unassigned Fund Balance - Budgetary Basis	\$3,764,489
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	328,909
Change in receivables for health insurers rebates held in LACERA OPEB Custodial Fund	231,550
Accrual of liabilities for accrued compensated absences not required by GAAP	105,873
Change in revenue accruals	(214,251)
Deferral of property tax receivables	(104,264)
Deferral of sale of tobacco settlement revenue	(183,207)
Change in fair value of Investments	(503,629)
Nonspendable long-term receivable	109
Reserve for "Rainy Day" Fund	854,920
	<hr/>
Unassigned Fund Balance - GAAP Basis	\$4,280,499

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2019, 2020, 2021, 2022, and 2023
GENERAL FUND-GAAP BASIS (in thousands of \$)

ASSETS

	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Pooled Cash and Investments	\$ 4,234,098	\$ 5,027,623	\$ 7,656,800	\$ 9,550,790	\$ 9,934,126
Other Investments	3,973	3,678	3,351	2,988	2,588
Taxes Receivable	190,819	260,740	243,220	262,404	273,191
Lease Receivable*				1,864,647	1,833,620
Other Receivables	2,466,846	3,579,508	3,415,900	3,469,989	3,829,493
Due from Other Funds	757,525	872,764	600,132	875,872	836,933
Advances to Other Funds	634,848	77,748	18,084	18,221	17,738
Inventories	58,050	66,482	117,370	163,736	137,240
Total Assets	\$ 8,346,159	\$ 9,888,543	\$ 12,054,857	\$ 16,208,647	\$ 16,864,929

LIABILITIES

Accounts Payable	\$ 636,560	\$ 790,780	\$ 684,009	\$ 627,573	\$ 712,573
Accrued Payroll	445,506	457,444	481,556	489,407	523,652
Other Payables	165,114	91,569	94,890	31,838	163,099
Due to Other Funds	212,300	246,092	489,473	346,213	345,155
Advances Payable	1,812,610	3,073,192	4,500,312	6,225,152	5,979,531
Third-Party Payor Liability	56,297	92,105	181,002	289,706	195,652
Total Liabilities	\$ 3,328,387	\$ 4,751,182	\$ 6,431,242	\$ 8,009,889	\$ 7,919,662

DEFERRED INFLOWS OF RESOURCES	\$ 583,763	\$ 618,557	\$ 689,891	\$ 2,581,104	\$ 2,462,210
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FUND BALANCES

Nonspendable	\$ 311,958	\$ 126,630	\$ 225,233	\$ 284,841	\$ 263,367
Restricted	79,210	83,372	55,061	64,516	77,629
Committed	780,517	594,193	597,337	759,944	832,792
Assigned	620,773	696,775	790,573	774,267	1,028,770
Unassigned	2,641,551	3,017,834	3,265,520	3,734,086	4,280,499
Total Fund Balances	\$ 4,434,009	\$ 4,518,804	\$ 4,933,724	\$ 5,617,654	\$ 6,483,057
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,346,159	\$ 9,888,543	\$ 12,054,857	\$ 16,208,647	\$ 16,864,929

Sources: Annual Comprehensive Financial Reports for fiscal years ended June 30, 2019, 2020, 2021, 2022, and 2023.

*The County implemented GASB Statement 87 "Leases" in FY 2021-22. As of June 30, 2022, Lease Receivable is reported in the new required GASB 87 format.

COUNTY OF LOS ANGELES
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2018-19 THROUGH 2022-23 (in thousands of \$)

	2018-19	2019-20	2020-21	2021-22	2022-23
REVENUES:					
Taxes	\$ 6,034,742	\$ 6,321,404	\$ 6,894,825	\$ 7,161,038	\$ 7,643,986
Licenses, Permits & Franchises	63,538	70,299	63,193	70,654	72,609
Fines, Forfeitures and Penalties	187,979	184,798	163,163	173,404	176,923
Use of Money and Property	366,116	256,737	77,633	(176,046)	369,173
Aid from Other Government	10,224,347	10,932,846	12,957,099	12,664,511	13,804,835
Charges for Services	2,505,049	2,964,007	2,909,960	2,728,979	2,908,286
Miscellaneous Revenues	169,320	248,008	217,269	240,128	245,625
TOTAL	\$ 19,551,091	\$ 20,978,099	\$ 23,283,142	\$ 22,862,668	\$ 25,221,437
EXPENDITURES					
General	\$ 1,284,824	\$ 1,504,452	\$ 1,807,937	\$ 1,193,470	\$ 1,870,449
Public Protection	5,893,865	6,130,313	6,149,194	6,330,770	6,720,622
Health and Sanitation	5,065,138	5,727,283	5,968,030	6,380,309	6,468,543
Public Assistance	6,501,712	6,893,502	7,898,985	7,555,772	8,549,336
Recreation and Cultural Services	386,217	407,052	398,537	427,224	477,197
Debt Service	37,519	35,596	31,172	143,214	186,397
Capital Outlay	1,586	1,052	1,134	58,841	341,816
Total	\$ 19,170,861	\$ 20,699,250	\$ 22,254,989	\$ 22,089,600	\$ 24,614,360
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 380,230	\$ 278,849	\$ 1,028,153	\$ 773,068	\$ 607,077
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to)					
Other Funds-Net	\$ 155,233	\$ (196,378)	\$ (616,679)	\$ (149,735)	\$ (84,670)
Sales of Capital Assets	1,769	1,272	2,312	1,756	1,180
Leases*	1,586	1,052	1,134	58,841	280,778
Subscriptions**					61,038
OTHER FINANCING SOURCES (USES)-Net	\$ 158,588	\$ (194,054)	\$ (613,233)	\$ (89,138)	\$ 258,326
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	538,818	84,795	414,920	683,930	865,403
Beginning Fund Balance	3,895,191	4,434,009	4,518,804	4,933,724	5,617,654
Ending Fund Balance	\$ 4,434,009	\$ 4,518,804	\$ 4,933,724	\$ 5,617,654	\$ 6,483,057

Sources: Annual Comprehensive Financial Reports for fiscal years ended June 30, 2019, 2020, 2021, 2022, and 2023.

* The County implemented GASB 87-Leases in FY 2021-22. As of June 30, 2022, Leases Other Financing Uses is reported in the new GASB 87 format.

** The County implemented GASB Statement 96 "Subscription Based IT Arrangements" in FY 2022-23. As of June 30, 2023, Subscriptions Other Financing Uses is reported in the new required GASB 96 format.

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

2022-23: 12 MONTHS ACTUAL

2023-24: 12 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES

AVERAGE DAILY BALANCES: Fiscal Year 2022-23

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

	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022
PROPERTY TAX GROUP						
Tax Collector Trust Fund	\$ 123,881	\$ 57,792	\$ 65,183	\$ 654,873	\$ 2,487,412	\$ 3,198,666
Auditor Unapportioned Property Tax	754,818	158,243	88,057	134,026	1,168,825	3,991,430
Unsecured Property Tax	209,706	189,491	197,994	237,215	179,575	110,323
Miscellaneous Fees & Taxes	386	418	395	397	391	340
State Redemption Fund	31,588	54,951	71,304	101,246	53,529	39,669
Education Revenue Augmentation	80,885	73,388	122,252	122,252	145,017	611,854
State Reimbursement Fund	0	0	0	0	399	9,233
Vehicle License Fee Replacement Fund	0	119,500	137,204	137,204	137,204	241,843
Property Tax Rebate Fund	4,045	17,875	18,579	21,164	21,389	13,405
Utility User Tax Trust Fund	1,230	1,073	3,787	8,185	12,984	10,192
Subtotal	\$ 1,206,539	\$ 672,731	\$ 704,755	\$ 1,416,562	\$ 4,206,725	\$ 8,226,955
VARIOUS TRUST GROUP						
Departmental Trust Fund	\$ 565,690	\$ 461,420	\$ 444,169	\$ 465,091	\$ 505,035	\$ 482,621
Non-County Entities Trust Fund	51,276	72,098	88,470	90,838	92,280	91,006
Payroll Revolving Fund	70,019	68,251	71,297	87,811	72,971	74,975
Asset Development Fund	53,056	52,781	52,757	53,054	53,099	50,002
Productivity Investment Fund	7,198	7,046	6,828	6,343	6,113	6,054
Motor Vehicle Capital Outlays	749	749	749	749	4,037	7,039
Civic Center Parking	181	230	254	351	218	260
Reporters Salary Fund	354	313	472	460	434	322
Cable TV Franchise Fund	16,437	15,969	16,299	16,383	15,896	16,146
Megaflex Long-Term Disability	10,238	10,140	10,052	10,136	9,989	9,994
Megaflex Long-Term Disability & Health	15,260	15,348	15,442	15,521	15,614	15,703
Megaflex Short-Term Disability	80,911	81,696	82,219	82,775	83,367	83,958
Subtotal	\$ 871,369	\$ 786,041	\$ 789,008	\$ 829,512	\$ 859,053	\$ 838,080
HOSPITAL GROUP						
Harbor-UCLA Medical Center	\$ 188,583	\$ 84,118	\$ 90,427	\$ 162,013	\$ 146,075	\$ 74,676
Olive View-UCLA Medical Center	105,968	73,818	15,706	60,935	43,230	7,721
LAC+USC Medical Center	184,319	103,770	18,077	102,648	75,852	3,112
Rancho Los Amigos Rehab Center	142,307	94,986	114,837	119,731	111,411	92,205
Health Services - Harbor-UCLA Medical Center	175,000	175,000	175,069	175,211	175,441	175,721
Subtotal	\$ 796,177	\$ 531,692	\$ 414,116	\$ 620,538	\$ 552,009	\$ 353,435
GRAND TOTAL	\$ 2,874,085	\$ 1,990,464	\$ 1,907,879	\$ 2,866,612	\$ 5,617,787	\$ 9,418,470

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	
PROPERTY TAX GROUP						
\$ 1,377,907	\$ 665,330	\$ 1,110,893	\$ 3,898,615	\$ 470,895	\$ 254,986	Tax Collector Trust Fund
1,838,083	1,282,135	1,021,830	1,885,402	1,651,008	284,709	Auditor Unapportioned Property Tax
101,595	82,896	68,709	60,646	80,844	120,844	Unsecured Property Tax
398	417	400	397	385	367	Miscellaneous Fees & Taxes
36,875	27,915	26,771	25,892	20,159	25,985	State Redemption Fund
709,902	585,926	51,154	398,628	293,200	222,217	Education Revenue Augmentation
17,550	720	720	3,516	16,858	7,458	State Reimbursement Fund
698,320	166,087	828,360	888,052	877,825	0	Vehicle License Fee Replacement Fund
11,511	14,032	26,483	34,660	26,124	17,149	Property Tax Rebate Fund
13,358	15,536	15,681	21,062	16,776	12,124	Utility User Tax Trust Fund
\$ 4,805,499	\$ 2,840,994	\$ 3,151,001	\$ 7,216,870	\$ 3,454,074	\$ 945,839	Subtotal
VARIOUS TRUST GROUP						
\$ 631,324	\$ 635,389	\$ 745,141	\$ 633,082	\$ 579,836	\$ 519,254	Departmental Trust Fund
90,884	106,502	102,265	103,802	110,797	112,503	Non-County Entities Trust Fund
100,531	61,240	64,037	74,807	65,631	58,631	Payroll Revolving Fund
20,931	20,967	21,127	21,881	22,175	22,293	Asset Development Fund
5,990	5,850	7,279	9,692	9,646	8,692	Productivity Investment Fund
7,039	7,039	7,017	6,971	6,962	6,943	Motor Vehicle Capital Outlays
230	128	57	206	207	190	Civic Center Parking
287	300	387	295	400	439	Reporters Salary Fund
16,089	15,699	15,879	15,732	15,499	15,915	Cable TV Franchise Fund
10,111	9,966	10,058	10,136	10,083	10,199	Megaflex Long-Term Disability
15,812	15,822	15,780	15,893	15,983	16,065	Megaflex Long-Term Disability & Health
84,807	85,482	86,306	87,053	87,764	88,479	Megaflex Short-Term Disability
\$ 984,035	\$ 964,384	\$ 1,075,333	\$ 979,550	\$ 924,983	\$ 859,603	Subtotal
HOSPITAL GROUP						
\$ 13,354	\$ 15,699	\$ 4,709	\$ 328,171	\$ 471,461	\$ 416,831	Harbor-UCLA Medical Center
3,598	10,297	2,126	124,452	171,581	119,547	Olive View-UCLA Medical Center
(1,199)	28,850	11,479	168,123	208,914	214,290	LAC + USC Medical Center
70,877	23,996	(1,828)	124,200	194,838	177,923	Rancho Los Amigos Rehab Center
176,026	176,447	176,795	177,261	177,685	178,264	Health Services - Harbor-UCLA Medical Center
\$ 262,656	\$ 255,289	\$ 193,281	\$ 922,207	\$ 1,224,479	\$ 1,106,855	Subtotal
\$ 6,052,190	\$ 4,060,667	\$ 4,419,615	\$ 9,118,627	\$ 5,603,536	\$ 2,912,297	GRAND TOTAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES

AVERAGE DAILY BALANCES: Fiscal Year 2023-24

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

	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023
PROPERTY TAX GROUP						
Tax Collector Trust Fund	\$ 106,486	\$ 67,570	\$ 43,947	\$ 723,413	\$ 1,950,721	\$ 4,879,179
Auditor Unapportioned Property Tax	428,303	203,377	166,735	249,448	2,061,666	2,762,255
Unsecured Property Tax	196,882	164,022	207,494	250,032	187,685	115,997
Miscellaneous Fees & Taxes	328	358	402	357	361	392
State Redemption Fund	31,048	60,058	60,762	68,411	32,540	34,542
Education Revenue Augmentation	22,878	71,863	0	0	22,825	615,370
State Reimbursement Fund	0	0	0	0	392	9,933
Vehicle License Fee Replacement Fund	0	50,039	192,489	192,489	192,489	214,371
Property Tax Rebate Fund	17,455	28,806	23,688	20,353	40,138	35,602
Utility User Tax Trust Fund	1,841	554	4,710	9,909	15,520	19,146
Subtotal	\$ 805,221	\$ 646,647	\$ 700,227	\$ 1,514,412	\$ 4,504,337	\$ 8,686,787
VARIOUS TRUST GROUP						
Departmental Trust Fund	\$ 511,834	\$ 560,562	\$ 642,866	\$ 683,350	\$ 778,382	\$ 708,233
Non-County Entities Trust Fund	97,403	84,114	84,656	81,384	78,177	69,328
Payroll Revolving Fund	77,803	65,843	65,686	84,484	60,090	61,112
Asset Development Fund	22,335	22,119	22,139	22,160	22,179	22,188
Productivity Investment Fund	9,178	9,399	9,119	9,100	8,287	8,294
Motor Vehicle Capital Outlays	6,930	6,930	6,918	6,479	6,356	6,249
Civic Center Parking	98	548	540	558	536	441
Reporters Salary Fund	313	402	379	540	700	530
Cable TV Franchise Fund	15,505	15,227	15,578	15,504	15,247	15,741
Megaflex Long-Term Disability	10,293	10,291	10,464	10,691	10,609	10,821
Megaflex Long-Term Disability & Health	16,170	16,249	16,351	16,453	16,539	16,647
Megaflex Short-Term Disability	89,041	89,560	90,027	90,718	91,232	92,046
Subtotal	\$ 856,903	\$ 881,244	\$ 964,723	\$ 1,021,421	\$ 1,088,334	\$ 1,011,630
HOSPITAL GROUP						
Harbor-UCLA Medical Center	\$ 261,589	\$ 155,995	\$ 18,880	\$ 55,635	\$ 58,007	\$ 9,287
Olive View-UCLA Medical Center	79,269	77,343	124,518	143,981	125,826	101,209
LAC+USC Medical Center	149,168	115,203	115,890	97,815	60,529	19,332
Rancho Los Amigos Rehab Center	188,217	139,786	61,133	31,056	26,714	12,695
Health Services - Harbor-UCLA Medical Center	178,928	179,468	179,909	180,360	180,966	181,520
Subtotal	\$ 857,171	\$ 667,795	\$ 500,330	\$ 508,847	\$ 452,042	\$ 324,043
GRAND TOTAL	\$ 2,519,295	\$ 2,195,686	\$ 2,165,280	\$ 3,044,680	\$ 6,044,713	\$ 10,022,460

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	
PROPERTY TAX GROUP						
\$ 826,748	\$ 640,990	\$ 1,116,927	\$ 2,879,009	\$ 856,192	\$ 193,140	Tax Collector Trust Fund
2,380,027	1,397,565	1,173,119	3,231,860	1,437,899	258,761	Auditor Unapportioned Property Tax
110,996	104,773	83,055	79,641	104,651	154,919	Unsecured Property Tax
451	366	380	402	368	405	Miscellaneous Fees & Taxes
25,212	22,231	21,465	24,180	22,688	24,756	State Redemption Fund
457,217	295,235	6,008	469,569	280,524	210,926	Education Revenue Augmentation
16,306	639	639	1,553	17,345	7,330	State Reimbursement Fund
916,902	390,414	816,377	830,863	1,003,487	0	Vehicle License Fee Replacement Fund
22,704	33,087	37,210	28,592	36,106	20,507	Property Tax Rebate Fund
17,390	21,345	26,792	31,421	36,642	37,426	Utility User Tax Trust Fund
\$ 4,773,953	\$ 2,906,645	\$ 3,281,972	\$ 7,577,090	\$ 3,795,902	\$ 908,170	Subtotal
VARIOUS TRUST GROUP						
\$ 806,827	\$ 721,071	\$ 727,684	\$ 732,185	\$ 800,079	\$ 303,824	Departmental Trust Fund
68,594	76,645	76,184	75,024	74,707	71,906	Non-County Entities Trust Fund
92,580	52,195	60,341	63,994	58,066	64,525	Payroll Revolving Fund
22,213	22,228	22,575	23,256	23,557	23,585	Asset Development Fund
8,291	8,299	8,030	7,855	7,032	6,977	Productivity Investment Fund
5,883	5,839	5,839	5,763	5,731	5,702	Motor Vehicle Capital Outlays
395	362	336	326	277	283	Civic Center Parking
554	438	359	179	(64)	337	Reporters Salary Fund
15,707	15,479	15,668	15,380	15,090	15,297	Cable TV Franchise Fund
10,927	10,988	11,123	11,206	11,267	11,415	Megaflex Long-Term Disability
16,773	16,879	16,796	16,901	17,073	17,100	Megaflex Long-Term Disability & Health
92,972	93,637	94,432	95,240	96,065	96,880	Megaflex Short-Term Disability
\$ 1,141,716	\$ 1,024,060	\$ 1,039,367	\$ 1,047,309	\$ 1,108,880	\$ 617,831	Subtotal
HOSPITAL GROUP						
\$ 3,582	\$ 38,793	\$ 56,448	\$ 220,541	\$ 304,808	\$ 111,301	Harbor-UCLA Medical Center
64,551	39,803	15,223	117,677	236,566	194,903	Olive View-UCLA Medical Center
3,368	51,762	60,103	210,800	383,782	285,946	LAC + USC Medical Center
1,054	8,423	1,636	82,919	160,234	102,071	Rancho Los Amigos Rehab Center
182,074	182,672	183,049	183,549	184,053	184,599	Health Services - Harbor-UCLA Medical Center
\$ 254,629	\$ 321,453	\$ 316,459	\$ 815,486	\$ 1,269,443	\$ 878,820	Subtotal
\$ 6,170,298	\$ 4,252,158	\$ 4,637,798	\$ 9,439,885	\$ 6,174,225	\$ 2,404,821	GRAND TOTAL



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

**2022-23: 12 MONTHS ACTUAL
2023-24: 12 MONTHS ACTUAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2022-23
(in thousands of \$)

	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022
BEGINNING BALANCE	\$ 3,256,071	\$ 3,532,192	\$ 3,237,406	\$ 2,848,231	\$ 2,487,260	\$ 1,778,473
RECEIPTS						
Property Taxes	\$ 180,439	\$ 152,717	\$ 0	\$ 0	\$ 56,075	\$ 1,752,595
Other Taxes	21,654	24,225	17,713	15,295	19,684	23,968
Licenses, Permits & Franchises	5,630	3,366	5,310	2,141	4,555	3,527
Fines, Forfeitures & Penalties	38,592	21,932	6,182	6,695	13,410	5,195
Investment and Rental Income	13,860	17,161	17,490	22,326	31,448	21,212
Motor Vehicle (VLF) Realignment	(61,204)	49,291	52,329	35,028	37,473	38,078
Sales Taxes - Proposition 172	97,293	79,430	74,978	78,001	93,864	79,397
1991 Program Realignment	11,820	0	85,900	88,294	100,796	89,277
Other Intergovernmental Revenue**	398,333	576,188	346,374	203,813	118,105	374,653
Charges for Current Services	241,802	334,094	123,691	336,622	151,686	174,023
Other Revenue & Tobacco Settlement	158,882	284,193	25,129	99,109	97,571	110,987
Transfers & Reimbursements	174,741	3,373	0	2,524	12,687	17,889
Hospital Loan Repayment*	0	0	0	0	0	0
Welfare Advances	292,656	152,527	650,254	646,352	541,324	651,539
Other Financing Sources/MHSA	145,133	107,192	0	28,972	14,616	92,632
Intrafund Borrowings	0	0	0	0	0	0
TRANs Sold	900,000	0	0	0	0	0
Total Receipts	\$ 2,619,631	\$ 1,805,689	\$ 1,405,350	\$ 1,565,172	\$ 1,293,294	\$ 3,434,972
DISBURSEMENTS						
Welfare Warrants	\$ 217,824	\$ 247,758	\$ 236,989	\$ 259,897	\$ 256,235	\$ 257,123
Salaries	654,680	590,070	577,856	594,389	621,512	622,102
Employee Benefits	402,902	398,864	420,155	396,251	407,237	467,339
Vendor Payments	847,862	644,225	481,055	531,821	657,069	549,643
Loans to Hospitals*	0	0	0	0	0	0
Hospital Subsidy Payments	0	175,565	62,362	0	9,002	83,976
Transfer Payments	220,242	43,993	16,108	143,785	51,026	120,803
TRANs Pledge Transfer	0	0	0	0	0	405,000
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	\$ 2,343,510	\$ 2,100,475	\$ 1,794,525	\$ 1,926,143	\$ 2,002,081	\$ 2,505,986
ENDING BALANCE	\$ 3,532,192	\$ 3,237,406	\$ 2,848,231	\$ 2,487,260	\$ 1,778,473	\$ 2,707,459
Borrowable Resources (Avg. Balance)	\$ 2,874,085	\$ 1,990,464	\$ 1,907,879	\$ 2,866,612	\$ 5,617,787	\$ 9,418,470
Total Cash Available	\$ 6,406,277	\$ 5,227,870	\$ 4,756,110	\$ 5,353,872	\$ 7,396,260	\$ 12,125,929

* The net change in the outstanding Hospital Loan Balance is negative \$1.00 and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

** Includes COVID-19 Revenues

January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	Total 2022-23	
\$ 2,707,459	\$ 3,077,444	\$ 2,651,622	\$ 1,931,765	\$ 3,134,261	\$ 4,069,262		BEGINNING BALANCE
							RECEIPTS
\$ 1,792,409	\$ 266,101	\$ 23,809	\$ 1,287,461	\$ 1,516,323	\$ 460,830	\$ 7,488,759	Property Taxes
19,979	27,443	13,659	19,904	37,265	31,020	271,809	Other Taxes
4,219	4,231	9,851	15,522	12,234	3,198	73,784	Licenses, Permits & Franchises
5,320	19,257	14,057	6,766	30,103	8,113	175,622	Fines, Forfeitures & Penalties
24,885	39,220	34,602	39,218	45,879	55,692	362,993	Investment and Rental Income
34,963	41,242	46,109	52,025	8,196	31,271	364,801	Motor Vehicle (VLF) Realignment
76,678	101,128	69,367	68,864	87,590	74,725	981,315	Sales Taxes - Proposition 172
78,319	102,020	69,981	123,563	87,727	74,842	912,539	1991 Program Realignment
296,042	517,595	507,161	388,214	533,482	614,177	4,874,137	Other Intergovernmental Revenue**
309,890	144,982	120,557	434,190	247,499	213,370	2,832,406	Charges for Current Services
24,255	150,375	144,389	186,247	27,043	196,168	1,504,348	Other Revenue & Tobacco Settlement
7,269	6,724	56,464	3,560	11,055	220,334	516,620	Transfers & Reimbursements
0	0	0	214,915	0	0	214,915	Hospital Loan Repayment*
491,553	510,091	598,572	647,988	482,088	631,758	6,296,702	Welfare Advances
43,153	1,950	24,160	48,058	37,652	151,813	695,331	Other Financing Sources/MHSA
0	0	0	0	0	0	0	Intrafund Borrowings
0	0	0	0	0	0	900,000	TRANs Sold
\$ 3,208,934	\$ 1,932,359	\$ 1,732,738	\$ 3,536,495	\$ 3,164,136	\$ 2,767,311	\$ 28,466,081	Total Receipts
							DISBURSEMENTS
\$ 266,516	\$ 698,180	\$ 328,141	\$ 318,077	\$ 323,043	\$ 332,950	\$ 3,742,733	Welfare Warrants
669,884	619,212	603,658	630,755	604,399	605,938	7,394,455	Salaries
438,915	413,697	445,052	406,583	412,322	446,399	5,055,716	Employee Benefits
647,822	504,535	590,919	669,751	764,455	595,829	7,484,986	Vendor Payments
0	0	188,480	26,434	0	0	214,914	Loans to Hospitals*
189,029	91,203	233,730	1,612	(1,289)	125,220	970,410	Hospital Subsidy Payments
221,783	31,354	62,615	154,887	126,205	21,677	1,214,478	Transfer Payments
405,000	0	0	125,900	0	0	935,900	TRANs Pledge Transfer
0	0	0	0	0	0	0	Intrafund Repayment
\$ 2,838,949	\$ 2,358,181	\$ 2,452,595	\$ 2,333,999	\$ 2,229,135	\$ 2,128,013	\$ 27,013,592	Total Disbursements
\$ 3,077,444	\$ 2,651,622	\$ 1,931,765	\$ 3,134,261	\$ 4,069,262	\$ 4,708,560		ENDING BALANCE
\$ 6,052,190	\$ 4,060,667	\$ 4,419,615	\$ 9,118,627	\$ 5,603,536	\$ 2,912,297		Borrowable Resources (Avg. Balance)
\$ 9,129,634	\$ 6,712,289	\$ 6,351,380	\$ 12,252,888	\$ 9,672,798	\$ 7,620,857		Total Cash Available

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2023-24
(in thousands of \$)

	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023
BEGINNING BALANCE	\$ 4,708,560	\$ 4,554,113	\$ 4,095,301	\$ 3,706,239	\$ 2,686,005	\$ 2,124,984
RECEIPTS						
Property Taxes	\$ 73,588	\$ 164,371	\$ 0	\$ 0	\$ 66,681	\$ 1,854,399
Other Taxes	15,959	21,934	16,874	15,730	18,261	22,824
Licenses, Permits & Franchises	7,177	6,958	5,029	4,360	3,208	6,558
Fines, Forfeitures & Penalties	34,778	27,308	7,263	7,371	15,913	6,202
Investment and Rental Income	64,871	47,488	37,736	48,723	48,422	37,104
Motor Vehicle (VLF) Realignment	(71,104)	39,239	49,180	37,646	38,682	37,960
Sales Taxes - Proposition 172	98,400	73,780	75,443	78,123	91,086	77,131
1991 Program Realignment	104,770	0	81,172	83,910	118,269	82,147
Other Intergovernmental Revenue**	231,709	475,314	327,999	258,172	128,710	386,062
Charges for Current Services	178,277	317,235	239,691	83,379	375,363	136,973
Other Revenue & Tobacco Settlement	377,888	177,076	35,176	65,213	126,387	117,381
Transfers & Reimbursements	63,866	(7,873)	0	4,452	23,196	37,777
Hospital Loan Repayment*	0	0	0	0	0	0
Welfare Advances	399,845	184,129	662,240	651,472	448,766	714,580
Other Financing Sources/MHSA	594	215,785	0	23,112	660	23,660
Intrafund Borrowings	0	0	0	0	0	0
TRANs Sold	700,000	0	0	0	0	0
Total Receipts	\$ 2,280,618	\$ 1,742,744	\$ 1,537,803	\$ 1,361,663	\$ 1,503,604	\$ 3,540,758
DISBURSEMENTS						
Welfare Warrants	\$ 253,242	\$ 286,690	\$ 277,173	\$ 281,185	\$ 275,396	\$ 277,157
Salaries	631,592	640,738	617,751	631,516	637,894	660,870
Employee Benefits	413,282	431,411	472,479	501,123	429,443	437,654
Vendor Payments	934,794	733,138	537,577	776,751	703,178	467,496
Loans to Hospitals*	0	0	0	0	0	0
Hospital Subsidy Payments	0	68,675	7,035	37,437	0	98,465
Transfer Payments	202,155	40,904	14,850	153,885	18,714	30,772
TRANs Pledge Transfer	0	0	0	0	0	315,000
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	\$ 2,435,065	\$ 2,201,556	\$ 1,926,865	\$ 2,381,897	\$ 2,064,625	\$ 2,287,414
ENDING BALANCE	\$ 4,554,113	\$ 4,095,301	\$ 3,706,239	\$ 2,686,005	\$ 2,124,984	\$ 3,378,328
Borrowable Resources (Avg. Balance)	\$ 2,519,295	\$ 2,195,686	\$ 2,165,280	\$ 3,044,680	\$ 6,044,713	\$ 10,022,460
Total Cash Available	\$ 7,073,408	\$ 6,290,987	\$ 5,871,519	\$ 5,730,685	\$ 8,169,697	\$ 13,400,788

* The net change in the outstanding Hospital Loan Balance is \$0.00 and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

** Includes COVID-19 Revenues

January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	Total 2023-24	
\$ 3,378,328	\$ 3,717,922	\$ 2,729,866	\$ 2,190,831	\$ 3,170,206	\$ 4,300,424		BEGINNING BALANCE
							RECEIPTS
\$ 1,859,920	\$ 250,461	\$ 19,831	\$ 1,392,148	\$ 1,617,140	\$ 495,139	\$ 7,793,678	Property Taxes
11,858	19,097	13,713	14,793	19,321	59,843	250,207	Other Taxes
2,743	6,231	13,407	18,524	7,487	4,826	86,508	Licenses, Permits & Franchises
7,085	22,562	15,752	7,434	34,922	6,975	193,565	Fines, Forfeitures & Penalties
40,882	63,965	46,773	53,721	65,321	61,386	616,392	Investment and Rental Income
38,294	55,393	59,939	39,335	41,056	15,678	381,298	Motor Vehicle (VLF) Realignment
75,534	103,924	68,998	64,899	89,729	74,322	971,369	Sales Taxes - Proposition 172
81,322	110,673	73,486	70,470	96,181	83,328	985,728	1991 Program Realignment
197,311	473,606	342,596	557,308	489,839	816,363	4,684,989	Other Intergovernmental Revenue**
292,388	(65,414)	149,300	613,737	191,559	361,281	2,873,769	Charges for Current Services
(7,617)	103,436	107,489	154,354	166,575	179,706	1,603,064	Other Revenue & Tobacco Settlement
3,853	3,409	2,285	5,702	61,213	218,129	416,009	Transfers & Reimbursements
0	0	0	0	0	0	0	Hospital Loan Repayment*
633,497	530,102	634,865	493,190	547,080	644,428	6,544,194	Welfare Advances
10,384	22,788	115,494	81,377	63,003	87,166	644,023	Other Financing Sources/MHSA
0	0	0	0	0	0	0	Intrafund Borrowings
0	0	0	0	0	0	700,000	TRANs Sold
\$ 3,247,454	\$ 1,700,233	\$ 1,663,928	\$ 3,566,992	\$ 3,490,426	\$ 3,108,570	\$ 28,744,793	Total Receipts
							DISBURSEMENTS
\$ 274,858	\$ 782,941	\$ 334,492	\$ 332,574	\$ 336,521	\$ 345,250	\$ 4,057,479	Welfare Warrants
715,163	655,996	650,658	672,484	640,547	647,254	7,802,463	Salaries
484,987	468,204	470,743	439,129	406,434	488,702	5,443,591	Employee Benefits
748,470	649,551	634,625	929,721	826,690	812,901	8,754,892	Vendor Payments
0	0	0	0	0	0	0	Loans to Hospitals*
267,085	119,258	82,264	0	0	85,998	766,217	Hospital Subsidy Payments
102,297	12,339	30,181	109,195	150,016	91,795	957,103	Transfer Payments
315,000	0	0	104,514	0	0	734,514	TRANs Pledge Transfer
0	0	0	0	0	0	0	Intrafund Repayment
\$ 2,907,860	\$ 2,688,289	\$ 2,202,963	\$ 2,587,617	\$ 2,360,208	\$ 2,471,900	\$ 28,516,259	Total Disbursements
\$ 3,717,922	\$ 2,729,866	\$ 2,190,831	\$ 3,170,206	\$ 4,300,424	\$ 4,937,094		ENDING BALANCE
\$ 6,170,298	\$ 4,252,158	\$ 4,637,798	\$ 9,439,885	\$ 6,174,225	\$ 2,404,821		Borrowable Resources (Avg. Balance)
\$ 9,888,220	\$ 6,982,024	\$ 6,828,629	\$ 12,610,091	\$ 10,474,649	\$ 7,341,915		Total Cash Available



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, 2024, approximately \$2.439 billion of long-term obligations were outstanding. The General Fund is responsible for repayment of \$1.322 billion of the outstanding debt. Revenues from Special Districts/Special Funds, Courthouse Construction Funds, and Hospital Enterprise Funds secure the remaining \$1.117 billion of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2024-25.

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

2024-25 Payments	
Funding Source	2024-25 Payment
Total 2024-25 Payment Obligations	\$185,197,704
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Funds	72,591,506
Courthouse Construction Funds	14,971,366
Special Districts/Special Funds	3,265,031
Net 2023-24 General Fund Obligations	\$94,369,801

Source: Los Angeles County Auditor-Controller

As of July 1, 2024, the County has \$1,159.98 million of outstanding short-term obligations, which includes \$700 million in TRANs and \$459.976 million in Lease Revenue 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 JULY 1, 2024 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	\$700,000
Lease Revenue Notes	459,976
Long-Term Obligations	2,439,132
Total Outstanding Principal	\$3,599,108

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 21, 2024, the County issued \$700 million of TRANs for Fiscal Year 2024-25 on July 1, 2024. The 2024-25 TRANs will mature on June 30, 2025. The TRANs are secured by a pledge of certain taxes, income, revenue, and cash receipts which will be received by or accrue to the County during Fiscal Year 2024-25, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2024-25 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 date from the proceeds of long-term bonds or other available funds. The repayment of the BANs is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of July 1, 2024, there are \$15.0 million of BANs outstanding.

Lease Revenue Note Program

In July 2024, the County successfully closed a restructuring of the Lease Revenue Note Program (the "Note Program"). 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. Under the restructured Note Program, the County is authorized to issue up to \$750 million in aggregate principal amount of short-term commercial paper notes supported by four Irrevocable, Direct-Pay Letters of Credit ("LOC") issued by Bank of Montreal (Series A - \$200 million); U.S. Bank (Series B - \$100 million); Bank of America (Series C - \$350 million) and Sumitomo Mitsui Banking Corporation (Series D - \$100 million). The maximum aggregate principal amount of \$750 million represents an increase of \$150 million from the previous Note Program. As of July 1, 2024, \$459.976 million of commercial paper notes were outstanding.

The Note Program is secured by a lease-revenue financing structure between LAC-CAL and the County, and a portfolio of fifteen County-owned properties pledged as collateral to secure the credit facilities. The four LOCs, which are scheduled to terminate on July 31, 2029, provide credit enhancement and liquidity support for both tax-exempt and taxable commercial paper notes. Subject to the conditions set forth in the Letter of Credit and Reimbursement Agreements with the four LOC banks, any amount with respect to the payment of principal of maturing notes remaining unpaid to the LOC bank shall be

converted to a term loan to be repaid within two or five years subject to available fair rental value with respect to the leased property securing the four Letter of Credit and Reimbursement Agreements.

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, 2024, \$2.439 billion of 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 2024-25 Adopted Budget includes 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”) decreased from 0.138% in Fiscal Year 2022-23 to 0.126% in Fiscal Year 2023-24. The following table provides the ratio of the General Fund’s outstanding debt to the Net Local Roll over the past ten years.

Fiscal Year	Outstanding Principal	Net Local Property Tax Roll	Debt To Value Ratio
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%
2018-19	1,695,142,404	1,509,888,186,608	0.112%
2019-20	1,935,946,630	1,604,296,790,020	0.121%
2020-21	2,130,813,112	1,700,148,139,175	0.125%
2021-22	2,441,181,697	1,763,070,431,964	0.138%
2022-23	2,600,100,299	1,885,551,795,750	0.138%
2023-24	2,510,175,253	1,997,002,740,659	0.126%

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 \$319.80 million in Tobacco Settlement Asset-Backed Bonds (the “2006 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 2006 Tobacco Bonds are secured by the 25.9% portion of the annual TSRs and are not considered a debt obligation of the County. On June 10, 2020, the Agency issued \$349.58 million of Tobacco Settlement Bonds (the “2020 Tobacco Settlement Bonds”) on behalf of the County to fully refund the 2006 Tobacco Bonds. The 2020 Tobacco Settlement Bonds are projected to generate net present value savings of approximately \$101.97 million, or 26% savings from the 2006 Tobacco Bonds, and will significantly mitigate the risk of future default that previously existed with the 2006 Tobacco Bonds. The actual amount of savings will depend on various factors, including future smoking participation rates, the volume of cigarette shipments from the participating

manufacturers, inflation and other factors pursuant to the terms of the Master Settlement Agreement.

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 was \$83.2 million as of July 1, 2024.

2018 Vermont Corridor Project

The County, working in conjunction with the Los Angeles County Development Authority (previously known as the Community Development Commission of the County of Los Angeles), is developing County-owned property in the area known as the “Vermont Corridor” in the City of Los Angeles. The original plan for the Vermont Corridor Project included the development of three sites in the Vermont Corridor area: 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. In July 2018, the County financed the Site 1 project with the issuance of \$302.4 million of lease revenue bonds through a not-for-profit special purpose entity, Los Angeles County Facilities, Inc. (LACFI), which served as the construction and facility manager for the project. Construction of the Site 1 facility was completed in October 2021.

2019 Lease Revenue Bonds

On August 29, 2019, the County issued \$251.89 million of long-term lease revenue bonds to refinance \$318.75 million of outstanding commercial paper notes that were used as the initial financing vehicle for multiple capital projects, which include the East Antelope Valley Animal Care Center, Martin Luther King Jr. Medical Campus Parking Structure, Rancho Los Amigos National Rehabilitation Center, Fire Station 143, Music Center Plaza Improvement Project, and the Los Angeles County Probation Department Building Renovation. The 2019 Lease Revenue Bonds are scheduled to mature on December 1, 2049.

2020 Lease Revenue Bonds

In April 2019, the Board of Supervisors approved a financing plan and related administrative actions to facilitate the construction of a new museum facility for the Los Angeles County Museum of Art (LACMA). The \$650 million LACMA project is funded through a \$125 million County contribution and a LACMA private fundraising campaign. In November 2020, the County issued \$363.23 million of Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2020 Series A (LACMA Building for the Permanent Collection Project) (the “Bonds”). The proceeds from the sale of the Bonds were used to refinance \$125 million of outstanding commercial paper notes issued through the Note Program to fund the County’s contribution, and to generate \$300 million of additional proceeds to finance construction costs. LACMA is responsible for the payment of debt service costs on the \$300 million component of this financing through its private fundraising campaign, and pursuant to the terms of a Funding Agreement with the County. The new LACMA museum is expected to be completed and open to the public in 2024.

2021 Lease Revenue Bonds

On October 28, 2021, the County sold two series of long-term lease revenue bonds through the Los Angeles County Public Works Financing Authority, consisting of Lease Revenue Bonds, 2021 Series F (the "2021 Series F Bonds") in the par amount of \$260.11 million, and Lease Revenue Refunding Bonds, 2022 Series G (the "2022 Series G Refunding Bonds") in the par amount of \$225.12 million.

The proceeds from the sale of the 2021 Series F Bonds were used to refinance \$280.11 million of outstanding commercial paper notes issued as the initial financing vehicle for various capital construction projects and generate an additional \$22.38 million of new money proceeds to fund completion of the projects. The capital projects financed with the 2021 Series F Bonds include Fire Station 104, MLK Central Plant 1 and Hospital Services Building, MLK Behavioral Health Center, Rancho Los Amigos Recuperative Care Center, LAC + USC Recuperative Care Center and the Olive View Campus Recuperative Care Center. The 2021 Series F Bonds are scheduled to mature on December 1, 2051.

The 2022 Series G Refunding Bonds were sold as forward delivery bonds with final settlement on June 2, 2022. The proceeds from the sale of the 2022 Series G Refunding Bonds will be used to fully refund \$291.51 million of outstanding 2012 Lease Revenue Bonds, which were originally issued to finance various capital construction projects. The 2022 Series G Refunding Bonds will generate approximately \$61.17 million or 21.0% net present value savings to the County General Fund, with a final maturity on December 1, 2042.

2022 Lease Revenue Refunding Bonds

On April 13, 2022, the County sold \$53.63 million of Lease Revenue Refunding Bonds, Series 2022 through the Los Angeles County Regional Financing Authority (the "2022 Lease Revenue Refunding Bonds"). The proceeds from the sale of the 2022 Lease Revenue Refunding Bonds were used to fully refund \$69.74 million of outstanding Community Redevelopment Agency of the City of Los Angeles, California Lease Revenue Bonds, Series 2005, which were originally issued to finance the Vermont Manchester Social Services Project. The 2022 Lease Revenue Refunding Bonds generated approximately \$10.17 million or 14.6% net present value savings to the County General Fund and have a final maturity on December 1, 2037.

2024 Vermont Corridor Project

In June 2022, the Board of Supervisors adopted a change in scope of development for Site 2 of the Vermont Corridor Project from mixed-use, market-rate housing to an approximately 243,000-square-foot County administrative office building by renovating, expanding and demolishing existing County-owned facilities in the Vermont Corridor area. On August 7, 2024, the County sold \$212.135 million of lease revenue bonds through Los Angeles County Facilities 2, Inc. (LACF2), the proceeds of which will be used to finance the guaranteed maximum construction cost of \$210.0 million for the Site 2 Vermont Corridor Project. Similar to the 2018 Vermont Corridor Project, LACF2 will serve as the construction and facility manager for the project. The financing for the 2024 Vermont Corridor Project was approved by the Board of Supervisors in June 2024 and expected to close on August 22, 2024.

**COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES**

REPORTS AS OF JULY 1, 2024

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 JULY 1, 2024

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, 2024					
Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2024-25	\$ 94,369,801	\$ 72,591,506	\$ 14,971,366	\$ 3,265,031	\$ 185,197,704
2025-26	94,355,952	72,573,289	14,968,875	3,269,656	185,167,772
2026-27	94,341,588	72,570,666	14,959,875	3,266,156	185,138,285
2027-28	94,249,641	72,569,138	14,947,750	3,264,531	185,031,060
2028-29	94,057,381	72,555,148	14,945,875	3,274,281	184,832,685
2029-30	93,943,929	72,555,638	14,937,625	3,255,656	184,692,848
2030-31	93,936,610	72,539,554	8,340,500	3,248,906	178,065,570
2031-32	93,931,632	72,523,568	8,336,375	3,263,031	178,054,606
2032-33	93,923,712	72,524,260	6,115,375	3,252,906	175,816,254
2033-34	93,919,266	72,518,538	6,119,250	3,253,656	175,810,710
2034-35	92,738,479	72,504,686	-	3,254,781	168,497,946
2035-36	92,736,824	72,486,684	-	3,251,156	168,474,665
2036-37	92,727,013	72,481,512	-	3,252,531	168,461,057
2037-38	92,720,194	72,469,512	-	3,253,531	168,443,237
2038-39	87,849,469	72,447,162	-	3,258,781	163,555,413
2039-40	87,846,744	72,438,611	-	3,259,831	163,545,186
2040-41	87,834,535	72,429,324	-	3,256,756	163,520,616
2041-42	67,217,775	42,135,463	-	3,257,581	112,610,819
2042-43	67,219,825	42,137,363	-	3,261,806	112,618,994
2043-44	67,223,300	26,357,613	-	1,733,306	95,314,219
2044-45	67,218,500	26,348,488	-	1,738,731	95,305,719
2045-46	58,019,575	26,353,163	-	926,456	85,299,194
2046-47	42,114,900	26,349,563	-	927,481	69,391,944
2047-48	42,120,000	26,352,447	-	925,425	69,397,872
2048-49	42,112,475	26,350,475	-	930,366	69,393,316
2049-50	42,113,900	26,350,900	-	924,103	69,388,903
2050-51	38,775,325	13,910,959	-	551,263	53,237,547
2051-52	18,132,250	13,910,206	-	552,153	32,594,609
Total	\$ 2,127,750,597	\$ 1,529,335,433	\$ 118,642,866	\$ 71,129,853	\$ 3,846,858,749

COUNTY OF LOS ANGELES					
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE					
AS OF JULY 1, 2024					
Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2024-25	\$ 1,322,016,881	\$ 975,704,914	\$ 97,130,000	\$ 44,280,000	\$ 2,439,131,795
2025-26	1,287,264,137	947,626,032	86,730,000	43,105,000	2,364,725,169
2026-27	1,250,777,669	918,162,966	75,825,000	41,865,000	2,286,630,636
2027-28	1,212,468,445	887,225,019	64,370,000	40,565,000	2,204,628,464
2028-29	1,172,316,801	854,730,545	52,340,000	39,200,000	2,118,587,346
2029-30	1,130,326,152	820,613,848	39,695,000	37,755,000	2,028,390,000
2030-31	1,086,316,720	784,778,280	26,410,000	36,255,000	1,933,760,000
2031-32	1,040,074,828	747,150,172	19,210,000	34,685,000	1,841,120,000
2032-33	991,565,098	707,634,902	11,645,000	33,020,000	1,743,865,000
2033-34	940,675,124	666,119,876	5,970,000	31,280,000	1,644,045,000
2034-35	887,199,529	622,510,471	-	29,450,000	1,539,160,000
2035-36	832,255,780	576,699,220	-	27,525,000	1,436,480,000
2036-37	774,636,347	528,568,653	-	25,505,000	1,328,710,000
2037-38	714,277,750	477,987,250	-	23,380,000	1,215,645,000
2038-39	651,156,190	424,923,810	-	21,145,000	1,097,225,000
2039-40	590,201,097	369,368,903	-	18,790,000	978,360,000
2040-41	526,533,169	311,251,831	-	16,315,000	854,100,000
2041-42	460,040,000	250,500,000	-	13,720,000	724,260,000
2042-43	411,575,000	217,925,000	-	10,995,000	640,495,000
2043-44	360,775,000	183,780,000	-	8,130,000	552,685,000
2044-45	307,525,000	164,175,000	-	6,690,000	478,390,000
2045-46	251,705,000	143,685,000	-	5,175,000	400,565,000
2046-47	202,610,000	122,255,000	-	4,420,000	329,285,000
2047-48	167,645,000	99,850,000	-	3,630,000	271,125,000
2048-49	131,405,000	76,505,000	-	2,810,000	210,720,000
2049-50	90,585,000	42,155,000	-	1,590,000	134,330,000
2050-51	54,855,000	27,105,000	-	1,075,000	83,035,000
2051-52	17,690,000	13,730,000	-	545,000	31,965,000

Source: Los Angeles County Treasurer and Tax Collector

**COUNTY OF LOS ANGELES
FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2024**

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
2010 Lease Revenue Bonds, Series B (Taxable):					
Coroners Expansion/ Refurbishment	\$ 1,893,222	\$ 1,893,222			
Patriotic Hall Renovation	3,057,212	3,057,212			
Hall of Justice Rehabilitation	15,782,912	15,782,912			
Olive View Medical Center ER/TB Unit	3,522,707		\$ 3,522,707		
Olive View Medical Center Seismic	1,451,217		1,451,217		
Harbor/UCLA Surgery/ Emergency	22,074,923		22,074,923		
Harbor/UCLA Seismic Retrofit	3,404,047		3,404,047		
Total 2010 Lease Revenue Bonds, Series B (Taxable)	\$ 51,186,240	\$ 20,733,346	\$ 30,452,893	\$ 0	\$ 0
2011 High Desert Solar Complex (Taxable)	\$ 396,261	\$ 396,261			
2015 Lease Revenue Bonds, Series A					
Zev Yaroslavsky Family Support Center	\$ 9,196,250	\$ 9,196,250			
Manhattan Beach Library	808,000				\$ 808,000
Total 2015 Lease Revenue Bonds, Series A	\$ 10,004,250	\$ 9,196,250	\$ 0	\$ 0	\$ 808,000
2015 Lease Revenue Refunding Bonds, Series B					
LAX Area Courthouse	\$ 5,935,750			\$ 5,935,750	
Chatsworth Courthouse	4,981,250			4,981,250	
Total 2015 Lease Revenue Refunding Bonds, Series B	\$ 10,917,000	\$ 0	\$ 0	\$ 10,917,000	\$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	\$ 4,054,366			\$ 4,054,366	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	\$ 15,904,844	\$ 15,904,844			
2018 Lease Revenue Bonds					
Vermont Corridor Administration Building, Series A	\$ 19,304,200	\$ 19,304,200			
2019 Lease Revenue Bonds, Series E-1					
East Antelope Valley Animal Shelter	\$ 863,750	\$ 863,750			
Probation Department Building	1,320,250	1,320,250			
Music Center Plaza	1,165,625	1,165,625			
Rancho Los Amigos NRC	10,370,000		\$ 10,370,000		
Fire Station 143	375,625				\$ 375,625
Total 2019 Lease Revenue Bonds, Series E-1	\$ 14,095,250	\$ 3,349,625	\$ 10,370,000	\$ 0	\$ 375,625
2019 Lease Revenue Bonds, Series E-2					
MLK Medical Campus Parking Structure	\$ 2,072,675		\$ 2,072,675		
2020 Lease Revenue Bonds					
LACMA Buildings	\$ 20,633,500	\$ 20,633,500			
2021 Lease Revenue Bonds, Series F					
LAC+USC Medical Center Recuperative Care Center	\$ 745,494		\$ 745,494		
MLK Behavioral Health Center Renovation	11,379,300		11,379,300		
MLK Central Plan/Hospital Service Building	148,631		148,631		
Olive View Campus Recuperative Care Center	765,644		765,644		
Rancho Los Amigos Recuperative Care Center	870,369		870,369		
Fire Station 104	552,406				\$ 552,406
Total 2021 Lease Revenue Bonds, Series F	\$ 14,461,844	\$ 0	\$ 13,909,438	\$ 0	\$ 552,406
2022 Lease Revenue Refunding Bonds, Series G (Forward Delivery)					
High Desert Multi Service Ambulatory Care Center	\$ 6,998,625		\$ 6,998,625		
MLK Multi Service Ambulatory Care Center	8,522,000		8,522,000		
MLK Data Center	265,875		265,875		
Fire Station 128	228,250				\$ 228,250
Fire Station 132	376,750				\$ 376,750
Fire Station 150	578,000				\$ 578,000
Fire Station 156	346,000				\$ 346,000
Total 2022 Lease Revenue Refunding Bonds, Series G	\$ 17,315,500	\$ 0	\$ 15,786,500	\$ 0	\$ 1,529,000
2022 Lease Revenue Refunding Bonds (Vermont Manchester)	\$ 4,851,775	\$ 4,851,775			
Total Long-Term Obligations	\$ 185,197,704	\$ 94,369,801	\$ 72,591,506	\$ 14,971,366	\$ 3,265,031
Total Obligations	\$ 185,197,704	\$ 94,369,801	\$ 72,591,506	\$ 14,971,366	\$ 3,265,031

Source: Los Angeles County Treasurer and Tax Collector
Note: Amounts do not include Tax Exempt Commercial Paper

**COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2024**

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
2010 Lease Revenue Bonds, Series B (Taxable):					
Coroners Expansion/ Refurbishment	\$ 22,300,901	\$ 22,300,901			
Patriotic Hall Renovation	36,011,934	36,011,934			
Hall of Justice Rehabilitation	185,912,251	185,912,251			
Olive View Medical Center ER/TB Unit	41,495,152		\$ 41,495,152		
Olive View Medical Center Seismic	17,094,375			17,094,375	
Harbor/UCLA Surgery/ Emergency	260,027,969		260,027,969		
Harbor/UCLA Seismic Retrofit	40,097,418		40,097,418		
Total 2010 Lease Revenue Bonds, Serie B (Taxable)	\$ 602,940,000	\$ 244,225,086	\$ 358,714,914	\$ 0	\$ 0
2011 High Desert Solar Complex (Taxable)	\$ 1,531,795	\$ 1,531,795			
2015 Lease Revenue Bonds, Series A					
Zev Yaroslavsky Family Support Center	\$ 119,575,000	\$ 119,575,000			
Manhattan Beach Library	10,505,000				\$ 10,505,000
Total 2015 Lease Revenue Bonds, Series A	\$ 130,080,000	\$ 119,575,000	\$ 0	\$ 0	\$ 10,505,000
2015 Lease Revenue Refunding Bonds, Series B					
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	\$ 93,150,000	\$ 0	\$ 0	\$ 93,150,000	\$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	\$ 3,980,000			\$ 3,980,000	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	\$ 221,220,000	\$ 221,220,000			
2018 Lease Revenue Bonds					
Vermont Corridor Administration Building, Series A	\$ 292,005,000	\$ 292,005,000			
2019 Lease Revenue Bonds, Series E-1					
East Antelope Valley Animal Shelter	\$ 12,595,000	\$ 12,595,000			
Probation Department Building	19,190,000	19,190,000			
Music Center Plaza	16,975,000	16,975,000			
Rancho Los Amigos NRC	150,850,000		\$ 150,850,000		
Fire Station 143	5,465,000				\$ 5,465,000
Total 2019 Lease Revenue Bonds, Series E-1	\$ 205,075,000	\$ 48,760,000	\$ 150,850,000	\$ 0	\$ 5,465,000
2019 Lease Revenue Bonds, Series E-2					
MLK Medical Campus Parking Structure	\$ 30,275,000		\$ 30,275,000		
2020 Lease Revenue Bonds					
LACMA Buildings	\$ 345,365,000	\$ 345,365,000			
2021 Lease Revenue Bonds, Series F					
LAC+USC Medical Center Recuperative Care Center	\$ 12,980,000		\$ 12,980,000		
MLK Behavioral Health Center Renovation	198,135,000		198,135,000		
MLK Central Plan/Hospital Service Building	2,610,000		2,610,000		
Olive View Campus Recuperative Care Center	13,360,000		13,360,000		
Rancho Los Amigos Recuperative Care Center	15,120,000		15,120,000		
Fire Station 104	9,625,000				\$ 9,625,000
Total 2021 Lease Revenue Bonds, Series F	\$ 251,830,000	\$ 0	\$ 242,205,000	\$ 0	\$ 9,625,000
2022 Lease Revenue Refunding Bonds, Series G (Forward Delivery)					
High Desert Multi Service Ambulatory Care Center	\$ 85,860,000		\$ 85,860,000		
MLK Multi Service Ambulatory Care Center	104,530,000		104,530,000		
MLK Data Center	3,270,000		3,270,000		
Fire Station 128	2,810,000				\$ 2,810,000
Fire Station 132	4,610,000				4,610,000
Fire Station 150	7,075,000				7,075,000
Fire Station 156	4,190,000				4,190,000
Total 2022 Lease Revenue Refunding Bonds, Series G	\$ 212,345,000	\$ 0	\$ 193,660,000	\$ 0	\$ 18,685,000
2022 Lease Revenue Refunding Bonds (Vermont Manchester)					
Vermont Manchester	\$ 49,335,000	\$ 49,335,000			
Total Long-Term Obligations	\$ 2,439,131,795	\$ 1,322,016,881	\$ 975,704,914	\$ 97,130,000	\$ 44,280,000
Total Obligations	\$ 2,439,131,795	\$ 1,322,016,881	\$ 975,704,914	\$ 97,130,000	\$ 44,280,000

Source: Los Angeles County Treasurer and Tax Collector
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF JULY 1, 2024

Title	Outstanding Principal	Total Future Payments	2024-25 FY Payment Remaining
Long-Term Obligations			
Long-Term Capital Projects			
2010 Lease Revenue Bonds, Series B (Taxable)	\$ 602,940,000	\$ 868,045,904	(1) \$ 51,186,240
2011 High Desert Solar Complex (Taxable)	1,531,795	1,567,647	(1) 396,261
2015 Lease Revenue Bonds, Series A	130,080,000	210,086,500	10,004,250
2015 Lease Revenue Refunding Bonds, Series B	93,150,000	114,588,500	10,917,000
2015 Lease Revenue Refunding Bonds, Series C	3,980,000	4,054,366	4,054,366
2016 Lease Revenue Bonds, Series D	221,220,000	349,908,628	15,904,844
2018 Lease Revenue Bonds, Series A	292,005,000	519,406,725	19,304,200
2019 Lease Revenue Bonds, Series E-1	205,075,000	366,426,625	14,095,250
2019 Lease Revenue Bonds, Series E-2	30,275,000	53,887,050	2,072,675
2020 Lease Revenue Bonds	345,365,000	557,081,850	20,633,500
2021 Lease Revenue Bonds, Series F	251,830,000	404,971,053	14,461,844
2022 Lease Revenue Bonds, Series G (Forward Delivery)	212,345,000	328,892,625	17,315,500
2022 Lease Revenue Refunding Bonds (Vermont Manchester)	49,335,000	67,941,275	4,851,775
Total Long-Term Obligations	\$ 2,439,131,795	\$ 3,846,858,749	\$ 185,197,704

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 Treasurer and Tax Collector
 Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES		
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF JULY 1, 2024		
2023-24 Assessed Valuation: \$2,031,101,647,419: (includes unitary valuation)		
	Applicable %	Debt as of 7/1/24
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Metropolitan Water District	48.221 %	\$ 8,781,044
Los Angeles Community College District	100.000	5,155,845,000
Other Community College Districts	Various (1)	4,713,312,693
Arcadia Unified School District	100.000	247,145,000
Beverly Hills Unified School District	100.000	616,937,917
Glendale Unified School District	100.000	322,570,563
Long Beach Unified School District	100.000	1,718,791,399
Los Angeles Unified School District	100.000	10,067,570,000
Pasadena Unified School District	100.000	363,215,000
Pomona Unified School District	100.000	442,151,336
Redondo Beach Unified School District	100.000	195,066,803
Santa Monica-Malibu Unified School District	100.000	1,003,510,000
Torrance Unified School District	100.000	418,104,130
Other Unified School Districts	Various (1)	4,986,576,674
High School and School Districts	Various (1)	2,587,735,078
City of Los Angeles	100.000	948,610,000
City of Industry	100.000	9,835,000
Other Cities	100.000	35,482,440
Community Facilities Districts	100.000	741,005,007
1915 Act and Benefit Assessment Bonds - Estimate	100.000	99,303,019
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 34,681,548,103
Less: Los Angeles Unified School District economically defeased general obligation bonds		(299,495,000)
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 34,382,053,103
DIRECT AND OVERLAPPING GENERAL FUND DEBT		
Los Angeles County General Fund Obligations	100.000 %	\$ 2,479,229,730
Los Angeles County Office of Education Certificates of Participation	100.000	2,857,300
Community College District Certificates of Participation	Various (2)	43,009,602
Baldwin Park Unified School District Certificates of Participation	100.000	27,950,000
Compton Unified School District Certificates of Participation	100.000	21,965,000
Los Angeles Unified School District Certificates of Participation	100.000	471,590,000
Paramount Unified School District Certificates of Participation	100.000	18,904,000
Other Unified School District Certificates of Participation	Various (2)	168,086,391
High School and Elementary School District General Fund Obligations	Various (2)	155,565,939
City of Beverly Hills General Fund Obligations	100.000	62,565,000
City of Los Angeles General Fund	100.000	1,339,426,819
City of Long Beach General Fund Obligations	100.000	131,725,000
City of Pasadena General Fund Obligations	100.000	363,078,265
City of Pasadena Pension Obligations Bonds	100.000	128,115,000
Other Cities' General Fund Obligations	100.000	4,234,775,821
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 9,648,843,867
Less: Cities		(418,333,462)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 9,230,510,405
OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies):		\$ 1,592,445,376
TOTAL DIRECT DEBT		\$ 2,479,229,730
TOTAL GROSS OVERLAPPING DEBT		\$ 43,443,607,616
TOTAL NET OVERLAPPING DEBT		\$ 42,725,779,154
GROSS COMBINED TOTAL DEBT		\$ 45,922,837,346 (3)
NET COMBINED TOTAL DEBT		\$ 45,205,008,884
<p>(1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.</p> <p>(2) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.</p> <p>(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Except for Los Angeles Unified School District Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.</p>		
RATIOS TO 2023-24 ASSESSED VALUATION		
Total Gross Overlapping Tax and Assessment Debt	1.71 %	
Total Net Overlapping Tax and Assessment Debt	1.69 %	
Total Gross Direct Debt (\$2,481,019,730)	0.12 %	
Gross Combined Total Debt	2.26 %	
Net Combined Total Debt	2.23 %	
Ratios to Redevelopment Successor Agency Incremental Valuation (\$282,438,506,050):		
Total Overlapping Tax Increment Debt	0.56 %	
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

This portion of Appendix A contains general information concerning the historic economic and demographic conditions in the County. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature and reflects information available as of its dated date, and it is not possible at this time to predict whether the trends shown will continue in the future. The County makes no representation as to the accuracy or completeness of data obtained from parties other than the County. In particular, certain of the information provided in this Section predates the COVID-19 pandemic. See "Certain Risks – Financial Conditions in Local, State and National Economies."

Economic Overview

With a 2023 gross product projection of \$807 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 steady growth in 2023 with an increase in economic output of 2.2%, as measured by Gross Product. However, during the same year, the County experienced a decline in total taxable sales of 3.0%.

The County's unemployment rate averaged 5% in 2023, which was unchanged from 2022. The recovery from the COVID-19 pandemic resulted in significant decrease in unemployment across key industries, including leisure and hospitality, professional and business services, education and health services, trade, transportation, and utilities, and other sectors. In 2024 and 2025, the job market is expected to decline with a projected unemployment rate of 5.4% and 5.6%, respectively.

During Fiscal Year 2016-17, voters approved various State and local ballot measures that generated 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, 2023, K-12 schools and community college districts in the County had approximately \$24.1 billion of previously authorized, but unissued bond capacity. The Measure A parcel tax, which was approved by voters in November 2016, 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 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 annually 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 was projected to generate approximately \$355 million of sales tax revenue per year for the County. In 2023, Measure H revenues exceeded the initial projection, resulting in over \$537 million in sales tax revenues for the year.

On November 6, 2018, voters passed Measure W authorizing the Los Angeles County Flood Control District to levy a special tax annually at the rate of 2.5 cents per square foot of impermeable area to assist in the capture of stormwater and related pollution clean-up. This Measure is projected to generate approximately \$300 million in tax revenue per year for the County until ended by voters (no sunset clause).

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 seaports (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 the job market in the County.

In terms of its industrial base, diversity continues to be the County's greatest strength, with health care, wholesale and retail trade, leisure and hospitality and manufacturing 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 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 Los Angeles region is the largest manufacturing center in the nation, with 318,500 workers employed in this sector in 2023.

Higher Education

The County is home to an extensive education system, with 83 colleges and university campuses, including UCLA; 5 state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental College and the Claremont Colleges; religious-affiliated universities such as Pepperdine, Azusa Pacific, and Biola; 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 provide a historical overview of the area's ethnic heritage and experience. Major institutions include LACMA, the Natural History Museum of Los Angeles County, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, the Huntington Library, and the Broad Museum of Contemporary Art. A major construction project is currently underway on the LACMA campus to build a new museum facility to house LACMA's permanent art collection. The new \$700 million museum facility is expected to be completed by the end of 2024. The Broad Museum is located adjacent to the iconic Walt Disney Concert Hall and has helped to further strengthen and 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 on a new museum facility. 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 new museum, which is scheduled to open in 2025, is located directly across the street from the University of Southern California and west of the Natural History Museum.

The Academy Museum of Motion Pictures opened in the Miracle Mile district of Los Angeles in September 2021. The \$482 million facility is the nation's first large-scale museum dedicated to the art, science, craft, business, and history of film. The 300,000 square-foot museum includes galleries, two theaters, an active education studio, an outdoor piazza, a rooftop terrace with views of the Hollywood Hills, and several spaces for special events and restaurants.

Sports and Recreation

With its geographic size, topography, mild climate, and an average of 329 days of sunshine per year, the 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 183 parks, including a network of 9 regional parks, 38 neighborhood parks, 20 community parks, 15 wildlife sanctuaries, 10 nature centers, 36 public swimming pools, 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 several 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 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. After nearly four years of construction, the SoFi Stadium was completed in September 2020 at a cost of \$4.963 billion. The 298-acre facility located in the City of Inglewood features a stadium with a translucent roof with seating for 70,240 spectators, and the ability to expand an additional 30,000 seats for special events. The venue is home to the Los Angeles Rams and Los Angeles Chargers and hosted the 56th Super Bowl in February 2022. SoFi Stadium hosted the College Football Championship Game in 2023 and will host the Opening and Closing Ceremonies of the Olympic Games in 2028. 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.

In July 2017, the International Olympic Committee announced that the City of Los Angeles will host the 2028 Summer Olympics. The Los Angeles region secured \$900 million in federal infrastructure funding to improve mobility and upgrade transportation infrastructure ahead of the 2028 Olympics. LA Metro will receive \$709.9 million from the Bipartisan Infrastructure Law and the Fiscal Year 2024 Transportation Spending Law for the development of East San Fernando Valley Light Rail Transit Project and sections two and three of the D Line Subway Extension Project. Other federal grant funding will be used for street and transit infrastructure, traffic safety and improve connections between neighborhoods.

This will be the third time that Los Angeles has hosted the Summer Olympics, with the previous occasions occurring in 1932 and 1984. A 2017 study prepared by Beacon Economics and the University of California Riverside estimated that the Olympic Games will have a significant economic impact to the regional economy, with an estimated \$9.6 billion in visitor spending generating approximately \$152 million to \$167 million of additional tax revenues.

On April 18, 2018, a new soccer stadium in Exposition Park was opened to the public. This Gensler-designed BMO Stadium seats 22,000 and is the home stadium to the Major League Soccer franchise the Los Angeles Football Club and the National Women's Soccer League's Angel City. This \$350 million facility also includes shops, restaurants, and conference space.

In September 2021, the Los Angeles Clippers broke ground on their future home in the City of Inglewood. The Intuit Dome, a \$1.8 billion arena, is scheduled to open in August 2024 in time for the 2024-25 NBA basketball season. The 18,000-capacity arena will include an 80,000 sq. ft. plaza, featuring bars, restaurants, a team store and a regulation-size basketball court for use by local youth leagues, AAU tournaments and to host community and charity events.

Population

The County is the most populous county in the U.S. with over 9.7 million people estimated to be residing within its borders. The 2023 population count experienced a minor decrease from 2022, and reflects the continuation of a multi-year trend of gradually declining population numbers, as reflected in Table C. The

County's population makes it equivalent to the eleventh largest state in the nation and accounts for approximately 25.1% of the total population of California. According to the U.S. Census Bureau's demographic profile, the County's population is comprised of 49% Hispanic, 25.2% White, 15.8% Asian, 9% African American and 1% 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 more than 220 languages and cultures represented across the County. With 95 consulates, the County has a larger consular corps than any other U.S. city outside of Washington D.C. and New York City. It is estimated that 80.3% of the adult population has a high school diploma or higher, and 34.6% has a bachelor's degree or higher. Table B illustrates the historical population levels for the County.

Employment

Since the 2008 economic downturn, which had a significant adverse impact on the local economy, the County experienced a steady recovery in the job market from 2010 to 2019. The average unemployment rate increased from 5.1% in 2007 to 12.5% in 2010 but experienced a steady improvement over the next nine years to a cyclical low of 4.5% in 2019. In comparison, the average unemployment rates for the State of California and the United States in 2019 were 4.1% and 3.7%, respectively. As a result of the COVID-19 pandemic, the County experienced significant job losses in 2020, with the unemployment rate increasing to 13.6%. In 2022, the County's unemployment rate experienced significant improvement, falling to 5%, and holding steady at the same level in 2023. The County's employment outlook is projected to decline over the next two years, with the unemployment rate increasing to 5.4% in 2024 and 5.6% in 2025. Table E details the County's historical unemployment rates from 2019 through 2023. Table F details the non-agricultural employment statistics by sector for the County from 2019 through 2023.

Personal Income

Total personal income in the County increased by an estimated 1.6% in 2023. The 2023 total personal income of \$732.3 billion represents an estimated 24.3% of the total personal income generated in California. Based on current projections, personal income is expected to increase by 2.8% in 2024 and 3.2% in 2025. Table C provides a summary of the personal income statistics for the County from 2019 through 2023.

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 a result of the COVID-19 pandemic, total taxable sales in the County decreased by 8.5% in 2020. As the local economy began to recover from the COVID-19 pandemic, the County's total taxable sales increased by 11.0% in 2022. In 2023, the County's total taxable sales decreased by 3%. The \$207.4 billion of total estimated taxable sales in the County for 2023 represents 22.3% 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 2019 through 2023.

Industry

With an estimated annual economic output of \$807 billion in 2023, the County continues to rank among the world's largest

economies. The County's 2023 Gross Product represents approximately 25% of the total economic output in California and 2.9% 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 2019 through 2023.

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 and the gateway to trade with the Pacific Rim. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. As a result of the global economic downturn caused by the COVID-19 pandemic, the value of international trade processed through the LACD decreased by 5.4% from \$427.4 billion in 2019 to \$404.5 billion in 2020. As a result of improving economic conditions in 2022, the LACD experienced a significant increase in trade volume, handling approximately \$524.1 billion worth of international trade. However, due to supply chain and labor-related issues at west coast ports in 2023, the LACD experienced a significant decline in trade volume, handling approximately \$467.9 billion worth of international trade, which represents a 10.7% decrease from 2022.

Transportation and 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 sixth busiest airport in the world and fifth in the United States for passenger traffic. In 2020, due to travel restrictions related to the COVID-19 pandemic, LAX served 28.8 million passengers, representing a 67.3% decrease from the previous year. As travel restrictions eased, LAX served 75.1 million passengers in 2023, representing a 160.8% increase from 2020, and 13.8% increase from 2022. The 2.29 million tons of air cargo handled at LAX in 2023, represents a decrease of 7.14% from 2020 levels, and a decrease of 16.9% from 2022. The \$15 billion capital improvement project currently underway at LAX is expected to generate approximately 121,000 local jobs and is projected to last through 2028. On May 2, 2016, the Bob Hope Airport changed its branding name to Hollywood Burbank Airport to increase name recognition outside of Southern California. The Hollywood Burbank Airport is currently in the process of replacing its 14-gate terminal with a new state of the art facility. Construction was originally expected to begin on the replacement terminal in the first quarter of 2021, but the project was temporarily placed on hold due to the COVID-19 pandemic. The Airport Commission reinstated the project in August 2021, with the new terminal under construction and expected to be completed in the fourth quarter of 2026.

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 combined port complex handled 16.6 million TEUs in 2023, which represents a 12.6% decrease in container volume from 2022.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2022, 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 27 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2023, the Port handled 8.6 million TEUs, which represents a decrease of 12.93% in container volume from 2022.

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 nineteenth (19th) busiest in the world in 2022. The Port of Long Beach covers 3,520 acres with 10 separate piers, 80 berths, 72 cranes and 22 shipping terminals. In 2023, the port handled 8.0 million TEUs of container cargo, which represents a decrease of 12.21% from 2022.

The Ports of Los Angeles and Long Beach are currently in the process of major ongoing expansion programs that are expected to facilitate further growth and expansion of trade activity. The expansion of port facilities will have a positive future 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 272 million in annual boardings, the Metro System is the ninth (9th) busiest public transportation systems 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 Los Angeles County Metropolitan Transportation Authority (the "MTA"), which is responsible for the planning, design, construction and operation of the public transportation system for the County.

The Fiscal Year 2023-24 operating budget for the MTA is \$9 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants. The MTA is currently working on approximately \$19.5 billion of multiple transportation infrastructure projects. Some of the noteworthy MTA projects include the Airport Rail Connector and Green Line Extension; East San Fernando Valley Transit Corridor; Gold Line Rail Extension; Purple Line Rail Subway Extension; West Santa Anita Light Rail Corridor; Orange

Line BRT Improvements; South Bay Green Line Rail Extension and the Crenshaw/LAX Light Rail Extension.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. Recently constructed hotels in downtown Los Angeles, Beverly Hills and Hollywood are expected to attract additional business and leisure travelers to the County. In 2022, the Los Angeles region hosted 46 million visitors. The Los Angeles region is estimated to have recovered 99% of 2019 levels with 50.3 million visitors in 2023.

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 from 2012 to 2023. 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 has continued to experience strong growth, with an increase in the average median home price of 200% from 2012 to 2023.

In 2023, the residential real estate market continued to experience steady growth, as the average median home price increased by 2.8% to \$867,969 from 2022. Due to rising interest rates, new and existing home sales decreased by 35.6% from 88,679 in 2022 to 57,138 in 2023. After a record high of 105,433 in 2009, notices of default recorded decreased by 96.6% to 3,567 in 2021. Notices of default recorded increased in 2023 to 7,786, which represents a 7.9% increase from 2022. Foreclosures, as measured by the number of trustees deeds recorded, experienced a significant decrease of approximately 98% from a cyclical high of 39,774 in 2008 to 774 in 2022. The number of trustees deeds recorded increased in 2023 to 881, which represents a 13.8% increase from 2022.

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 2024-25, the Assessor reported a Net Local Roll of \$2.094 trillion, which represents an increase of 4.85% or \$97.0 billion from Fiscal Year 2023-24. The Fiscal Year 2024-25 Net Local Roll represents the largest revenue-producing valuation in the history of the County, and the fourteenth consecutive year of assessed valuation growth. The largest factors contributing to the increase in assessed valuation are transfers in ownership (\$53.464 billion) and an increase in the consumer price index (\$39.012 billion).

The industrial market vacancy rates increased from 0.9% in 2022 to 3.4% in 2023. Office market vacancy rates increased from 20.8% in 2022 to 22.8% in 2023, which is still significantly higher than the 9.7% rate in 2007, prior to the previous 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, which 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 Joe's, Target and CVS. In June 2022, The Grand LA opened after several years of construction. The \$1 billion mixed-use development project designed by Frank Gehry includes a 45-story residential tower with more than 500 luxury residence, a 20-story, 305-room Conrad Los Angeles Hotel, 12,000 square feet of meeting rooms, facilities and ballrooms, and 27,000 square feet of restaurants, lounges, and outdoor amenities.



COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

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LARGEST PRIVATE SECTOR EMPLOYERS

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023*</u>
Los Angeles County	\$767	\$729	\$774	\$790	\$807
State of California	2,963	2,925	3,146	3,167	3,233
United States	21,521	21,323	23,594	25,744	27,631
Los Angeles County as a % of California	25.9%	24.9%	24.6%	24.9%	25.0%

Source: Los Angeles County Economic Development Corporation; Bureau of Economic Analysis-US Department of Commerce
* 2023 Los Angeles County GDP values are annual projections

TABLE B: POPULATION LEVELS (in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Los Angeles County	10,163	10,014	9,942	9,835	9,761
State of California	39,605	39,538	39,287	39,079	38,940
Los Angeles County as a % of California	25.7%	25.3%	25.3%	25.2%	25.1%

Source: Los Angeles County Economic Development Corporation

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023*</u>
Los Angeles County	628,932	673,306	720,047	720,741	732,272
Orange County	221,692	240,734	257,834	263,290	264,343
San Diego County	204,585	222,584	240,246	243,506	254,782
Riverside County	103,614	116,940	126,261	127,196	126,942
San Bernardino County	89,182	100,360	108,700	108,082	109,595
Ventura County	53,164	57,575	62,555	63,590	63,781
State of California	2,537,951	2,767,521	3,013,677	3,006,647	3,012,661
Los Angeles County as a % of California	24.8%	24.3%	23.9%	24.0%	24.3%

Source: Los Angeles County Economic Development Corporation
* Based on 2023 projections

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Los Angeles County	172,314	157,738	192,524	213,717	207,351
State of California	732,757	706,757	862,712	951,775	929,585
Los Angeles County as a % of California	23.5%	22.3%	22.3%	22.5%	22.3%

Source: Los Angeles County Economic Development Corporation

TABLE E: UNEMPLOYMENT RATES

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Los Angeles County	4.5%	12.3%	9.0%	5.0%	5.0%
State of California	4.1%	10.1%	7.3%	4.3%	4.8%
United States	3.7%	8.1%	5.3%	3.6%	3.6%

Source: Los Angeles County Economic Development Corporation

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

Employment Sector	2019	2020	2021	2022	2023
Health Care & Social Assistance	724.3	708.6	727.2	751.5	772.0
Wholesale & Retail Trade	635.0	577.3	598.9	607.0	598.9
Government	572.4	556.8	550.4	559.9	574.6
Leisure and Hospitality	545.7	392.5	433.3	510.3	525.6
Manufacturing	338.3	313.9	311.5	321.0	318.5
Professional Scientific & Technical Services	298.3	284.5	293.0	308.8	306.7
Administrative & Support & Waste Services	277.9	245.8	264.0	281.9	271.7
Information	206.1	184.1	205.1	232.5	203.4
Transportation, Warehousing & Utilities	207.5	202.7	208.5	218.1	211.0
Other	159.2	130.4	137.1	154.6	157.1
Construction	149.7	146.0	148.5	150.6	148.8
Educational Services	106.5	96.4	102.5	110.1	115.9
Finance & Insurance	134.5	130.6	127.3	124.8	120.8
Real Estate & Rental & Leasing	88.6	80.4	83.6	88.4	87.0
Management of Companies & Enterprises	62.7	59.4	61.9	61.3	62.1
Total	4,506.7	4,109.4	4,252.8	4,480.8	4,474.1

Source: Los Angeles County Economic Development Corporation; California Employment Development Department
 Note: 2023 employment is annualized quarterly data

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

Type of Activity	2019	2020	2021	2022	2023
International Air Cargo (Tons)					
Los Angeles International Airport	1,436.0	1,530.4	1,867.5	1,768.9	1,506.7
As Percentage of Total Air Cargo	62.08%	62.09%	62.79%	64.22%	65.83%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,313.2	2,464.8	2,974.1	2,754.6	2,288.7
Long Beach Airport	21.1	15.7	14.9	14.4	13.1
Hollywood Burbank Airport	53.0	56.6	53.9	44.6	37.3
Total	2,387.4	2,537.1	3,042.9	2,813.5	2,339.1
International Air Passengers					
Los Angeles International Airport	25,696.3	6,421.7	7,965.3	16,520.1	22,223.9
As Percentage of Total Passengers	29.2%	22.3%	16.6%	25.1%	29.6%
Total Air Passengers					
Los Angeles International Airport	88,068.0	28,779.5	48,007.3	65,924.3	75,050.9
Long Beach Airport	3,584.2	1,043.8	2,104.1	3,242.8	3,739.3
Hollywood Burbank Airport	5,983.7	1,995.3	3,733.0	5,898.7	6,034.7
Total	97,636.0	31,818.6	53,844.3	75,065.9	84,824.9
Container Volume (TEUs)					
Port of Los Angeles	9,337.6	9,213.4	10,677.6	9,911.2	8,629.7
Port of Long Beach	7,632.0	8,113.3	9,384.4	9,133.7	8,018.7
Total	16,969.6	17,326.7	20,062.0	19,044.9	16,648.4

Source: Los Angeles World Airports; Hollywood Burbank Airport; Long Beach Airport; Port of Long Beach; Port of Los Angeles

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

<u>Customs District</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Los Angeles, CA*	\$427,395	\$404,484	\$478,351	\$524,074	\$467,881
New York, NY	381,305	395,170	466,177	521,087	484,838
Laredo, TX	324,045	291,417	354,749	412,731	436,963
Chicago, IL	255,222	268,579	343,318	388,009	365,407
Houston-Galveston, TX	235,371	194,412	273,361	390,137	362,582
Detroit, MI	263,025	227,084	267,665	301,652	314,108
New Orleans, LA	219,168	194,171	228,355	278,957	261,932
Savannah, GA	180,324	170,466	200,816	226,197	220,385
Cleveland, OH	151,193	149,320	168,063	187,189	173,676
Seattle, WA	143,047	111,205	140,585	156,908	146,789

Source: USA Trade Online

*Includes ports outside of LA County such as: Capitan, CA; Las Vegas, NV; March Inland Airport, CA; Meadows Field Airport, CA; Morro Bay, CA; Ontario International Airport, CA; Palm Springs Airport, CA; Port Hueneme, CA; Port San Luis, CA; San Bernardino International Airport, CA; Southern California Logistics Airport, CA; Ventura, CA

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

<u>Port</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Los Angeles-Long Beach, CA	217,958	213,643	234,536	222,745	202,353
Tacoma, WA	31,518	25,075	26,423	24,152	27,318
Oakland, CA	32,440	32,516	32,356	29,918	26,877
Seattle, WA	17,919	16,942	17,727	14,738	10,943
Longview/Kalama, WA	14,629	12,135	12,115	11,036	10,281
Portland, OR	12,661	11,112	12,749	12,256	10,800
Port Hueneme	6,370	5,821	6,885	8,055	7,889
San Diego, CA	5,333	3,943	4,350	4,698	4,968
Vancouver, WA	2,960	2,645	2,255	2,435	2,296

Source: Pacific Maritime Association, Annual Reports

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

<u>Port</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Los Angeles-Long Beach, CA	16,970	17,327	20,062	19,045	16,648
New York-New Jersey, NY	7,471	7,586	8,986	9,494	7,810
Savannah, GA	4,599	4,682	5,613	5,892	4,938
Seattle-Tacoma, WA	3,775	3,320	3,736	3,384	2,237
Norfolk, VA	2,938	2,813	3,523	3,703	3,288
Houston, TX	2,990	2,989	3,453	3,975	3,835
Charleston, SC	2,436	2,310	2,751	2,792	2,482
Oakland, CA	2,500	2,461	2,448	2,337	2,066

Source: US Department of Transportation, Bureau of Transportation Statistics analysis; Port of Los Angeles; Port of Long Beach; The Port Authority of New York and New Jersey; Port of Oakland, Port of Virginia; The Northwest Seaport Alliance; Port of Houston Authority; South Carolina Ports

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

Indicator	2019	2020	2021	2022	2023
1. New & Existing Median Home Prices	\$644,125	\$647,308	\$743,833	\$844,354	\$867,969
2. New & Existing Home Sales	78,323	72,484	94,832	88,679	57,138
3. Notices of Default Recorded	10,449	4,786	3,567	7,215	7,786
4. Office Market Vacancy Rates	14.0%	16.5%	19.1%	20.8%	22.8%
5. Industrial Market Vacancy Rates	2.4%	2.3%	0.7%	0.9%	3.4%

Source: CoreLogic, Newmark, and Colliers

TABLE L: BUILDING PERMITS AND VALUATIONS

	2019	2020	2021	2022	2023
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	5,738	6,219	7,338	8,301	6,504
b. Multi-Family	15,884	14,077	16,718	18,912	11,752
Total Residential Building Permits	21,622	20,296	24,056	27,213	18,256
Building Valuations					
2. Residential Building Valuations (in millions of \$)					
a. Single Family	\$1,967	\$1,877	\$2,089	\$2,180	\$1,681
b. Multi-Family	2,961	2,793	3,027	3,524	2,016
c. Alterations and Additions	1,626	1,017	909	1,423	1,401
Residential Building Valuations Subtotal	\$6,554	\$5,687	\$6,025	\$7,127	\$5,098
3. Non-Residential Building Valuations (in millions of \$)					
a. Office Buildings	\$475	\$242	\$162	\$70	\$80
b. Retail Buildings	1,338	897	170	879	607
c. Hotels and Motels	203	232	53	41	77
d. Industrial Buildings	64	32	28	25	138
e. Alterations	3,404	1,243	949	2,417	1,846
f. Other	1,105	879	508	752	1,319
Non-Residential Building Valuations Subtotal	\$6,589	\$3,525	\$1,870	\$4,184	\$4,067
Total Building Valuations (in millions)	\$13,143	\$9,212	\$7,895	\$11,311	\$9,165

Source: California Building Industry Association

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

Company (in order of 2023 Ranking)	Industry	Headquarters	No. of Employees	
			L.A. County	Total
1 Kaiser Permanente	Health Care Provider	Oakland, CA	44,769	226,539
2 University of Southern California	Education-Private University	Los Angeles, CA	23,227	23,990
3 Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	18,000	95,000
4 Cedars-Sinai	Health Care	Los Angeles, CA	16,730	18,114
5 Allied Universal	Security Professional and Safety Services	Santa Ana, CA	15,326	800,000
6 Target Corp.	Retailer	Minneapolis, MN	15,000	408,000
7 Providence	Health Care	Renton, WA	14,395	120,000
8 Ralphs/Food 4 Less - Kroger Co.	Grocery Retailer	Cincinnati, OH	14,000	28,500
9 Walt Disney Co.	Entertainment	Burbank, CA	12,200	190,000
10 Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	12,005	156,354
11 UPS	Transportation and Freight	Atlanta, GA	11,643	N/A
12 Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	11,200	N/A
13 NBCUniversal	Media and Entertainment	Philadelphia, PA	11,000	68,000
14 AT&T Inc.	Telecommunications	Dallas, TX	10,500	N/A
15 Amazon	Online Retailer	Seattle, WA	10,500	1,608,000
16 Albertsons Cos.	Grocery Retailer	Boise, Idaho	10,406	290,000
17 California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	9,224	10,142
18 Edison International	Electric Utility, Energy Services	Rosemead, CA	7,672	N/A
19 City of Hope	Cancer Treatment and Research Center	Duarte, CA	7,535	8,687
20 ABM Industries Inc.	Facility Services	New York, NY	7,400	N/A
21 FedEx Corp.	Shipping and Logistics	Memphis, TN	6,750	N/A
22 Children's Hospital Los Angeles	Hospital	Los Angeles, CA	6,644	N/A
23 CommonSpirit Health	Health Care	Chicago, IL	6,263	150,000
24 Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	6,002	N/A
25 Space Exploration Technologies Corp.	Rockets and Spacecraft	Hawthorne, CA	6,000	10,000

Source: Los Angeles Business Journal

APPENDIX B

**THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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COUNTY OF LOS ANGELES, CALIFORNIA
 ANNUAL COMPREHENSIVE FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023
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Independent Auditor’s Report

The Honorable Board of Supervisors
County of Los Angeles, California

Opinions

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

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire Protection District, Flood Control District, LA County Library, Regional Park and Open Space District, and Mental Health Services Act for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Los Angeles County Development Authority (LACDA) (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
Aggregate discretely presented component units	100%	100%	100%
Aggregate remaining fund information	66%	67%	9%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for LACDA, First 5 LA, and LACERA, are based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matters

As discussed in Note 2 to the basic financial statements, effective July 1, 2022, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

As discussed in Note 22 to the financial statements, in March 2020, a presidential emergency was declared due to the Coronavirus Disease 2019 (COVID-19) pandemic. The County was advanced federal and State disaster assistance funding to supplement the County's recovery efforts. As of June 30, 2023, the County reported \$1.19 billion in advances payable (unearned revenues) related to these advances. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The County's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedule of the County’s proportionate share of the net pension liability and related ratios, the schedule of County’s pension contributions, the schedule of changes in net RHC OPEB liability and related ratios, the schedule of County’s RHC OPEB contributions, and the schedule of changes in the total LTD OPEB liability and related ratios as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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



Los Angeles, California
December 8, 2023

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

This section of the County's Annual Comprehensive Financial Report (ACFR) presents a narrative overview and analysis of financial activities for the year ended June 30, 2023. 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 \$11.859 billion. Net position is classified into three categories and the unrestricted component was negative \$35.387 billion.

During the current year, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 96, "Subscription-Based Information Technology Arrangements" (SBITA or Subscription), and recognized certain Subscription assets and liabilities. GASB 96 had an effect on the County's beginning net position, which was restated and increased governmental activities net position by \$565,000. See further discussion in Note 2 to the basic financial statements.

During the current year, the County's net position decreased by \$1.269 billion. Net position related to governmental activities decreased by \$1.928 billion, while net position related to business-type activities increased by \$658 million.

At the end of the current year, the County's General Fund reported a total fund balance of \$6.483 billion. The fund balance categories and amounts consisted of nonspendable fund balance of \$263 million, restricted fund balance of \$78 million, committed fund balance of \$833 million, assigned fund balance of \$1.029 billion, and \$4.280 billion of unassigned fund balance.

The County's capital asset balances were \$23.069 billion at year-end and increased by \$638 million during the year. A restatement increased the capital asset beginning balance by \$56 million as discussed in Note 5 to the basic financial statements.

During the current year, the County's long-term debt related to bonds, notes and loans from direct borrowings and direct placements decreased by \$100 million. Newly issued and accreted long-term debt of \$268 million was less than the long-term debt maturities of \$368 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, 2023**

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, Waterworks Districts, and 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 Los Angeles County Development Authority 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, 2023**

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 Enterprise 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 Fund are all considered major funds for presentation purposes. There is one nonmajor Enterprise Fund (Aviation Fund) and it is displayed with the other major enterprise funds.
- **Fiduciary Funds** - These funds are used to account for resources held for the benefit of parties outside the County. The Fiduciary Funds category are reported in the Pension and Other Postemployment Benefit (OPEB) Trust Funds, the Investment Trust Fund, and Custodial Funds using the economic resources measurement focus and the accrual basis of accounting. Since the resources of these funds are not available to support the County's own programs, they are not reflected in the government-wide financial statements.

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, 2023**

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's proportionate share of the net pension liability and related ratios, the County's contributions to pension benefits, the County's schedule of changes in net Retiree Healthcare (RHC) OPEB liability and related ratios, the County's contributions to RHC OPEB, and the schedule of changes in the total Long-Term Disability OPEB liability and related ratios.

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 \$11.859 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2023 and 2022 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
		(1)		(1)		(1)
Current and other assets	\$ 22,643,936	\$ 21,683,997	\$ 4,663,966	\$ 4,146,378	\$ 27,307,902	\$ 25,830,375
Capital assets	19,709,385	19,202,670	3,359,596	3,172,279	23,068,981	22,374,949
Total assets	<u>42,353,321</u>	<u>40,886,667</u>	<u>8,023,562</u>	<u>7,318,657</u>	<u>50,376,883</u>	<u>48,205,324</u>
Deferred outflows of resources	<u>10,817,003</u>	<u>11,493,075</u>	<u>1,634,388</u>	<u>1,783,810</u>	<u>12,451,391</u>	<u>13,276,885</u>
Current and other liabilities	7,719,806	7,750,943	958,829	779,092	8,678,635	8,530,035
Long-term liabilities	<u>46,002,627</u>	<u>39,028,682</u>	<u>7,682,704</u>	<u>7,285,745</u>	<u>53,685,331</u>	<u>46,314,427</u>
Total liabilities	<u>53,722,433</u>	<u>46,779,625</u>	<u>8,641,533</u>	<u>8,064,837</u>	<u>62,363,966</u>	<u>54,844,462</u>
Deferred inflows of resources	<u>10,490,505</u>	<u>14,715,572</u>	<u>1,832,739</u>	<u>2,512,350</u>	<u>12,323,244</u>	<u>17,227,922</u>
Net position:						
Net investment in capital assets	15,833,971	15,588,360	2,525,430	2,309,804	18,359,401	17,898,164
Restricted	5,083,496	4,646,341	84,718	65,363	5,168,214	4,711,704
Unrestricted (deficit)	<u>(31,960,081)</u>	<u>(29,350,156)</u>	<u>(3,426,470)</u>	<u>(3,849,887)</u>	<u>(35,386,551)</u>	<u>(33,200,043)</u>
Total net position	<u>\$ (11,042,614)</u>	<u>\$ (9,115,455)</u>	<u>\$ (816,322)</u>	<u>\$ (1,474,720)</u>	<u>\$ (11,858,936)</u>	<u>\$ (10,590,175)</u>

(1) The 2022 amounts were not restated for GASB 96.

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023

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 \$960 million for governmental activities. There was an increase of \$720 million in pooled cash and investments, largely due to the improved cash position of the County's General Fund, the nonmajor governmental funds, and the Regional Park and Open Space District fund of \$383 million, \$261 million, and \$96 million, respectively. There was an increase of \$349 million in other receivables primarily from Mental Health, Social Services, and COVID-19 accrued revenues at year-end. This was offset by a decrease of \$94 million and \$27 million in internal receivables and lease receivables, respectively, from the prior year.

For business-type activities, current and other assets increased by \$518 million. The business-type activities accounts receivables and internal receivables increased by \$821 million and \$94 million, respectively, from the prior year. This was offset by a decrease in other receivables and pooled cash and investments of \$330 million and \$63 million, respectively. The change in receivables was primarily from an increase of accrued revenue in the hospitals for Medi-cal Managed Care, Medi-Cal Managed Care Rate Supplements, and Cost Based Reimbursement Clinics, as discussed in Note 14. This was offset by a decrease in other receivables of \$330 million from the prior year.

Deferred Outflows of Resources

In the current year, the County's deferred outflows of resources balances were \$12.451 billion. The deferred outflows of resources were \$10.817 billion and \$1.634 billion for governmental and business-type activities, respectively. The total deferred outflows of resources amounts and net decreases of \$825 million were mostly related to pension and OPEB RHC. The total pension related deferred outflows decreased by \$462 million and \$85 million for governmental and business-type activities, respectively, from the prior year. The total OPEB RHC related deferred outflows decreased by \$212 million and \$64 million for governmental and business-type activities, respectively, from the prior year. The pension and OPEB RHC amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion.

Liabilities

Current and other liabilities decreased by \$31 million for governmental activities primarily from a decrease in advances payable by \$261 million which was largely attributable to the American Rescue Plan (ARP) federal funds, as discussed in Note 22. This was offset by an increase in other payables, accounts payable, and accrued payroll of \$130 million, \$62 million and \$38 million, respectively, for amounts owed at year-end. For business-type activities, a net increase of \$180 million in current and other liabilities was largely associated with an increase in accounts payable of \$178 million for amounts owed at year-end.

Long-term liabilities increased by \$6.974 billion and \$397 million for governmental and business-type activities, respectively. Net pension liabilities significantly increased in the current year by \$5.309 billion and \$821 million for governmental and business-type activities, respectively. Net OPEB liabilities decreased by \$1.868 billion and \$389 million for governmental and business-type activities, respectively. Pension and OPEB liabilities changes were due to the projected and actual experience, assumption changes and changes in proportion.

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023

Liabilities-Continued

For governmental activities, Litigation and self-insurance liabilities increased by approximately \$3.186 billion primarily from the Child Victims Act (AB 218) cases. AB 218, which became effective January 1, 2020, among other things, extended the statute of limitations for commencing an action for recovery of damages suffered as a result of childhood sexual assault to 22 years from the date the plaintiff attains the age of majority or within five years of the date the plaintiff discovers or reasonably should have discovered that the psychological injury or illness occurring after the age of majority was caused by sexual assault, whichever is later. In addition, AB 218 provided for the revival of certain claims from the procedures set forth in the Government Claims Act for a three-year window. AB 218 potential liabilities are preliminary estimates based upon a number of factors, including, but not limited to, the County's early assessment of the claims based on the limited information currently available, the number of total claims the County anticipated would be filed, the estimated fees and costs the County will incur to investigate and defend the claims, and the resources the County can responsibly agree to devote to the claims. The amount and timing of payments are dependent upon the outcome of the lawsuits, which are in their early stages.

The County also added \$159 million and \$31 million in lease and subscription liabilities, respectively. As a lessee, the County recognized a lease and subscription liability and a corresponding right-to-use asset based on the provisions of the lease agreements. The lease and subscription liabilities were measured at the present value of the lease and subscription payments expected to be made during the lease and subscription term as discussed in Notes 9 and 10.

For governmental activities and business-type activities, liabilities for bonds, notes and loans from direct borrowings and direct placements, accrued compensated absences, and workers' compensation were higher by \$185 million and lower by \$32 million, respectively. For business-type activities, amounts owed to third party payors by the County's hospitals were higher by \$30 million as discussed in Note 14. Specific disclosures related to pension liabilities, OPEB liabilities, lease liabilities, subscription liabilities, and other changes in long-term liabilities are discussed and referenced in Notes 7, 8, 9, 10 and 11 to the basic financial statements, respectively.

Deferred Inflows of Resources

In the current year, the County's deferred inflows of resources were \$12.323 billion. Deferred inflows of resources decreased by \$4.225 billion and \$680 million for governmental and business-type activities, respectively. The total OPEB RHC related deferred inflows increased by \$1.825 billion and \$282 million for governmental and business-type activities, respectively, from the prior year. Pension related deferred inflows of resources decreased by \$6.036 billion and \$961 million for governmental and business-type activities, respectively. The OPEB RHC and pension changes in deferred inflows of resources will vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion. Pension and OPEB matters are discussed in more detail in Notes 7 and 8, respectively, to the basic financial statements.

The County implemented GASB 94, "Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)". Under the GASB 94 definition, the County's golf courses met the definition of a PPP-Service Concession Arrangement. There were \$85 million of related deferred inflows of resources recognized in the current year, which represents an increase of \$12 million from the prior year in governmental activities. This amount represents the present value of installment payments associated with private operators of twenty County golf courses, as discussed in Note 6.

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023

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, \$18.359 billion, represents its investment in capital assets (i.e., land and easements, buildings and improvements, infrastructure, software, equipment, lease and subscription assets, net of related depreciation and amortization), 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 \$5.168 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.

Unrestricted Net Position (Deficit)

The County's total unrestricted net position is negative \$35.387 billion. Both governmental and business-type activities reported deficits in this category of \$31.960 billion and \$3.426 billion, respectively. OPEB related liabilities of \$24.741 billion, along with pension liabilities totaling \$13.161 billion, continued to be the most significant factors associated with the reported deficits.



**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

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

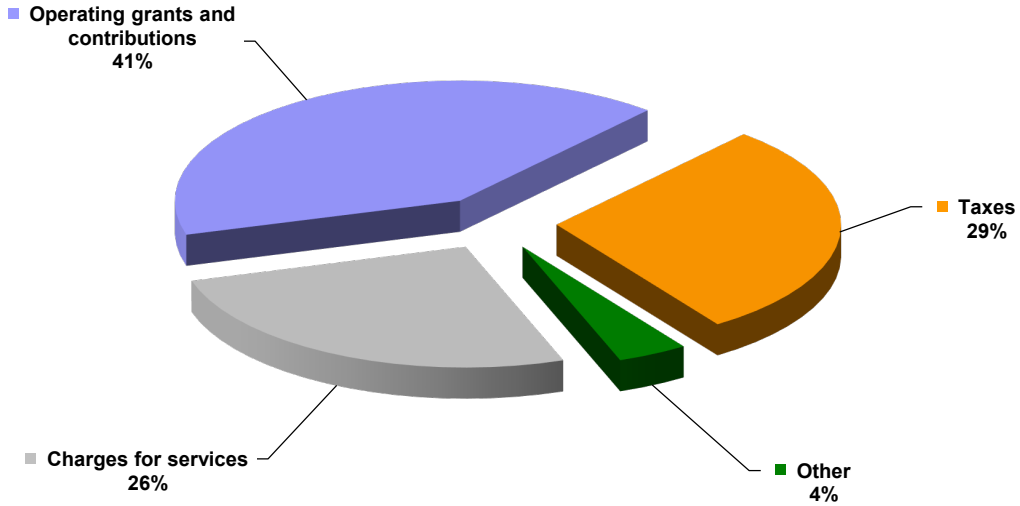
Summary of Changes in Net Position
For the Years Ended June 30, 2023 and 2022
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:		(1)		(1)		(1)
Program revenues:						
Charges for services	\$ 4,342,851	\$ 4,040,659	\$ 5,018,952	\$ 4,878,673	\$ 9,361,803	\$ 8,919,332
Operating grants and contributions	14,134,795	13,466,206	182,601	931,722	14,317,396	14,397,928
Capital grants and contributions	64,023	42,426	1,193	81	65,216	42,507
General revenues:						
Taxes	10,297,844	9,648,848	8,368	7,730	10,306,212	9,656,578
Unrestricted grants and contributions	632,188	631,429	114	3	632,302	631,432
Investment income (loss)	347,504	(456,803)	22,949	(39,782)	370,453	(496,585)
Miscellaneous	278,413	175,385	59		278,472	175,385
Total revenues	30,097,618	27,548,150	5,234,236	5,778,427	35,331,854	33,326,577
Expenses:						
General government	1,626,902	1,243,850			1,626,902	1,243,850
Public protection	10,535,212	8,354,532			10,535,212	8,354,532
Public ways and facilities	543,472	468,413			543,472	468,413
Health and sanitation	6,906,927	6,690,851			6,906,927	6,690,851
Public assistance	10,390,815	7,741,363			10,390,815	7,741,363
Education	154,258	152,330			154,258	152,330
Recreation and cultural services	588,735	568,447			588,735	568,447
Interest on long-term debt	161,604	147,433			161,604	147,433
Hospitals			5,560,504	5,491,898	5,560,504	5,491,898
Waterworks			113,074	111,190	113,074	111,190
Aviation			19,677	17,582	19,677	17,582
Total expenses	30,907,925	25,367,219	5,693,255	5,620,670	36,601,180	30,987,889
Excess (deficiency) before transfers	(810,307)	2,180,931	(459,019)	157,757	(1,269,326)	2,338,688
Transfers	(1,117,417)	(936,810)	1,117,417	936,810		
Change in net position	(1,927,724)	1,244,121	658,398	1,094,567	(1,269,326)	2,338,688
Net position - beginning, as restated in 2023	(9,114,890)	(10,359,576)	(1,474,720)	(2,569,287)	(10,589,610)	(12,928,863)
Net position - ending	\$ (11,042,614)	\$ (9,115,455)	\$ (816,322)	\$ (1,474,720)	\$ (11,858,936)	\$ (10,590,175)

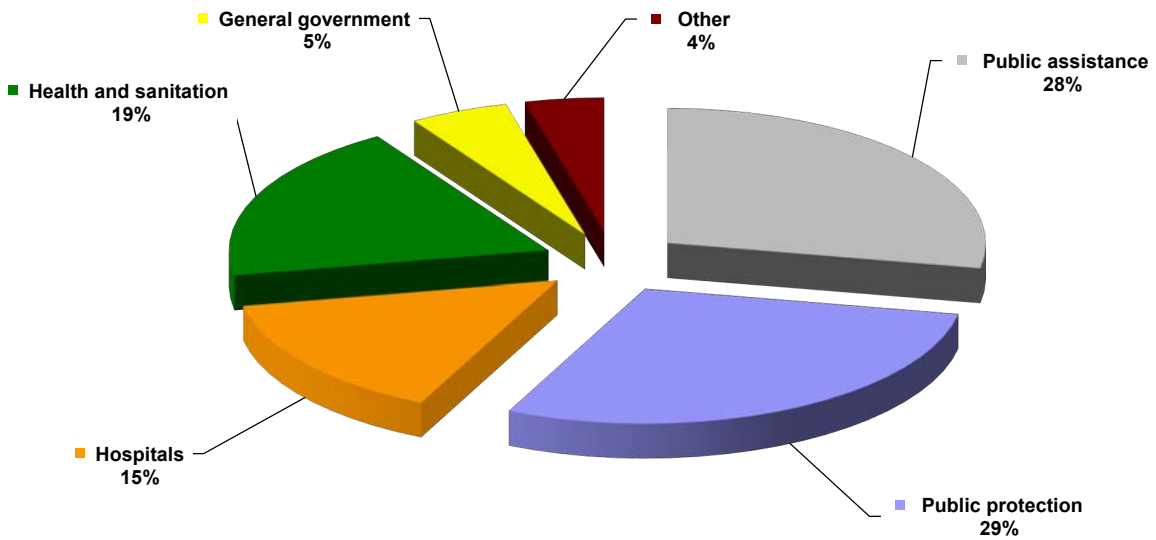
(1) The 2022 amounts were not restated for GASB 96.

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

**REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**



**EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**



**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

Governmental Activities

Revenues from governmental activities increased by \$2.549 billion (9.3%) 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 \$669 million, which was primary attributable to an increase in public assistance and public protection programs from State and federal revenues. Revenues for public assistance programs grew by \$868 million as there were higher State realignment sales tax and higher levels of administrative and program reimbursable costs. Revenues for public protection programs increased by \$193 million primarily due to the ARP funds for the Public Defender and Consumer and Business Affairs by \$93 million and \$26 million, respectively. In addition, an increase in State revenues for Juvenile Justice Realignment and Diversion and Reentry program of \$38 million and \$31 million, respectively. This was offset by a reduction of \$540 million in health and sanitation federal and State revenues. Health and sanitation revenues declined from lower Mental Health Services Act (MHSA) State revenues of \$301 million, lower reimbursable costs associated with the ambulatory care network \$56 million, and public health programs from lower COVID-19 revenues of \$77 million.
- Taxes, the County's largest general revenue source, were \$649 million higher than the prior year and were mostly attributable to property taxes and sales and other taxes, which grew by \$586 million and \$63 million, respectively. The County's total taxable assessed property tax value is \$1.911 trillion, which grew by 7.03% in the current year and property tax revenue increased by \$452 million from the prior year. Property tax revenues were also recognized in conjunction with the dissolution of redevelopment agencies "pass through". Payments from redevelopment dissolution were \$504 million and increased by \$67 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 \$473 million, an increase of \$102 million compared to the prior year. Other general revenues also increased by \$54 million for voter approved taxes, \$41 million from the sales and use taxes in the Homeless and Housing Measure H program and \$5 million from the local generated sales tax due to increased consumer spending. This was offset by a decrease in deed transfer tax revenue of \$57 million due to the decline in real estate sales.
- Program revenues recognized from charges for services increased by \$302 million which was primary attributable to an increase in health and sanitation, general government, and public protection functional categories by \$193 million, \$59 million, and \$48 million, respectively. Health and sanitation increase was due to an increase in patient services from the ambulatory care network of \$271 million and mental health services of \$11 million, which was offset by a decline in public health services of \$94 million. General government was higher primarily from an increase of Public Works services in the Internal Service fund by \$45 million. The public protection increase was due to an increase in Sheriff law enforcement and Flood Control District services by \$31 million and \$14 million, respectively.
- Investment income increased by \$804 million due to an increase in interest income of \$413 million and an increase in the fair value change in investments at year-end of \$391 billion, which was primarily from an increase in market yields throughout the fiscal year.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

Governmental Activities-Continued

Expenses related to governmental activities increased by \$5.541 billion (21.8%) during the current year. This was attributable to an increase in salaries and employee benefit (S&EB) expenses of \$1.252 billion and an increase in operating expenses of \$4.289 billion. The S&EB increase was largely attributable for general salary increases by \$626 million, an increase in pension by \$941 million, a decrease in OPEB by \$479 million, and an increase in compensated absences of \$162 million, in all functional categories.

The increase in the operating expenses of \$4.289 billion was primarily from public assistance and public protection by \$2.448 billion and \$1.548 billion, respectively. In addition, general government and public ways and facilities operating expenses increased by \$230 million and \$75 million, respectively. Public assistance operating expenses were higher from public social services programs by \$629 million and affordable and homeless housing programs by \$344 million. In addition, there were higher litigation and self-insurance expenses of \$1.548 billion primarily from the AB 218 cases. Public protection operating expenses were higher from litigation and self-insurance expenses by \$1.477 billion primarily from the AB 218 cases. General government operating expenses were higher primarily for insurance, establishment of a new Economic Development department, and litigation of \$87 million, \$69 million, and \$53 million, respectively. Public ways and facilities were primarily higher due to increased costs for road operations, maintenance, safety, and improvements of unincorporated area municipal streets and highways of \$70 million.

Interest on long-term debt was \$162 million, an increase of \$14 million from the prior year. Depreciation/amortization expense was \$584 million in the current year, an decrease of \$4 million from the prior year amount of \$588 million.

Business-type Activities

Revenues from business-type activities for the current year were \$5.234 billion, a decrease of \$544 million (9.4%) from the previous year. The most significant decrease was in operating grants and contributions to the County's hospitals by \$748 million. Charges and services increased by \$147 million for the County's hospitals. Operating grants and contributions decrease was attributed to a decline in Patient Service Revenue, Global Payment Program, and Quality Incentive Program by \$353 million, \$309 million, and \$159 million, respectively. This was offset by a \$97 million increase in Cost Based Reimbursement Clinics revenue. The increase in charges for services can be primarily attributed to an increase in CalAIM specialty mental health services of \$124 million. 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.

Expenses related to business-type activities increased from the previous year by a net total of \$73 million (1.3%), and were associated primarily with the County's hospitals, where expenses increased by \$69 million. The hospital expenses for S&EB consisted of an increase from pension and general salary increases of \$143 million and \$139 million, respectively. The S&EB increase was offset by a decrease in OPEB expense of \$93 million. In addition, there was an increase of \$123 million for services and supplies and professional services related to an increase in patient care services. This was offset by a decrease in the County's hospital Intergovernmental transfer expense of \$230 million primarily for the Global Payment, Medi-Cal Managed Care Graduate Medical Education, Quality Incentive Programs.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

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 Projects 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 \$12.155 billion, an increase of \$1.179 billion in comparison with the prior year. Of the total fund balances, \$279 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional \$5.307 billion is classified as restricted, \$975 million as committed, and \$1.314 billion as assigned. The remaining balance of \$4.280 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were \$30.111 billion, an increase of \$2.590 billion (9.4%) from the previous year. Expenditures for all governmental funds in the current year were \$28.321 billion, an increase of \$2.087 billion (8.0%) from the previous year. In addition, net other financing uses were \$611 million, an increase of \$155 million (34.0%) as compared to \$456 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 \$865 million (15.4%). At the end of the current fiscal year, the General Fund's total fund balance was \$6.483 billion. Of this amount, \$263 million is classified as nonspendable, \$78 million as restricted, \$833 million as committed, \$1.029 billion as assigned and the remaining \$4.280 billion is classified as unassigned.

General Fund revenues during the current year were \$25.221 billion, an increase of \$2.359 billion (10.3%) from the previous year. General Fund expenditures during the current year were \$24.614 billion, an increase of \$2.525 billion (11.4%) from the previous year. Net other financing sources/uses was positive \$258 million in the current year as compared to negative \$89 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Intergovernmental revenues increased by \$1.140 billion overall, and were primarily associated with an increase in State revenue by \$967 million, an increase in federal revenue by \$191 million and a decrease in Other governmental agencies revenue by \$18 million. State and federal revenues related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act funds decreased by \$174 million and were offset by an increase of \$305 million from the American Rescue Plan (ARP) funds. Health Services Realignment State sales tax and vehicle license fees were higher by \$43 million primarily due to the steady rise in consumer spending. Other State and federal revenue growth was attributable to higher levels of reimbursable program and administrative costs in the social services, public health, mental health, homeless and housing, capital projects, diversion reentry, and probation programs of \$648 million, \$171 million, \$123 million, \$54 million, \$39 million, \$31 million, and \$12 million, respectively. The County also received State funds of \$13 million to backfill revenues lost from the repeal of court fees and fines under California Senate Bill 1869.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

Governmental Funds-Continued

This was offset by lower levels of reimbursable program and administrative costs of \$91 million, and \$58 million in the ambulatory care network and health administration programs. In addition, State revenue for election services decreased by \$57 million for the Registrar-Recorder. The remaining variance was an increase of \$81 million.

- Investment income resulted in an increase of \$540 million due to an increase of \$286 million in interest earnings and a gain of \$254 million in the fair value change in investments at year-end, which was primarily from an increase in market yields throughout the fiscal year.
- Revenues from taxes increased by \$483 million and were primarily associated with an increase in property taxes of \$519 million and a decrease in other taxes of \$36 million. The property taxes increase was primarily associated with \$381 million of revenue from a growth in assessed property values. Residual property tax revenues, which are associated with redevelopment dissolution, were \$391 million in the current year, \$75 million higher than the prior year. Property tax was also reflected in "pass through" property tax revenues, which were \$56 million higher in the current year. Documentary transfer taxes decreased other taxes by \$57 million fueled by higher interest rates in the real estate market and the County median home sales slowed down in this fiscal year. Sales, use and utility tax increased other taxes by \$21 million from increased consumer spending and higher prices.
- General Fund expenditures increased by a total of \$2.525 billion, or 11.4%. Current expenditures increased by \$2.199 billion, and debt service and capital outlay expenditures increased by \$326 million.
 - Public assistance expenditures increased by \$994 million. This was primarily due to a increase of \$564 million for public social services, \$296 million for affordable housing programs, \$75 million for children and family services, and \$21 million for homeless and housing programs. There was also an increase of \$105 million for general salary increase for S&EB. This was offset by a transfer of \$61 million from the public assistance expenditures to general government services for the establishment of the new the Economic Opportunities department.
 - General government spending increased by \$677 million and was primarily associated with increases of \$82 million for costs associated with capital improvements, \$76 million for the Economic Opportunity department, \$53 million for judgments and damages, \$43 million for the Board of Supervisors community programs, \$32 million for the Internal Services Department, \$26 million for nondepartmental special accounts, \$19 million for the Care First and Community Investment program, and \$17 million in rent expense. There was an increase of \$39 million for general salary increases in S&EB and \$39 million for compensated absences. In addition, \$239 million increased the operating expenditures, from the prior year, related to the commercial paper program.
 - Public protection program costs were higher by \$390 million, and were primarily associated with an increase in S&EB expenditures of \$256 million and an increase in law enforcement expenditures of \$124 million for the Sheriff and Probation departments.
 - Capital Outlay costs increased by \$282 million from an increase in leases by \$222 million and subscriptions by \$61 million.

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023

Governmental Funds-Continued

The Fire Protection District reported a year-end fund balance of \$216 million, which represented an increase of \$27 million compared to the previous year decrease of \$24 million, resulting in a net difference of \$51 million. The Fire Protection District responds to a number of major incidents and emergencies and provide essential fire protection and emergency medical services during the fiscal year. Revenues increased by \$80 million, of which \$84 million was related to property taxes and primarily associated with growth in assessed property values. This was offset by \$7 million in lower federal and State COVID-19 prior year revenues. Expenditures were higher by \$67 million, of which S&EB, services and supplies costs, and capital outlay increased by \$42 million, \$22 million, and \$3 million, respectively.

The Flood Control District reported a year-end fund balance of \$364 million, which represented a decrease of \$42 million in fund balance compared to the previous year's decrease of \$93 million, resulting in a net difference of \$51 million. The change in fund balance was primarily due to higher revenues of \$15 million from higher property taxes and \$14 million for charges for services from the previous year. Interest revenue was also higher by \$28 million due to favorable interest rates. This was offset by lower services and supplies and capital assets infrastructure expenditures of \$4 million for infrastructure improvement projects to support flood protection and water conservation.

The LA County Library Fund reported a year-end fund balance of \$169 million, which represented an increase of \$38 million in fund balance compared to the previous year increase of \$22 million, resulting in a net difference of \$16 million. Revenues increased by \$5 million, of which \$9 million was related to property taxes associated with growth in assessed valuation, \$2 million higher State and federal revenues and \$3 million higher interest revenue and was offset by a decline of \$12 million in charges for service. Expenditures were \$3 million higher than the previous year and other financing sources from Safe, Clean Water Program Measure W were higher by \$14 million.

The Regional Park and Open Space District reported a year-end fund balance of \$676 million, which represented an increase of \$101 million in fund balance compared to the previous year increase of \$57 million, resulting in a net difference of \$44 million. The net change in fund balance was primarily attributable to an increase in investment income of \$28 million from higher interest rates. Property tax was nearly the same as the previous year. Expenditures were higher by \$16 million due to an decrease in grant awards to empower communities and preserve parks and open space from the previous year.

The MHSA Fund reported a year-end fund balance of \$1.233 billion , which represented a decrease of \$46 million in fund balance compared to the previous increase of \$182 million, resulting in a net difference of \$228 million. Current year revenues were lower by \$211 million, primarily from a decrease of \$301 million in State revenues, offset by an investment gain of \$90 million, while transfers out decreased by \$16 million to support the five MHSA program components (Community Services and Supports; Prevention and Early Intervention; Innovation; Workforce Education and Training; and Capital Facilities and Technological Needs.

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 four hospital funds had a net deficit as discussed in Note 3.

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023

Proprietary Funds-Continued

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 \$91 million for the Olive View-UCLA Medical Center to \$360 million for the Los Angeles General Medical Center. The total subsidy amount was \$906 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 \$722 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 Los Angeles General Medical Center (\$110 million), Harbor-UCLA Medical Center (\$53 million), and Olive-View UCLA Medical Center (\$30 million). The total current year amount of \$193 million in Measure B transfers was nearly the same as the prior year.

Waterworks Fund reported year-end net position of \$762 million, which was \$9 million lower than the previous year due to lower operating revenues. There were no significant operational changes during the current year. Current year operating revenues of \$91 million were slightly lower by \$8 million than the previous year's amount of \$99 million. Current year operating expenses of \$113 million were slightly higher by \$2 million than the previous year.

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 160 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 \$587 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, 2023**

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 Budget	Final Budget Amount	Actual Amount	Variance- Positive (Negative)
Taxes	\$ 13,714	\$ 7,404,760	\$ 7,639,271	\$ 234,511
Intergovernmental revenues	1,177,002	15,494,728	13,761,596	(1,733,132)
Charges for services	180,702	3,125,586	2,906,002	(219,584)
All other revenues	100,832	756,626	978,197	221,571
Other sources and transfers in	106,277	1,570,052	1,173,722	(396,330)
Total	\$ 1,578,527	\$ 28,351,752	\$ 26,458,788	\$ (1,892,964)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources were approximately \$1.579 billion. The changes occurred in the following areas:

- The budget for "Taxes" increased by \$14 million. The \$14 million increase was primarily 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 estimated revenue for "Intergovernmental revenues" increased by \$1.177 billion. The increase is primarily from COVID-19 federal ARP Act revenues, which is associated with \$556 million for a variety of ARP programs and \$318 million under the ARP Revenue Loss Provision. There was an increase of \$232 million in federal and State revenues for social services and children and family programs. Capital projects funded by federal and State revenues increased by \$140 million. The remaining net budget decreases of \$69 million were related to a variety of federal and State funded programs.
- The estimated revenue for "Charge for services" increased by \$181 million. The increase is primarily from \$161 million for the ambulatory care network services, \$9 million for the Sheriff's department contracted services, \$5 million for public works building and permit fees, and \$4 million for the Registrar-Recorder election services. There were \$2 million of net budget increases in charges for services from a variety of programs.
- The budget for "All other revenues" increased by \$101 million from tobacco settlement revenues. There were \$1 million of net budget increases in licenses, permits, and franchises revenues.
- The budget for "Other sources and transfers in" increased by \$106 million from transfers of \$46 million from the Nonmajor Other Special Revenue for capital projects, \$40 million from the Homeless and Housing Measure H Nonmajor Special Revenue Funds for general fund homeless programs, \$13 million from Health Services Measure B for general fund trauma programs, and \$7 million in other transfers for a variety of programs.

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately \$26.459 billion. This amount was \$1.893 billion, or 6.7%, lower than budget. As discussed below, the changes occurred in the following areas.

- Actual "Taxes" were higher by \$234 million from the amount budgeted. Of this increase, \$198 million increase was associated with property tax revenue due to a growth in assessed property values. Other taxes increased by \$37 million primarily from an increase in transient occupancy tax, aircraft assessment, and local sales revenue by \$17 million, \$11 million, and \$11 million, respectively. There were net decrease of \$1 million from other taxes.
- Actual "Intergovernmental revenues" were \$1.733 billion lower than the amount budgeted. The ARP programs in various departments accounted for \$611 million as these program costs were not completed prior to year-end. Approximately \$438 million of intergovernmental revenues were 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. Mental Health and ambulatory network programs accounted for approximately \$214 million, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. Budgeted intergovernmental revenues of \$182 million were not realized for various capital improvements and disaster recovery programs, as these initiatives were not completed prior to year-end. Homeless and housing program revenue of \$111 million experienced lower than anticipated revenue for State funded homeless and housing initiatives. Probation and Sheriff budgeted intergovernmental revenues were lower by \$82 million, which experienced lower than anticipated reimbursable operating expenditures and staffing vacancies. Justice reformed departments in diversion and reentry, Justice, Care and Opportunities (JCOD), and Youth Development budgeted intergovernmental revenues were lower by \$89 million as new programs and initiatives were still being developed prior to year-end. There were net decreases of \$6 million from a variety of programs.
- Actual "Charges for services" were \$220 million lower than the amount budgeted. The decrease was primarily attributable to \$129 million, \$56 million and \$36 million of costs associated with Public Health, health services administration and ambulatory care network programs, respectively, which experienced lower than anticipated reimbursable costs for charges for services due to the transition to a post-pandemic environment. In addition, JCOD programs, a newly established department in FY 2022-2023, were lower by \$26 million than the budgeted amount as they develop and ramp up services. This was offset by \$24 million in higher revenue from contracted services by the Sheriff's Department. There were net decreases of \$3 million from a variety of programs.
- Actual "All other revenues" were \$222 million higher than budgeted. Interest revenue was higher by \$140 million due to an increase in market yields throughout the fiscal year. Miscellaneous revenue were \$52 million higher than budget primarily from the Rent Expense and Mental Health programs by \$27 million and \$25 million, respectively. Fine and penalties were higher by \$38 million. License Permits and Franchise revenue were higher by \$5 million. There were net decreases of \$3 million from other revenues for the remaining variance.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

- The actual amount of "Other sources and transfers in" was \$396 million lower than the amount budgeted. Of this amount, mental health programs funded by the MHSA Special Revenue Fund did not fully materialize at the budgeted level and "transfers in" were \$239 million lower than budgeted. Costs associated with Consumer Protection, Diversion and Reentry, Probation, Sheriff, and Youth Development departmental programs funded by the Other Public Protection Special Revenue Funds were \$40 million less than budgeted. The "transfers in" for health services trauma programs, funded by the Health Services Measure B nonmajor special revenue fund, were \$27 million less than budgeted. Costs associated with the public health programs funded by the Health and Sanitation Special Revenue funds were \$10 million less than budgeted. The Homeless and Housing Measure H costs were \$29 million less than budgeted. In addition, "transfers in" totaling \$28 million were assumed in the budget for capital improvements and extraordinary building maintenance projects, which did not incur expected costs. There were various other sources and transfers that comprised the remaining variance of \$23 million.

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) From Original Budget	Final Budget Amount	Actual Amount	Variance- Positive
General government	\$ 51,390	\$ 3,484,416	\$ 1,893,037	\$ 1,591,379
Public protection	462,234	7,353,877	6,800,230	553,647
Health and sanitation	(25,930)	7,382,127	6,600,293	781,834
Public assistance	535,801	9,810,107	8,673,154	1,136,953
All other expenditures	299,813	2,219,260	881,177	1,338,083
Transfers out	292,450	1,130,106	1,126,968	3,138
Contingencies	(118,856)	(41,665)		(41,665)
Fund balance changes-net	81,625	191,495	(102,589)	294,084
Total	\$ 1,578,527	\$ 31,529,723	\$ 25,872,270	\$ 5,657,453

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately \$1.579 billion. The most significant changes occurred in the following areas:

- "Public protection" appropriations were increased by \$462 million. As previously mentioned, an increase of \$122 million of S&EB was appropriated to reflect the Board approved S&EB increases. Law enforcement appropriations were increased by \$181 million which was funded by provisional financing uses and other revenues for the Sheriff's department operations costs which include increases in services and supplies, contracts, legal settlements, and costs for the ARP programs. The Consumer and Business Affairs appropriation increased by \$47 million for ARP grant programs to provide mortgage relief, expand the income tax assistance program, financial coaching, landlord-tenant mediation, and rent relief. JCOD appropriations were increased by \$98 million to fund justice reform initiatives for vulnerable justice-impacted individuals and their communities. There were net increases of \$14 million for other public protection programs.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

Changes from Amounts Originally Budgeted-Continued

- "Public assistance" appropriations were increased by \$536 million. The increase in appropriation was to support the ARP Fiscal Recovery Fund Spending Plan, which included an increase of \$186 million to provide rental assistance and support the conversion of Project Homekey interim housing units to permanent housing. Public social and children and family services appropriation increased by \$275 million to provide assistance to foster children, CalWORKS, Child Care programs and legal settlements. FEMA reimbursed the County for Project Roomkey costs which decreased the nonspendable long-term receivable and increased the homeless and housing budget by \$36 million. An increase of \$37 million of S&EB was appropriated to reflect the Board approved S&EB increases. There were net increases of \$2 million for other public assistance programs.
- Appropriations for "All other expenditures" were increased by \$300 million. The increase was primarily attributable to the continued development, design, and construction of capital projects to support the long-term goals to sustain and/or rehabilitate County facilities.
- Appropriations for "transfers out" were increased by \$292 million. The increase was primarily attributable to augmenting the amount of fund transfers from the General Fund to the various Hospital Enterprise Funds by \$291 million. There were net increases of \$1 million from transfers out to various other funds.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were \$5.657 billion (17.9%) lower than the final total budget of \$31.530 billion. There were budgetary savings in all functional expenditure categories. Following are the functional areas that recognized the variations from the final budget:

- The "general government" function reported actual expenditures that were \$1.591 billion less than the amount budgeted. Of this amount, \$1.033 billion represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. The Board of Supervisors had budgetary savings of \$122 million to be spent in future years for various community projects. S&EB savings for general government departments of \$115 million were due to the hiring freeze and vacancies. CFCI had budgetary savings of \$110 million due to the length of time needed to design, develop, launch and implement Board-approved CFCI new programs. Chief Executive Office had budgetary savings of \$42 million due to lower than anticipated program costs. The Real Estate budget had a budgetary savings of \$11 million due to lower than anticipated debt service and rent expenditures. In addition, the Board Initiatives and Programs budget had budgetary savings of \$20 million due to longer-than-anticipated implementations for the Alternative to Incarceration Initiative, Poverty Alleviation Initiative, Equity and Diversity Program, and ARP programs. There were also budgetary savings from the ARP programs, which included savings from \$91 million for economic and career assistance to small businesses, nonprofits, restaurants, child care facilities, and rent relief, and \$44 million for the Delete the Divide campaign. The remaining net \$3 million was spread across the general government departments and was mostly related to savings in the areas of services and supplies.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount-Continued

- Actual "public protection" expenditures were \$554 million less than the budgeted amount. S&EB savings of \$155 million were due to the vacancies, staff on approved leave, and for hard to recruit items. The Probation department had budgetary savings of \$45 million due to delays in hiring and delays in implementing new programs. The Diversion and Reentry budget unit had budgetary savings of \$76 million from lower than anticipated contracted services. The Department of Consumer and Business Affairs had budgetary savings of \$80 million from delays in implementing the ARP projects. Trial Court operations had a budgetary savings of \$9 million from lower court facilities operating expenditures and indigent defense aid cases. JCOD and Youth Development had budgetary savings of \$98 million and \$32 million, respectively, from ongoing implementation of the justice-reform programs. The federal and State Disaster had budgetary savings of \$52 million since a major disaster did not occur during the fiscal year. The remaining variance of \$7 million was related to other public protection programs.
- Overall expenditures for the "health and sanitation" category were \$782 million less than the budgeted amount. Specifically, the budgetary savings were from the mental health, public health program, health services administration, CFCI health programs, and correctional health facilities of \$239 million, \$167 million, \$67 million, \$56 million, and \$51 million, respectively, due to lower than anticipated costs for professional, contracted, and information technology services, and implementing new programs. There was also \$203 million from S&EB savings from the staffing vacancies and hiring delays. The remaining variance of \$1 million was related to other health and sanitation programs.
- Actual "public assistance" expenditures were \$1.137 billion lower than the final budget. The variance of \$490 million was related to affordable housing and homeless programs due to delays in carrying out multi-year projects. Social services and children and family were lower than budgeted by \$224 million and \$250 million, respectively. Cost savings in these areas were due to lower than anticipated costs in implementing new assistance programs, General Relief Guaranteed Income Pilot Program, Anti-Homelessness subsidy program, and Family First Prevention Services Act programs. There were also direct program savings associated with lower than anticipated caseloads. In addition, there were S&EB savings of \$166 million due to the hiring delays and vacancies. The remaining variance of \$7 million was related to other public assistance programs.
- The category referred to as "all other expenditures" reflected actual spending of \$1.338 billion less than the budgeted amount. Of this variance, \$1.304 billion was in the capital outlay category and was 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 re-established in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2023, were \$23.069 billion (net of depreciation and amortization). Capital assets include land and easements, buildings and improvements, infrastructure, equipment, software, capital assets in progress, lease assets, and subscription assets. 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 5 to the basic financial statements.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

The total increase in the County's capital assets (net of depreciation/amortization) for the current fiscal year was \$694.03 million as shown in the following table.

Changes in Capital Assets, Net of Depreciation/Amortization
Primary Government - All Activities
(in thousands)

	Current Year	Prior Year (1)	Increase (Decrease)
Land and easements	\$ 7,815,091	\$ 7,712,101	\$ 102,990
Buildings and improvements	6,141,339	6,223,775	(82,436)
Infrastructure	3,856,261	4,001,638	(145,377)
Equipment	599,197	603,431	(4,234)
Software	166,611	205,512	(38,901)
Capital assets, in progress	2,876,906	2,233,515	643,391
Lease assets	1,526,637	1,394,977	131,660
Subscription assets	86,939		86,939
	<u>\$ 23,068,981</u>	<u>\$ 22,374,949</u>	<u>\$ 694,032</u>

(1) The 2022 amounts were not restated for GASB 96.

The County's major capital asset initiatives during the current year continued to focus on new facilities and major improvements. The most significant increase in capital assets was in capital assets, in progress, which increased by \$643 million. Governmental activities for capital assets, in progress, increased by \$448 million which included major construction-in-progress for general government of \$42 million, public protection of \$61 million, health and sanitation of \$49 million, education of \$11 million, and recreation and cultural services of \$179 million. The major projects include \$86 million for the Los Angeles County Museum of Art Building for the Permanent Collection, \$63 million for various deferred maintenance projects under the Facility Reinvestment Program, \$21 million for the Natural History Museum Commons Renovation, \$15 million for the Civic Center Power Plant Boilers and Chillers Replacement, and \$10 million for the Whittier Aquatics Center. In addition, there were capitalized software-in-progress costs of \$17 million for the Assessor's Modernization Project Phase 4. Although there was a net decrease in buildings and improvements totaling \$82 million, completed major capital projects included \$34 million for the Safe Landing project from the County's Capital Improvement Intermediary Program and \$13 million for the Edward R. Roybal Comprehensive Health Center Air Handler Replacement project.

Business-type activities capital assets, in progress, increased by \$195 million. The major construction-in-progress was \$171 million at the Harbor-UCLA Medical Center primarily for the Harbor-UCLA Medical Center Replacement Program. There were also \$36 million of construction-in-progress costs at Olive View-UCLA Medical Center for the Fire Alarm and Nurse Call Systems project, and \$12 million of construction-in-progress costs at Rancho Los Amigos National Rehabilitation Center primarily for the Harriman Building Renovation Project. Completed major capital projects included \$9 million for the Harbor-UCLA Medical Center Electrical Switchgear Replacement and \$9 million for the Los Angeles General Medical Center Child Care Center.

As previously discussed, the County implemented GASB 96 during the year, which added new subscription right-to-use assets in governmental activities. As of June 30, 2023, the subscription assets net of accumulated amortization and subscription assets, in progress were \$87 million and \$8 million, respectively.

As of June 30, 2023, there were \$1.114 billion of capital asset commitments outstanding.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

Debt Administration

During the current year, the County's liabilities for long-term debt related to bonds, notes and loans from direct borrowings and direct placements, including accreted interest, decreased by \$100 million, as newly issued debt and accretions of \$268 million were less than the debt maturities of \$368 million. Specific changes related to governmental and business-type activities are presented in Note 11 to the basic financial statements.

During the current year, significant long-term debt transactions related to bonds, notes and loans from direct borrowings and direct placements were as follows:

- Lease Revenue Obligation Notes (LRON) of \$251 million were issued for governmental and business-type activities in the amounts of \$135 million and \$115 million, respectively. For governmental activities, debt was issued to finance renovations for public health centers, social service, probation buildings, beach and park facilities, libraries and various general government buildings. For business-type activities, debt was issued to finance hospital facilities improvements.

Lease liabilities increased by \$159 million, as newly issued leases of \$285 million were less than the lease maturities of \$126 million related to governmental and business-type activities. As previously discussed, the County implemented GASB 96, which added \$86 million in subscription liabilities.

There were eight outstanding financed purchase obligations, where the asset transfers ownership to the County by the end of the agreement. Financed purchase obligations balance for governmental activities was \$23 million as of June 30, 2023. Business-type activities had one financed purchase obligation and was completely paid off during the fiscal year.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling \$900 million in tax and revenue anticipation notes. The notes matured and were redeemed on June 30, 2023.

Bond Ratings

The County's debt is rated by Moody's, S&P Global Ratings (S&P), and Fitch. The following is a schedule of ratings assigned by the respective rating agencies:

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Certificates of Participation	Aa3	AA+	AA
Equipment/Non-Essential Leases	Aa2	AA+	AA
Operating/Non-Essential Leases	Aa2	AA+	AA
Short-Term	MIG1	SP-1+	F1+

During the current year, the County's bond ratings and outlook remained the same as the previous year.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

Economic Conditions and Outlook

Los Angeles County's FY 2023-2024 budget is the first spending blueprint since the end of the COVID-19 emergency and the start of the local emergency for homelessness. These are two defining milestones of this transformative moment in which we are addressing the longstanding racial, social, and economic inequalities; realizing the Board's Care First, Jails Last vision; and delivering extensive safety net services to our residents. The County's 2023-2024 Budget sustains the ambitious work underway across multiple County departments and strengthens the County workforce as it serves the public with expanding existing programs. The budget does not include significant funding to launch new programs, although critical needs may be considered later in the budget process as a fuller picture of the revenues and obligations become available. The County's budget continues to reflect the County's long-standing commitment to responsible and sustainable fiscal practices.

The Board of Supervisors adopted the County's 2023-2024 Budget on June 26, 2023. The Budget was adopted based on estimated fund balances that would be available at the end of 2022-2023. The Board updated the Budget on October 3, 2023 to reflect final 2022-2023 fund balances and other pertinent financial information. For the County's General Fund, the 2023-2024 Budget utilized \$3.764 billion of fund balance, which exceeded the previously estimated fund balance of \$2.256 billion. Of the additional fund balance of \$1.508 billion, \$489 million was used to carryover lapsed appropriations and ensure the continuity of funded program initiatives. The remaining \$1.019 billion was primarily used for the continued momentum for Care First, Jails Last initiative, respond to the local emergency for homelessness and affordable housing, changes in the Mental Health and Public Health services delivery system, help children and families, older adults and people with disabilities, provide immigrant assistance services, promote jobs, workforce and business development, make community and equity investments, invest in information technology, invest in sustainability and energy efficiencies, provide transparency and public accountability, provide for public safety protection, and invest in the County's public assets.

Over the past year, the federal government's rapid hikes in the federal funds borrowing rate to combat inflation have led to significant increases in both interest earnings and mortgage rates. The County is forecasting higher interest earnings and a moderate growth in a variety of locally generated revenues along with increases in statewide sales tax revenue due to recent consumer spending trends. We are forecasting an increase of 5.91% to the property tax assessment roll based on Consumer Price Index annual inflation adjustment of 1.88% and increases in property transfers at 3.46%. The mortgage rates surge is making it more expensive for prospective buyers to borrow, while applying downward pressure on home sales. The federal rate hikes to control inflation have yet to be effective to reach their two percent target. The potential pullback for consumer and business spending could lead to an economic slowdown or increase the risk of a recession.

The County also faces higher operating costs as a result of increased salaries and employee benefits as part of the three-year approved labor agreements which expire in 2024-2025. In addition, the County must continue to prepare for potential legal settlements and judgments that could negatively impact the County's finances in future budget phases. The County will continue to advocate for additional federal and State funding. We will closely monitor key economic indicators and the risks of a recession to guide our efforts in the development of future budget recommendations that will impact the County's revenues, support the needs of County residents and advance the Board's priorities.

The County's budget outlook continues to be influenced by the fiscal condition and outlook of the State of California. The State Legislative Analyst's Office (LAO) reports that future economic conditions are particularly mixed. By some measures, the economy is booming. Unemployment is at record lows and wages continue to grow at a strong pace. From other vantage points, however, the economy seems to be

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2023**

on less sound footing. Housing clearly is in a slump, manufacturing and trade sectors have slowed, and recently a number of regional banks has failed. Overall, the broadest measure of economic activity (inflation-adjusted gross domestic product [real GDP]) continues to grow, albeit at a below-average pace. Regardless of the mixed economic picture, it is projected that State revenues are in a downturn. In addition, the LAO has forecasted an operating budget deficit through FY 2026-2027 averaging \$18 billion annually. Proposed spending plans for multiyear one-time, temporary spending commitments, and spending delays are no longer affordable. The combination of reserves and reduced one-time spending can extend the budget capacity for the State to sustain core, ongoing programs. However, the LAO recommends addressing the State budget problem by reducing one-time spending as part of the budget process. Health and human services programs are subject to considerable challenges and uncertainty as the County depends on funding from the State and federal government.

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, 2023 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Pooled cash and investments: (Notes 1 and 4)				
Operating	\$ 10,182,270	1,031,910	\$ 11,214,180	\$ 182,030
Other	5,797,539	57,469	5,855,008	
Total pooled cash and investments	15,979,809	1,089,379	17,069,188	182,030
Other investments (Note 4)	62,382		62,382	791,448
Taxes receivable	377,589	864	378,453	
Accounts receivable - net (Note 14)		2,567,286	2,567,286	27,475
Interest receivable	52,701	2,952	55,653	1,209
Lease receivable (Note 9)	1,873,408	20,565	1,893,973	9,259
Other receivables (Note 14)	4,178,243	803,944	4,982,187	58,125
Internal balances (Note 15)	(42,544)	42,544		
Inventories	160,749	38,376	199,125	10,942
Restricted assets (Note 4)	1,599	98,056	99,655	11,870
Capital assets: (Notes 1, 5, 9 and 10)				
Capital assets, not being depreciated	9,949,254	742,743	10,691,997	93,560
Capital assets, net of accumulated depreciation/ amortization	9,760,131	2,616,853	12,376,984	103,922
Total capital assets	19,709,385	3,359,596	23,068,981	197,482
TOTAL ASSETS	42,353,321	8,023,562	50,376,883	1,289,840
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	10,817,003	1,634,388	12,451,391	38,722
LIABILITIES				
Accounts payable	818,707	817,775	1,636,482	63,390
Accrued payroll	606,055	113,939	719,994	
Other payables	169,680	12,836	182,516	9,328
Accrued interest payable	14,126	13,020	27,146	
Advances payable	6,111,238	1,259	6,112,497	4,606
Long-term liabilities: (Note 11)				
Due within one year	1,555,818	355,901	1,911,719	6,145
Due in more than one year	44,446,809	7,326,803	51,773,612	122,570
TOTAL LIABILITIES	53,722,433	8,641,533	62,363,966	206,039
DEFERRED INFLOWS OF RESOURCES (Note 20)	10,490,505	1,832,739	12,323,244	14,871
NET POSITION				
Net investment in capital assets	15,833,971	2,525,430	18,359,401	161,837
Restricted for:				
Capital projects	34,250		34,250	
Debt service	4,979	84,718	89,697	
Permanent funds - nonspendable	2,109		2,109	
General government	362,598		362,598	
Public protection	987,073		987,073	
Public ways and facilities	958,265		958,265	
Health and sanitation	1,573,577		1,573,577	
Public assistance	452,901		452,901	
Education	1,642		1,642	
Recreation	706,102		706,102	
Community development				621,977
First 5 LA				278,642
Unrestricted (deficit)	(31,960,081)	(3,426,470)	(35,386,551)	45,196
TOTAL NET POSITION (DEFICIT) (Note 3)	\$ (11,042,614)	(816,322)	\$ (11,858,936)	\$ 1,107,652

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, 2023 (in thousands)

FUNCTIONS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 1,626,902	691,118	198,679	20,020
Public protection	10,535,212	1,704,995	2,242,819	40,913
Public ways and facilities	543,472	49,777	310,209	1,188
Health and sanitation	6,906,927	1,743,967	3,856,356	1,822
Public assistance	10,390,815	8,727	7,486,162	
Education	154,258	1,955	9,879	
Recreation and cultural services	588,735	142,312	30,691	80
Interest on long-term debt	161,604			
Total governmental activities	<u>30,907,925</u>	<u>4,342,851</u>	<u>14,134,795</u>	<u>64,023</u>
Business-type activities:				
Hospitals	5,560,504	4,912,895	180,043	
Waterworks	113,074	90,902	350	1,188
Aviation	19,677	15,155	2,208	5
Total business-type activities	<u>5,693,255</u>	<u>5,018,952</u>	<u>182,601</u>	<u>1,193</u>
Total primary government	<u>\$ 36,601,180</u>	<u>9,361,803</u>	<u>14,317,396</u>	<u>65,216</u>
DISCRETELY PRESENTED COMPONENT UNITS	<u>\$ 937,130</u>	<u>35,570</u>	<u>960,461</u>	<u>13,142</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, 2022, AS RESTATED (Note 2)

NET POSITION (DEFICIT), JUNE 30, 2023

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
\$ (717,085)		\$ (717,085)		PRIMARY GOVERNMENT:
(6,546,485)		(6,546,485)		Governmental activities:
(182,298)		(182,298)		General government
(1,304,782)		(1,304,782)		Public protection
(2,895,926)		(2,895,926)		Public ways and facilities
(142,424)		(142,424)		Health and sanitation
(415,652)		(415,652)		Public assistance
(161,604)		(161,604)		Education
(12,366,256)		(12,366,256)		Recreation and cultural services
				Interest on long-term debt
				Total governmental activities
	(467,566)	(467,566)		Business-type activities:
	(20,634)	(20,634)		Hospitals
	(2,309)	(2,309)		Waterworks
	(490,509)	(490,509)		Aviation
(12,366,256)	(490,509)	(12,856,765)		Total business-type activities
				Total primary government
			\$ 72,043	DISCRETELY PRESENTED COMPONENT UNITS
8,843,564	8,368	8,851,932		GENERAL REVENUES:
60,923		60,923		Taxes:
547,125		547,125		Property taxes
84,870		84,870		Utility users taxes
48,491		48,491		Voter approved taxes
712,871		712,871		Documentary transfer taxes
				Other taxes
632,188	114	632,302		Sales and use taxes, levied by the State
347,504	22,949	370,453	9,596	Grants and contributions not restricted to special programs
278,413	59	278,472	2,006	Investment income
(1,117,417)	1,117,417			Miscellaneous
10,438,532	1,148,907	11,587,439	11,602	TRANSFERS - NET
(1,927,724)	658,398	(1,269,326)	83,645	Total general revenues and transfers
(9,114,890)	(1,474,720)	(10,589,610)	1,024,007	CHANGE IN NET POSITION
\$ (11,042,614)	(816,322)	\$ (11,858,936)	\$ 1,107,652	NET POSITION (DEFICIT), JULY 1, 2022, AS RESTATE (Note 2)
				NET POSITION (DEFICIT), JUNE 30, 2023

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	LA COUNTY LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
ASSETS					
Pooled cash and investments: (Notes 1 and 4)					
Operating	\$ 4,249,353	243,413	425,631	166,324	670,386
Other	5,684,773	20,785	4,788	4,695	3,760
Total pooled cash and investments	9,934,126	264,198	430,419	171,019	674,146
Other investments (Note 4)	2,588			114	
Taxes receivable	273,191	56,197	14,783	8,327	1,912
Interest receivable	39,225	595	1,037	363	1,403
Lease receivable (Note 9)	1,833,620		34,781		
Other receivables	3,790,268	43,310	16,011	1,987	1,960
Due from other funds (Note 15)	836,933	1,872	22,940	7,927	
Advances to other funds (Note 15)	17,738		6,672		
Inventories	137,240	12,780	200	146	
TOTAL ASSETS	16,864,929	378,952	526,843	189,883	679,421
DEFERRED OUTFLOWS OF RESOURCES (Note 20)					
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 16,864,929	378,952	526,843	189,883	679,421
LIABILITIES					
Accounts payable	\$ 712,573	7,756	10,248	3,352	100
Accrued payroll	523,652	52,539		4,629	
Other payables	163,099	2,933		596	
Due to other funds (Note 15)	345,155	48,143	34,849	6,054	1,960
Advances payable	5,979,531		72,765		
Third party payor (Notes 11 and 14)	195,652				
TOTAL LIABILITIES	7,919,662	111,371	117,862	14,631	2,060
DEFERRED INFLOWS OF RESOURCES (Note 20)	2,462,210	51,144	44,657	5,857	1,638
FUND BALANCES (Note 21)					
Nonspendable	263,367	12,780	200	146	
Restricted	77,629	203,657	364,025	82,037	675,723
Committed	832,792				
Assigned	1,028,770		99	87,212	
Unassigned	4,280,499				
TOTAL FUND BALANCES	6,483,057	216,437	364,324	169,395	675,723
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 16,864,929	378,952	526,843	189,883	679,421

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

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
			ASSETS
\$ 1,441,882	2,928,578	\$ 10,125,567	Pooled cash and investments: (Notes 1 and 4)
6,078	62,324	5,787,203	Operating
1,447,960	2,990,902	15,912,770	Other
	59,680	62,382	Total pooled cash and investments
	23,179	377,589	Other investments (Note 4)
3,753	5,853	52,229	Taxes receivable
	5,007	1,873,408	Interest receivable
	227,509	4,081,045	Lease receivable (Note 9)
	123,993	993,665	Other receivables
	11,014	35,424	Due from other funds (Note 15)
	1	150,367	Advances to other funds (Note 15)
1,451,713	3,447,138	23,538,879	Inventories
	183,207	183,207	TOTAL ASSETS
			DEFERRED OUTFLOWS OF RESOURCES (Note 20)
\$ 1,451,713	3,630,345	\$ 23,722,086	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
	75,873	\$ 809,902	LIABILITIES
	44	580,864	Accounts payable
		166,628	Accrued payroll
218,840	462,630	1,117,631	Other payables
	58,454	6,110,750	Due to other funds (Note 15)
	246	195,898	Advances payable
218,840	597,247	8,981,673	Third party payor (Notes 11 and 14)
	20,224	2,585,730	TOTAL LIABILITIES
			DEFERRED INFLOWS OF RESOURCES (Note 20)
	2,137	278,630	FUND BALANCES (Note 21)
1,232,873	2,670,624	5,306,568	Nonspendable
	141,900	974,692	Restricted
	198,213	1,314,294	Committed
		4,280,499	Assigned
1,232,873	3,012,874	12,154,683	Unassigned
			TOTAL FUND BALANCES
\$ 1,451,713	3,630,345	\$ 23,722,086	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, 2023 (in thousands)

Fund balances - total governmental funds (page 33)		\$ 12,154,683
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 - net	\$ 7,649,936	
Construction in progress	2,302,337	
Buildings and improvements - net	5,758,480	
Equipment - net	349,735	
Intangible software - net	251,081	
Infrastructure - net	<u>3,279,360</u>	19,590,929
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	\$ 7,999	
Deferred outflows from OPEB	4,973,775	
Deferred outflows from pension	5,402,065	
Deferred inflows from gains on refunding of debt	(10,920)	
Deferred inflows from private-public partnerships	(84,995)	
Deferred inflows from OPEB	(7,750,905)	
Deferred inflows from pension	<u>(424,437)</u>	2,112,582
Deferred outflows and inflows of resources reported in the balance sheet, but not recognized in the statement of net position:		
Deferred outflows from tobacco settlement revenues	\$ (183,207)	
Deferred inflows from tobacco settlement revenues	183,207	
Deferred inflows from property taxes	256,912	
Deferred inflows from long-term receivables	<u>272,203</u>	529,115
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	\$ 338	
Accrued interest on long-term receivables	<u>328</u>	666
Installment receivables from public-private and public-public partnerships		84,995
Accrued interest payable is not recognized in governmental funds		(14,110)
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	\$ (2,242,274)	
Unamortized premiums on bonds	(289,086)	
Accreted interest on bonds	(14,227)	
Lease liability	(1,577,412)	
Subscription liability	(85,621)	
Financed purchase obligations	(22,750)	
Accrued compensated absences	(2,092,305)	
Workers' compensation	(3,048,397)	
Litigation and self-insurance	(3,732,163)	
Pollution remediation obligation	(37,166)	
Net pension liability	(10,940,285)	
Net OPEB liability	(20,072,830)	
Third party payor liability	<u>(136,623)</u>	(44,291,139)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position.		<u>(1,210,335)</u>
Net position (deficit) of governmental activities (page 29)		<u><u>\$ (11,042,614)</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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	LA COUNTY LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
REVENUES					
Taxes	\$ 7,643,986	1,119,730	203,064	121,542	109,747
Licenses, permits and franchises	72,609	20,843	1,670	1	
Fines, forfeitures and penalties	176,923	3,471	2,304	540	1,014
Revenue from use of money and property:					
Investment income (loss) (Note 4)	246,295	(1,344)	13,138	(58)	9,676
Rents and concessions (Note 9)	54,268	62	5,316	5	
Lease revenue (Note 9)	68,592		1,349		
Royalties	18		616		
Intergovernmental revenues:					
Federal	5,366,215	12,988		4,608	
State	8,421,882	10,225	17,631	5,652	
Other	16,738	581	105	81	
Charges for services	2,908,286	296,570	134,264	1,292	244
Miscellaneous	245,625	4,344	7,704	4,767	
TOTAL REVENUES	25,221,437	1,467,470	387,161	138,430	120,681
EXPENDITURES					
Current:					
General government	1,870,449				
Public protection	6,720,622	1,497,919	427,825		
Public ways and facilities					
Health and sanitation	6,468,543				
Public assistance	8,549,336				
Education				159,443	
Recreation and cultural services	477,197				19,335
Debt service:					
Principal	128,544	7,646	1,313	815	
Interest and other charges	57,853	1,078	81	320	
Capital outlay	341,816	3,140		446	
TOTAL EXPENDITURES	24,614,360	1,509,783	429,219	161,024	19,335
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	607,077	(42,313)	(42,058)	(22,594)	101,346
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 15)	1,194,387	88,201	2,392	61,837	
Transfers out (Note 15)	(1,279,057)	(22,284)	(2,302)	(1,834)	
Issuance of debt (Note 11)					
Sales of capital assets	1,180	105	268		
Leases (Note 9)	280,778	3,140		446	
Subscriptions (Note 10)	61,038				
TOTAL OTHER FINANCING SOURCES (USES)	258,326	69,162	358	60,449	
NET CHANGE IN FUND BALANCES	865,403	26,849	(41,700)	37,855	101,346
FUND BALANCES, JULY 1, 2022	5,617,654	189,588	406,024	131,540	574,377
FUND BALANCES, JUNE 30, 2023	<u>\$ 6,483,057</u>	<u>216,437</u>	<u>364,324</u>	<u>169,395</u>	<u>675,723</u>

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

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
			REVENUES
\$	1,004,070	\$ 10,202,139	Taxes
	26,066	121,189	Licenses, permits and franchises
	38,062	222,314	Fines, forfeitures and penalties
			Revenue from use of money and property:
39,588	42,026	349,321	Investment income (loss) (Note 4)
	46,583	106,234	Rents and concessions (Note 9)
	283	70,224	Lease revenue (Note 9)
	6	640	Royalties
			Intergovernmental revenues:
	7,478	5,391,289	Federal
571,915	449,399	9,476,704	State
	11,399	28,904	Other
	431,263	3,771,919	Charges for services
	107,412	369,852	Miscellaneous
<u>611,503</u>	<u>2,164,047</u>	<u>30,110,729</u>	TOTAL REVENUES
			EXPENDITURES
			Current:
	11,225	1,881,674	General government
	249,261	8,895,627	Public protection
	498,034	498,034	Public ways and facilities
	177,562	6,646,105	Health and sanitation
	196,079	8,745,415	Public assistance
	62	159,505	Education
	8,499	505,031	Recreation and cultural services
			Debt service:
	184,674	322,992	Principal
	111,636	170,968	Interest and other charges
	150,105	495,507	Capital outlay
<u>611,503</u>	<u>1,587,137</u>	<u>28,320,858</u>	TOTAL EXPENDITURES
<u>611,503</u>	<u>576,910</u>	<u>1,789,871</u>	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
			OTHER FINANCING SOURCES (USES)
	289,037	1,635,854	Transfers in (Note 15)
(657,350)	(766,847)	(2,729,674)	Transfers out (Note 15)
	135,467	135,467	Issuance of debt (Note 11)
	784	2,337	Sales of capital assets
		284,364	Leases (Note 9)
		61,038	Subscriptions (Note 10)
<u>(657,350)</u>	<u>(341,559)</u>	<u>(610,614)</u>	TOTAL OTHER FINANCING SOURCES (USES)
(45,847)	235,351	1,179,257	NET CHANGE IN FUND BALANCES
1,278,720	2,777,523	10,975,426	FUND BALANCES, JULY 1, 2022
<u>\$ 1,232,873</u>	<u>3,012,874</u>	<u>\$ 12,154,683</u>	FUND BALANCES, JUNE 30, 2023

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, 2023 (in thousands)

Net change in fund balances - total governmental funds (page 37) \$ 1,179,257

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/amortization expense:

Expenditures for general capital assets, infrastructure and other related capital asset adjustments	\$ 679,893	
Less - current year depreciation expense	(420,633)	
Expenditures for right-to-use lease and subscription assets	345,402	
Less - current year amortization expense	<u>(143,929)</u>	460,733

In the statement of activities, only the gain or loss on the disposal and impairment 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. (4,976)

Contribution of capital assets is not recognized in the governmental funds. 43,923

Amortization of gain or loss on refunding of debt are reported as changes to deferred outflows of resources in governmental activities, but not reported for governmental funds. (1,395)

Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities. (87,522)

Timing differences result in more or less revenues and expenses in the statement of activities.

Change in accrued interest on long-term receivables	\$ 273	
Change in unamortized premiums	<u>5,260</u>	5,533

Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position. (480,869)

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	\$ 85,432	
Notes, loans, and lease revenue obligation notes	100,379	
Other long-term notes, loans, leases and subscriptions	<u>137,181</u>	322,992

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	\$ (96,739)	
Change in litigation and self-insurance	(3,186,156)	
Change in pollution remediation obligation	866	
Change in accrued compensated absences	(130,204)	
Change in net pension liability, net of related deferred outflows of resources and deferred inflows of resources	254,831	
Change in net OPEB liability, net of related deferred outflows of resources and deferred inflows of resources	(160,383)	
Change in third party payor liability	(18,478)	
Change in accrued interest payable	1,389	
Change in accretion of tobacco settlement bonds	(5,035)	
Transfer of capital assets between governmental fund and enterprise fund	<u>(18,291)</u>	(3,358,200)

The portion of internal service funds that is reported with governmental activities. (7,200)

Change in net position of governmental activities (page 31) \$ (1,927,724)

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, 2023 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 7,391,046	7,404,760	7,639,271	234,511
Licenses, permits and franchises	67,304	68,335	73,257	4,922
Fines, forfeitures and penalties	140,175	140,360	176,923	36,563
Revenue from use of money and property:				
Investment income	120,491	208,259	348,272	140,013
Rents and concessions	134,927	134,177	122,212	(11,965)
Royalties			18	18
Intergovernmental revenues:				
Federal	5,489,011	6,472,583	5,256,621	(1,215,962)
State	8,769,178	8,959,162	8,474,744	(484,418)
Other	59,537	62,983	30,231	(32,752)
Charges for services	2,944,884	3,125,586	2,906,002	(219,584)
Miscellaneous	192,897	205,495	257,515	52,020
TOTAL REVENUES	25,309,450	26,781,700	25,285,066	(1,496,634)
EXPENDITURES				
Current:				
General government	3,433,026	3,484,416	1,893,037	1,591,379
Public protection	6,891,643	7,353,877	6,800,230	553,647
Health and sanitation	7,408,057	7,382,127	6,600,293	781,834
Public assistance	9,274,306	9,810,107	8,673,154	1,136,953
Recreation and cultural services	525,772	547,310	513,250	34,060
Debt service-				
Interest	15,921	15,921	15,921	
Capital outlay	1,377,754	1,656,029	352,006	1,304,023
TOTAL EXPENDITURES	28,926,479	30,249,787	24,847,891	5,401,896
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,617,029)	(3,468,087)	437,175	3,905,262
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	814	814	1,180	366
Transfers in	1,462,961	1,569,238	1,172,542	(396,696)
Transfers out	(837,656)	(1,130,106)	(1,126,968)	3,138
Appropriations for contingencies	(77,191)	41,665		(41,665)
Changes in fund balance	(109,870)	(191,495)	102,589	294,084
TOTAL OTHER FINANCING SOURCES (USES)	439,058	290,116	149,343	(140,773)
NET CHANGE IN FUND BALANCE	(3,177,971)	(3,177,971)	586,518	3,764,489
FUND BALANCE, JULY 1, 2022	3,177,971	3,177,971	3,177,971	
FUND BALANCE, JUNE 30, 2023 (Note 16)	\$		3,764,489	3,764,489

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, 2023 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,097,807	1,115,599	1,118,772	3,173
Licenses, permits and franchises	18,876	18,876	20,843	1,967
Fines, forfeitures and penalties	3,446	3,446	3,471	25
Revenue from use of money and property:				
Investment income	937	937	3,893	2,956
Rents and concessions	90	90	62	(28)
Intergovernmental revenues:				
Federal	35,518	37,101	13,359	(23,742)
State	14,756	16,291	10,225	(6,066)
Other			581	581
Charges for services	271,807	277,390	299,327	21,937
Miscellaneous	805	1,046	4,344	3,298
TOTAL REVENUES	1,444,042	1,470,776	1,474,877	4,101
EXPENDITURES				
Current-Public protection:				
Salaries and employee benefits	1,277,298	1,310,469	1,287,996	22,473
Services and supplies	193,756	183,929	170,166	13,763
Other charges	45,701	41,157	32,427	8,730
Capital assets	8,144	12,851	11,049	1,802
TOTAL EXPENDITURES	1,524,899	1,548,406	1,501,638	46,768
DEFICIENCY OF REVENUES OVER EXPENDITURES	(80,857)	(77,630)	(26,761)	50,869
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	127	127	105	(22)
Transfers in	85,573	91,414	88,201	(3,213)
Transfers out	(8,738)	(19,838)	(19,838)	
Appropriations for contingencies	(19,824)	(17,792)		17,792
Changes in fund balance	(38,523)	(38,523)	(33,095)	5,428
TOTAL OTHER FINANCING SOURCES (USES)	18,615	15,388	35,373	19,985
NET CHANGE IN FUND BALANCE	(62,242)	(62,242)	8,612	70,854
FUND BALANCE, JULY 1, 2022	62,242	62,242	62,242	
FUND BALANCE, JUNE 30, 2023 (Note 16)	\$		70,854	70,854

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, 2023 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 192,581	200,828	202,452	1,624
Licenses, permits and franchises	1,546	1,546	1,670	124
Fines, forfeitures and penalties	1,023	1,023	2,304	1,281
Revenue from use of money and property:				
Investment income	2,788	8,172	13,189	5,017
Rents and concessions	7,920	7,920	6,665	(1,255)
Royalties	428	428	616	188
Intergovernmental revenues:				
State	1,344	1,344	17,631	16,287
Other	4,209	4,209	105	(4,104)
Charges for services	133,582	133,582	133,675	93
Miscellaneous	83	83	7,704	7,621
TOTAL REVENUES	345,504	359,135	386,011	26,876
EXPENDITURES				
Current-Public protection:				
Services and supplies	369,464	399,483	396,945	2,538
Other charges	5,231	7,068	1,359	5,709
Capital assets	1,243	1,387	899	488
Capital outlay	89,711	55,411	43,172	12,239
TOTAL EXPENDITURES	465,649	463,349	442,375	20,974
DEFICIENCY OF REVENUES OVER EXPENDITURES	(120,145)	(104,214)	(56,364)	47,850
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	97	97	268	171
Transfers in	6,730	6,730	90	(6,640)
Transfers out	(1,981)	(4,281)		4,281
Appropriations for contingencies		(13,631)		13,631
Changes in fund balance			9,855	9,855
TOTAL OTHER FINANCING SOURCES (USES)	4,846	(11,085)	10,213	21,298
NET CHANGE IN FUND BALANCE	(115,299)	(115,299)	(46,151)	69,148
FUND BALANCE, JULY 1, 2022	115,299	115,299	115,299	
FUND BALANCE, JUNE 30, 2023 (Note 16)	\$		69,148	69,148

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
LA COUNTY LIBRARY
FOR THE YEAR ENDED JUNE 30, 2023 (in thousands)

	LA COUNTY LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 115,619	120,470	121,438	968
Licenses, permits and franchises			1	1
Fines, forfeitures and penalties	375	375	540	165
Revenue from use of money and property:				
Investment income	1,200	2,796	4,198	1,402
Rents and concessions	15	15	5	(10)
Intergovernmental revenues:				
Federal		500	4,608	4,108
State	540	540	5,652	5,112
Other	7,305	7,305	81	(7,224)
Charges for services	1,728	1,728	1,292	(436)
Miscellaneous	584	584	4,767	4,183
TOTAL REVENUES	127,366	134,313	142,582	8,269
EXPENDITURES				
Current-Education:				
Salaries and employee benefits	128,291	128,291	104,310	23,981
Services and supplies	106,839	105,591	62,878	42,713
Other charges	1,172	1,913	987	926
Capital assets	694	694	14	680
TOTAL EXPENDITURES	236,996	236,489	168,189	68,300
DEFICIENCY OF REVENUES OVER EXPENDITURES	(109,630)	(102,176)	(25,607)	76,569
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	13	13		(13)
Transfers in	67,820	67,882	61,837	(6,045)
Transfers out		(1,069)	(1,069)	
Appropriation for contingencies		(6,447)		6,447
Changes in fund balance	(34,534)	(34,534)	(32,472)	2,062
TOTAL OTHER FINANCING SOURCES (USES)	33,299	25,845	28,296	2,451
NET CHANGE IN FUND BALANCE	(76,331)	(76,331)	2,689	79,020
FUND BALANCE, JULY 1, 2022	76,331	76,331	76,331	
FUND BALANCE, JUNE 30, 2023 (Note 16)	\$		79,020	79,020

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, 2023 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 109,513	109,513	109,747	234
Fines, forfeitures and penalties	580	1,564	1,014	(550)
Revenue from use of money and property-				
Investment income	1,500	1,500	18,923	17,423
Charges for services			460	460
TOTAL REVENUES	111,593	112,577	130,144	17,567
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	25,070	24,779	8,099	16,680
Other charges	472,728	474,003	37,810	436,193
TOTAL EXPENDITURES	497,798	498,782	45,909	452,873
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(386,205)	(386,205)	84,235	470,440
OTHER FINANCING SOURCES (USES)				
Transfers in	121,583	122,191	119,097	(3,094)
Transfers out	(121,583)	(122,191)	(119,097)	3,094
Changes in fund balance	(18,870)	(18,870)	(17,820)	1,050
TOTAL OTHER FINANCING SOURCES (USES)	(18,870)	(18,870)	(17,820)	1,050
NET CHANGE IN FUND BALANCE	(405,075)	(405,075)	66,415	471,490
FUND BALANCE, JULY 1, 2022	405,075	405,075	405,075	
FUND BALANCE, JUNE 30, 2023 (Note 16)	\$		471,490	471,490

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
MENTAL HEALTH SERVICES ACT
FOR THE YEAR ENDED JUNE 30, 2023 (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	\$ 7,443	7,443	45,829	38,386
Intergovernmental revenues-				
State	895,657	895,657	571,915	(323,742)
TOTAL REVENUES	903,100	903,100	617,744	(285,356)
OTHER FINANCING USES				
Transfers out	(879,250)	(883,356)	(657,350)	226,006
Appropriations for contingencies	(214,420)	(214,420)		214,420
Changes in fund balance	(561,313)	(557,207)	(557,207)	
TOTAL OTHER FINANCING USES	(1,654,983)	(1,654,983)	(1,214,557)	440,426
NET CHANGE IN FUND BALANCE	(751,883)	(751,883)	(596,813)	155,070
FUND BALANCE, JULY 1, 2022	751,883	751,883	751,883	
FUND BALANCE, JUNE 30, 2023 (Note 16)	\$		155,070	155,070

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, 2023 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View- UCLA Medical Center	Los Angeles General Medical Center	Rancho Los Amigos National Rehab Center
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 4)				
Operating	\$ 427,561	77,200	188,001	182,528
Other	18,703	8,791	21,888	5,116
Total pooled cash and investments	<u>446,264</u>	<u>85,991</u>	<u>209,889</u>	<u>187,644</u>
Taxes receivable				
Accounts receivable - net (Note 14)	804,876	462,281	1,057,355	225,211
Interest receivable	1,686	357	405	145
Lease receivable (Note 9)				
Other receivables (Note 14)	18,008	10,544	25,516	4,878
Due from other funds (Note 15)	315,923	184,010	475,746	186,384
Advances to other funds (Note 15)				
Inventories	12,876	6,812	16,211	1,942
Total current assets	<u>1,599,633</u>	<u>749,995</u>	<u>1,785,122</u>	<u>606,204</u>
Noncurrent assets:				
Restricted assets (Note 4)	65,188	18,417	2,188	12,263
Lease receivable (Note 9)				
Other receivables (Note 14)	208,356	199,661	310,467	22,748
Capital assets: (Notes 1, 5, 9 and 10)				
Land and easements	1,671	1,894	16,194	217
Buildings and improvements, equipment, and intangible software	1,110,444	367,069	1,274,932	542,731
Infrastructure				
Construction in progress	323,695	59,684	8,379	123,719
Lease assets	422	389	988	291
Subscription assets				
Less accumulated depreciation/amortization	(396,059)	(226,120)	(480,229)	(184,005)
Total capital assets - net	<u>1,040,173</u>	<u>202,916</u>	<u>820,264</u>	<u>482,953</u>
Total noncurrent assets	<u>1,313,717</u>	<u>420,994</u>	<u>1,132,919</u>	<u>517,964</u>
TOTAL ASSETS	<u>2,913,350</u>	<u>1,170,989</u>	<u>2,918,041</u>	<u>1,124,168</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	<u>498,420</u>	<u>278,421</u>	<u>707,960</u>	<u>149,587</u>
LIABILITIES				
Current liabilities:				
Accounts payable	251,505	216,459	267,125	77,007
Accrued payroll	36,875	19,820	47,476	9,768
Other payables	4,812	2,361	4,256	1,349
Accrued interest payable	10,323	1,948	44	689
Due to other funds (Note 15)	311,175	193,142	383,063	203,326
Advances from other funds (Note 15)	4,737	2,554	6,400	1,265
Advances payable	647	126	460	3
Current portion of long-term liabilities (Note 11)	158,682	61,698	92,369	42,731
Total current liabilities	<u>778,756</u>	<u>498,108</u>	<u>801,193</u>	<u>336,138</u>
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	88,880	49,253	106,217	22,133
Bonds and notes (Note 11)	472,254	74,175	15,140	211,521
Lease liability (Note 9 and 11)	293	226	622	165
Subscription liability (Note 10 and 11)				
Workers' compensation (Notes 11 and 18)	111,463	45,612	166,037	32,299
Litigation and self-insurance (Notes 11 and 18)	2,381	469	8,760	93
Net pension liability (Notes 7 and 11)	551,648	311,487	750,195	164,789
Net OPEB liability (Notes 8 and 11)	1,110,588	636,610	1,656,132	342,651
Third party payor (Notes 11 and 14)	132,769	49,631	179,753	22,485
Total noncurrent liabilities	<u>2,470,276</u>	<u>1,167,463</u>	<u>2,882,856</u>	<u>796,136</u>
TOTAL LIABILITIES	<u>3,249,032</u>	<u>1,665,571</u>	<u>3,684,049</u>	<u>1,132,274</u>
DEFERRED INFLOWS OF RESOURCES (Note 20)	<u>514,198</u>	<u>368,563</u>	<u>771,467</u>	<u>157,946</u>
NET POSITION				
Net investment in capital assets	529,431	134,513	804,531	253,520
Restricted - Debt service	35,636	616	2,978	45,488
Unrestricted (deficit)	(916,527)	(719,853)	(1,637,024)	(315,473)
TOTAL NET POSITION (DEFICIT) (Note 3)	<u>\$ (351,460)</u>	<u>(584,724)</u>	<u>(829,515)</u>	<u>(16,465)</u>

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks	Nonmajor Aviation	Total	Internal Service Funds	
\$ 143,925	12,695	\$ 1,031,910	\$ 56,703	ASSETS
2,971		57,469	10,336	Current assets:
146,896	12,695	1,089,379	67,039	Pooled cash and investments: (Notes 1 and 4)
864		864		Operating
16,665	898	2,567,286		Other
335	24	2,952	144	Total pooled cash and investments
	847	847		Taxes receivable
3,765	1	62,712	11,537	Accounts receivable - net (Note 14)
2,073	291	1,164,427	123,741	Interest receivable
1,260	272	1,532		Lease receivable (Note 9)
	535	38,376	10,382	Other receivables (Note 14)
171,858	15,563	4,928,375	212,843	Due from other funds (Note 15)
				Advances to other funds (Note 15)
				Inventories
		98,056	1,599	Total current assets
	19,718	19,718		Noncurrent assets:
		741,232		Restricted assets (Note 4)
13,506	134,692	168,174		Lease receivable (Note 9)
124,031	44,009	3,463,216	266,236	Other receivables (Note 14)
1,224,785	96,755	1,321,540		Capital assets: (Notes 1, 5, 9 and 10)
58,991	101	574,569		Land and easements
		2,090	1,224	Buildings and improvements, equipment, and intangible software
			613	Infrastructure
(800,555)	(83,025)	(2,169,993)	(149,617)	Construction in progress
620,758	192,532	3,359,596	118,456	Lease assets
620,758	212,250	4,218,602	120,055	Subscription assets
792,616	227,813	9,146,977	332,898	Less accumulated depreciation/amortization
		1,634,388	433,164	Total capital assets - net
				Total noncurrent assets
				TOTAL ASSETS
				DEFERRED OUTFLOWS OF RESOURCES (Note 20)
				LIABILITIES
				Current liabilities:
4,500	1,179	817,775	8,805	Accounts payable
		113,939	25,191	Accrued payroll
	58	12,836	3,052	Other payables
	16	13,020	16	Accrued interest payable
16,576	1,177	1,108,459	55,743	Due to other funds (Note 15)
		14,956	22,000	Advances from other funds (Note 15)
23		1,259	160	Advances payable
305	116	355,901	13,197	Current portion of long-term liabilities (Note 11)
21,404	2,546	2,438,145	128,164	Total current liabilities
		266,483	76,017	Noncurrent liabilities:
8,370	1,064	782,524	5,000	Accrued compensated absences (Note 11)
		1,306	528	Bonds and notes (Note 11)
		355,411	80	Lease liability (Note 9 and 11)
638		12,341	56,838	Subscription liability (Note 10 and 11)
		1,778,119	442,156	Workers' compensation (Notes 11 and 18)
		3,745,981	921,774	Litigation and self-insurance (Notes 11 and 18)
		384,638		Net pension liability (Notes 7 and 11)
9,008	1,064	7,326,803	1,502,393	Net OPEB liability (Notes 8 and 11)
30,412	3,610	9,764,948	1,630,557	Third party payor (Notes 11 and 14)
	20,565	1,832,739	345,840	Total noncurrent liabilities
				TOTAL LIABILITIES
612,083	191,352	2,525,430	113,971	DEFERRED INFLOWS OF RESOURCES (Note 20)
		84,718		NET POSITION
150,121	12,286	(3,426,470)	(1,324,306)	Net investment in capital assets
\$ 762,204	203,638	(816,322)	\$ (1,210,335)	Restricted - Debt service
				Unrestricted (deficit)
				TOTAL NET POSITION (DEFICIT) (Note 3)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View- UCLA Medical Center	Los Angeles General Medical Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:				
Net patient service revenues (Note 14)	\$ 1,588,405	960,280	2,052,830	311,380
Charges for services				
Other (Note 14)	70,497	23,777	80,751	6,363
TOTAL OPERATING REVENUES	1,658,902	984,057	2,133,581	317,743
OPERATING EXPENSES:				
Salaries and employee benefits	848,080	435,740	1,092,071	222,360
Services and supplies	261,591	125,798	292,387	46,945
Other professional services	361,083	192,400	538,318	77,102
Depreciation and amortization (Note 5)	28,094	11,544	30,901	13,456
Medical malpractice		2,340		218
TOTAL OPERATING EXPENSES	1,498,848	767,822	1,953,677	360,081
OPERATING INCOME (LOSS)	160,054	216,235	179,904	(42,338)
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income (loss)	5,019	2,715	10,585	1,592
Gain (loss) on disposal of property	(1,245)	(41)	(104)	(28)
Interest revenue				
Interest expense	(33,364)	(5,694)	(800)	(11,926)
Intergovernmental transfers expense (Note 14)	(234,129)	(226,036)	(364,617)	(100,970)
Intergovernmental revenues:				
State				
Federal				
Other				
TOTAL NONOPERATING REVENUES (EXPENSES)	(263,719)	(229,056)	(354,936)	(111,332)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(103,665)	(12,821)	(175,032)	(153,670)
Capital contributions	2,444		14,063	1,784
Transfers in (Note 15)	368,723	201,570	762,915	327,352
Transfers out (Note 15)	(199,955)	(34,383)	(212,661)	(114,574)
CHANGE IN NET POSITION	67,547	154,366	389,285	60,892
NET POSITION (DEFICIT), JULY 1, 2022	(419,007)	(739,090)	(1,218,800)	(77,357)
NET POSITION (DEFICIT), JUNE 30, 2023	\$ (351,460)	(584,724)	(829,515)	(16,465)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks	Nonmajor Aviation	Total	Internal Service Funds	
\$		\$ 4,912,895	\$	
90,902	4,261	95,163	740,566	OPERATING REVENUES:
42	92	181,522		Net patient service revenues (Note 14)
90,944	4,353	5,189,580	740,566	Charges for services
				Other (Note 14)
				TOTAL OPERATING REVENUES
		2,598,251	589,535	OPERATING EXPENSES:
86,327	13,749	826,797	59,853	Salaries and employee benefits
2,640	2,258	1,173,801	77,050	Services and supplies
23,850	3,632	111,477	19,212	Other professional services
		2,558		Depreciation and amortization (Note 5)
112,817	19,639	4,712,884	745,650	Medical malpractice
(21,873)	(15,286)	476,696	(5,084)	TOTAL OPERATING EXPENSES
				OPERATING INCOME (LOSS)
8,368		8,368		NONOPERATING REVENUES (EXPENSES):
2,849	189	22,949	(2,086)	Taxes
(95)		(1,513)	752	Investment income (loss)
	10,894	10,894	2,182	Gain (loss) on disposal of property
(163)	(38)	(51,985)	(199)	Interest revenue
		(925,752)		Interest expense
				Intergovernmental transfers expense (Note 14)
30	1,490	1,520		Intergovernmental revenues:
350	718	1,068		State
84		84		Federal
11,423	13,253	(934,367)	649	Other
(10,450)	(2,033)	(457,671)	(4,435)	TOTAL NONOPERATING REVENUES (EXPENSES)
1,188	5	19,484		LOSS BEFORE CONTRIBUTIONS AND TRANSFERS
142		1,660,702	3,421	Capital contributions
	(3)	(561,576)	(8,727)	Transfers in (Note 15)
(9,120)	(2,031)	660,939	(9,741)	Transfers out (Note 15)
771,324	205,669		(1,200,594)	CHANGE IN NET POSITION
\$ 762,204	203,638			NET POSITION (DEFICIT), JULY 1, 2022
		(2,541)		NET POSITION (DEFICIT), JUNE 30, 2023
		\$ 658,398		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
				CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 31)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View- UCLA Medical Center	Los Angeles General Medical Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from patient services	\$ 1,595,526	615,048	1,618,102	298,749
Cash received from charges for services				
Other operating revenues	70,497	23,777	80,751	6,363
Cash received for services provided to other funds	25,820	24,404	38,208	466
Cash paid for salaries and employee benefits	(862,734)	(176,519)	(1,116,842)	(228,816)
Cash (paid) returned for services and supplies	5,256	99,732	71,270	(56,743)
Other operating expenses	(372,488)	(478,107)	(552,962)	(77,118)
Cash (paid) returned for services from other funds	(86,589)	28,295	(200,648)	(751)
Net cash provided by (required for) operating activities	<u>375,288</u>	<u>136,630</u>	<u>(62,121)</u>	<u>(57,850)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash advances received from other funds	10,244	154,954	305,816	
Cash advances paid to other funds	(10,244)	(154,847)	(306,515)	(12)
Interest paid on advances		(34)	(91)	
Intergovernmental transfers paid	(234,129)	(226,036)	(364,617)	(100,970)
Intergovernmental receipts				
Transfers in	368,723	153,378	527,377	327,352
Transfers out	(199,955)	(34,383)	(212,661)	(114,574)
Net cash provided by (required for) noncapital financing activities	<u>(65,361)</u>	<u>(106,968)</u>	<u>(50,691)</u>	<u>111,796</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	77,361	9,892	1,699	26,524
Interest paid on capital borrowing	(34,068)	(5,750)	(745)	(12,246)
Interest revenue				
Principal payments on bonds and notes	(106,029)	(27,541)	(7,146)	(30,278)
Principal payments on financed purchase obligations		(11)		
Leases paid	(38)	(72)	(155)	(54)
Subscriptions paid				
Acquisition and construction of capital assets	(186,847)	(39,815)	(27,716)	(15,484)
Net cash provided by (required for) capital and related financing activities	<u>(249,621)</u>	<u>(63,297)</u>	<u>(34,063)</u>	<u>(31,538)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (loss)	3,462	2,461	10,696	1,471
Net increase (decrease) in cash and cash equivalents	63,768	(31,174)	(136,179)	23,879
Cash and cash equivalents, July 1, 2022	447,684	135,582	348,256	176,028
Cash and cash equivalents, June 30, 2023	<u>\$ 511,452</u>	<u>104,408</u>	<u>212,077</u>	<u>199,907</u>

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks	Nonmajor Aviation	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES
\$		\$ 4,127,425	\$	Cash received from patient services
93,771	4,290	98,061	116,111	Cash received from charges for services
42	92	181,522		Other operating revenues
		88,898	651,725	Cash received for services provided to other funds
		(2,384,911)	(585,362)	Cash paid for salaries and employee benefits
(74,412)	(13,372)	31,731	(47,034)	Cash (paid) returned for services and supplies
(12,002)	(2,258)	(1,494,935)	(77,050)	Other operating expenses
		(259,693)		Cash (paid) returned for services from other funds
<u>7,399</u>	<u>(11,248)</u>	<u>388,098</u>	<u>58,390</u>	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
120		471,134	130	Cash advances received from other funds
	(148)	(471,766)		Cash advances paid to other funds
		(125)		Interest paid on advances
		(925,752)		Intergovernmental transfers paid
464	2,208	2,672		Intergovernmental receipts
142		1,376,972	3,421	Transfers in
	(3)	(561,576)	(8,727)	Transfers out
<u>726</u>	<u>2,057</u>	<u>(108,441)</u>	<u>(5,176)</u>	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
8,350		8,350		Proceeds from taxes
	5	5		Capital contributions
2,322		117,798	10,000	Proceeds from bonds and notes
(163)	(38)	(53,010)	(184)	Interest paid on capital borrowing
			2,182	Interest revenue
(417)	(113)	(171,524)	(5,245)	Principal payments on bonds and notes
		(11)		Principal payments on financed purchase obligations
		(319)	(247)	Leases paid
			(309)	Subscriptions paid
(10,058)	(28)	(279,948)	(14,248)	Acquisition and construction of capital assets
<u>34</u>	<u>(174)</u>	<u>(378,659)</u>	<u>(8,051)</u>	Net cash provided by (required for) capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
2,690	11,072	31,852	(2,220)	Investment income (loss)
10,849	1,707	(67,150)	42,943	Net increase (decrease) in cash and cash equivalents
136,047	10,988	1,254,585	25,695	Cash and cash equivalents, July 1, 2022
<u>\$ 146,896</u>	<u>12,695</u>	<u>\$ 1,187,435</u>	<u>\$ 68,638</u>	Cash and cash equivalents, June 30, 2023

Continued...

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View- UCLA Medical Center	Los Angeles General Medical Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 160,054	216,235	179,904	(42,338)
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:				
Depreciation and amortization	28,094	11,544	30,901	13,456
(Increase) decrease in:				
Accounts receivable - net	(220,583)	(181,256)	(293,412)	(129,863)
Other receivables	220,619	(49,804)	(81,294)	240,907
Due from other funds	56,771	(94,471)	(75,728)	(117,639)
Inventories	(556)	(997)	932	(118)
Increase (decrease) in:				
Accounts payable	37,121	110,585	85,298	(57,620)
Accrued payroll	2,523	1,473	3,486	716
Other payables	(41)	(37)	(32)	(13)
Accrued compensated absences	5,701	3,293	6,423	1,321
Due to other funds	143,693	144,237	76,779	47,189
Advances payable	(1,990)	(1,117)	(2,136)	(446)
Workers' compensation	1,659	900	2,701	659
Litigation and self-insurance	(11,405)	1,348	(14,644)	202
Net pension liability and related changes in deferred outflows and inflows of resources	(15,501)	(12,612)	(21,662)	(4,788)
Net OPEB liability and related changes in deferred outflows and inflows of resources	(7,498)	(17,794)	(13,567)	(3,688)
Third party payor	(23,373)	5,103	53,930	(5,787)
TOTAL ADJUSTMENTS	215,234	(79,605)	(242,025)	(15,512)
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	\$ 375,288	136,630	(62,121)	(57,850)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Contributions of capital assets	\$ 2,444		14,063	1,784
Loss on disposal of capital assets	(1,245)	(41)	(104)	(28)
Lease asset acquisition	(422)		(480)	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	\$ 446,264	85,991	209,889	187,644
Restricted assets	65,188	18,417	2,188	12,263
TOTAL	\$ 511,452	104,408	212,077	199,907

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks	Nonmajor Aviation	Total	Internal Service Funds	
\$ (21,873)	(15,286)	\$ 476,696	\$ (5,084)	RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
				Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
23,850	3,632	111,477	19,212	Depreciation and amortization
				(Increase) decrease in:
3,844	234	(821,036)		Accounts receivable - net
(15)		330,413	(123)	Other receivables
(960)	(205)	(232,232)	25,855	Due from other funds
	(535)	(1,274)	(1,323)	Inventories
				Increase (decrease) in:
1,985	934	178,303	1,292	Accounts payable
		8,198	1,822	Accrued payroll
	2	(121)	(22)	Other payables
		16,738	3,255	Accrued compensated absences
9,930	(24)	421,804	12,850	Due to other funds
		(5,689)		Advances payable
		5,919	1,112	Workers' compensation
(9,362)		(33,861)		Litigation and self-insurance
		(54,563)	(9,432)	Net pension liability and related changes in deferred outflows and inflows of resources
		(42,547)	8,976	Net OPEB liability and related changes in deferred outflows and inflows of resources
		29,873		Third party payor
29,272	4,038	(88,598)	63,474	TOTAL ADJUSTMENTS
\$ 7,399	(11,248)	\$ 388,098	\$ 58,390	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
\$ 1,188		\$ 19,479		Contributions of capital assets
(95)		(1,513)		Loss on disposal of capital assets
		(902)		Lease asset acquisition
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
\$ 146,896	12,695	\$ 1,089,379	\$ 67,039	Pooled cash and investments
		98,056	1,599	Restricted assets
\$ 146,896	12,695	\$ 1,187,435	\$ 68,638	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST	INVESTMENT TRUST	CUSTODIAL	
			EXTERNAL INVESTMENT POOLS	OTHER CUSTODIAL
ASSETS				
Pooled cash and investments (Note 4)	\$ 129,878	503,162	32,704,271	1,526,034
Other investments: (Note 4)			146,148	300
Short-term investments	2,289,958			
Equity	28,598,874			
Fixed income	19,162,790			
Private equity	13,894,495			
Real estate	5,421,420			
Real assets	2,514,132			
Hedge funds	4,890,856			
Cash collateral on loaned securities	1,869,433			
Taxes receivable				973,332
Interest receivable	221,251	1,109	51,720	
Other receivables	239,466			403,270
Due from other governments				429
TOTAL ASSETS	79,232,553	504,271	32,902,139	2,903,365
LIABILITIES				
Accounts payable	333,715			4,398
Other payables (Note 4)	1,955,112		26	1,000,526
Due to other governments				82,753
TOTAL LIABILITIES	2,288,827		26	1,087,677
NET POSITION				
Restricted for:				
Pension	73,851,886			
OPEB	3,091,840			
Individuals, organizations and other governments		504,271	32,902,113	1,815,688
TOTAL NET POSITION	\$ 76,943,726	504,271	32,902,113	1,815,688

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, 2023 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST	INVESTMENT TRUST	CUSTODIAL	
			EXTERNAL INVESTMENT POOLS	OTHER CUSTODIAL
ADDITIONS				
Contributions:				
Pension and OPEB trust contributions:				
Employer	\$ 3,497,911			
Member	841,644			
Contributions to investment trust and custodial funds		121,663	67,317,145	25,585,553
Total contributions	4,339,555	121,663	67,317,145	25,585,553
Investment earnings:				
Investment income	3,114,572	26,968	126,675	
Net increase in the fair value of investments	2,165,702			
Securities lending income (Note 4)	63,652			
Total investment earnings	5,343,926	26,968	126,675	
Less - Investment expenses:				
Expense from investing activities	190,596			
Expense from securities lending activities (Note 4)	49,556			
Total net investment expense	240,152			
Net investment earnings	5,103,774	26,968	126,675	
Other additions				2,906,377
Miscellaneous	5,009			
TOTAL ADDITIONS	9,448,338	148,631	67,443,820	28,491,930
DEDUCTIONS				
Administrative expenses:				
Salaries and employee benefits	78,866			
Services and supplies	34,226			
Total administrative expenses	113,092			
Benefit payments	5,031,364			
Distributions from investment trust and custodial funds		458,388	61,131,451	25,594,245
Other deductions				2,815,988
Miscellaneous	43,870			
TOTAL DEDUCTIONS	5,188,326	458,388	61,131,451	28,410,233
CHANGE IN NET POSITION	4,260,012	(309,757)	6,312,369	81,697
NET POSITION, JULY 1, 2022	72,683,714	814,028	26,589,744	1,733,991
NET POSITION, JUNE 30, 2023	\$ 76,943,726	504,271	32,902,113	1,815,688

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, 2023 (in thousands)

	LOS ANGELES COUNTY DEVELOPMENT AUTHORITY	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments-			
Operating (Notes 1 and 4)	\$ 27,931	154,099	\$ 182,030
Other investments (Note 4)	658,788	132,660	791,448
Accounts receivable - net	27,475		27,475
Interest receivable		1,209	1,209
Lease receivable	9,259		9,259
Other receivables	45,757	12,368	58,125
Inventories	10,942		10,942
Restricted assets (Note 4)	11,870		11,870
Capital assets: (Notes 1 and 5)			
Capital assets, not being depreciated/amortized	91,521	2,039	93,560
Capital assets, net of accumulated depreciation/amortization	92,496	11,426	103,922
Total capital assets	184,017	13,465	197,482
TOTAL ASSETS	976,039	313,801	1,289,840
DEFERRED OUTFLOWS OF RESOURCES	38,722		38,722
LIABILITIES			
Accounts payable	42,701	20,689	63,390
Other payables	9,328		9,328
Advances payable	4,606		4,606
Long-term liabilities: (Note 11)			
Due within one year	6,024	121	6,145
Due in more than one year	121,686	884	122,570
TOTAL LIABILITIES	184,345	21,694	206,039
DEFERRED INFLOWS OF RESOURCES	14,871		14,871
NET POSITION			
Net investment in capital assets	148,372	13,465	161,837
Restricted for:			
Community development	621,977		621,977
First 5 LA		278,642	278,642
Unrestricted	45,196		45,196
TOTAL NET POSITION	\$ 815,545	292,107	\$ 1,107,652

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, 2023 (in thousands)

	LOS ANGELES COUNTY DEVELOPMENT AUTHORITY	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expenses	\$ (845,180)	(91,950)	\$ (937,130)
Program revenues:			
Charges for services	35,570		35,570
Operating grants and contributions	890,064	70,397	960,461
Capital grants and contributions	13,142		13,142
Net program (expenses) revenues	93,596	(21,553)	72,043
GENERAL REVENUES:			
Investment income (loss)	(3,495)	13,091	9,596
Miscellaneous	2,004	2	2,006
Total general revenues	(1,491)	13,093	11,602
CHANGE IN NET POSITION	92,105	(8,460)	83,645
NET POSITION, JULY 1, 2022, AS RESTATED (Note 2)	723,440	300,567	1,024,007
NET POSITION, JUNE 30, 2023	\$ 815,545	292,107	\$ 1,107,652

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, 2023

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 Not-for-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	Los Angeles County Facilities Inc. (LACF)
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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Blended Component Units-Continued

The LACSC is a California public benefit corporation created by the County Board 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.

LACF is a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986. It was formed on April 25, 2016. On July 26, 2018, LACF issued \$302.38 million of lease revenue bonds to be used to finance the construction of the Vermont Corridor County Administration Building and parking structure. LACF is reported as a blended component unit because it provides services solely to the County and it is fiscally dependent on the County. It is reported under Public Buildings Debt Service and Capital Projects funds.

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 an agent multiple-employer Other Postemployment Benefit (OPEB) or Retiree Healthcare Program on behalf of the County. LACERA is reported in the Pension and OPEB 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

Los Angeles County Development Authority

The Los Angeles County Development Authority (LACDA) was established on July 1, 1982 under the provisions of Section 34100-34160 of the Health and Safety Code of the State of California.

LACDA is responsible for:

- Administering the Housing Choice Voucher and other Section 8 programs;
- 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 and rehabilitating homes and businesses;
- Providing economic development, business revitalization services, and comprehensive planning systems for affordable housing; and
- Developing housing, business, and industry in designated areas.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

Los Angeles County Development Authority-Continued

While its Board members are the same as the County Board, LACDA 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) LACDA does not provide services entirely or almost entirely to the County; and 3) LACDA's total debt outstanding is not expected to be repaid with resources of the County. The financial activity of LACDA is reported within the Discretely Presented Component Units column of the government-wide financial statements. LACDA issues a separate financial report that can be obtained at <https://www.lacda.org/home/about/agency-overview> or by writing to the Los Angeles County Development Authority 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, 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 Board established First 5 LA 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, 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.

First 5 LA services support programs and services for children ages prenatal through five, and their families, in the areas of health, safety, early education and literacy. First 5 LA 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 LA 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 LA is reported within the Discretely Presented Component Units column of the government-wide financial statements. First 5 LA issues a separate financial report that can be obtained at www.first5la.org/our-board/financials or 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. 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basic Financial Statements

In accordance with Governmental Accounting Standards Board Statement (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.

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, 2023, the restricted net position balances were \$5.083 billion and \$84.72 million for governmental activities and business-type activities, respectively. For governmental activities, \$1.053 billion 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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.

Fire Protection District

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 the Fire Protection District property and equipment. Funding comes primarily from the Fire Protection District's statutory share of the Countywide tax levy, voter-approved taxes and charges for services.

Flood Control District

The Flood Control District Fund provides flood protection services that incorporate an integrated water resource management approach in providing flood protection; increases local water availability through conservation efforts; increases stormwater capture and reduces stormwater and urban runoff pollution; and provides passive recreational opportunities. The primary sources of revenue for the Flood Control District are property taxes and benefit assessments (charges for services).

LA County Library

The LA County 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 Library's statutory share of the Countywide tax levy and voter-approved taxes.

Regional Park and Open Space District

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 special taxes.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Mental Health Services Act

The Mental Health Services Act (MHSA) Fund is used to account for 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 \$1.00 million.

The County's four Hospital Funds and Waterworks Fund are all considered major funds for presentation purposes. There is one nonmajor enterprise fund (Aviation Fund). 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 Fund provides water services to County residents. Revenues are derived primarily from the sale of water and water service standby charges. The Aviation Enterprise Fund provides airport services for five County airports. Revenues are derived primarily from airport charges and lease payments. 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.

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.

Los Angeles General Medical Center

The Los Angeles General Medical Center, formerly known as the LAC+USC Medical Center, 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

The Waterworks Enterprise Fund is used to account for the administration, maintenance, operation and improvement of district water systems.

Nonmajor Aviation

The Aviation Enterprise Fund is used to account for the administration, maintenance, operation and improvement of the five airports which are owned by the County.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

The following fund types have also been reported:

Internal Service Funds

The Internal Service Funds (ISFs) 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

The Pension Trust Fund is used to account for the fiduciary activities of the County's Pension Plan administered by LACERA.

The OPEB Trust Fund is used to account for the fiduciary activities of the OPEB trust for the purpose of holding and investing assets to pre-fund the Retiree Healthcare Program administered by LACERA.

Investment Trust

The Investment Trust Fund is used to account for the fiduciary activities from the external portion of the investment pool and individual investment accounts which are administered through a trust agreement or equivalent arrangement in which the County is not a beneficiary. Participants include deposits held on behalf of cities and special districts.

Custodial

External Investment Pools

The External Investment Pools Funds are used to account for the fiduciary activities from the external portion of the investment pool for participants that do not have a trust agreement or equivalent arrangement in which the County is not a beneficiary. The participants primarily consist of deposits held on behalf of school districts, courts, and sanitation districts.

Other Custodial

The Other Custodial Funds include the property tax funds used to account for the fiduciary activities for the monies received from property and other taxes, which must be held pending authority for distribution. They also are used to account for funds which are held for other governmental agencies, including school districts and community college districts, or individuals in a custodial capacity.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting

The government-wide, proprietary, and fiduciary fund 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, financed purchase obligations, lease liabilities, and subscription liabilities are reported as other financing sources.

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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 Fund, Nonmajor Aviation Enterprise Fund and Internal Service Funds are charges for services. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation and amortization 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.

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 that 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.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board. 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 \$46.323 billion and is currently controlled through the use of approximately 500 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2023. 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 <https://ceo.lacounty.gov/budget>, 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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 Fiscal Year (FY) 2022-2023 assessed valuation of the County approximated \$1.911 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 13,016 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.

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 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.

Property owners affected by the Coronavirus Disease 2019 (COVID-19) pandemic may have late payment penalties cancelled if they were unable to pay their FY 2022-2023 property taxes by the deadline. The California Revenue and Taxation Code grants the Treasurer and Tax Collector the authority to cancel payment penalties in limited circumstances. The Treasurer and Tax Collector has been accepting requests for a property tax penalty cancellation related to COVID-19. The program ended in March 2023.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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. In FY 2018-2019, 5 Oversight Boards were established in the County per Senate Bill 107. 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, 2023, the County’s share of residual property tax revenues was \$473.40 million, of which \$390.53 million was recognized in the County’s General Fund.

Deposits and Investments

Deposits and investments as discussed in Note 4 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."

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 funds as of June 30, 2023, that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the custodial funds.

Other Investments

This account represents Pension and OPEB Trust Fund investments, various JPAs, NPCs and Public Buildings (bond financed capital assets, including leases), 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 entities.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

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 4. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds and certificates of participation payable.

Lease Receivable

As a lessor, the County recognized a lease receivable and a corresponding deferred inflow of resources based on the payment provisions of the contracts in the government-wide Statement of Net Position and the governmental funds balance sheet as discussed in Note 9. The lease receivable was measured at the present value of lease payments expected to be received during the lease term. The deferred inflows of resources was measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The amount of lease revenue and interest revenue are reflected as program revenues under "Charges for Services" on the Statement of Activities.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the first in/first out basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are purchased. Reported inventories are categorized as nonspendable fund balance as required by GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) because these amounts are not available for appropriation and expenditure.

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible assets, infrastructure assets, lease assets, intangible right-to-use assets, and subscription 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. Intangible right-to-use assets are defined as lease assets and subscription assets with a useful life of more than one year and are recorded at the present value of future lease or subscription payments, including expenses to place the asset into service. In accordance with GASB Statement Nos. 87 and 96, the County has reported intangible right-to-use assets for land, buildings and improvements, equipment, and subscriptions. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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. GASB 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," changed the accounting for interest cost incurred before the end of a construction period for business-type activities and enterprise funds. It requires that such interest cost be recognized as an expense in the period in which the cost is incurred. Accordingly, such interest costs for business-type activity and enterprise funds are no longer capitalized as part of the historical cost of a capital asset.

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, \$25,000 for infrastructure assets, \$500,000 for lease assets, and \$5,000 for subscription 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 5. Amortization for software, other intangible assets, lease assets, and subscription 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
Lease assets	Shorter of the asset's useful life or the lease term
Subscription assets	Shorter of the asset's useful life or the agreement term

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.

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deferred Outflows and Inflows of Resources-Continued

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 assets that applies to future periods 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 assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time, except for pension and OPEB 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 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. The unspent balance of certain COVID-19 related financial assistance payments are recognized as Advances Payable due to the uncertainty on the revenue recognition. See Note 22 for additional information.

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 eight 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).

Lease Liability

As a lessee, a lease is defined as a contractual agreement that conveys control of the right-to-use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The County leases a significant amount of nonfinancial assets such as land, buildings, and equipment. The related lease liabilities are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. A lease liability, as discussed in Note 9, and the associated right-to-use lease asset, as discussed in Note 5, is recognized on the government-wide Statement of Net Position.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Subscription Liability

A subscription is defined as a contractual agreement that conveys control of the right-to-use another entity's information technology software, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The County has entered into various subscription based information technology arrangements. The related subscription liabilities are presented in the amounts equal to the present value of subscription payments, payable during the remaining subscription term. A subscription liability, as discussed in Note 10, and the associated right-to-use subscription asset, as discussed in Note 5, is recognized on the government-wide Statement of Net Position.

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 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 - June 30, 2021 rolled forward to June 30, 2022

Measurement Date - June 30, 2022

Measurement Period - July 1, 2021 to June 30, 2022

Net OPEB Liability and Related Balances - Retiree Healthcare

For purposes of measuring the net OPEB liability related to Retiree Healthcare, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of 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 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 - June 30, 2021 rolled forward to June 30, 2022

Measurement Date - June 30, 2022

Measurement Period - July 1, 2021 to June 30, 2022

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Total OPEB Liability and Related Balances - Long-Term Disability

For purposes of measuring the total OPEB liability related to Long-Term Disability (LTD), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the plan. For this purpose, the LTD plan recognizes benefit payments when due and payable in accordance with the benefit terms. Reported results pertain to liability information within the following defined timeframes:

Valuation Date - June 30, 2021 rolled forward to June 30, 2022

Measurement Date - June 30, 2022

Measurement Period - July 1, 2021 to June 30, 2022

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations, including financed purchase 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. 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, 2023

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 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 that are 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 and U.S. Treasury securities 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, 2023

2. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB Statements have been implemented in the current basic financial statements.

GASB Statement No. 91 - Statement No. 91, "Conduit Debt Obligations", provides a single method of reporting conduit debt obligations by issuer and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement is effective for reporting periods beginning after December 15, 2021. This statement did not have a material impact on the financial statements. See Note 13 for additional information.

GASB Statement No. 94 - Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The statement is effective for reporting periods beginning after June 15, 2022. See Note 6 for additional information.

GASB Statement No. 96 - Statement No. 96, "Subscription-Based Information Technology Arrangements" provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement is effective for fiscal years beginning after June 15, 2022. See below for the restatement of Net Position, capital assets and long-term obligations due to implementation of this statement.

GASB Statement No. 99 - Statement No. 99, "Omnibus 2022", enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. GASB Statement No. 99, paragraphs 11-25 are effective for reporting periods beginning after June 15, 2022. This statement did not have a material impact to the financial statements.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. NEW ACCOUNTING PRONOUNCEMENTS-Continued

Restatement of Net Position

GASB 96

The County implemented GASB 96 during the fiscal year, which resulted in a restatement of net position, capital assets and long-term obligations. LACDA's net position was also restated due to the acquisition of a prior year capital asset. Net position at July 1, 2022, as restated is shown in the table below.

Table of beginning net position and fund balance restatements (in thousands):

	Government-wide
	Governmental Activities
Net position at July 1, 2022, as previously reported	\$ (9,115,455)
Add capital assets, intangible asset - right-to-use subscription asset under GASB Statement No. 96 at July 1, 2022 (See Note 5)	55,802
Less subscription liabilities under GASB Statement No. 96 at July 1, 2022 (See Note 11)	(55,237)
Net position at July 1, 2022, as restated	\$ (9,114,890)

	Internal Service Funds	Discretely Presented Component Units
	Public Works	LACDA
Net position at July 1, 2022, as previously reported	\$ (1,207,154)	\$ 719,671
Add capital assets, intangible asset - right-to-use subscription asset under GASB Statement No. 96 at July 1, 2022 (See Note 5)	613	271
Less subscription liabilities under GASB Statement No. 96 at July 1, 2022	(613)	
Prior year capital asset acquisition (See Note 5)		3,498
Net position at July 1, 2022, as restated	\$ (1,207,154)	\$ 723,440

Although the net position for the Internal Service Funds was not restated, it was included in the table above to show the impact of the implementation of GASB 96.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

3. DEFICIT NET POSITION

The following activities/funds had a net deficit at June 30, 2023 (in thousands):

	<u>Accumulated Deficit</u>
<u>Government-wide:</u>	
Governmental Activities	\$ 11,042,614
Business-type Activities	816,322
<u>Enterprise Funds:</u>	
Harbor-UCLA Medical Center	351,460
Olive View-UCLA Medical Center	584,724
Los Angeles General Medical Center	829,515
Rancho Los Amigos National Rehab Center	16,465
<u>Internal Service Funds:</u>	
Public Works	1,213,476

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, net OPEB liability, 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. 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, 2023 (in thousands):

	Pooled Cash and Investments	Other Investments	Restricted Assets		Total
			Pooled Cash and Investments	Other Investments	
Governmental Funds	\$ 15,912,770	62,382			\$ 15,975,152
Proprietary Funds	1,156,418		96,265	3,390	1,256,073
Fiduciary Funds (excluding Pension and OPEB)	34,733,467	146,448			34,879,915
Pension and OPEB Trust Funds	129,878	78,641,958			78,771,836
Discretely Presented Component Units	182,030	791,448		11,870	985,348
Total	\$ 52,114,563	79,642,236	96,265	15,260	\$ 131,868,324

A summary of cash and investments (by type) as of June 30, 2023 is as follows (in thousands):

Cash:		Cash and investments are reported as follows:	
County		Governmental Funds	\$ 15,975,152
Imprest Cash	\$ 6,099	Proprietary Funds	1,256,073
Cash in Vault	188	Investment Trust Fund	503,162
Cash in Bank	256,436	Custodial Funds	34,376,753
Deposits in Transit	11,697	Pension and OPEB	
Held by Outside Trustees	1	Trust Funds (LACERA)	78,771,836
LACDA	28,045	Discretely presented component units:	
Total Cash	302,466	First 5 LA	286,759
		LACDA	698,589
		Total Cash and Investments	\$ 131,868,324
Investments:			
In Treasury Pool	51,936,404		
In Specific Purpose Investment (SPI)	281,398		
In Other Specific Investments	302		
Held by Outside Trustees	63,183		
In LACERA	78,641,958		
In Discretely Presented Component Unit - LACDA	642,613		
Total Investments	131,565,858		
Total Cash and Investments	\$ 131,868,324		

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

County Treasurer Cash

As of June 30, 2023, the County Treasurer (Treasurer) maintained accounts in six banks. The carrying amount of the Treasurer's total deposits in financial institutions was \$256.44 million, deposits in transit were \$11.70 million, and cash in the Treasurer's vault was \$188 thousand.

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 Code Section 53651 and 53652 delineate the types of eligible securities and the required collateral percentage of at least 110%, respectively. However, for the letters of credit issued by the Federal Home Loan Bank of San Francisco, with the consent of the Treasurer, the California Government Code 53632 only requests the collateral percentage to be 105%. 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 that is federally insured.

The total balance of deposits in financial institutions was covered by federal depository insurance or collateralized with securities monitored by the Department of Financial Protection and Innovation (DFPI). DFPI confirmed that the pools of collateral related to the County Treasurer's deposits were maintained at required levels as of June 30, 2023.

County Investment Pool

California Government Code Sections 53601 and 53635 authorize the Treasurer to invest the External Investment Pool (Pool) and SPI funds in obligations of the United States Treasury, federal agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, forwards, futures, options, shares of beneficial interest of a Joint Powers Authority (JPA) 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), securities lending agreements, the State of California's Local Agency Investment Fund (LAIF), and supranational institutions. California Government Code Section 53534 authorizes the Treasurer to enter into interest rate swap agreements. However, these agreements are only used in conjunction with the sale of the bonds approved by the Board. As permitted by the California Government Code, the Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the Treasurer may invest. The investments are managed by the Treasurer, which reports investment activity to the Board on a monthly basis. In addition, the Treasurer's 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 Section 1300.76.1, Title 28, California Code of Regulations. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2023, to support the value of shares in the Pool.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Sixty percent (59.87%) 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 either the Investment Trust Fund or the External Investment Pool (Custodial 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 External Specific Investment Pool (Custodial Fund) in the amount of \$146.15 million. The Pool is not registered as an investment company with the SEC. California Government Code statutes and the County Board set forth the various investment policies that the 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. 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, 2023, the total amount invested by all California local governments and special districts in LAIF was \$25.680 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2023 had a balance of \$178.383 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 structured notes and asset-backed securities totaling \$4.960 billion at June 30, 2023. Collectively, these represent 2.78% of the PMIA balance of \$178.383 billion. The SPI holdings in the LAIF investment pool as of June 30, 2023, were \$40.63 million, which were valued using a fair value factor provided by LAIF.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

The Treasurer has the following recurring fair value measurements as of June 30, 2023 (in thousands):

Pool	Fair Value	Fair Value Measurement Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	External Government Investment Pools
Commercial Paper	\$ 13,701,956	\$	\$ 13,701,956	\$	\$
Corporate and Deposit Notes	10,480		10,480		
Los Angeles County Securities	4,725			4,725	
Negotiable Certificates of Deposit	2,948,935		2,948,935		
U.S. Agency Securities	25,342,975		25,342,975		
U.S. Treasury Securities:					
U.S. Treasury Notes	2,544,684		2,544,684		
U.S. Treasury Bills	7,360,319		7,360,319		
Municipals	22,330		22,330		
Total Investments	<u>\$ 51,936,404</u>	<u>\$</u>	<u>\$ 51,931,679</u>	<u>\$ 4,725</u>	<u>\$</u>
<u>SPI</u>					
Local Agency Investment Fund	\$ 40,634	\$	\$	\$	\$ 40,634
Los Angeles County Securities	2,588			2,588	
U.S. Agency Securities	199,199		199,199		
U.S. Treasury Securities:					
U.S. Treasury Notes	38,977		38,977		
Total Investments	<u>\$ 281,398</u>	<u>\$</u>	<u>\$ 238,176</u>	<u>\$ 2,588</u>	<u>\$ 40,634</u>
<u>Other Specific Investments</u>					
U.S. Treasury Bills	\$ 302	\$	\$ 302	\$	\$
Total Investments	<u>\$ 302</u>	<u>\$</u>	<u>\$ 302</u>	<u>\$</u>	<u>\$</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

As permitted by the Government Code, the Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the 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	None	None	None (2)
Asset-Backed 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	A-1/P-1/F1*
Negotiable Certificates of Deposit (4)	5 years	3 years*	30%	30%	None	\$750 million*	None	A-1/P-1/F1*
Commercial Paper	270 days	270 days	40%	40%	10%	\$1.5 billion*	A-1	A-1/P-1/F1
Corporate and Depository Medium-Term Notes (5)	5 years	3 years*	30%	30%	None	\$750 million*	A	A-1/P-1/F1*
LAIF	N/A	N/A	None	\$75 million (6)	None	None	None	None
Shares of Beneficial Interest	N/A	N/A	20%	15%*	10%	10%	AAA	AAA
Repurchase Agreements	1 year	30 days*	None	\$1 billion*	None	\$500 million*	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	\$500 million*	None	\$250 million*	None	None
Forwards, Futures, and Options	N/A	90 days*	None	\$100 million*	None	\$50 million*	None	A*
Interest Rate Swaps	N/A	None	None	None	None	None	A	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 or Fitch) and the maximum maturity is limited to thirty years. Any short- or medium-term obligation issued by the State of California or a California local agency must have a minimum rating of "MIG-1" or "A2" (Moody's) or "SP-1" or "A" (S&P) and the maximum maturity is limited to 5 years.
- (3) All Asset-Backed securities must be rated at least "AA." Pool Policy also requires that Asset-Backed securities issuers' debts be rated "A" or its equivalent or better.
- (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 5 years, maximum of 10% of the portfolio, and maximum investment in one issuer of \$750 million. The maximum maturity may be 7 years, provided that the Board's authorization to exceed maturities in excess of 5 years is in effect, of which \$100 million par value may be greater than 5 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.
- (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, 2023

4. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

A summary of investments held by the Pool at June 30, 2023 is as follows (dollars in thousands):

Pool	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Commercial Paper	\$ 13,701,956	\$ 13,704,557	4.77% - 5.50%	07/03/23 - 11/03/23	0.12
Corporate and Deposit Notes	10,480	10,996	0.50%	06/18/24	0.97
Los Angeles County Securities	4,725	5,000	5.83%	06/30/25	2.00
Negotiable Certificates of Deposit	2,948,935	2,950,000	4.95% - 5.91%	07/03/23 - 04/01/24	0.23
Municipals	22,330	23,462	2.96%	08/01/24	1.09
U.S. Agency Securities	25,342,975	27,673,715	0.50% - 6.00%	07/03/23 - 01/05/34	3.32
U.S. Treasury Securities:					
U.S. Treasury Notes	2,544,684	2,842,726	0.25% - 1.13%	05/15/24 - 11/15/30	3.14
U.S. Treasury Bills	7,360,319	7,363,691	4.33% - 5.26%	07/05/23 - 06/13/24	0.29
Total	<u>\$ 51,936,404</u>	<u>\$ 54,574,147</u>			1.86

The unrealized loss on investments held in the Pool was \$2.638 billion as of June 30, 2023. 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 pro-rata share of each funds' cash balance as of June 30, 2023 relative to the County Pool balances. A separate financial report is issued for the Pool for the year ended June 30, 2023 and can be obtained at <https://ttc.lacounty.gov/investor-information/>.

Specific Purpose Investments and Other Specific Investments

A summary of investments held by the SPI and Other Specific Investments at June 30, 2023 is as follows (dollars in thousands):

SPI	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Local Agency Investment Fund	\$ 40,634	\$ 41,260			
Los Angeles County Securities	2,588	2,475	5.00%	12/02/27	4.43
U.S. Agency Securities	199,199	222,542	2.00% - 5.21%	11/15/23 - 08/27/43	6.26
U.S. Treasury Notes	38,977	39,940	1.50%	02/29/24	0.67
Total	<u>\$ 281,398</u>	<u>\$ 306,217</u>			4.46
Other Specific Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
U.S. Treasury Bills	\$ 302	\$ 302	5.07%	11/24/23	0.40

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

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 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.

Historically, 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. However, due to increased fluctuations of the Pool size and market activity resulting from COVID-19, the Treasurer increased the weighted average maturity target to between 1.0 and 3.0 years in FY 2020-2021 as permitted under the Investment Policy. Due to continued fluctuations in the Pool size and market activity resulting from COVID-19, the Treasurer further increased the weighted average maturity target to between 1.0 and 4.0 years on August 30, 2021. For purposes of computing weighted average maturity, the maturity date of variable-rate notes is the stated maturity.

The balance of the Pool's investments at June 30, 2023, is \$51.936 billion, of which 61.38% will mature in six months or less. Of the remainder, 35.44% have a maturity of more than one year. At June 30, 2023, the weighted average maturity in years for the Pool was 1.86 years.

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, 2023, the Pool contained floating rate notes at fair value of \$5.00 million (0.01% of the Pool). The notes are tied to the six-month U.S. Treasury Bill and Bank of America prime rates. 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.

At June 30, 2023, 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.

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 (RPV Bond), Bond Anticipation Notes (BANS) and LAIF, were held by the custodian bank in the name of the Treasurer. The RPV Bond and 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

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 of three 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, 2023 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 NRSROs did not, in all instances, rate the investment itself (e.g., commercial paper, corporate and deposit notes, 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, 2023, a portion of the SPI was invested in LAIF, which is unrated as to credit quality.

The Pool and SPI had the following investments in a single issuer that represent 5% or more of total investments at June 30, 2023 (dollars in thousands):

Issuer	Pool		SPI	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Federal Home Loan Bank	\$ 9,613,104	18.51%	\$ 104,718	37.21%
Federal Home Loan Mortgage Corporation	6,581,349	12.67%	55,223	19.63%
Federal Farm Credit Bank	6,496,390	12.51%	39,258	13.95%
Federal National Mortgage Association	2,652,132	5.11%		

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

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, 2023:

Pool	S&P	Moody's	Fitch	% of Portfolio
Commercial Paper	Not Rated	Not Rated	Not Rated	26.38 %
Corporate and Deposit Notes	A+	A1	A+	0.02 %
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	0.01 %
Municipals	AA	Not Rated	AA	0.04 %
Negotiable Certificates of Deposits	Not Rated	Not Rated	Not Rated	5.68 %
U.S. Agency Securities	AA+	Aaa	AAA	17.53 %
	AA+	Not Rated	AAA	0.05 %
	AA+	Aaa	Not Rated	8.74 %
	AA+	WR	AAA	0.26 %
	Not Rated	Aaa	A+	0.09 %
	Not Rated	Aaa	AAA	5.59 %
	Not Rated	Aaa	Not Rated	0.05 %
	Not Rated	Not Rated	Not Rated	16.49 %
U.S. Treasury Securities*				19.07 %
				<u>100.00 %</u>
SPI				
Local Agency Investment Fund	Not Rated	Not Rated	Not Rated	14.44 %
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	0.92 %
U.S. Agency Securities	AA+	Aaa	AAA	19.76 %
	AA+	Aaa	Not Rated	30.01 %
	Not Rated	Aaa	AAA	1.39 %
	Not Rated	Aaa	Not Rated	2.07 %
	Not Rated	Not Rated	Not Rated	17.56 %
U.S. Treasury Securities*				13.85 %
				<u>100.00 %</u>
Other Specific Investments				
U.S. Treasury Securities*				100.00 %
				<u>100.00 %</u>

*Pursuant to GASB Statement No. 40, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements

The California Government Code permits the 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 \$500.00 million 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, 2023, the 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 and the amounts are held in the NPC and JPAs name. Investment practices are governed by the County's investment guidelines, established pursuant to the California Government Code and the County Board's action.

Investments are stated at fair value. Deposits held by outside trustees as of June 30, 2023 were \$626. A total of \$72.29 million of investments held by outside trustees are invested in the Pool. In addition, the outside trustees invested \$63.18 million outside of the Pool.

The following is a summary of investments held by outside trustees as of June 30, 2023 (dollars in thousands):

	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
U.S. Treasury Securities:					
U.S. Treasury Bonds	\$ 19,943	\$ 19,943		11/15/26 - 11/15/28	4.56
U.S. Treasury Notes	2,955	2,955	0.41% - 2.99%	11/30/23 - 05/31/26	0.22
	<u>Net Asset Value</u>				
Money Market Mutual Funds	\$ 40,285				

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

The following is a summary of the credit quality distribution and concentration of credit risk as of June 30, 2023:

Other Investments	S&P	Moody's	Fitch	% of Portfolio
Money Market Mutual Funds	Not Rated	Not Rated	Not Rated	63.76%
U.S. Treasury Securities *				36.24%
				<u>100.00%</u>

*Pursuant to GASB Statement No. 40, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

LACERA Investment Portfolio

Narratives and tables presented for the Pension and OPEB Trust funds managed by LACERA are taken directly from LACERA's ACFR for the year ended June 30, 2023 (certain terms have been modified to conform with the County's ACFR presentation). The custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk related to Pension and OPEB Trust Fund investments are different than the corresponding risk on investments held by the Treasurer. Detailed deposit and investment risk disclosures are included in Note G and Note I and the fair value measurement disclosures are included in Note P of LACERA's ACFR.

Investments

The investments of the Pension and OPEB Trust Funds are reported at fair value at June 30, 2023, (in thousands) and are as follows:

	Fair Value
Cash Collateral on Loaned Securities	\$ 1,869,433
Short-term Investments	2,289,958
Domestic and International Equity	28,598,874
Fixed Income	19,162,790
Real Estate*	5,421,420
Real Assets	2,514,132
Private Equity	13,894,495
Hedge Funds	4,890,856
Total	<u>\$ 78,641,958</u>

* Refer to Note J of LACERA's ACFR for the year ended June 30, 2023, for additional discussion on special purpose entities.

The Pension and OPEB Trust Funds also had deposits with the Pool at June 30, 2023 totaling \$129.88 million.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

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 Investment Policy Statements and Manager Guidelines for the management of the LACERA defined benefit retirement plan (Pension Plan) and the LACERA Other Post-Employment Benefit Master Trust (OPEB Master Trust or OPEB Trust). BOI exercises authority and control over the management of LACERA's Fiduciary Net Position Restricted for Benefits by setting a policy that the investment staff executes either internally or through the use of prudent external experts.

Each Investment Policy Statement recognizes that every investment asset class and type is subject to certain risks. Outlined below are the deposit and investment risks as they relate to fixed income investments.

Credit Risk

Credit risk is the risk that an issuer or a counterparty to an investment transaction will not fulfill its obligations, causing the investment to decline in value. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension plan at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established.

Investment Grade Bonds

Investment Grade bonds are categorized as a component of the Risk Reduction and Mitigation functional asset category. LACERA invests with Core investment grade bond managers. Investment guidelines for Core managers require that they invest predominantly in sectors represented in their benchmark index, which consists 100% of bonds rated investment grade. As a result, Core portfolios contain almost 100% of bonds rated investment grade by the major credit rating agencies: Moody's, S&P, and Fitch.

High Yield Bonds

Dedicated High Yield bond portfolios are categorized in the Credit functional asset category. 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.

The credit portfolios allow for the assumption of more credit risk than Investment Grade portfolios by investing in securities that 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, bank loans, illiquid credit, and emerging market debt. LACERA utilizes specific investment manager guidelines for these portfolios that may include limiting 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, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Credit Quality Ratings

The following is a schedule as of June 30, 2023 of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of \$9.89 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities - Pension Plan
As of June 30, 2023
(dollars in thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Investment	Non U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	\$ 5,565,802	809,069		130,970	1,293,657	1,030	91,385	\$ 7,891,913	44.06 %
Aa			5,129	21,880	61,540	635	21,854	111,038	0.62 %
A			1,112	285,590	336,059	29,900	31,502	684,163	3.82 %
Baa				310,753	359,095	23,429	50,271	743,548	4.15 %
Ba			1,900	167,781	7,786	23,355	280,349	481,171	2.69 %
B				868,205		90,284	507,379	1,465,868	8.18 %
Caa				185,790		6,745	155,347	347,882	1.94 %
Ca				5,995			2,183	8,178	0.05 %
C				987		101	2,680	3,768	0.02 %
Not Rated		464		209,735	5,773,745	48,102	142,088	6,174,134	34.47 %
Total Investment in Fixed Income Securities - Pension Plan	\$ 5,565,802	809,533	8,141	2,187,686	7,831,882	223,581	1,285,038	\$17,911,663	100.00 %

Note: Pooled Investments included within the Not Rated Quality Ratings, represent investments in commingled funds. The Credit Quality Ratings table does not include holdings with commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Credit Quality Ratings of Investments in Fixed Income Securities - OPEB Trust
As of June 30, 2023 (dollars in thousands)

Quality Ratings	U.S. Treasuries	Pooled Investments	Total	Percentage of Portfolio
Aaa	\$ 75,346	\$	\$ 75,346	6.07 %
Not Rated		1,165,887	1,165,887	93.93 %
Total Investment in Fixed Income Securities - OPEB Trust	\$ 75,346	\$ 1,165,887	\$ 1,241,233	100.00 %

Note: Pooled Investments included with the Not Rated Quality represents investments in commingled funds. For FY 2022-2023, the OPEB Trust held fixed income securities.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Custodial Credit Risk

LACERA's contract with its custodian, State Street Bank and Trust (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, with a clearing house corporation, or with 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 those overnight 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 would 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, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian other than the Bank.

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. LACERA and its investment managers seek to minimize risk of loss from its counterparties by diversifying the number of counterparties, periodically reviewing their credit quality, and seeking to structure agreements so that collateral is posted on accrued gains if they reach certain size thresholds.

Concentration of Credit Risk

For diversification purposes, all investment grade and liquid credit portfolios limit the exposure to a single issuer. This limitation is typically 5.00%, but does not apply to U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and approved commingled funds and fund-of-one vehicles.

As of June 30, 2023, LACERA did not hold any investments in any one issuer that would represent 5.00% or more of the 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, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk

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

To manage interest rate risk, investment manager guidelines require that the duration of all investment grade bond portfolios must remain within a range centered around the duration of the benchmark index. This range is currently +/- 10.00% of the benchmark duration. The investment manager guidelines require that the duration of the U.S. long-term government bonds portfolio must remain within +/- 0.30 years of the duration of its benchmark index. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Duration in Fixed Income Securities - Pension Plan schedule for the year ended June 30, 2023 presents the duration by investment type. Whole loan mortgages included in the Pension Plan Portfolio of \$9.89 million are excluded from this presentation.

Duration in Fixed Income Securities - Pension Plan
As of June 30, 2023
(dollars in thousands)

Investment Type	Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasuries, U.S. Government Agency, and Municipal Instruments:		
U.S. Treasuries	\$ 5,565,802	11.82
U.S. Government Agency	809,533	4.29
Municipal / Revenue Bonds	8,141	10.47
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments	6,383,476	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	196,008	2.03
Corporate and Other Credit	1,991,678	2.13
Pooled Funds	7,831,882	1.70
Subtotal Corporate Bonds and Credit Securities	10,019,568	
Non-U.S. Fixed Income	223,581	1.64
Private Placement Fixed Income	1,285,038	3.37
Subtotal Non-U.S. and Private Placement Securities	1,508,619	
Total Fixed Income Securities - Pension Plan	\$ 17,911,663	

Note: The Duration table does not include holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

*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 duration of 5 indicates that a 1.00% increase in a bond's yield will cause the bond price to decline 5.00%.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk-Continued

Duration in Fixed Income Securities - OPEB Trust
As of June 30, 2023 (dollars in thousands)

Investment Type	Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasuries Instruments:		
U.S. Treasuries	\$ 75,346	16.12
Corporate Bonds and Credit Securities:		
Pooled Investments	1,165,887	3.32
Total Fixed Income Securities - OPEB Trust	\$ 1,241,233	

*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 duration of 5 indicates that a 1.00% increase in a bond's yield will cause the bond price to decline 5.00%.

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 investment managers are permitted to invest in approved countries or regions, as stated in their respective investment manager guidelines. To mitigate foreign currency risk with global equity, LACERA has implemented a passive currency hedging program, which hedges into U.S. dollars approximately 50% 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. Most of the exposure is from separately managed accounts with the remaining exposure from non-U.S. commingled funds that are denominated in foreign currency. For the commingled funds, LACERA owns units, and the fund holds the actual securities and/or currencies. The values shown include LACERA's separately managed account holdings and the pro-rata portion of non-U.S. commingled fund holdings. The OPEB Trust did not hold any non-U.S. investment securities as of June 30, 2023.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Investment Securities at Fair Value - Pension Plan
As of June 30, 2023
(in thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
AFRICA								
South African Rand	\$ 79,420		1,346					\$ 80,766
AMERICAS								
Brazilian Real	137,294		2,195					139,489
Canadian Dollar	975,906	2,676	5,384		150,149		(9,163)	1,124,952
Chilean Peso	9,280		1,129					10,409
Colombian Peso	2,288		415					2,703
Mexican Peso	59,152		1,521					60,673
ASIA								
Australian Dollar	485,905		3,183			11,013	1,020	501,121
Chinese Renminbi	96,786		1,641					98,427
Hong Kong Dollar	663,581		2,826				183	666,590
Indonesian Rupiah	53,459		3,702					57,161
Japanese Yen	1,297,919		13,606				63,747	1,375,272
Malaysian Ringgit	31,769		1,859					33,628
New Zealand Dollar	11,375		497				133	12,005
Pakistan Rupee			28					28
Philippine Peso	13,232		406					13,638
Singapore Dollar	85,120		675				373	86,168
South Korean Won	275,212		3,092					278,304
Taiwan Dollar	327,583		7,229					334,812
Thai Baht	47,002		(165)					46,837
EUROPE								
British Pound Sterling	1,253,582	13,785	15,218	68		173,007	(16,208)	1,439,452
Czech Republic Koruna	4,069		421					4,490
Danish Krone	269,940		1,144				(114)	270,970
Euro	2,448,886	44,322	21,511	310,590	383,847	1,263,178	(2,674)	4,469,660
Hungarian Forint	4,643		343					4,986
Norwegian Krone	74,432		893				233	75,558
Polish Zloty	28,567		935					29,502
Russian Ruble			1,906					1,906
Swedish Krona	231,093		720				4,364	236,177
Swiss Franc	574,640		1,548				245	576,433
MIDDLE EAST								
Egyptian Pound	3,438		123					3,561
Israeli New Shekel	39,465		876				417	40,758
Kuwaiti Dinar	23,827		792					24,619
Qatari Rial	30,922		1,747					32,669
Saudi Riyal	6,220							6,220
Turkish Lira	19,948		438					20,386
UAE Dirham	40,609		201					40,810
Total Investment Securities Subject to Foreign Currency Risk - Pension Plan								
	\$ 9,706,564	60,783	99,385	310,658	533,996	1,447,198	42,556	\$12,201,140

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program

The BOI 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 and non-cash collateral. When cash collateral is received, the income that is generated from securities lending has two sources: lending and reinvestment. LACERA pays the borrower interest on the collateral and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. When non-cash collateral is received, the borrower pays a fee for borrowing the security.

Bank is the sole manager of LACERA's securities lending program. Collateralization is set on non-U.S. loans at 105% minimum and on U.S. loans at 102% minimum of the fair value of the securities on loan.

State Street Global Advisors invests the collateral received from the lending programs. The collateral is invested in short-term highly liquid instruments. The maturities of the investments made with cash collateral typically do not match the maturities of their securities loans. Loans are marked-to-market daily, so that if the fair value of a security on loan rises, LACERA receives additional collateral. Conversely, if the fair value of a security on loan declines, then the borrower receives a partial return of the collateral. Earnings generated in excess of the interest paid to the borrowers represent net income to LACERA who shares this net income with the lending agent 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. LACERA does not have the ability to pledge assets received as collateral without a borrower default. In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent is liable to LACERA for the difference, plus interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At fiscal year-end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2023.

As of June 30, 2023, the fair value of securities on loan was \$3.759 billion, with a value of cash collateral received of \$1.869 billion, which is included in Other payables on the financial statements, and non-cash collateral of \$2.042 billion. LACERA's investment income, net of expenses from securities lending, was \$14.10 million for the year ended June 30, 2023.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program-Continued

Securities Lending
As of June 30, 2023
(in thousands)

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received	Calculated Mark ⁽¹⁾	Collateral Percent ⁽²⁾
U.S. Equity	\$ 2,332,066	\$ 1,561,245	\$ 840,301	\$ 18,375	103.77 %
U.S. Fixed Income	927,308	233,202	743,620	4,685	105.84 %
Non-U.S. Equity	499,246	74,986	457,963	3,673	107.49 %
Total	<u>\$ 3,758,620</u>	<u>\$ 1,869,433</u>	<u>\$ 2,041,884</u>	<u>\$ 26,733</u>	

(1) Calculated Mark is performed daily. It is the amount LACERA will collect from the borrower (if the amount is positive), or payment to the borrower (if the amount is negative) to bring the collateralization to appropriate levels based on fair value.

(2) Collateral percent is the total collateral received divided by the fair value of securities on loan. U.S. loans are collateralized at 102% minimum of the fair value of the securities on loan while non-U.S. loans are collateralized at 105% minimum.

Hedge Funds

LACERA's Investment Policy Statement establishes the portfolio framework for and role of the hedge funds program. Diversified hedge funds comprise a variety of hedged investments, such as relative value, arbitrage, and long/short strategies within a diversified portfolio.

The status of LACERA's hedge fund program as of June 30, 2023 is as follows:

- LACERA is invested in eight hedge fund managers in the core hedge funds portfolio.
- LACERA is invested in a total of seven hedge fund emerging managers in the hedge funds emerging manager portfolio. LACERA's discretionary hedge funds emerging manager separate account manager, Stable Asset Management, selected two new emerging managers during Fiscal Year 2022-2023.
- LACERA continues to have exposure with one hedge fund of funds manager, Grosvenor Capital Management (GCM). In 2019, LACERA initiated the full redemption of the GCM hedge fund of funds' portfolio. This portfolio began returning cash during Fiscal Year 2019-2020 and will continue to distribute cash in alignment with the liquidity terms of the portfolio or underlying managers. GCM is managing the redemption process of the GCM portfolio.

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, 2023 was \$4.891 billion.

The core portfolio, emerging manager portfolio, and GCM hedge funds of funds portfolio reside within Diversified Hedge Funds under the Risk Reduction and Mitigation functional asset category of LACERA's Total Fund.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value

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. The hierarchy is based on the valuation inputs used to measure the fair value of the investment securities and holdings. The fair value hierarchy includes three levels and one additional category.

Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Certain other 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. The table below illustrates investments classified by their fair value hierarchy (Levels 1, 2, and 3) as well as investments measured at NAV.

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.

Fixed income 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. Equity securities classified in Level 2 are not traded in the active market. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These matrix pricing techniques incorporate inputs such as yield, prepayment speeds, and credit spreads for fixed income securities. Derivative securities classified as Level 2 are securities whose value are either derived daily from associated securities that are traded, or are determined by using a market approach that considers benchmark interest rates.

Fixed income 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 the Bank.

Hedge Funds, Private Equity, Real Assets, Real Estate, Equity, and Fixed Income Funds

Investments in hedge funds, private equity, real assets, real estate, equity and fixed income funds are valued at estimated net asset value (NAV) based upon the fair value of the underlying investments, as determined in good faith by the General Partner (GP), in accordance with GAAP fair value principles in instances where no observable public market values are available. Investments that are estimated at fair value 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 by LACERA based on the practical expedient allowed under GAAP. In instances where observable public market values are available for the underlying securities held, fair value is determined by the fund's administrator using independent pricing sources.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Real Estate Separate Account Investments

Real estate investments are valued at NAV, based upon 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 annually.

Investments and Derivative Instruments Measured at Fair Value - Pension Plan

As of June 30, 2023

(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	\$ 196,008	\$	\$ 196,008	\$
Corporate and Other Credit	1,991,678		1,932,426	59,252
Municipal/Revenue Bonds	8,141		8,141	
Non-U.S. Fixed Income	223,581		179,595	43,986
Private Placement Fixed Income	1,285,038		1,280,928	4,110
U.S. Government Agency	809,533		809,533	
U.S. Treasuries	5,565,802		5,565,802	
Whole Loan Mortgages	9,893			9,893
Total Fixed Income Securities	10,089,674		9,972,433	117,241
Equity Securities				
Non-U.S. Equity	10,285,307	10,280,730	519	4,058
Pooled Investments	414,172	414,172		
U.S. Equity	15,976,842	15,967,901	1,770	7,171
Total Equity Securities	26,676,321	26,662,803	2,289	11,229
Collateral from Securities Lending	1,869,433		1,869,433	
Total Investments by Fair Value Level	\$ 38,635,428	\$ 26,662,803	\$ 11,844,155	\$ 128,470
Investments Measured at NAV				
Fixed Income	\$ 7,831,883			
Equity	453,239			
Hedge Funds	4,890,856			
Private Equity	13,894,495			
Real Estate	5,109,454			
Real Assets	2,514,132			
Total Investments Measured at NAV	34,694,059			
Total Investments	\$ 73,329,487			
Derivatives				
Foreign Exchange Contracts	\$ 42,556	\$	\$ 42,556	\$
Foreign Equity Derivatives	562	562		
Total Derivatives	\$ 43,118	\$ 562	\$ 42,556	\$

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments Measured at the Net Asset Value - Pension Plan
As of June 30, 2023
(dollars in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Funds ⁽¹⁾	\$ 7,831,883	\$ 1,834,547	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds ⁽²⁾	453,239		Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds ⁽³⁾	4,890,856	181,598	Daily, Monthly, Quarterly, Semi-Annual, Annual, Self-Liquidating	5-180 days
Private Equity ⁽⁴⁾	13,894,495	5,299,231	Not Eligible	N/A
Real Estate ⁽⁴⁾	5,109,454	1,289,323	Quarterly or Not Eligible	30 days+ or N/A
Real Assets ⁽⁴⁾	2,514,132	913,268	Not Eligible	N/A
Total Investments Measured at the NAV	<u>\$ 34,694,059</u>			

(1) Fixed Income Funds: 11 fixed income funds are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Approximately 60% of assets are available within 12 months; these funds provide daily, monthly or quarterly liquidity. Approximately 40% of the fund assets have liquidity beyond 12 months.

(2) Commingled Equity Funds: 1 equity fund is considered commingled in nature. The fund is valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. The fund represents 2% of the equity assets and is subject to a lock up period that limits redemptions for the next year.

(3) Hedge Funds: This portfolio consists of 15 current funds and 1 fund of funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms of the current funds, 70% of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. Approximately 30% of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.

LACERA's Hedge Funds portfolio invests in the following strategies:

(a) Macro and Tactical Trading: 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.

(b) Equity Long/Short: This strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.

(c) Credit: This strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.

(d) Relative Value: This strategy's focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.

(e) Multi-Strategy: This strategy aims to pursue varying strategies to diversify risks and reduce volatility.

(f) Event Driven: 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.

(4) Private Equity, Real Assets, and Real Estate Funds: LACERA's Private Equity portfolio consists of 296 funds, investing primarily in buyout funds, with some exposure to venture capital, special situations, fund of funds, and co-investments. Due to contractual limitations, none of the funds are currently eligible for redemption. The Real Assets portfolio consists of 24 funds, investing primarily in infrastructure and natural resources. 4 of the funds are eligible for redemption after an initial lock-up period, and the other 20 of the funds are not eligible for redemption as the lock-up period is typically from 10-15 years. The Real Estate portfolio, composed of 25 commingled funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued at the end of the period and net assets valued one quarter in arrears plus current quarter cash flows. 5 out of 25 Real Estate funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J - Special Purpose Entities of LACERA's ACFR.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments Measured at Fair Value - OPEB Trust

As of June 30, 2023

(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				
Pooled Investments	\$ 293,690	\$ 293,690	\$	\$
U.S. Treasuries	75,346		75,346	
Total Fixed Income Securities	<u>369,036</u>	<u>293,690</u>	<u>75,346</u>	
Total Investments by Fair Value Level	<u>\$ 369,036</u>	<u>\$ 293,690</u>	<u>\$ 75,346</u>	<u>\$</u>

Investments Measured at Net Asset Value (NAV)

Fixed Income	\$ 872,197
Equity	1,468,752
Real Estate Investment Trust (REIT)	311,966
Total Investments Measured at NAV	<u>2,652,915</u>
Total Investments	<u>\$ 3,021,951</u>

Investments Measured at Net Asset Value - OPEB Trust

As of June 30, 2023

(dollars in thousands)

Investment by Fair Value Level	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Securities				
Commingled Fixed Income Funds	\$ 872,197	\$	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	1,468,752		Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	311,966		Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV ⁽¹⁾	<u>\$ 2,652,915</u>			

(1) Commingled Funds: The OPEB Master Trust is invested in 8 funds that 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

5. CAPITAL ASSETS

As a result of the implementation of GASB 96, the reclassification of certain lease asset types, and LACDA's recognition of a prior year capital asset acquisition, the capital asset balances as of July 1, 2022 were restated as follows (in thousands):

	Balance July 1, 2022, as previously reported	Restatement Amounts	Balance July 1, 2022, as restated
<u>Governmental Activities</u>			
Capital assets, being depreciated/amortized:			
Subscription assets	\$	\$ 55,802	\$ 55,802
Lease land	9,081	684	9,765
Lease buildings and improvements	1,504,371	(684)	1,503,687
Accumulated depreciation/amortization:			
Lease land	(3,406)	(81)	(3,487)
Lease buildings and improvements	(124,118)	81	(124,037)
Total governmental activities capital assets restatement		\$ 55,802	
<u>LACDA:</u>			
Capital assets, being depreciated/amortized:			
Buildings and improvements	\$ 254,644	\$ 3,498	\$ 258,142
Subscription assets		271	271

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

5. CAPITAL ASSETS-Continued

Capital assets activity for the year ended June 30, 2023 is as follows (in thousands):

<u>Governmental Activities</u>	Balance July 1, 2022, as restated	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated/ amortized:				
Land	\$ 2,506,545	75,139	(9,563)	\$ 2,572,121
Easements	5,038,570	36,226		5,074,796
Software in progress	64,652	17,884	(1,258)	81,278
Construction in progress-buildings and improvements	1,185,181	353,107	(85,444)	1,452,844
Construction in progress-infrastructure	604,166	174,583	(18,784)	759,965
Subscription assets in progress		8,250		8,250
Subtotal	<u>9,399,114</u>	<u>665,189</u>	<u>(115,049)</u>	<u>9,949,254</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	6,952,548	76,615	(22,654)	7,006,509
Equipment	1,871,749	105,690	(75,897)	1,901,542
Software	608,122			608,122
Infrastructure	8,190,431	17,188		8,207,619
Lease land	9,765	372		10,137
Lease buildings and improvements	1,503,687	276,087	(30,176)	1,749,598
Lease equipment	9,690	7,905	(198)	17,397
Subscription assets	55,802	52,788		108,590
Subtotal	<u>19,201,794</u>	<u>536,645</u>	<u>(128,925)</u>	<u>19,609,514</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(2,620,078)	(140,529)	3,350	(2,757,257)
Equipment	(1,408,850)	(111,081)	73,477	(1,446,454)
Software	(408,139)	(35,542)		(443,681)
Infrastructure	(4,776,123)	(152,136)		(4,928,259)
Lease land	(3,487)	(3,631)		(7,118)
Lease buildings and improvements	(124,037)	(116,190)		(240,227)
Lease equipment	(1,722)	(3,014)		(4,736)
Subscription assets		(21,651)		(21,651)
Subtotal	<u>(9,342,436)</u>	<u>(583,774)</u>	<u>76,827</u>	<u>(9,849,383)</u>
Total capital assets, being depreciated/ amortized, net	<u>9,859,358</u>	<u>(47,129)</u>	<u>(52,098)</u>	<u>9,760,131</u>
Governmental activities capital assets, net	<u>\$19,258,472</u>	<u>\$ 618,060</u>	<u>\$ (167,147)</u>	<u>\$ 19,709,385</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

5. CAPITAL ASSETS-Continued

<u>Business-type Activities</u>	Balance July 1, 2022, as restated	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated/ amortized:				
Land	\$ 134,932			\$ 134,932
Easements	32,054	1,188		33,242
Construction in progress-buildings and improvements	316,099	241,378	(42,000)	515,477
Construction in progress- infrastructure	63,417	10,365	(14,690)	59,092
Subtotal	<u>546,502</u>	<u>252,931</u>	<u>(56,690)</u>	<u>742,743</u>
Capital assets, being depreciated/ amortized:				
Buildings and improvements	2,897,025	53,143		2,950,168
Equipment	455,582	35,355	(36,811)	454,126
Software	58,922			58,922
Infrastructure	1,307,277	14,263		1,321,540
Lease equipment	1,188	902		2,090
Subtotal	<u>4,719,994</u>	<u>103,663</u>	<u>(36,811)</u>	<u>4,786,846</u>
Less accumulated depreciation/ amortization for:				
Buildings and improvements	(1,005,720)	(52,361)		(1,058,081)
Equipment	(315,050)	(30,668)	35,701	(310,017)
Software	(53,393)	(3,359)		(56,752)
Infrastructure	(719,947)	(24,692)		(744,639)
Lease equipment	(107)	(397)		(504)
Subtotal	<u>(2,094,217)</u>	<u>(111,477)</u>	<u>35,701</u>	<u>(2,169,993)</u>
Total capital assets, being depreciated/ amortized, net	<u>2,625,777</u>	<u>(7,814)</u>	<u>(1,110)</u>	<u>2,616,853</u>
Business-type activities capital assets, net	<u>3,172,279</u>	<u>245,117</u>	<u>(57,800)</u>	<u>3,359,596</u>
Total capital assets, net	<u>\$ 22,430,751</u>	<u>832,803</u>	<u>(194,573)</u>	<u>\$ 23,068,981</u>

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

5. CAPITAL ASSETS-Continued

Depreciation/Amortization Expense

Depreciation/Amortization expense was charged to functions/programs of the primary government as follows (in thousands):

<u>Governmental activities:</u>	
General government	\$ 63,082
Public protection	179,299
Public ways and facilities	91,261
Health and sanitation	110,919
Public assistance	67,591
Education	6,361
Recreation and cultural services	46,049
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	19,212
Total depreciation/amortization expense, governmental activities	<u>\$ 583,774</u>
<u>Business-type activities:</u>	
Hospitals	\$ 83,995
Waterworks	23,850
Aviation	3,632
Total depreciation/amortization expense, business-type activities	<u>\$ 111,477</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

5. CAPITAL ASSETS-Continued

Discretely Presented Component Units

LACDA

Capital assets activity for the LACDA component unit for the year ended June 30, 2023, was as follows (in thousands):

	Balance July 1, 2022, as restated	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated/ amortized:				
Land	\$ 88,791	84	(3,532)	\$ 85,343
Construction in progress-buildings and improvements	5,310	4,912	(4,044)	6,178
Subtotal	<u>94,101</u>	<u>4,996</u>	<u>(7,576)</u>	<u>91,521</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	258,142	13,793		271,935
Equipment	8,908	491	(374)	9,025
Software	1,025			1,025
Lease buildings and improvements	1,267		(1,267)	
Lease equipment	431		(171)	260
Subscription assets	271	2,808		3,079
Subtotal	<u>270,044</u>	<u>17,092</u>	<u>(1,812)</u>	<u>285,324</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(176,768)	(6,118)		(182,886)
Equipment	(7,957)	(401)	373	(7,985)
Software	(333)	(103)		(436)
Lease buildings and improvements	(206)	(34)	240	
Lease equipment	(250)	(108)	171	(187)
Subscription assets		(1,334)		(1,334)
Subtotal	<u>(185,514)</u>	<u>(8,098)</u>	<u>784</u>	<u>(192,828)</u>
Total capital assets being depreciated/ amortized, net	<u>84,530</u>	<u>8,994</u>	<u>(1,028)</u>	<u>92,496</u>
LACDA capital assets, net	<u>\$ 178,631</u>	<u>13,990</u>	<u>(8,604)</u>	<u>\$ 184,017</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

5. CAPITAL ASSETS-Continued

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2023, was as follows (in thousands):

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated-				
Land	\$ 2,039			\$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	14,933	889		15,822
Equipment	3,103	134		3,237
Subtotal	<u>18,036</u>	<u>1,023</u>		<u>19,059</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,217)	(353)		(4,570)
Equipment	(2,978)	(85)		(3,063)
Subtotal	<u>(7,195)</u>	<u>(438)</u>		<u>(7,633)</u>
Total capital assets being depreciated, net	<u>10,841</u>	<u>585</u>		<u>11,426</u>
First 5 LA capital assets, net	<u>\$ 12,880</u>	<u>585</u>		<u>\$ 13,465</u>

6. PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIPS AND AVAILABILITY AGREEMENTS

GASB 94, "Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)" (GASB 94) defines a PPP as an arrangement in which the government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction type of public-private or public-public partnership. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The County determined that golf courses met the criteria set forth in GASB 94 (where the County is the transferor) and therefore included these SCAs in the County's financial statements as deferred inflows of resources. GASB 94 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

6. PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIPS AND AVAILABILITY AGREEMENTS-
Continued

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, 2023, the present value of the installment payments under contract is estimated to be \$85.00 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%, 3.55%, 3.70%, 1.87% and 4.20% for the term of the agreement for each SCA. The lease terms for the twenty golf courses cover remaining periods ranging from 0 to 16 years as of June 30, 2023. The FY 2022-2023 total monthly installment payments are approximately \$908,000. 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 land, buildings, and construction in progress, is reported at \$22.84 million as of June 30, 2023.

7. PENSION PLAN

Plan Description

The County pension plan is administered by LACERA, which was established under the 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 (LACOE)
- South Coast Air Quality Management District (SCAQMD)

New employees of LACOE hired on or after July 1971 and new employees of SCAQMD hired after December 31, 1979 are not eligible for LACERA benefits.

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.

Benefits Provided

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 County Board may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

7. PENSION PLAN-Continued

Benefits Provided-Continued

LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Vesting occurs when a member accumulates 5 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.

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.

The following employer rates were in effect for FY 2022-2023:

July 1, 2022 - June 30, 2023	A	B	C	D	E	G
General Members	31.11%	24.13%	21.23%	22.75%	24.3%	22.66%
Safety Members	39.93%	34.79%	27.91%			

The rates were determined by the actuarial valuations performed as of June 30, 2021. The investment rate of return assumption used in the valuation performed as of June 30, 2021 remained at 7.00%. The employer contribution rates used in FY 2022-2023 increased from (0.29)% to 0.20% over the rates used in FY 2021-2022 and may increase again during the following fiscal year. The most significant factors causing the increase were increases to the normal cost rate and deferred recognition of new assumptions.

Employee rates vary by option and employee entry age from 6% to 18% of their annual covered salary.

During FY 2022-2023, 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 \$2.216 billion.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. PENSION PLAN-Continued

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the County reported a liability of \$13.161 billion for its proportionate share of the net pension liability in accordance with the parameters of GASB 68, "Accounting and Financial Reporting For Pensions-an amendment of GASB Statement No. 27" (GASB 68). The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, 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, 2022, the County's proportionate share was 96.47%, which was an increase of 0.06% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized negative pension expense of \$(318.83) million which is reported as \$(264.27) million for governmental activities and \$(54.56) 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, 2023, 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	\$ 187,758	\$
Change in assumptions		2,326,220
Change in experience	64,162	1,602,848
Change in proportion and differences between County contributions and proportionate share of contributions	295,286	325,013
Contributions made subsequent to measurement date		2,216,111
Total	<u>\$ 547,206</u>	<u>\$ 6,470,192</u>

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. Investment gains or losses are recognized in pension expense over a 5 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 as of June 30, 2022.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. PENSION PLAN-Continued

Net Pension Liability, 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>Year Ending June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 760,458
2025	629,051
2026	(283,817)
2027	1,893,880
2028	536,210
Thereafter	171,093

Deferred outflows of \$2.216 billion related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than the current fiscal period.

As of the measurement date of June 30, 2023, the Pension Plan's fiduciary net position increased approximately \$3.562 billion due to significant increases in the fair value of the Pension Plan's investments. Overall, the increase in the fiduciary net position and increase in the total pension liability of \$4.538 billion from interest and service costs, resulted in an increase in net pension liability from \$13.642 billion to \$14.618 billion. The County's proportionate share of the Pension Plan's net pension liability was 96.47% as of June 30, 2022 and is historically above 96%.

Actuarial Assumptions

Valuation Timing	June 30, 2021, rolled forward to June 30, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.75%
General Wage Growth	3.25%
Projected Salary Increases	3.66% to 12.54%
Investment Rate of Return	7.13%, net of investment expense, including inflation
Cost of Living Adjustments (COLA)	Post-retirement benefit increases of either 2.75% or 2.00% per year are assumed based on the benefits provided. Supplemental Targeted Adjustment for Retirees (STAR) COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits.
Mortality	Various rates based on the Pub-2010 mortality tables and using the MP-2014 Ultimate Projection Scale. See June 30, 2021 actuarial valuation for details. It can be found at www.LACERA.com .
Experience Study	Covers the 3 year period ended June 30, 2022.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. PENSION PLAN-Continued

Actuarial Assumptions-Continued

The long-term expected rate of return on pension plan investments (7.00%, 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, 2022:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)</u>	
Growth	51.00%	5.50 %	
Global Equity	34.00 %	4.30 %	
Private Equity	14.00 %	6.90 %	
Non-Core Private Real Estate	3.00 %	6.70 %	
Credit	11.00%	2.20 %	
Liquid Credit	6.00 %	1.50 %	
Illiquid Credit	5.00 %	2.80 %	
Real Assets and Inflation Hedges	17.00%	3.60 %	
Core Private Real Estate	6.00 %	3.30 %	
Natural Resources and Commodities	4.00 %	3.70 %	
Infrastructure	4.00 %	4.80 %	
TIPS	3.00 %	(0.30)%	
Risk Reduction and Mitigation	21.00%	0.20 %	
Investment Grade Bonds	13.00 %	(0.30)%	
Diversified Hedge Fund Portfolio	5.00 %	1.60 %	
Long-Term Government Bonds	2.00 %		
Cash Equivalents	1.00 %	(1.00)%	

Discount Rate

The discount rate used to measure the total pension liability was 7.13%. This is equal to the 7.00% 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.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

7. PENSION PLAN-Continued

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 7.13%, 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 (6.13%) or 1-percentage point higher (8.13%) than the current rate (in thousands):

	1% Decrease (6.13%)	Discount Rate (7.13%)	1% Increase (8.13%)
Net Pension Liability/(Asset)	\$ 24,145,685	\$ 13,160,560	\$ 4,089,111

Pension Plan Fiduciary Net Position

Detailed information about pension plan fiduciary net position as of June 30, 2022 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, 2023, 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, 2023, were \$305.67 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, 2023, 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, 2023, were \$83.29 million.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. PENSION PLAN-Continued

Deferred Compensation Plans-Continued

Plan Description and Funding Policy-Continued

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, 2023, were \$9.62 million.

The plans are administered through a third-party administrator. The assets of the plans are held in trust by Great West Trust Company LLC 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.

8. OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare

Plan Description

LACERA administers an agent multiple-employer Retiree Healthcare (RHC) OPEB 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, LACOE and the South Coast Air Quality Management District. As of July 1, 2018, LACERA transitioned the OPEB program from a cost-sharing, multiple-employer plan. The agent plan structure determines program liabilities and costs directly by employer and allocates shared expenses. The measurement date for the RHC OPEB program is June 30, 2022.

In April 1982, the County 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Plan Description-Continued

Pursuant to the 1982, 1994, and 2014 Agreements between the County and LACERA, the parties agreed to the continuation of the health insurance benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of certain retired members and their eligible dependents based on the member's length of service. The County further agreed to maintain the status quo of existing benefits provided to participants. As part of the 2014 Agreement, the County modified the existing healthcare benefit plan, which created a new benefit structure, Tier 2, for all employees hired after June 30, 2014. LACERA agreed not to change retired members' contributions toward insurance premiums or modify medical benefit levels without the County's prior consent. Active employees are not required to make contributions to the plan.

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 RHP, which LACERA administers. On May 15, 2012, the County Board entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. The OPEB Trust does not modify the County's benefit programs.

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.

Benefits Provided

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. Service includes all service on which the member's retirement allowance was based.

The RHC OPEB Program offers members an extensive choice of medical plans as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare Supplement or Medicare HMO plans. Coverage is available regardless of preexisting medical conditions. Under Tier 2, retirees who are eligible for Medicare are required to enroll in that program. Medicare-eligible retirees and their covered dependents must enroll in Medicare Parts A and B and in a Medicare HMO plan or Medicare Supplement plan under Tier 2.

Medical and Dental/Vision - Program benefits are provided through third party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit with LACERA, the plan selected, and the number of persons covered. The County contribution subsidizing the participant's cost starts at 10 years of service credit in the amount of 40% of the lesser of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. For each year of retirement service credit earned beyond 10 years, the County contributes 4% per year, up to a maximum of 100% for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plans. Members are responsible for premium amounts above the benchmark plans, including those with 25 or more years of service credit.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Benefits Provided-Continued

Under Tier 1, the County subsidy is based on the coverage elected by the retiree. The benchmark plans are Anthem Blue Cross Plans I and II for medical and Cigna Indemnity Dental/Vision for dental and vision. Under Tier 2, the County subsidy is based on retiree only coverage. Tier 2 medical benchmark plans are Anthem Blue Cross Plans I and II for Medicare-ineligible members, Anthem Blue Cross Plan III for Medicare-eligible members, and Cigna Indemnity Dental/Vision for dental and vision plans.

Medicare Part B - The County reimburses the member's Medicare Part B standard rate premiums paid by member to Social Security for Part B coverage, subject to annual approval by the County Board of Supervisors. Eligible members and their dependents must be enrolled in both Medicare Part A and Medicare Part B and enrolled in a LACERA- administered Medicare HMO Plan or Medicare Supplement Plan and meet all of the qualifications. Under Tier 2, the County reimburses for Medicare Part B (at the standard rate) for eligible members or eligible survivors only.

Disability - If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes the lesser of 50% of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. Under Tier 2, the benchmark plan rate is based on retiree-only premiums. A member with 13 years of service credit receives a 52% subsidy. This percentage increases 4% for each additional completed year of service, up to a maximum of 100%.

Death/Burial Benefit - There is a one-time lump-sum \$5,000 death/burial benefit payable to the designated beneficiary upon the death of a retiree, reimbursed to LACERA by the County. Active and vested terminated (deferred) members are eligible for this benefit once they retire. Spouses and dependents are not eligible for this death benefit.

Employees Covered by Benefit Terms

Medical and Dental/Vision Benefits

	2022	
	Medical	Dental/ Vision
Retired Participants		
Retired Members and Survivors	54,065	55,772
Spouses and Dependents	27,684	31,811
Total Retired	81,749	87,583
Inactive Members - Vested	9,250	9,250
Active Members - Vested	74,796	74,796
Total Membership Eligible for Benefits	165,795	171,629

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Employees Covered by Benefit Terms-Continued

Death Benefits

	2022
Retired with Eligibility for Death Benefits	61,931
Active Members - Vested	74,796
Inactive Members - Vested	9,250
Total Membership Eligible for Benefits	145,977

Contributions

The current funding policy requires the County to contribute on a pay-as-you-go basis. During FY 2022-2023, the County made payments to LACERA totaling \$713.03 million for retiree healthcare benefits. Included in this amount was \$97.50 million for Medicare Part B reimbursements and \$9.80 million in death benefits. Additionally, \$48.40 million was paid by member participants. During FY 2022-2023, the County also contributed \$441.45 million in excess of the pay-as-you-go amounts.

Net OPEB Liability

At June 30, 2023, the County reported a net RHC OPEB liability of \$23.451 billion. The net RHC OPEB liability was measured as of June 30, 2022, and the total RHC OPEB liability used to calculate the net RHC OPEB liability was determined by an actuarial valuation as July 1, 2021, projected forward to the measurement date taking into account any significant changes between the valuation date and the measurement date.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2021, rolled forward to June 30, 2022
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Asset Valuation Method	Fair Value
Inflation	2.75%
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the July 1, 2021 actuarial valuation of retirement benefits. It can be found at: www.LACERA.com .
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates MP-2014 Ultimate Projection Scale.
Experience Study	Covers the three year period ended June 30, 2020.
Discount Rate	4.85%
Long-term expected rate of return, net of investment expenses	6.00%
20 Year Tax-Exempt Municipal Bond Yield	3.54%

Healthcare Cost Trend rates:

	<u>Initial Year</u>	<u>Ultimate</u>
LACERA Medical Under 65	8.50%	4.20%
LACERA Medical Over 65	3.70%	4.20%
Part B Premiums	8.50%	4.00%
Dental/Vision	3.70%	3.60%
Weighted Average Trend	5.92%	4.13%

Investments

The LACERA Board of Investments is responsible for setting the investment policy and investing any contributions made to the OPEB Trust from the participating employers. In December 2017, the LACERA Board of Investments adopted a revised asset allocation policy which divides the OPEB Trust into four broad functional categories and contains asset classes that align with the purpose of each function. The approved target weights provide for diversification of assets in an effort to meet the LACERA's actuarial assumed rate of return, consistent with market conditions and risk control. The following was the adopted asset allocation policy as of June 30, 2022.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Investments-Continued

Asset Class	Target Allocation	
Growth	50.00%	
Global Equity	50.00 %	
Credit	20.00%	
High Yield Bonds	6.00 %	
Bank Loans	10.00 %	
EM Local Currency Bonds	4.00 %	
Risk Reduction and Mitigation	10.00%	
Cash Equivalents	2.00 %	
Investment Grade Bonds	8.00 %	
Inflation Hedges	20.00%	
TIPS	6.00 %	
Real Estate (REITs)	10.00 %	
Commodities	4.00 %	

Money-Weighted Rate of Return

As of the measurement date, June 30, 2022, the annual money-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expense, was 6.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the measurement date of June 30, 2021, the annual money-weighted rate of return was also 6.00%.

Discount Rate

GASB 75 requires determination of whether the OPEB Trust's Fiduciary Net Position is projected to be sufficient to make projected benefit payments. The Plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate based on the 20-year Bond Buyer GO index (municipal bond rate) which was 3.54% as of June 30, 2022. For 2021, the long-term expected rate of return of 2.16% was applied to projected benefit payments from 2021 to 2068. The municipal bond rate was applied to the remaining periods. The resultant blended discount rate used to measure the Total OPEB Liability as of June 30, 2022 was 4.85%, an increase of 0.57% from the rate as of June 30, 2021.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Changes in the Net OPEB Liability (in thousands)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Changes in Net OPEB Liability			
Balance as of June 30, 2021	\$ 27,760,135	2,235,814	\$ 25,524,321
Service cost	1,024,895		1,024,895
Interest on Total OPEB Liability	1,217,398		1,217,398
Effect of economic/demographic gains or losses	(168,643)		(168,643)
Effect of assumption changes or inputs	(3,365,579)		(3,365,579)
Benefit payments	(689,511)	(689,511)	
Employer contributions		1,071,024	(1,071,024)
Net investment income		(280,358)	280,358
Administrative expenses		(9,534)	9,534
Balance as of June 30, 2022	<u>\$ 25,778,695</u>	<u>2,327,435</u>	<u>\$ 23,451,260</u>

Sensitivity of the County's Net RHC OPEB Liability to Changes in the Discount Rate

The following represents the County's net RHC OPEB liability calculated using the discount rate of 4.85%, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.85%) or 1-percentage point higher (5.85%) than the current rate (in thousands):

	1% Decrease (3.85%)	Discount Rate (4.85%)	1% Increase (5.85%)
Net RHC OPEB Liability	\$ 27,974,578	\$ 23,451,260	\$ 19,837,784

Sensitivity of the County's Net RHC OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the County's proportionate share of the net RHC OPEB liability, as well as what the County's proportionate share of the net RHC OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Net RHC OPEB Liability	\$ 19,150,590	\$ 23,451,260	\$ 29,075,261

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

OPEB Expense and the Deferred Outflows/Inflows of Resources Related to RHC OPEB

For the year ended June 30, 2023, the County recognized OPEB expense of \$91.67 million which is reported as \$136.38 million for governmental activities and \$(44.71) million for business-type activities. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of change in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to RHC OPEB from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	\$	\$ 165,499
Change of assumptions	7,216,505	2,873,651
Change in experience	1,021,102	251,246
Change in proportion and differences between contributions and the proportionate share of contributions	1,133,238	1,133,238
Contributions made subsequent to measurement date		1,154,487
Total	\$ 9,370,845	\$ 5,578,121

The deferred inflows of resources and deferred outflows of resources above represent the unamortized portion of changes to the net RHC OPEB liability to be recognized in future periods in a systematic and rationale manner. Investment gains or losses are recognized in OPEB 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 of all active and inactive members, which is 8 years as of June 30, 2022. The change in proportion and differences between the contributions and the proportionate share of contributions represents the changes in allocation percentages to the individual funds, including the proprietary funds, of the total OPEB RHC liability from the prior measurement date to the current measurement date.

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to RHC OPEB, will be recognized in RHC OPEB expense as follows (in thousands):

<u>Year ending June 30:</u>	Deferred Outflows/(Inflows) of Resources
2024	\$ (849,540)
2025	(849,772)
2026	(864,316)
2027	(609,814)
2028	(345,818)
Thereafter	(1,427,951)

Deferred outflows of resources of \$1.154 billion related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than in the current fiscal period.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability

Plan Description

The County provides LTD benefits to employees and these benefits have been determined to fall within the definition of OPEB. The LTD plans are administered by the County and are not administered through a trust. Each of the LTD plans are a single employer plan and the amounts paid by the County are on a pay-as-you-go basis. These LTD benefits provide for income replacement if an employee is unable to work because of illness or injury. The Board approved the County's original LTD plan effective March 3, 1982. Effective January 1, 1991, a new Megaflex plan was approved by the Board and includes a Megaflex LTD plan and a LTD Health plan. The LTD Health plan was added to the LTD program and made available to all participants effective January 1, 2002.

Benefits Provided

The benefit provisions of the four LTD plans are as follows:

Eligibility

Non-Megaflex Income/Survivor Income Benefit (SIB) - The plan covers:

- (1) An employee who becomes totally disabled as a direct result of an injury or disease while performing his/her assigned duties; or,
- (2) An employee who becomes totally disabled after having completed five or more years of continuous service with the County; or,
- (3) A qualified beneficiary of a deceased employee who had previously become totally disabled as a direct result of an injury or disease while performing his/her assigned duties; or,
- (4) A qualified beneficiary of a deceased employee who had previously become totally disabled after having completed five or more years of continuous service with the County; or,
- (5) A qualified beneficiary of an employee who dies as a direct result of an injury or disease while performing his/her assigned duties, or,
- (6) A qualified beneficiary of an employee who dies in active service after having completed five or more years of continuous service with the County.

Megaflex Income/SIB - The plan covers:

- (1) An employee purchases LTD coverage and then becomes totally disabled; or,
- (2) An employee who becomes totally disabled after having completed five or more years of continuous service with the County and is a member of Retirement Plan E.
- (3) The Qualified Beneficiary of a Retirement Plan E participant who is currently enrolled in the SIB plan at the time of death.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Benefits Provided-Continued

Non-MegaFlex Member LTD Health Plan - The plan continues medical insurance coverage for employees who are receiving or eligible to receive LTD Income benefits and are enrolled in one of the County approved health plans.

MegaFlex Member LTD Health Plan - The plan continues medical insurance coverage for employees who are receiving or eligible to receive LTD Income benefits and are enrolled in one of the County approved health plans.

Benefit Formula

Non-MegaFlex Income/SIB - The plan provides a basic monthly benefit of:

- (1) 60% of Basic Monthly Compensation (commences after 6 months of disability).
- (2) Annual COLA, beginning after 2 years of benefit payments (limited to a maximum of 2%/year), if disabled after 1/1/2001.
- (3) For a qualified beneficiary, 55% of the LTD disability benefit that the employee was receiving or would have received immediately prior to death; and, continues for the life of the qualified surviving spouse/domestic partner and upon spousal death to the qualified children beneficiaries.

MegaFlex Income/SIB - The plan provides a basic monthly benefit of:

- (1) 40% or 60% of Basic Monthly Compensation (commences after 6 months of disability)
 - a. Plan E members
 - (1) With 5+ years of services 40% non-elective or can buy up to 60%
 - (2) With less than 5 years of service: can buy 40% or 60%
 - b. Plan A, B, C, or D members: can buy 40% or 60%
- (2) Annual COLA, beginning after 2 years of benefit payments (limited to a maximum of 2% per year), if disabled after 1/1/2001.
- (3) For a qualified beneficiary, the plan provides a basic monthly benefit of 10%, 15%, 25%, 35%, or 50% of employee's monthly salary if they elected.

Non-MegaFlex Member LTD Health Plan - The plan pays 75% of monthly medical premiums for disabled members.

MegaFlex Member LTD Health Plan - The plan pays 75% of monthly medical premiums for disabled members.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Benefits Provided-Continued

Maximum Period

Non-Megaflex Income/SIB and Megaflex Income/SIB - LTD benefits stop when:

- (1) Employee is no longer totally disabled or turns age 65, whichever occurs first. However, if employee is age 62 or older when benefit commences, benefit can continue beyond age 65 (length depends on age at commencement) as follows:

Age at Disability	Maximum Period
62	3 ½
63	3
64	2 ½
65	2
66	1 ¾
67	1 ½
68	1 ¼
69 and older	1

or

- (2) Employee takes early or normal retirement under Plan E.

Employees covered by benefit terms

At June 30, 2022, the following employees were covered by the benefit terms:

LTD Income and Survivor Benefit Plans:

Inactive employees or beneficiaries currently receiving benefit payments	2,502
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	80,591

LTD Health Plans

Inactive employees or beneficiaries currently receiving benefit payments	623
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	77,551

Total LTD OPEB Liability

At June 30, 2023, the County reported a total LTD OPEB liability of \$1.289 billion. The total LTD OPEB liability was determined by an actuarial valuation as of July 1, 2021, rolled forward to June 30, 2022.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Actuarial Methods and Assumptions

Valuation Timing	June 30, 2021, rolled forward to June 30, 2022
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Inflation	The inflation rate is included in the salary increase percentage and the Healthcare cost trend rates.
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2021 RHC OPEB Program's actuarial valuation report which can be found at www.LACERA.com .
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates - MP-2014 Ultimate Projection Scale.
Discount Rate	Equal to the municipal bond rate based on the 20-year Bond Buyer GO index (municipal bond rate), which was 2.16% as of June 30, 2021, and 3.54% as of June 30, 2022.

Healthcare Cost Trend rates:

Year	Rate (pre Medicare/ post Medicare)	Year	Rate (pre Medicare/ post Medicare)
2022-2023	-0.40%/0.30%	2061-2062	4.60%/4.60%
2023-2024	8.50%/3.70%	2071-2072	4.30%/4.30%
2024-2025	6.80%/6.50%	2081+	4.20%/4.20%
2025-2026	6.60%/6.50%		
2026-2027	6.00%/6.00%		
2027-2028	5.50%/5.50%		
2028-2029	5.10%/5.10%		
2029-2030	5.00%/5.00%		
2030-2031	4.90%/4.90%		
2041-2042	4.50%/4.50%		
2051-2052	4.60%/4.60%		

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Changes in the Total LTD OPEB Liability (in thousands):

Total LTD OPEB Liability at 6/30/2021	\$ 1,473,239
Service cost	68,827
Interest	32,594
Differences between expected and actual experience	(512)
Changes of assumptions or other inputs	(218,398)
Benefit payments	(66,425)
Net Changes	(183,914)
Total LTD OPEB Liability at 6/30/2022	\$ 1,289,325

Changes of assumptions or other inputs reflect a change in the discount rate from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.

Sensitivity of the Total LTD OPEB Liability to Changes in the Discount Rate

The following represents the County's total LTD OPEB liability calculated using the discount rate of 3.54%, as well as what the County's total LTD OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than the current rate (in thousands):

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total LTD OPEB Liability	\$ 1,454,655	\$ 1,289,325	\$ 1,142,786

Sensitivity of the County's Total LTD OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the County's total LTD OPEB liability, as well as what the County's total LTD OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Total LTD OPEB Liability	\$ 1,273,562	\$ 1,289,325	\$ 1,309,555

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long Term Disability-Continued

OPEB Expense and the Deferred Outflows of Resources and Deferred Inflows of Resources Related to LTD OPEB

For the year ended June 30, 2023, the County recognized LTD OPEB expense of \$35.15 million which is reported as \$32.98 million for governmental activities and \$2.17 million for business-type activities. OPEB expense represents the change in the total LTD OPEB liability during the measurement period, adjusted for the deferred recognition of change in actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to LTD OPEB from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Change in experience	\$ 35,571	\$ 100,029
Change of assumptions	278,715	204,617
Change in proportionate share	90,433	90,433
Total	\$ 404,719	\$ 395,079

The deferred inflows of resources and deferred outflows of resources above represent the unamortized portion of changes to the total LTD OPEB liability to be recognized in future periods in a systematic and rational manner. Economic/demographic gains or losses, assumption changes or inputs, and change in proportion are recognized over the average remaining service life of all active and inactive members, which is 12 years. The change in proportionate share represents the changes in allocation percentages to the individual funds, including the proprietary funds, of the total OPEB LTD liability from the prior measurement date to the current measurement date.

Amounts currently reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows (in thousands):

<u>Year Ending June 30:</u>	Deferred Outflows/(Inflows) of Resources
2024	\$ 151
2025	151
2026	151
2027	151
2028	151
Thereafter	(10,395)

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Combined Balances of the Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and the OPEB Expense

The following total balances are reflected in the accompanying statement of net position (in thousands):

	RHC OPEB	LTD OPEB	Total
Net OPEB Liability	\$ 23,451,260	\$ 1,289,325	\$ 24,740,585
Deferred Outflows of Resources	5,578,121	395,079	5,973,200
Deferred Inflows of Resources	9,370,845	404,719	9,775,564
OPEB Expense	91,666	35,146	126,812

9. LEASES

Lease Liabilities

The County has entered into various leases as a lessee. These leases vary in the nature, substance, terms and conditions dependent upon the asset being leased. Examples of the types of assets leased range from office space, parking, warehouse space and office equipment to land for fire operations. GASB 87 requires that leases be categorized as either short-term (12 months or less in length, including options) or long-term. In determining the future minimum lease payments and receipts, the County includes the right to extend option terms in the non-cancelable lease term. Short-term lease financial transactions are reflected in the government-wide Statement of Activities and in the fund financial statements.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

9. LEASES-Continued

Lease Liabilities-Continued

The following is a schedule of future minimum lease payments for the lease liabilities as of June 30, 2023 (in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 117,184	\$ 44,836	\$ 425	\$ 59
2025	112,197	41,554	445	42
2026	112,736	38,339	462	25
2027	106,909	35,170	399	7
2028	102,814	32,157		
2029-2033	414,951	120,515		
2034-2038	287,824	70,005		
2039-2043	154,228	37,967		
2044-2048	80,177	19,570		
2049-2053	43,194	10,241		
2054-2058	39,975	3,612		
2059-2063	5,797	228		
2064-2068	206	12		
Total	<u>\$ 1,578,192</u>	<u>\$ 454,206</u>	<u>\$ 1,731</u>	<u>\$ 133</u>

Rent expenses related to leases for governmental activities were \$110.33 million and \$318 thousand for business-type activities, for the year ended June 30, 2023. Variable payments not previously included in the measurement of the lease liability were \$5.31 million for the year ended June 30, 2023.

There were no payments for residual value guarantees or termination penalties during the reporting period.

The following is a schedule of right-to-use lease assets by major classes at June 30, 2023, (in thousands):

	Governmental Activities	Business-type Activities
Lease land	\$ 10,137	\$
Lease buildings and improvements	1,749,598	
Lease equipment	17,397	2,090
Lease asset accumulated amortization	(252,081)	(504)
Total	<u>\$ 1,525,051</u>	<u>\$ 1,586</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

9. LEASES-Continued

Lease Receivables

As the lessor, the County leases County-owned properties such as land and buildings. The County has entered into long-term leases relative to the Marina del Rey Project area, asset development projects, regional parks, roads, Martin Luther King, Jr. Community Hospital (MLK Hospital), Flood Control District property, and County airports (Brackett Field, San Gabriel Valley, Whiteman, and General Wm. J. Fox Airfield). Substantially all the Marina's land and harbor facilities are leased to others. The asset development projects, which include the Marina del Rey Project area, 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. Certain regional parks are leased under agreements which provide for activities such as food and beverage concessions, and recreational vehicle camping. Certain roads are leased under franchise agreements for electrical transmission system operations. The MLK Hospital is leased to the Martin Luther King, Jr. - Los Angeles Healthcare Corporation (MLK-LA) and is further discussed in Note 14. Flood Control District leases are for parking lots, and ingress and egress in connection with various commercial centers. The airport leases are for hanger space, vehicle parking, aircraft tiedowns and storage facilities, and are currently the only leases within the Business-type activities category. The asset development leases covering remaining periods ranging generally from 1 to 91 years, regional parks leases covering remaining periods from 5 to 16 years, roads leases with remaining periods of 34 years, and the MLK Hospital lease with a remaining period of 61 years are all accounted for in the General Fund. The Flood Control District leases cover remaining periods ranging from 12 to 67 years and are accounted for in the Flood Control District Fund. The airport leases cover remaining periods from 8 to 36 years and are accounted for in the Aviation Enterprise Fund.

The land carrying value of the asset development project ground leases that include the Marina del Rey Project area and the Flood Control District totals \$730.20 million. The carrying value of the capital assets associated with the regional park, roads, MLK Hospital, and County airports leases is not determinable.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

9. LEASES-Continued

Lease Receivables-Continued

The following is a schedule of future minimum lease payment receipts on noncancelable leases as of June 30, 2023 (in thousands):

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 33,652	\$ 34,290	\$ 847	\$ 369
2025	34,195	33,668	862	354
2026	34,672	33,037	878	338
2027	34,932	32,397	895	321
2028	33,373	31,768	911	305
2029-2033	172,661	149,531	4,092	1,278
2034-2038	184,836	133,151	2,960	974
2039-2043	192,737	115,791	3,243	691
2044-2048	185,614	98,615	2,835	404
2049-2053	196,572	81,116	1,848	181
2054-2058	196,818	62,990	991	64
2059-2063	175,124	45,182	203	2
2064-2068	102,838	33,110		
2069-2073	79,832	25,066		
2074-2078	87,406	17,463		
2079-2083	94,575	9,167		
2084-2088	20,081	3,066		
2089-2093	4,294	2,050		
2094-2098	4,277	1,398		
2099-2103	3,726	528		
2104-2108	549	85		
2109-2113	602	32		
2114	42			
Total	\$ 1,873,408	\$ 943,501	\$ 20,565	\$ 5,281

The following is a schedule of lease payment income for leases for the year ended June 30, 2023 (in thousands):

	Governmental Activities	Business-type Activities
Minimum lease payments	\$ 35,686	\$ 831
Variable lease payments	33,231	893
Total	\$ 68,917	\$ 1,724

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

9. LEASES-Continued

Lease Receivables-Continued

The minimum lease income is a fixed amount based on the lease agreements. The variable lease 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.

The interest revenue received for leases of County-owned property for the year ended June 30, 2023 is \$34.92 million.

10. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The County has entered into various Subscription-Based Information Technology Arrangements (SBITAs) as a lessee. These leases are for software as a service, platform as a service or infrastructure as a service and vary in terms and conditions. Beginning with FY 2022-2023, SBITA leases are presented in the financial statements and accompanying footnotes in accordance with GASB 96. GASB 96 requires that SBITA leases be categorized as either short-term (12 months or less in length, including options) or long-term. In determining the future minimum subscription lease payments, the County will include the right to extend option terms in the non-cancelable lease term if it is reasonably certain that the option will be exercised. Variable payments based on a per seat subscription or based on transaction volumes are not included in the measurement of the subscription liability. Short-term lease financial transactions are reflected in the government-wide Statement of Activities and in the fund financial statements.

SBITA Lease Liabilities

The following is a schedule of future minimum lease payments for the SBITA lease liabilities as of June 30, 2023 (in thousands):

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 19,223	\$ 3,486
2025	14,299	2,751
2026	9,169	2,211
2027	8,719	1,798
2028	8,405	1,403
2029-2033	24,850	2,478
2034-2038	1,260	56
Total	\$ 85,925	\$ 14,183

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

10. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS-Continued

SBITA variable payments not included in the measurement of the subscription liability for governmental activities were \$84.54 million for the year ended June 30, 2023. There were no SBITA leases for business-type activities during the period. Additionally, there were no payments for termination penalties during the reporting period.

The following is a schedule of the right-to-use (RTU) assets and accumulated amortization for subscription leases at June 30, 2023, (in thousands):

	Governmental Activities
Subscription asset	\$ 108,590
Subscription asset accumulated amortization	(21,651)
Total	\$ 86,939

The development in progress for SBITAs that are not yet in production as of June 30, 2023 is \$8.25 million.

11. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans from direct borrowings and direct placements, financed purchase obligations from direct borrowing, pension (see Note 7), OPEB (see Note 8), lease (see Note 9), subscription (see Note 10) and other liabilities, which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

A summary of bonds, and notes and loans from direct borrowings and direct placements recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2023
NPC Bonds, 5.83%	\$ 5,000	\$ 5,000
Public Buildings Bonds and Notes, 0.32% to 7.62%	2,066,006	2,058,815
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 0.71% to 5.35%	349,584	343,338
Marina del Rey Loans, 4.50% to 4.70%	23,500	7,967
Lease Revenue Obligation Notes, 0.85% to 5.35%	135,467	135,467
Total	\$ 2,579,557	\$ 2,550,587

A summary of bonds, and notes and loans from direct borrowings and direct placements recorded within business-type activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2023
Public Buildings Bonds and Notes, 2.00% to 7.62%	\$ 820,783	\$ 794,574
Lease Revenue Obligation Notes, 0.85% to 5.35%	115,476	115,476
Waterworks District Loans, 1.40% to 2.28%	12,619	8,675
Aviation Loan, 2.95%	2,000	1,180
Total	\$ 950,878	\$ 919,905

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

11. LONG-TERM OBLIGATIONS-Continued

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. The County has pledged a total of 16 County-owned properties as collateral for various bonds. During FY 2022-2023, the County did not issue new bonds.

Principal and interest requirements on NPC bonds and Public Buildings certificates of participation and bonds for governmental activities and business-type activities are as follows (in thousands):

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 49,931	\$ 88,043	\$ 20,729	\$ 43,677
2025	52,336	85,403	21,690	42,373
2026	54,967	82,511	22,748	40,926
2027	57,747	79,444	23,878	39,401
2028	60,681	76,216	25,069	37,791
2029-2033	329,073	328,493	145,366	161,826
2034-2038	361,175	235,402	185,645	107,232
2039-2043	374,061	136,483	170,479	42,349
2044-2048	281,700	58,148	60,265	14,596
2049-2052	177,420	12,183	33,300	1,711
Subtotal	1,799,091	<u>\$ 1,182,326</u>	709,169	<u>\$ 531,882</u>
Add: Unamortized bond premiums	259,724		85,405	
Total certificates of participation and bonds	<u>\$ 2,058,815</u>		<u>\$ 794,574</u>	

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the 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 \$319.83 million and a residual certificate in exchange for the rights to receive and retain 25.90% 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 2023 were \$131.51 million. 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 5.70% interest rate at the time of the sale, was \$309.23 million. 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, 2023

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

On June 10, 2020, the California County Tobacco Securitization Agency issued \$349.59 million of Tobacco Settlement Bonds comprised of three series, maturing on various dates between 2021 and 2055, as reflected in governmental activities. These tax-exempt Tobacco Settlement Bonds Series 2020A (Senior) totaling \$213.46 million, Series 2020B-1 (Subordinate) totaling \$52.50 million, and Series 2020B-2 (Subordinate) totaling \$83.63 million were issued to refund on a current basis all of the outstanding principal amount of \$392.40 million of the Agency's Tobacco Settlement Asset-Backed Bonds Series 2006 through defeasance and redemption. The effective interest rates of the Series 2020 bonds vary from 0.71% through 5.35%.

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 6,280	\$ 9,558
2025	6,240	9,244
2026	6,445	8,932
2027	6,775	8,609
2028	7,070	8,271
2029-2033	37,015	35,926
2034-2038	38,885	27,355
2039-2043	40,505	19,194
2044-2048	37,795	11,416
2049-2052	29,110	1,379
2054-2055	83,629	446,441
Subtotal	299,749	586,325
Add: Accretions	14,227	(14,227)
Add: Unamortized bond premiums	29,362	
Total tobacco settlement asset-backed bonds	<u>\$ 343,338</u>	<u>\$ 572,098</u>

Notes, Loans, and Lease Revenue Obligation Notes

Notes from Direct Placements

BANs are issued by LACCAL to provide interim financing for equipment purchases. BANs are purchased by the County Treasury Pool and are payable within 3 years of their initial issuance date from the proceeds of long-term bonds or other available funds. The repayment of the BANs is secured by lease agreements between the County and LACCAL and a pledge of the purchased equipment. During FY 2022-2023, LACCAL, an Internal Service Fund, issued additional BANs in the amount of \$10.00 million as reflected in governmental activities. As of June 30, 2023, the note balance is \$5.00 million for governmental activities only.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Loans from Direct Borrowings

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. The loan contract contains a provision that in the event the County fails to make payment due, all principal and interest outstanding shall become immediately due and payable, and the deficiency will be added to, and become part of, the principal of the loan. As of June 30, 2023, the balance is \$7.97 million for governmental activities.

In June 2010, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of \$3.41 million and \$5.47 million 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 principal and interest payments of the loans are expected to require less than 46.73% of the annual surcharge revenues. The funding agreements contain a provision that in an event of default, obligations may be immediately due and payable, and further disbursements may be terminated. As of June 30, 2023, total loans drawn are \$3.40 million on the Sepulveda Feeder Interconnection project and \$5.47 million on the Marina del Rey Waterline Replacement project. As of June 30, 2023, the balance is \$5.31 million for business-type activities.

In July 2014, the Board approved the Whiteman Airport Leasehold Interest Acquisition Project, with a total Project cost of \$4.02 million. To partially finance the acquisition, the Aviation Enterprise Fund obtained an Airport Development Loan from the State of California Department of Transportation, Aeronautics Program for \$2.00 million with an annual interest rate of 2.95%. The Airport Development Loan will be repaid over 17 years with revenue generated by lease payment income. The loan agreement contains a provision that if the County fails to comply with or perform any term or condition in the agreement, or fails to pay the annual loan payment, the entire outstanding principal amount of the loan and all accrued interest may be immediately due and payable. In addition, the County may be ineligible for future financing under the program. During FY 2022-2023, the County did not obtain any additional airport development loans. As of June 30, 2023, the balance is \$1.18 million for business-type activities.

In September 2020, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of \$3.75 million from the California State Water Resources Control Board to fund the Del Valle Road Water Main Replacement Project. The loan will be repaid over 20 years and is secured by revenues from surcharges collected for capital improvements. Annual principal and interest payments of the loans are expected to require approximately 36% of the annual surcharge revenues. The funding agreement contains a provision that in an event of default, obligations may be immediately due and payable, and further disbursements may be terminated. During FY 2022-2023, the County drew down \$2.32 million in loans. As of June 30, 2023, the balance is \$3.37 million for business-type activities.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes from Direct Borrowings

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 and fund tenant improvements costs on certain leases, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of LRON is secured by four irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON. This program is secured by fifteen County-owned properties pledged as collateral in a lease-revenue financing structure with LACCAL.

The LOCs were issued for a five-year period and have a termination date of April 30, 2024. The County has the option to extend the LOCs 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 four LOCs is \$600.00 million, which consists of \$100.00 million of Series A (Bank of the West), \$200.00 million of Series B (U.S. Bank), \$200.00 million of Series C (Wells Fargo Bank), and \$100.00 million of Series D (State Street Bank). The County is responsible for the payment of a non-refundable letter of credit fee for each LOC 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 all four series of LOCs is equal to 0.35% of the maximum principal amount of the LOC. As of June 30, 2023, \$250.94 million of LRON issued under the program were outstanding, including \$18.53 million of Series A, \$76.13 million of Series B, \$99.21 million of Series C, and \$57.07 million of Series D.

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. In the event the notes are not able to be reissued in the note market, the bank will make a Principal Advance to pay the principal of the maturing note. If the Principal Advance remains outstanding longer than 90 days, a term loan is created to repay the bank.

During FY 2022-2023, the County reissued \$99.24 million for governmental activities and \$151.10 million for business-type activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with new County LRON of \$36.62 million for governmental activities and \$184.38 million for business-type activities, totaling \$221.00 million, and redemptions of \$400 thousand for governmental activities and \$220.00 million for business-type activities, totaling \$220.40 million, are reflected as notes payable. The total outstanding LRON as of June 30, 2023 is \$250.94 million, which is reported as \$135.46 million for governmental activities and \$115.48 million for business-type activities. The average interest rate on LRON issued in FY 2022-2023 was 2.41%.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes from Direct Borrowings-Continued

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
2024	\$ 136,653	\$ 359	\$ 115,896	\$ 143
2025	6,239	305	648	191
2026	1,295	249	662	176
2027	1,354	191	677	161
2028	1,414	130	692	146
2029-2033	1,479	67	3,555	482
2034-2038			1,343	172
2039-2043			577	114
2044-2048			618	73
2049-2053			663	27
Total notes, loans, and LRON	<u>\$ 148,434</u>	<u>\$ 1,301</u>	<u>\$ 125,331</u>	<u>\$ 1,685</u>

Financed Purchase Obligations-Direct Borrowings

Principal and interest requirements on financed purchase obligations for governmental activities are as follows (in thousands):

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 7,177	\$ 397
2025	2,906	255
2026	2,687	199
2027	2,667	147
2028	2,616	96
2029-2031	4,697	67
Total financed purchase obligations	<u>\$ 22,750</u>	<u>\$ 1,161</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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):

Debt Type	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
Certificates of participation and bonds	\$ 1,799,091	\$ 1,182,326	\$ 709,169	\$ 531,882
Tobacco settlement asset-backed bonds	299,749	586,325		
Notes, Loans, and LRON from direct borrowings and placements	148,434	1,301	125,331	1,685
Subtotal	2,247,274	<u>\$ 1,769,952</u>	834,500	<u>\$ 533,567</u>
Add: Accretions	14,227			
Unamortized premiums on bonds payable	289,086		85,405	
Total bonds and notes	<u>\$ 2,550,587</u>		<u>\$ 919,905</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. GASB 86, "Certain Debt Extinguishment Issues," requires that debt also be considered defeased when cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust to extinguish debt. Accordingly, the trust account assets and the related debt service payments for the defeased bonds would not be reflected in the County's statement of net position. At June 30, 2023, there were no outstanding bonds and certificates of participation considered defeased.

Changes in Long-term Liabilities

The following is a summary of the restatement of beginning balances as a result of the implementation of GASB 96, as described in Note 2 (in thousands):

	Balance at July 1, 2022, as previously reported	Adjustment	Balance at July 1, 2022, as restated
Governmental activities:			
Subscription liability (Note 10)	\$	55,237	\$ 55,237

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2023 (in thousands):

	Balance July 1, 2022 as restated	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2023	Due Within One Year
<u>Governmental activities:</u>					
Bonds payable	\$ 2,184,272		85,432	\$ 2,098,840	\$ 56,211
Notes, loans, and LRON from direct borrowings and placements	108,346	135,467	100,379	143,434	136,653
	<u>2,292,618</u>	<u>135,467</u>	<u>185,811</u>	<u>2,242,274</u>	<u>192,864</u>
ISF bonds payable and notes from direct placements	245	10,000	5,245	5,000	
Total bonds payable, notes, loans and LRON	2,292,863	145,467	191,056	2,247,274	192,864
Interest accretion on capital appreciation bonds payable	9,192	5,035		14,227	
Unamortized premium on bonds payable	294,346		5,260	289,086	6,258
<u>Other long-term liabilities:</u>					
Lease liability (Note 9)	1,419,492	284,364	125,664	1,578,192	117,184
Subscription liability (Note 10)	55,237	61,038	30,350	85,925	19,223
Financed purchase obligations	29,816		7,066	22,750	7,177
Accrued compensated absences	2,040,862	271,686	138,227	2,174,321	126,226
Workers' compensation (Note 18)	3,014,106	720,646	622,795	3,111,957	626,398
Litigation and self-insurance (Note 18)	546,007	3,409,421	223,265	3,732,163	261,775
Pollution remediation obligation (Note 19)	38,032	1,759	2,625	37,166	2,815
Net pension liability (Note 7)	6,073,131	5,309,310		11,382,441	
Net OPEB liability (Note 8)	22,862,738		1,868,134	20,994,604	
Third party payor	408,097	216,621	292,197	332,521	195,898
Total governmental activities	<u>\$ 39,083,919</u>	<u>10,425,347</u>	<u>3,506,639</u>	<u>\$ 46,002,627</u>	<u>\$ 1,555,818</u>
<u>Business-type activities:</u>					
Bonds payable	\$ 729,059		19,890	\$ 709,169	\$ 20,729
Add: Unamortized premium on bonds payable	85,907		502	85,405	756
Notes, loans, and LRON from direct borrowings and placements	159,167	117,798	151,634	125,331	115,896
Total bonds payable, notes, loans and LRON	974,133	117,798	172,026	919,905	137,381
<u>Other long-term liabilities:</u>					
Lease liability (Note 9)	1,148	902	319	1,731	425
Financed purchase obligations	11		11		
Accrued compensated absences	267,130	35,938	19,200	283,868	17,385
Workers' compensation (Note 18)	386,357	39,723	33,804	392,276	36,865
Litigation and self-insurance (Note 18)	67,911	1,433	35,294	34,050	21,709
Net pension liability (Note 7)	957,332	820,787		1,778,119	
Net OPEB liability (Note 8)	4,134,822		388,841	3,745,981	
Third party payor (Note 14)	496,901	146,925	117,052	526,774	142,136
Total business-type activities	<u>\$ 7,285,745</u>	<u>1,163,506</u>	<u>766,547</u>	<u>\$ 7,682,704</u>	<u>\$ 355,901</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 LA County Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued compensated absences, pension, OPEB, lease, financed purchase, subscription, litigation and self-insurance.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds. Accretions increased during FY 2022-2023, thereby increasing liabilities for Bonds by \$5.04 million 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 LACDA and First 5 LA discretely presented component units for the year ended June 30, 2023, were as follows (in thousands):

	Balance July 1, 2022	Additions	Maturities	Balance June 30, 2023	Due Within One Year
<u>LACDA</u>					
<u>Governmental activities:</u>					
Bonds payable	\$ 31,140		35	\$ 31,105	\$ 675
Unamortized premium on bonds payable	3,631		23	3,608	
Notes from direct borrowing	5,882	10,300	2,736	13,446	1,083
Compensated absences	1,848	1,752	1,668	1,932	1,739
Lease liability	186		110	76	70
Subscription liability		2,489	1,197	1,292	490
Claims payable	3,525	7,251	3,862	6,914	691
Net pension liability	11,032	32,098	3,814	39,316	
Net OPEB liability		2,409	1,132	1,277	
Total governmental activities	<u>\$ 57,244</u>	<u>56,299</u>	<u>14,577</u>	<u>\$ 98,966</u>	<u>\$ 4,748</u>
<u>Business-type activities:</u>					
Lease liability	1,059		1,059		
Subscription liability		319	76	243	53
Notes from direct borrowing	2,200			2,200	
Compensated absences	1,467	1,273	1,382	1,358	1,223
Net pension liability	2,597	25,128	2,984	24,741	
Net OPEB liability		556	354	202	
Total business-type activities	<u>\$ 7,323</u>	<u>27,276</u>	<u>5,855</u>	<u>\$ 28,744</u>	<u>\$ 1,276</u>
Total long-term obligations-LACDA	<u>\$ 64,567</u>	<u>83,575</u>	<u>20,432</u>	<u>\$ 127,710</u>	<u>\$ 6,024</u>
<u>First 5 LA</u>					
Compensated absences	\$ 1,057	700	752	\$ 1,005	\$ 121
Total long-term obligations-First 5 LA	<u>\$ 1,057</u>	<u>700</u>	<u>752</u>	<u>\$ 1,005</u>	<u>\$ 121</u>
Total long-term obligations-Discretely presented component units	<u>\$ 65,624</u>	<u>84,275</u>	<u>21,184</u>	<u>\$ 128,715</u>	<u>\$ 6,145</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

12. SHORT-TERM DEBT

On July 1, 2022, the County issued \$900.00 million of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 1.65%. 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 2022. The notes matured and were redeemed on June 30, 2023.

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2023, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling \$64.95 million and limited obligation improvement bonds totaling \$573 thousand. 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. The County has limited commitments for these 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 custodial 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. All industrial development bonds were paid during the year and no amount was outstanding as of June 30, 2023.

Redevelopment Refunding Bonds

The County of Los Angeles Redevelopment Refunding Authority, a JPA between the County and the Los Angeles County 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. The County has limited commitment for these bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2023, the amount of redevelopment refunding bonds outstanding was \$421.17 million.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenues are 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.

California Advancing and Innovating Medi-Cal

On December 28, 2021, the federal Centers for Medicaid and Medicare Services (CMS) approved the California Advancing and Innovating Medi-Cal (CalAIM) Section 1115 demonstration and CalAIM Section 1915(b) waiver, effective through December 31, 2026. CalAIM is an innovative and long-term commitment to transform and strengthen Medi-Cal, making the program more equitable, coordinated, and person-centered to help people maximize their health and life trajectory. CalAIM shifts Medi-Cal to a population health approach on a statewide level that prioritizes prevention and addresses social drivers of health.

Revenues from CalAIM include those derived from Medical Managed Care (which the State moved from the Section 1115 waiver - where it resided in Medi-Cal 2020 - to the 1915(b) waiver portion of CalAIM). Those revenues are depicted below, consistent with historicals, to facilitate year-to-year comparisons.

CalAIM revenues include (among other sources):

1. Global Payment Program
2. Providing Access and Transforming Health
3. Enhanced Care Management
4. Community Support

Global Payment Program

The Global Payment Program (GPP) originated under the Medi-Cal 2020 Waiver and was approved to continue under the CalAIM Section 1115 demonstration. 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 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.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

California Advancing and Innovating Medi-Cal-Continued

Global Payment Program-Continued

The GPP funds are comprised of (a) Disproportionate Share Hospital (DSH) funds that otherwise would have been allotted to the PHS, and (b) Safety Net Uncompensated Care Pool (SNCP) funds. DSH is a federal program to support safety-net hospitals that care for a disproportionate share of low-income patients. SNCP was established under California's 2005 waiver to support services provided to uninsured patients.

Each GPP (PHS) participant 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:

- 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) 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 2022-2023 were as follows (in thousands):

	<u>GPP Revenues</u>	<u>Intergovernmental Transfers Expense</u>
Harbor-UCLA Medical Center	\$ 273,373	\$ 135,399
Olive View-UCLA Medical Center	133,786	65,958
Los Angeles General Medical Center	384,750	230,925
Rancho Los Amigos National Rehab Center	120,812	95,684
Total	<u>\$ 912,721</u>	<u>\$ 527,966</u>

The General Fund received \$347.63 million for GPP and paid \$92.52 million of related IGTs, which were recorded as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Providing Access and Transforming Health

Providing Access and Transforming Health (PATH) is a five-year, \$1.850 billion initiative to provide and build capacity and infrastructure for initiatives under CalAIM, namely Enhanced Care Management, Community Support, and Justice-Involved services. There are several subaccounts in PATH that the Department of Health Services (DHS) has either applied for or will apply for:

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

California Advancing and Innovating Medi-Cal-Continued

Providing Access and Transforming Health-Continued

- Whole Person Care Services and Transition to Managed Care Mitigation Initiative
PATH will fund services provided by former Whole Person Care Pilot Lead Entities until the services transition to managed care coverage under CalAIM. This funding will end by January 1, 2024. The County must provide local match funding in the form of an IGT, based on actual expenditures, to receive reimbursement from the Department of Health Care Services (DHCS).
- Capacity and Infrastructure Transition, Expansion and Development (CITED) Initiative
PATH will provide direct funding to support the transition, expansion, and development of Enhanced Care Management and Community Support services. Funds will be made available from DHCS directly to recipients in several rounds, with the first round being up to \$100 million statewide. DHS is in the process of applying for this competitive pool of funds. The non-federal share will be provided with State general fund resources. DHS applied for funds in Round 1 and was authorized for \$8.59 million. Currently, DHS is in the process of applying for funds in Round 2.
- Justice-Involved Capacity Building Program
Starting in 2023, PATH funding will be available from DHCS to support DHS pre-release capacity building activities to support the ability to claim for certain health services provided in jail 90 days before release. CMS authorized payment for these services in a waiver amendment approved January 26, 2023. DHS is working with DHCS to determine how much funding will be available for pre-release capacity building.

In FY 2022-2023, the General Fund accrued \$49.08 million for PATH and \$20.87 million of related IGTs, which were recorded as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Enhanced Care Management

Enhanced Care Management (ECM) is a new Medi-Cal managed care benefit that supports a whole person-focused, interdisciplinary approach to intensive care management intended to improve care coordination and address the physical, behavioral health, and social needs of the highest cost, highest need Medi-Cal beneficiaries. It is designed to replace similar services that were previously provided under Whole Person Care and Health Homes Program. DHS has contracted with LA Care and Health Net to provide ECM services to certain high-need members assigned to DHS for primary care, and beginning in January 2024 it will add a contract with Molina.

In FY 2022-2023, an estimated \$2.88 million of ECM revenues were recorded as part of net patient service revenues.

The General Fund received an estimated \$3.52 million for ECM, which were recorded as "Charges for Services" revenue on the governmental funds statement.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

California Advancing and Innovating Medi-Cal-Continued

Community Support

Community Support (CS) covers a variety of managed care services that address complex barriers to health and drivers of health care costs, such as homelessness and unstable or unsafe housing, and food insecurity. CS is focused on addressing specific medical and social needs of the high-risk clients, in order to reduce utilization of higher-cost services. The services are voluntary for the managed care plan to offer, and for the patients to opt in to receiving. DHS has contracted with six Medi-Cal managed care plans to launch and offer the following CS services in 2022 and 2023: recuperative care, housing navigation and tenancy sustaining services. Additional services for newly eligible populations are scheduled to roll out through 2024. The General Fund received an estimated \$66.36 million for CS, which were recorded as "Charges for Services" revenue on the governmental funds statement. It is expected that these amounts will decline in future years due to health plans limiting the duration of housing benefits to periods that are shorter than the time during which a person receives housing services from the County. While current year revenues reflect coverage for a substantial share of current clients, in future years, only newly housed individuals will be reimbursed.

Previous Medi-Cal Demonstration Projects

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. As of the end of the FY 2022-2023, Program Years 2010-2011 and 2014-2015 are still pending State's final reconciliation.

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 2022-2023, an estimated \$153.58 million of SPD revenues were recorded as part of net patient service revenues.

The General Fund received \$16.45 million for SPD, which were recorded as "Charges for Services" revenue on the governmental funds statement.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Affordable Care Act

On January 1, 2014, when the federal health care reform of the Patient Protection and Affordable Care Act 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 138.00% of the Federal Poverty Level. The Federal Medical Assistance Percentage (FMAP) for the MCE Program was 100.00% from July 1, 2016 through December 31, 2016, 95.00% from January 1, 2017 through December 31, 2017, 94.00% from January 1, 2018 through December 31, 2018, and 93.00% from January 1, 2019 through December 31, 2019. It became 90.00% on January 2020 and is set to continue at the level thereafter.

The County contracts with LA Care Health Plan (LA Care) and Health Net Community Solutions, Inc. (Health Net) to provide services for their Medi-Cal managed care members. During FY 2022-2023, LA Care paid the County managed care capitation payments based on the CY 2022 contract rates, while Health Net paid contracted rates effective January 2022.

In FY 2022-2023, 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	\$ 402,102	\$
MCRS - MCE	157,814	27,461
Total	\$ 559,916	\$ 27,461

The General Fund received \$90.69 million for MCE which was recorded as "Charges for Services" revenue. The IGTs recorded under "Health and Sanitation" expenditures on the governmental funds statement are related to prior year IGT reconciliations.

On September 1, 2023, the County received a Civil Investigative Demand ("CID") from the United States Department of Justice ("DOJ"). The demand seeks records and information related to managed care and the expansion of Medicaid to adult expansion under the Affordable Care Act. The County is cooperating with the investigation and has made an initial production of documents responsive to the CID. Potential penalties are contingent on a number of factors and too speculative to reasonably estimate at this time.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

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 FFS to cost based reimbursement. The non-federal share of the Medi-Cal FFS is 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 (FFP), currently provided at a 56.20% match which incorporates a 6.20% increase in the FFP rate as authorized by the Families First Coronavirus Response Act (FFCRA). For FY 2022-2023, an estimated \$456.31 million of Medi-Cal FFS revenues were recorded as part of net patient service revenue.

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 \$73.57 million were recognized and recorded as part of net patient service revenue during FY 2022-2023.

Cost Based Reimbursement Clinics

Cost Based Reimbursement Clinics (CBRC) reimburse 100% of allowable costs for outpatient services provided to Medi-Cal FFS beneficiaries at the County's hospital-based clinics, outpatient centers and Ambulatory Care Network health centers (excluding clinics that provide predominately public health services). In FY 2022-2023, CBRC revenues were \$231.70 million for the enterprise funds and were recorded as net patient services revenue.

As of June 30, 2023, the County estimated that approximately \$27.64 million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a noncurrent asset in the enterprise fund statements of net position for each hospital.

The General Fund received \$42.92 million for CBRC, which was recorded as "Charges for Services" revenue on the governmental funds statement. As of June 30, 2023, the County estimated that approximately \$8.56 million of CBRC accounts receivable would not be collectible within 12 months.

Medi-Cal Cost Report Settlements

In FY 2022-2023, the County recognized final inpatient hospital FFS settlements of \$29.48 million related to the FY 2011-2012. In addition, the County received CBRC audit settlements of \$68.35 million related to FY 2019-2020 and FY 2020-2021. The County's appeal of certain CBRC audit adjustments at various levels to the Office of Administrative Appeals have been favorably resolved resulting in \$7.32 million of final settlement revenues.

The State is in the process of auditing the FY 2020-2021 non-hospital CBRC and FY 2021-2022 hospital cost reports. Settlements are expected by the 4th quarter of FY 2023-2024.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Graduate Medical Education

On March 19, 2020, the State executed State Plan Amendment (SPA) Transmittal Number 17-009 that allows for graduate medical education (GME) payments to certain governmental hospitals for Medi-Cal managed care services effective January 1, 2017. The Medi-Cal managed care plans do not include GME payments within the capitation rates.

These supplemental GME payments are funded by voluntary IGTs made by the County pursuant to Welfare and Institutions Code (WIC) sections 14164 and 14105.29(c), that is used solely as the source for the non-federal share of GME payments made to the eligible providers of the Governmental Funding Entity pursuant to WIC section 14105.29 and Supplement 6 to Attachment 4.19-A of the SPA. The funds transferred qualify for FFP pursuant to 42 Code of Federal Regulations part 433 subpart B.

Under the SPA, the County is required by Welfare and Institutions Code Section 14105.29, to pay the State a 5% administrative fee that is assessed on the full amount of the IGTs. This amount is also recorded as part of the IGT.

In FY 2022-2023, the County recorded the GME supplemental gross revenue payments as listed below and recorded the corresponding IGT expense as follows (in thousands):

	GME Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	\$ 62,537	\$ 7,764
Olive View-UCLA Medical Center	28,506	1,971
Los Angeles General Medical Center	108,501	11,951
Rancho Los Amigos National Rehab Center	2,342	281
Total	\$ 201,886	\$ 21,967

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 calendar year 2023. 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.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplements-Continued

The total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2022-2023, including prior year over/under realization, were as follows (in thousands):

	MCRS Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	\$ 1,230	\$ (705)
Olive View-UCLA Medical Center	216,060	117,058
Rancho Los Amigos National Rehab Center	(7,529)	(6,487)
Total	<u>\$ 209,761</u>	<u>\$ 109,866</u>

The MCRS IGTs related to the prior year reconciliations, in the amount of \$0.04 million, were recorded in the General Fund as "Health and Sanitation" expenditures on the governmental fund statements. There are no associated revenues related to these IGT reconciliations.

Managed Care Rule

On April 25 2016, CMS published the Medicaid and Children's Health Insurance Program (CHIP) Managed Care Final Rule. The rule, many provisions of which went into effect July 1, 2017, is an update to the regulatory framework for Medicaid, aligning it as much as possible with Medicare and other commercial insurance requirements for issues like rate setting, access standards, grievances and appeals, and quality.

The managed care rule limits the ability of states to direct payments to health care providers, unless certain conditions are met. Among the allowable exceptions are payments tied to performance, and payments that provide a uniform payment increase which includes a pre-determined increase over contracted rates. The previous SPD-SB208 and AB85 MCE-to-Cost programs did not meet these conditions. In order to retain this critical funding, the following two programs were introduced:

1. Enhanced Payment Program
2. Quality Incentive Program

Enhanced Payment Program

The Enhanced Payment Program (EPP) creates a funding pool to supplement the base rates public health care systems receive through Medi-Cal managed care contracts. It was intended to meet the managed care rule's criteria that allow payments that provide a uniform increase within a class of providers such as a predetermined increase over contracted rates.

The mechanism for delivering EPP payments to public health care systems depends largely on those systems' existing payment arrangements with their managed care plans. Under the proposed structure, health plans would receive an add-on to their managed care rates and would provide interim payments to providers throughout the year. Payments would be reconciled at the end of the year, protecting health plans from any risk associated with payment.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Managed Care Rule-Continued

Enhanced Payment Program-Continued

The estimated EPP revenues and related IGTs reported in FY 2022-2023 are as follows (in thousands):

	EPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	\$ 301,653	\$ 60,791
Olive View-UCLA Medical Center	133,803	26,825
Los Angeles General Medical Center	327,440	67,121
Rancho Los Amigos National Rehab Center	29,342	5,657
Total	<u>\$ 792,238</u>	<u>\$ 160,394</u>

The General Fund received \$249.42 million for EPP and paid \$50.51 million of related IGTs, which were recorded as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Quality Incentive Program

The Quality Incentive Program (QIP) is meant to meet the Managed Care Rule's exception that allows payments tied to performance.

The QIP represents a pay for performance program for California's public health care systems that uses a value-based structure. QIP payments are tied to the achievement of performance on a set of clinically established quality measures for Medi-Cal managed care enrollees.

At FY 2022-2023 year-end, the estimated QIP revenues, which were recorded as patient service revenues, and related IGTs, including prior year over/under realization, are as follows (in thousands):

	QIP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	\$ 119,085	\$ 26,513
Olive View-UCLA Medical Center	63,979	14,224
Los Angeles General Medical Center	145,914	32,397
Rancho Los Amigos National Rehab Center	22,304	4,964
Total	<u>\$ 351,282</u>	<u>\$ 78,098</u>

The General Fund received \$34.09 million for QIP and paid \$7.72 million of related IGTs, which were recorded as "Intergovernmental Revenues - Federal" and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Third Party Payor Liability

The County's Hospitals reported third party payor liabilities of \$526.77 million (see Note 11) as of June 30, 2023, as reported on the statement of net position for proprietary funds. The current liabilities for amounts due within one year are \$142.13 million.

The noncurrent liabilities for third party payors related to enterprise funds are \$384.64 million. The primary programs associated with third party payors liabilities include DSH (\$113.09 million), Medi-Cal (\$56.33 million), SNCP (\$26.64 million), Medicare (\$46.97 million), SPD (\$16.27 million), MCE (\$69.79 million), AB 915 (\$30.70 million), In-home Supportive Services (IHSS) (\$14.42 million), Medi-Cal Physician SPA (\$9.57 million), and other miscellaneous programs (\$853 thousand).

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2023 (in thousands):

	H-UCLA	OV-UCLA	Los Angeles General	Rancho	Total
Accounts receivable	\$ 2,680,967	1,483,593	3,530,850	692,579	\$ 8,387,989
Less: Allowance for uncollectible amounts	1,876,091	1,021,312	2,473,495	467,368	5,838,266
Accounts receivable - net	<u>\$ 804,876</u>	<u>462,281</u>	<u>1,057,355</u>	<u>225,211</u>	<u>\$ 2,549,723</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 DHS's Ability-to-Pay program, through other collection efforts by DHS, 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 estimated cost of charity care for the year ended June 30, 2023 was \$797.01 million. The total amount of such charity care provided by the hospitals for the year ended June 30, 2023 is as follows (in thousands):

Charity care at established rates	\$ 1,485,340
GPP reimbursements	160,537
Charges forgone	<u>\$ 1,324,803</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Realignment

As a result of the ACA, the 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% to the State and 20% to the County. This ratio has been in place since FY 2014-2015. AB85, as amended, provides a unique formula for the County to determine the amount to be redirected.

In FY 2022-2023, the State did not withhold any of the County's Health Realignment funds. This amount is expected to be reconciled against actual revenues and expenses for FY 2022-2023 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 2021-2022, the State did not withhold any of the County's Health Realignment funds. Based on updated revenues realized for FY 2021-2022 services in FY 2022-2023, the projected redirection amount remains at \$0.00.

In FY 2020-2021, the State did not withhold any of the County's Health Realignment funds. However, based on updated revenues realized for FY 2020-2021 services in FY 2022-2023, the projected redirection amount is \$71.10 million. As a result, the "Intergovernmental Revenues - State" has been reduced by \$71.10 million in the County's General Fund in FY 2022-2023.

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 hospital at the MLK-MACC site. As originally conceived, the hospital would: 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 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 approved an additional short-term revolving loan in the amount of \$40.00 million to assist MLK-LA with post-hospital opening expenses. As of June 30, 2023, the 30-year loan has an outstanding balance of \$37.50 million. In May 2023, MLK-LA drew down \$20 million from the revolving line of credit. MLK-LA will make interest only payments due in May and November and plans to pay back the revolving line of credit in the early part of 2024. 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. Under the terms of the agreement, the lease is for a period of forty (40) years with three options to extend the term by an additional ten years. The County established a lease receivable to lease the MLK facility to MLK-LA which has a balance of \$656.88 million as of June 30, 2023 and is reflected in governmental activities and the governmental funds.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Coronavirus Disease (COVID-19)

Provider Relief Funds

The Provider Relief Funds (PRF) are administered by the Health Resources and Services Administration and supports eligible health care providers in the battle against the COVID-19 pandemic. PRF provides relief funds to eligible providers of health care services and support for health care related expenses or lost revenues attributable to COVID-19. PRF recipients are restricted for eligible services rendered related to expenditures/expenses and lost revenues during the period of availability.

As of June 30, 2023, the County PRF allocation is \$322.67 million. Under the fund statements, the General Fund recognized the PRF as “Intergovernmental revenues-Federal” and the Hospital enterprise funds recognized revenue as operating revenues “Net patient service revenues”. The government-wide financial statements recorded the PRF revenue as “Operating Grants and Contributions” as reflected below (in thousands):

	PRF Allocation	FY 2022-2023 Revenues
Harbor-UCLA Medical Center	\$ 79,987	\$ 4,684
Olive View-UCLA Medical Center	58,963	1,679
Los Angeles General Medical Center	150,915	1,281
Rancho Los Amigos National Rehab Center	25,505	182
General Fund	7,301	
Total	\$ 322,671	\$ 7,826

The PRF Allocation above does not include interest collected or accrued, which is subject to the same restrictions related to expenditures/expenses and lost revenue during the period of availability. In September 2022, the Office of Inspector General initiated an audit of DHS' compliance with the PRF requirements. The outcome of the audit is not determinable at this time.

Harbor-UCLA Medical Center Accreditation

In June of 2023, the Accreditation Council for Graduate Medical Education (ACGME) Institutional Review Committee (IRC) placed Harbor-UCLA Medical Center on probationary status. Leadership is actively working to resolve the issue. Institutions on probationary status remain accredited to sponsor all currently accredited residency and fellowship programs, but they may not apply for accreditation of new programs. Harbor-UCLA did not have plans to do so. There are no direct adverse financial consequences associated with the hospital's probationary status and indirect consequences are too speculative to estimate at this time.

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, 2023.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	\$ 36,283
	Flood Control District	4,351
	LA County Library	6,049
	Regional Park and Open Space District	1,960
	Mental Health Services Act	218,840
	Nonmajor Governmental Funds	289,133
	Harbor-UCLA Medical Center	101,338
	Olive View-UCLA Medical Center	50,571
	Los Angeles General Medical Center	12,204
	Rancho Los Amigos Nat'l Rehab Center	93,946
	Waterworks	10,472
	Nonmajor Aviation	163
	Internal Service Funds	11,623
	<u>836,933</u>	
Fire Protection District	General Fund	1,011
	Nonmajor Governmental Funds	848
	Internal Service Funds	13
		<u>1,872</u>
Flood Control District	General Fund	980
	Fire Protection District	2
	Nonmajor Governmental Funds	2,275
	Waterworks	375
	Nonmajor Aviation	26
	Internal Service Funds	19,282
	<u>22,940</u>	
LA County Library	General Fund	7,554
	Nonmajor Governmental Funds	373
		<u>7,927</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 52,712
	Fire Protection District	11,119
	Flood Control District	65
	LA County Library	5
	Nonmajor Governmental Funds	37,544
	Internal Service Funds	22,548
		<u>123,993</u>
Harbor-UCLA Medical Center	General Fund	63,418
	Nonmajor Governmental Funds	26,838
	Olive View-UCLA Medical Center	15,173
	Los Angeles General Medical Center	210,089
	Rancho Los Amigos Nat'l Rehab Center	405
	<u>315,923</u>	
Olive View-UCLA Medical Center	General Fund	43,374
	Fire Protection District	71
	Nonmajor Governmental Funds	12,782
	Harbor-UCLA Medical Center	108
	Los Angeles General Medical Center	127,407
	Rancho Los Amigos Nat'l Rehab Center	266
	Internal Service Funds	2
	<u>184,010</u>	
Los Angeles General Medical Center	General Fund	134,041
	Fire Protection District	33
	Nonmajor Governmental Funds	48,571
	Harbor-UCLA Medical Center	184,421
	Olive View-UCLA Medical Center	3
	Rancho Los Amigos Nat'l Rehab Center	108,677
	<u>475,746</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Rancho Los Amigos Nat'l Rehab Center	General Fund	\$ 4,477
	Harbor-UCLA Medical Center	24,725
	Olive View-UCLA Medical Center	127,081
	Los Angeles General Medical Center	30,101
		<u>186,384</u>
Waterworks	General Fund	36
	Flood Control District	5
	Nonmajor Governmental Funds	6
	Internal Service Funds	<u>2,026</u>
		<u>2,073</u>
Nonmajor Aviation	General Fund	26
	Fire Protection District	4
	Nonmajor Governmental Funds	11
	Waterworks	1
	Internal Service Funds	<u>249</u>
		<u>291</u>
Internal Service Funds	General Fund	37,526
	Fire Protection District	631
	Flood Control District	30,428
	Nonmajor Governmental Funds	44,249
	Harbor-UCLA Medical Center	583
	Olive View-UCLA Medical Center	314
	Los Angeles General Medical Center	3,262
	Rancho Los Amigos Nat'l Rehab Center	32
	Waterworks	5,728
	Nonmajor Aviation	988
	<u>123,741</u>	
Total Interfund Receivables/Payables		<u><u>\$ 2,281,833</u></u>

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the LA County Library and the 4 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, 2023

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2023 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	\$ 83,319
	LA County Library	60,953
	Nonmajor Governmental Funds	228,803
	Harbor-UCLA Medical Center	311,903
	Olive View-UCLA Medical Center	91,036
	Los Angeles General Medical Center	360,371
	Rancho Los Amigos Nat'l Rehab Center	142,643
	Internal Service Funds	29
		<u>1,279,057</u>
Fire Protection District	Nonmajor Governmental Funds	22,284
		<u>22,284</u>
Flood Control District	General Fund	2,300
	Internal Service Funds	2
		<u>2,302</u>
LA County Library	General Fund	1,069
	Nonmajor Governmental Funds	765
		<u>1,834</u>
Mental Health Services Act	General Fund	<u>657,350</u>
Nonmajor Governmental Funds	General Fund	530,057
	Fire Protection District	4,882
	LA County Library	884
	Nonmajor Governmental Funds	32,145
	Harbor-UCLA Medical Center	52,808
	Olive View-UCLA Medical Center	29,651
	Los Angeles General Medical Center	109,998
	Rancho Los Amigos Nat'l Rehab Center	3,035
	Internal Service Funds	3,387
	<u>766,847</u>	
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	902
	Los Angeles General Medical Center	184,418
	Rancho Los Amigos Nat'l Rehab Center	14,635
	<u>199,955</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Olive View-UCLA Medical Center	Rancho Los Amigos Nat'l Rehab Center	34,383
Los Angeles General Medical Center	Nonmajor Governmental Funds	1
	Olive View-UCLA Medical Center	80,004
	Rancho Los Amigos Nat'l Rehab Center	132,656
		<u>212,661</u>
Rancho Los Amigos Nat'l Rehab Center	Nonmajor Governmental Funds	1,555
	Harbor-UCLA Medical Center	4,012
	Olive View-UCLA Medical Center	879
	Los Angeles General Medical Center	108,128
		<u>114,574</u>
Nonmajor Aviation Funds	Internal Service Funds	<u>3</u>
Internal Service Funds	General Fund	3,611
	Flood Control District	2,392
	Nonmajor Governmental Funds	2,582
	Waterworks	142
		<u>8,727</u>
Total Interfund Transfers		<u>\$ 3,299,977</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 advances to assist the Hospital Funds in meeting their cash flow requirements.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

15. INTERFUND TRANSACTIONS-Continued

Interfund Advances-Continued

Advances from/to other funds at June 30, 2023 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Harbor-UCLA Medical Center	\$ 4,737
	Olive View-UCLA Medical Center	2,554
	Los Angeles General Medical Center	6,400
	Rancho Los Amigos Nat'l Rehab Center	1,265
	Internal Service Funds	2,782
		<u>17,738</u>
Flood Control District	Internal Service Funds	<u>6,672</u>
Nonmajor Governmental Funds	Internal Service Funds	<u>11,014</u>
Waterworks	Internal Service Funds	<u>1,260</u>
Nonmajor Aviation	Internal Service Funds	<u>272</u>
Total Interfund Advances		<u>\$ 36,956</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 canceled or otherwise made available are recorded as changes in fund balance in other financing sources.
- 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- 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.
- The County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Custodial 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 Custodial assets at June 30, 2023.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Mental Health Services Act
Fund balance - budgetary basis	\$ 3,764,489	\$ 70,854	\$ 69,148	\$ 79,020	\$ 471,490	\$ 155,070
Budgetary fund balances	<u>3,056,258</u>	<u>162,781</u>	<u>321,567</u>	<u>99,152</u>	<u>237,775</u>	<u>1,150,660</u>
Subtotal	<u>6,820,747</u>	<u>233,635</u>	<u>390,715</u>	<u>178,172</u>	<u>709,265</u>	<u>1,305,730</u>
Adjustments:						
Accrual of estimated liability for litigation and self-insurance claims	328,909	1,858		564		
Accrual of compensated absences	105,873					
Unamortized balance of sale of tobacco settlement revenue	(183,207)					
Change in revenue accruals	(820,815)	(33,306)	(26,391)	(11,329)	(33,542)	(72,857)
Change in OPEB Custodial Fund	231,550	14,250		1,988		
Subtotal	<u>(337,690)</u>	<u>(17,198)</u>	<u>(26,391)</u>	<u>(8,777)</u>	<u>(33,542)</u>	<u>(72,857)</u>
Fund balance - GAAP basis	<u>\$ 6,483,057</u>	<u>\$ 216,437</u>	<u>\$364,324</u>	<u>\$169,395</u>	<u>\$ 675,723</u>	<u>\$1,232,873</u>

17. OTHER COMMITMENTS AND CONTINGENCIES

Construction and Other Significant Commitments

At June 30, 2023, there were contractual commitments of approximately \$12.38 million for various governmental construction projects and approximately \$1.102 billion for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2023, LACERA had outstanding capital commitments to various investment managers, approximating \$9.500 billion.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

17. OTHER COMMITMENTS AND CONTINGENCIES-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, 2023, 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	\$		1,027,396	\$ 1,027,396
Fire Protection District	63,861			63,861
Flood Control District	148,686			148,686
LA County Library			16,953	16,953
Regional Park and Open Space District	71,824			71,824
Nonmajor Governmental Funds	239,861	20,793		260,654
Total Encumbrances	<u>\$ 524,232</u>	<u>20,793</u>	<u>1,044,349</u>	<u>\$ 1,589,374</u>

Contingent Gain

During FY 2020-2021, the State of California and its political subdivisions participated in obtaining final settlement agreements and judgments against multiple companies to resolve legal claims related to the companies’ role in the opioid crisis. Currently, California’s allocation is approximately 9.92% of the national settlement funds. The State of California Department of Health Care Services (DHCS) oversees and administers the settlement funds that are received as follows: 15 percent allocated to the State of California and used for future opioid remediation activities, 70 percent allocated to the Participating Subdivisions (i.e., counties and cities) and used for opioid remediation activities, and 15 percent allocated to the Plaintiff Subdivisions that are Initial Participating Subdivisions (which includes the County). DHCS will also oversee all activities funded by the settlements including, but not limited to, designating additional high-impact abatement activities, conducting related stakeholder engagement, monitoring the California participating subdivisions for compliance, and preparing annual reports. Future opioid litigation may result in additional settlement agreements or judgments, or suspension and reduction of payments, and each agreement or judgment may have unique terms governing payment timing and duration. The County reported Opioid settlement revenues of \$33.35 million in FY 2022-2023 under the nonmajor health and sanitation funds, as reflected in the government-wide governmental activities and governmental fund statements. Because of the uncertainty of future revenues to be received from the State, no receivable has been established for the opioid settlements.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 2020-2021, FY 2021-2022 or FY 2022-2023.

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.

As indicated in the following table, the County's workers' compensation balance as of June 30, 2023 was approximately \$3.504 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2023. Approximately \$154.72 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2023, the County's estimate of these liabilities is \$7.270 billion. Changes in the reported liability since July 1, 2022 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>2021-2022</u>				
Workers' Compensation	\$ 3,306,645	698,471	(604,653)	\$ 3,400,463
Other	249,859	444,497	(80,438)	613,918
Total	<u>\$ 3,556,504</u>	<u>1,142,968</u>	<u>(685,091)</u>	<u>\$ 4,014,381</u>
<u>2022-2023</u>				
Workers' Compensation	\$ 3,400,463	760,369	(656,599)	\$ 3,504,233
Other	613,918	3,410,854	(258,559)	3,766,213
Total	<u>\$ 4,014,381</u>	<u>4,171,223</u>	<u>(915,158)</u>	<u>\$ 7,270,446</u>

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately \$348.09 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

18. RISK MANAGEMENT-Continued

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 State and 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.

19. POLLUTION REMEDIATION

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.

As of June 30, 2023, the County's estimated pollution remediation obligation totaled \$37.17 million. This obligation was associated with the County's 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, 2023 are described as follows:

- The deferred outflows of resources, included on the government-wide statement of net position, relate to the unamortized losses on refunding of debt, changes in the net pension liability as discussed in Note 7, and changes in the net OPEB 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

- The deferred inflows of resources, included on the government-wide statement of net position, relate to the future installment payments of public-private and public-public partnerships as discussed in Note 6, from changes in the lease receivable as discussed in Note 9, from changes in the net pension liability as discussed in Note 7, and from changes in the net OPEB 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	\$ 7,999		\$ 7,999
Pension	5,619,576	850,616	6,470,192
OPEB	5,189,428	783,772	5,973,200
Total government-wide deferred outflows of resources	<u>\$ 10,817,003</u>	<u>1,634,388</u>	<u>\$ 12,451,391</u>
Deferred inflows of resources:			
Unamortized gain on refunding of debt	\$ 10,920	10,586	\$ 21,506
Public-private partnerships	84,995		84,995
Leases	1,873,408	20,565	1,893,973
Pension	436,051	111,155	547,206
OPEB	8,085,131	1,690,433	9,775,564
Total government-wide deferred inflows of resources	<u>\$ 10,490,505</u>	<u>1,832,739</u>	<u>\$ 12,323,244</u>

Proprietary Funds

Statement of Net Position (in thousands):

	H-UCLA	OV-UCLA	LA GEN	Rancho	Aviation	Total	ISF Funds
Deferred outflows of resources:							
Pension	\$ 263,773	149,080	359,503	78,260		\$ 850,616	\$ 217,511
OPEB	234,647	129,341	348,457	71,327		783,772	215,653
Total proprietary funds deferred outflows of resources	<u>\$ 498,420</u>	<u>278,421</u>	<u>707,960</u>	<u>149,587</u>		<u>\$ 1,634,388</u>	<u>\$ 433,164</u>
Deferred inflows of resources:							
Unamortized gain on refunding of debt	\$ 10,586					\$ 10,586	\$
Leases					20,565	20,565	
Pension	31,065	30,824	42,047	7,219		111,155	11,614
OPEB	472,547	337,739	729,420	150,727		1,690,433	334,226
Total proprietary funds deferred inflows of resources	<u>\$ 514,198</u>	<u>368,563</u>	<u>771,467</u>	<u>157,946</u>	<u>20,565</u>	<u>\$ 1,832,739</u>	<u>\$ 345,840</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

Deferred outflows and inflows of resources balances in the governmental funds balance sheet as of June 30, 2023 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 three such items, which are property tax revenues to be collected beyond the 60 day accrual period, lease receivables measured at the present value or expected to be received during the lease term in a future 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):

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Nonmajor Funds	Total
Deferred outflows of resources - Tobacco settlement revenues	\$					183,207	\$ 183,207
Deferred inflows of resources:							
Tobacco settlement revenues	\$ 183,207						\$ 183,207
Leases	1,833,620		34,781			5,007	1,873,408
Property tax revenues	186,132	38,192	9,876	5,857	1,638	15,217	256,912
Other long-term receivables	259,251	12,952					272,203
Total governmental funds deferred inflows of resources	<u>\$2,462,210</u>	<u>51,144</u>	<u>44,657</u>	<u>5,857</u>	<u>1,638</u>	<u>20,224</u>	<u>\$2,585,730</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 (in thousands) is as follows:

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Governmental Funds
Fund Balances:							
Nonspendable:							
Inventories	\$ 137,240	\$ 12,780	\$ 200	\$ 146	\$	\$	\$ 1
Long-term receivables	126,127						27
Permanent fund principal							2,109
Total Nonspendable	263,367	12,780	200	146			2,137
Restricted for:							
Purpose of fund		203,657	364,025	82,037	675,723	1,232,873	2,355,475
Purpose of utility users tax	73,367						
Sheriff Pitchess landfill	2,262						
La Alameda project	2,000						
Capital projects							44,920
Debt service							270,193
Endowments and annuities							36
Total Restricted	77,629	203,657	364,025	82,037	675,723	1,232,873	2,670,624
Committed to:							
Purpose of fund							72,045
Capital projects and extraordinary maintenance	72,689						69,855
Affordable housing	5,254						
Board budget policies and priorities	3,334						
Budget uncertainties	94,052						
Capital assets	16,575						
Department of Children and Family Services	8,840						
DPSS building purchase	33,944						
Financial system (eCAPS)	26,000						
Health services future financial requirements	600						
Health services-tobacco settlement	174,372						
Alternatives to incarceration-Facilities and Programs	110,975						
Information technology enhancements	52,160						
Library services	1,496						

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

21. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Governmental Funds
Live scan	2,000						
Office of Diversion and Re-Entry Permanent Supportive Housing	112,777						
Public works-permit tracking system	3,151						
Services to unincorporated areas	4,320						
Sheriff unincorporated patrol	90						
TTC client asset and management system	500						
TTC remittance processing and mailroom equipment	500						
TTC unsecured property tax system	51,664						
Youth justice reimagined development	29,430						
Woolsey fire recovery efforts	28,069						
Total Committed	832,792						141,900
Assigned to:							
Purpose of fund			99	87,212			152,106
Future purchases	1,028,770						
Capital projects							46,107
Total Assigned	1,028,770		99	87,212			198,213
Unassigned	4,280,499						
Total Fund Balances	\$6,483,057	\$ 216,437	\$364,324	\$169,395	\$675,723	\$1,232,873	\$ 3,012,874

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. On May 3, 2022, the Board adopted an updated "Rainy Day" Fund amount of 17.00% of on-going locally generated revenue from the previous 10.00% amount. 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 each year until the 17.00% 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.

Seventeen percent (17.00%) of the new ongoing discretionary revenues should be set aside annually, during the budget process as a hedge against any unforeseen fiscal issues during the year. At year-end, these funds will be transferred to the Rainy Day fund.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

21. FUND BALANCES-Continued

Reserve for “Rainy Day” Fund-Continued

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 \$854.92 million is reported as unassigned fund balance in the General Fund.

22. CORONAVIRUS DISEASE 2019 (COVID-19)

On March 13, 2020, a presidential emergency was declared for all states, tribes, territories, and the District of Columbia due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster assistance available; through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the County and to the State of California to supplement the County’s local recovery efforts. To assist in the efforts to respond to COVID-19, the County received significant fiscal stimulus in federal funds as described below. In FY 2022-2023, the County spent all of the remaining federal and State CARES Act funds and no advances payable were recorded.

Federal Emergency Management Agency

The County also received \$119.00 million from the Federal Emergency Management Agency (FEMA) and \$3.70 million from the California Governor’s Office of Emergency Services (Cal OES) for 5 expedited projects to respond to COVID-19. The 5 projects were for the 1) County’s Emergency Operations Center and related emergency services/activities; 2) Non-congregate medical shelters; 3) COVID-19 testing; 4) Project Room Key – emergency non-congregate shelters for homeless individuals meeting certain criteria; and 5) Great Plates – emergency feeding for certain at-risk individuals. For FY 2022-2023, the County recorded \$64.48 million as revenue on the fund and government-wide financial statements and \$14.91 million (including the interest) is reported as advances payable.

Emergency Rental Assistance

The federal Emergency Rental Assistance (ERA) program makes funding available to assist households that are unable to pay rent or utilities due to the COVID-19 pandemic. Two separate programs have been established: ERA1 provides up to \$25 billion under the Consolidated Appropriations Act, 2021, which was enacted on December 27, 2020, and ERA2 provides up to \$21.55 billion under the American Rescue Plan Act of 2021, which was enacted on March 11, 2021. During FY 2020-2021, the County received \$160.07 million and \$84.72 million for ERA1 and ERA2, respectively. For ERA1, the County entered into an agreement to direct the State of California to administer the County’s funds to eliminate confusion for tenants and landlords because of the multiple programs amongst the multitude of jurisdictions within the State and the County. For ERA1, the County recorded \$0.28 million of revenue and the corresponding expenditures on the fund and government-wide financial statements. All of ERA1 funds have been expended. For ERA2, \$2.16 million (including the interest) is reported as advances payable.

American Rescue Plan Act of 2021

The American Rescue Plan (ARP) Act of 2021 Coronavirus State and Local Government Fiscal Recovery Funds (Fiscal Recovery Funds) continues many of the programs started by the CARES Act (2020) and Consolidated Appropriations Act (2021) by adding new phases, new allocations, and new

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

22. CORONAVIRUS DISEASE 2019 (COVID-19)-Continued

American Rescue Plan Act of 2021-Continued

guidance to address issues related to the continuation of the COVID-19 pandemic. The ARP also creates a variety of new programs to address continuing pandemic-related crises, and fund recovery efforts as the United States begins to emerge from the COVID-19 pandemic. The ARP was passed by Congress on March 10, 2021 and signed into law on March 11, 2021.

The Fiscal Recovery Funds may be used for the following: 1) to respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; 2) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers; 3) to provide government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and 4) to make necessary investments in water, sewer, or broadband infrastructure. In December 2022, Congress amended the ARP program through the Consolidated Appropriations Act, 2023, providing additional flexibility for recipients to use ARP funds to respond to natural disasters, build critical infrastructure, and support community development.

On May 16, 2021, the County received the first tranche of \$974.99 million of ARP funds from the U.S. Department of Treasury and on June 9, 2022, the County received the second tranche of \$974.99 million. There is uncertainty on the timing of the revenue recognition since these ARP funds are subject to be returned to the U. S. Department of Treasury. The ARP funds must be obligated between March 3, 2021 and December 31, 2024, and expended to cover such obligations by December 31, 2026. For FY 2022-2023, the County recorded \$515.57 million as revenue on the fund and government-wide financial statements and \$1.173 billion is reported as advances payable.

Local Assistance and Tribal Consistency Funds

On November 17, 2022, the County received \$1.66 million from the Local Assistance and Tribal Consistency Fund (LATCF). The LATCF was established by Section 605 of the Social Security Act, as added by Section 9901 of the American Rescue Plan Act of 2021. The purpose of the LATCF program is to serve as a general revenue enhancement program and is designed, in part, to supplement existing federal programs that augment and stabilize revenues. For FY 2022-2023, \$1.66 million is reported as advances payable.

Under the fund statements, the General Fund recorded the COVID-19 revenue as "Intergovernmental Revenues-Federal". The government-wide financial statements recorded the COVID-19 revenue as "Operating Grants and Contributions". The remaining balance was reported under advance payable on the fund and government-wide financial statements as summarized below (in thousands):

	COVID-19 Federal Revenues	Advances Payable
FEMA	\$ 64,480	\$ 14,910
ERA		2,160
ARP	515,570	1,173,000
LATCF		1,660
Total	\$ 580,050	\$ 1,191,730

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

23. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 3, 2023, the County issued \$700.00 million in FY 2023-2024 TRANS, which will mature on June 28, 2024. The TRANS are collateralized by taxes and other revenues attributable to FY 2023-2024 and were issued in the form of Fixed Rate Notes at an effective interest rate of 3.14%.

Lease Revenue Obligation Notes (LRON)

On July 24, 2023, LACCAL issued an additional \$24.00 million in tax exempt LRON with an interest rate of 3.4%. On September 13, 2023, LACCAL issued an additional \$30.00 million in tax exempt LRON with an interest rate of 3.2%. On October 19, 2023, LACCAL issued an additional \$42.00 million in tax exempt LRON which consisted of an interest rate of 3.37% for \$19.50 million, 3.4% for \$1.50 million, and 3.5% for \$21.00 million. On September 27, 2023, LACCAL redeemed \$400 thousand in taxable LRON. The proceeds are being used to fund capital requirements of various capital projects. LRON issuances are supported and secured by four separate series of letters of credit and pledged County properties.

Homelessness Response

On September 28, 2023, a federal court approved Los Angeles County's settlement with Plaintiff LA Alliance for Human Rights and six individual plaintiffs that commits additional resources for people experiencing homelessness. The settlement commits the County to \$1.24 billion worth of resources and services over the next four years and includes 3,000 mental health and substance use disorder beds, 450 new subsidies for enriched residential care for adult residential facilities and residential care facilities for the elderly beds (also known as board and care beds) serving the most vulnerable, an increase from 27.5 to 44 the number of specialized outreached teams in the City of Los Angeles, and provide a comprehensive suite of supportive services to the more than 13,000 permanent supportive housing and interim housing beds financed by the City of Los Angeles as part of the City's settlement with the plaintiffs. A federal monitor will assist the court in overseeing the County's settlement. On September 29, 2023, the court dismissed the plaintiffs' claims against the County. The settlement agreement is effective September 29, 2023, the date of the dismissal Order, and terminates on June 30, 2027.



COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of the County's Proportionate Share of the Net Pension Liability and Related Ratios
Last 10 Fiscal Years^{1,2}
(Dollar amounts in thousands)

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	06/30/2014
Pension Plan's fiduciary net position as percentage of total pension liability	83.750 %	90.920 %	76.400 %	82.910 %	83.960 %	82.370 %	81.749 %	86.296 %	86.804 %
County's proportionate share of the collective net pension liability	\$13,160,560	\$ 7,030,463	\$17,394,887	\$11,560,668	\$10,345,209	\$10,849,931	\$10,272,671	\$ 7,448,374	\$ 6,957,082
County's proportion as percentage of the collective net pension liability	96.472 %	96.415 %	96.268 %	96.223 %	96.169 %	96.119 %	96.170 %	96.081 %	95.897 %
Covered payroll	\$ 8,756,990	\$ 8,714,969	\$ 8,377,352	\$ 8,031,454	\$ 7,631,381	\$ 7,320,575	\$ 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	150.286 %	80.671 %	207.642 %	143.942 %	135.561 %	148.211 %	147.046 %	107.190 %	104.269 %

Schedule of County's Pension Contributions
Last 10 Fiscal Years^{1,3}
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution (ADC)	\$ 2,216,111	\$ 2,122,282	\$ 1,940,715	\$ 1,732,960	\$ 1,605,150	\$ 1,466,411	\$ 1,300,711	\$ 1,389,628	\$ 1,437,555
Less: Contributions in relation to the ADC	2,216,111	2,122,282	1,940,715	1,732,960	1,605,150	1,466,411	1,300,711	1,389,628	1,437,555
Contribution Deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 9,050,122	\$ 8,756,990	\$ 8,714,969	\$ 8,377,352	\$ 8,031,454	\$ 7,631,381	\$ 7,320,575	\$ 6,986,004	\$ 6,948,738
Contributions as a percentage of total covered payroll	24.487 %	24.235 %	22.269 %	20.686 %	19.986 %	19.216 %	17.768 %	19.892 %	20.688 %

- (1) Historical information is required only for measurement periods for which GASB 68 is applicable. Eventually, 10 years of data will be shown.
(2) Reflects data as of the measurement date.
(3) Reflects data as of the reporting date.

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

There were no changes in investment return assumption since FY 2021.

There were no changes of assumptions in determining the ADC since FY 2014-2015.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of Changes in Net RHC OPEB Liability and Related Ratios
Last 10 Fiscal Years ^{1,2,3}
(Dollar amounts in thousands)

	06/30/2022	06/30/2021	06/30/2020	06/30/2019
Total OPEB Liability				
Effect of Change from Cost Sharing to Agent Plan	\$	\$	\$	\$ (2,204,743)
Service cost	1,024,895	1,166,558	967,482	779,965
Interest on Total OPEB Liability	1,217,398	1,147,426	1,250,934	1,197,607
Effect of economic/demographic gains or losses	(168,643)	323,030	(432,634)	
Effect of assumption changes or inputs	(3,365,579)	(3,729,953)	2,346,920	2,356,270
Benefit payments	(689,511)	(664,932)	(631,917)	(601,985)
Net change in Total OPEB Liability	(1,981,440)	(1,757,871)	3,500,785	1,527,114
Total OPEB Liability, beginning	27,760,135	29,518,006	26,017,221	24,490,107
Total OPEB liability, ending (a)	25,778,695	27,760,135	29,518,006	26,017,221
Fiduciary Net Position				
Employer contributions	1,071,024	1,031,058	886,821	840,965
Net Investment income	(280,358)	437,417	5,918	59,606
Benefit payments	(689,511)	(664,932)	(631,917)	(601,985)
Administrative expenses	(9,534)	(9,127)	(8,830)	(8,601)
Net change in plan Fiduciary Net Position	91,621	794,416	251,992	289,985
Fiduciary Net Position, beginning	2,235,814	1,441,398	1,189,406	899,421
Fiduciary Net Position, ending (b)	2,327,435	2,235,814	1,441,398	1,189,406
Net OPEB Liability, ending = (a) - (b)	<u>\$ 23,451,260</u>	<u>\$ 25,524,321</u>	<u>\$ 28,076,608</u>	<u>\$ 24,827,815</u>
Fiduciary Net Position as a % of Total OPEB Liability	<u>9.03 %</u>	<u>8.05 %</u>	<u>4.88 %</u>	<u>4.57 %</u>
Covered employee payroll	<u>\$ 9,864,653</u>	<u>\$ 9,653,678</u>	<u>\$ 9,404,208</u>	<u>\$ 9,071,329</u>
Net OPEB Liability as a % of covered employee payroll	<u>237.73 %</u>	<u>264.40 %</u>	<u>298.55 %</u>	<u>273.70 %</u>

Notes to Schedule:

Changes of benefit terms: No changes to benefit terms

Changes of Assumptions:

The discount rate increased from 4.28% as of June 30, 2021 to 4.85% as of June 30, 2022.

- (1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.
- (2) Reflects data as of the measurement date.
- (3) As of July 1, 2018, LACERA transitioned from a cost-sharing, multiple employer plan to an agent plan structure. Therefore, this schedule only reflects three years of data.

COUNTY OF LOS ANGELES
 REQUIRED SUPPLEMENTARY INFORMATION
 (Unaudited)

Schedule of County's RHC OPEB Contributions
 Last 10 Fiscal Years^{1,2}
 (Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 1,559,600	\$ 1,437,900	\$ 1,508,400	\$ 1,482,200	\$ 1,549,500	\$ 1,901,000
Less: Contributions in relation to the ADC	1,154,487	1,064,859	1,025,851	880,949	787,366	679,872
Contribution Deficiency (excess)	<u>\$ 405,113</u>	<u>\$ 373,041</u>	<u>\$ 482,549</u>	<u>\$ 601,251</u>	<u>\$ 762,134</u>	<u>\$ 1,221,128</u>
Covered-employee payroll	\$ 10,332,418	\$ 9,864,653	\$ 9,653,678	\$ 9,404,208	\$ 9,071,329	\$ 8,571,345
Contributions as a percentage of total covered-employee payroll	11.173%	10.795%	10.627%	9.368%	8.680%	6.523%

- (1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.
 (2) Reflects data as of the reporting date.

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2021, rolled forward to June 30, 2022
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Asset Valuation Method	Fair Value
Inflation	2.75%
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2020 actuarial valuation of retirement benefits. It can be found at www.LACERA.com .
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates MP-2014 Ultimate Projection Scale.
Experience Study	Covers the three year period ended June 30, 2020.
Discount Rate	4.85%
Long-term expected rate of return, net of investment expenses	6.00%
20 Year Tax-Exempt Municipal Bond Yield	3.54%

COUNTY OF LOS ANGELES
 REQUIRED SUPPLEMENTARY INFORMATION
 (Unaudited)

Schedule of Changes in the Total LTD OPEB Liability and Related Ratios
 Last 10 Fiscal Years¹
 (Dollar amounts in thousands)

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability						
Service cost	\$ 68,827	\$ 62,563	\$ 47,316	\$ 41,832	\$ 43,162	\$ 49,068
Interest	32,594	29,275	38,779	41,028	38,818	33,546
Differences between expected and actual experience	(512)	111,863	8,067	(55,159)	1,111	589
Changes of assumptions or other inputs	(218,398)	37,166	170,346	78,190	(43,574)	(106,200)
Benefit payments	(66,425)	(59,149)	(66,671)	(60,451)	(64,313)	(63,430)
Net Change in Total OPEB Liability	(183,914)	181,718	197,837	45,440	(24,796)	(86,427)
Total LTD OPEB Liability - beginning	1,473,239	1,291,521	1,093,684	1,048,244	1,073,040	1,159,467
Total LTD OPEB Liability - ending	<u>\$ 1,289,325</u>	<u>\$ 1,473,239</u>	<u>\$ 1,291,521</u>	<u>\$ 1,093,684</u>	<u>\$ 1,048,244</u>	<u>\$ 1,073,040</u>
Covered-employee payroll	\$ 9,864,653	\$ 9,653,678	\$ 9,404,208	\$ 9,071,329	\$ 8,571,345	\$ 8,176,831
Total LTD OPEB Liability as a percentage of covered-employee payroll	13.070 %	15.261 %	13.733 %	12.056 %	12.230 %	13.123 %

Notes to schedule:

Changes of benefit terms: No changes to benefit terms

Changes of assumptions:

Changes of Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

As of June 30, 2017	3.58 %
As of June 30, 2018	3.87 %
As of June 30, 2019	3.50 %
As of June 30, 2020	2.21 %
As of June 30, 2021	2.16 %
As of June 30, 2022	3.54 %

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Total LTD OPEB Liability
Notes to Required Supplementary Information

Changes of benefit terms

None

Changes of assumptions

The discount rate increased from 2.16% as of June 30, 2022 to 3.54% as of June 30, 2023.

No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4 to pay related benefits.



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APPENDIX C

FORMS OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX C-1

FORM OF INDENTURE

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INDENTURE OF TRUST

by and between

LOS ANGELES COUNTY FACILITIES 2 INC.

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

Dated as of August 1, 2024

LOS ANGELES COUNTY FACILITIES 2 INC.

**Lease Revenue Bonds, Series 2024A
(Vermont Corridor Site 2)
(Tax-Exempt)**

**Lease Revenue Bonds, Series 2024B
(Vermont Corridor Site 2)
(Federally Taxable)**

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and dated as of August 1, 2024, by and between **LOS ANGELES COUNTY FACILITIES 2 INC.**, a California nonprofit public benefit corporation (“LACF2”), and **U.S. BANK TRUST COMPANY, 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, LACF2 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 LACF2 finance or refinance costs of designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment on a site (consisting of 550 South Vermont Avenue and 3175 West 6th Street) owned by the County in the City of Los Angeles, California (the “Land”) consisting of (i) renovation and expansion of the existing office building comprised of (a) approximately 154,793 gross square feet of existing space renovated to Class A office space, including two ground floor retail spaces of approximately 1,000 square feet each, (b) an extension of the existing building floorplates to include an additional approximately 88,340 gross square feet of new Class A office space, for a total of approximately 243,133 gross square feet of Class A office space, (c) approximately 12,050 gross square feet of renovated subterranean back-of-house support space, and (d) an elevated pedestrian walkway connecting the existing office building to the terrace level of the neighboring office building commonly known as 510 South Vermont Avenue ((a), (b), (c), and (d) collectively, the “Office Building”), (ii) installation of approximately 10 surface parking spaces (“Surface Parking Spaces”) and landscaping located on the Land; and (iii) demolition of the existing 52,000 square foot former Department of Workforce Development, Aging and Community Services headquarters and adjacent two-story parking structure located on the Land, all to serve as office space and related ancillary facilities for various County departments, commissions and staff (collectively, the “Project”); and

WHEREAS, LACF2 and the County have entered into a Ground Lease Agreement, dated as of August 1, 2024 (the “Ground Lease”), under which the County is leasing the Land to LACF2; and

WHEREAS, LACF2 and the County have entered into a Facilities Lease Agreement, dated as of August 1, 2024 (the “Facilities Lease”), under which LACF2 will undertake the Project and lease the Land, the Office Building, the Surface Parking Spaces, landscaping 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. 2024-0037, adopted on June 25, 2024, 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, LACF2 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 July 12, 2024, the Board of Directors of LACF2 adopted its resolution approving the issuance by LACF2 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, and to establish and declare the terms and conditions upon which the Bonds are to be issued, LACF2 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 LACF2, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special, limited obligations of LACF2, 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

WITNESSETH:

GRANTING CLAUSES

LACF2, in return for good and valuable consideration, the receipt and sufficiency 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 terms and the performance and observance by LACF2 of all the covenants and agreements expressed or implied herein and in the Bonds and any Additional Bonds, does hereby grant to the Trustee a security interest in, and hereby pledge to the Trustee and create in favor of the Trustee a lien on, all of its right, title, and interest, whether now owned or hereafter acquired, in, to, and under the following (collectively, the “Trust Estate”):

I.

All rents, issues, income, revenues and receipts derived by LACF2 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 money, earnings, revenues, rights to the payment of money, receivables, accounts, instruments, and general intangibles, including, without limitation, all rents, issues, profits, income, revenues and receipts derived by LACF2 in any fashion from the Premises, and all rights to be paid any of the foregoing;

II.

The Premises;

III.

All Revenues and all rights to be paid any of the Revenues; and all Other Documents;

IV.

All choses in action and all choses in possession now or hereafter existing to the benefit of or arising for the benefit of LACF2 with respect to the Bonds;

V.

All accounts, all other Funds and Accounts established under this Indenture, all investments of any of the foregoing, and all money, instruments, investment property, and other property on deposit in or credited to any account or any other Fund or Account established under this Indenture or held by the Trustee, except for the Rebate Fund and the Capital Repairs Fund and money held in the Rebate Fund or the Capital Repairs Fund;

VI.

All accounts, chattel paper, commercial tort claims, deposit accounts, documents, general intangibles, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, and other minerals;

VII.

Any and all other property of every kind and nature from time to time hereafter granted, pledged, assigned or transferred by delivery or by writing of any kind, as and for additional security hereunder by LACF2, 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; and

VIII.

All proceeds of all of the foregoing;

provided, however, that the Trust Estate shall not include the Rebate Fund, the Capital Repairs Fund, money, instruments, investment property, or other property on deposit in or credited to the Rebate Fund or the Capital Repairs Fund, payments under the Facilities Lease for deposit into the Capital Repairs Fund, Administrative Fees and Expenses, or Rebatable Arbitrage.

The Trustee shall hold the Trust Estate 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 this Indenture without privilege, priority or distinction as to the lien, pledge, security interest, or otherwise of any of the Bonds or Additional Bonds over any other Bonds or Additional Bonds;

If LACF2, 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 LACF2 such instruments in writing as shall be requisite to evidence the discharge hereof.

THIS INDENTURE FURTHER WITNESSETH, that LACF2 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 and any other accounts from time to time established pursuant to this Indenture in any of the Funds established and maintained by the Trustee pursuant hereto.

“Additional Bonds” means any revenue bonds of LACF2 issued pursuant to Section 2.08 hereof after the issuance 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 LACF2 or the Trustee.

“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 Assignment of Development Agreement and Other Construction-Related Agreements, dated as of August 1, 2024, pursuant to which LACF2 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 August 1, 2024, from LACF2 to the Trustee.

“Authorized Denomination” means \$5,000 or any integral multiple thereof within a maturity.

“Authorized Officer” means (i) with respect to LACF2, its President, Vice President or any other person or persons designated as an Authorized Officer of LACF2 by a resolution of the Board of Directors of LACF2 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 2024A Bonds and the Series 2024B 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 LACF2, the County and the Underwriter.

“Bond Register” means the books for registration of Bonds kept for LACF2 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 LACF2.

“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 LACF2 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 LACF2, 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 LACF2, 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 LACF2, 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 August 1, 2024 executed by LACF2, 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 LACF2 and the Developer, dated as of August 1, 2024, 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 LACF2, 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 August 1, 2024, by and between LACF2 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 2024A 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 LACF2.

“Fund” means any of the funds created in Article IV of this Indenture and the separate Funds from time to time established and maintained by the Trustee pursuant hereto.

“General Contractor” has the meaning set forth in the Development Agreement.

“General Construction Contract” has the meaning set forth 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 August 1, 2024, by and between the County and LACF2, 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-77bbbb), 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, 2024, 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 LACF2, 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.

“**LACF2**” means Los Angeles County Facilities 2 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 LACF2 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 LACF2.

“**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 30, 2024, and the Official Statement dated August 7, 2024, 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 LACF2, 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 LACF2 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 June 1 of each year in which principal is due on any Bonds.

“Project” has the meaning set forth in the Facilities Lease.

“Project Completion Date” means the date a temporary or final certificate of occupancy is issued for the Project or there is substantial completion of the Project.

“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 LACF2 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 LACF2 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 LACF2’s Board of Directors on July 12, 2024.

“Revenue Fund” means the Fund of that name created pursuant to Section 4.05 hereof.

“Revenues” means all amounts received by LACF2 or by the Trustee for the account of LACF2 pursuant to the Facilities Lease (or any other lease by LACF2 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) Rebatable Arbitrage, (iii) money deposited in the Capital Repairs Fund; and (iv) any and all revenue, income and receipts of LACF2 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 LACF2.

“**SEC**” means the United States Securities and Exchange Commission.

“**Securities Intermediary**” means U.S. Bank National Association, as securities intermediary under the Indenture, or any successor thereto as Securities Intermediary under the Indenture substituted in its place as provided herein.

“**Series 2024A Bonds**” means the Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt), in the aggregate principal amount of \$205,910,000, issued pursuant to Section 2.01 of this Indenture.

“**Series 2024B Bonds**” means the Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (Federally Taxable), in the aggregate principal amount of \$6,225,000, issued pursuant to Section 2.01 of this Indenture.

“**State**” means the State of California.

“**Subaccounts**” means the subaccounts from time to time established pursuant to this Indenture in any of the Accounts established and maintained by the Trustee pursuant hereto.

“**Subordination, Non-Disturbance and Attornment Agreement**” means the agreement of that name, between the County, LACF2, 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 LACF2 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 LACF2 and the County as of the date of issuance of the Bonds, setting forth certain expectations of LACF2 and the County regarding the use of the Bond proceeds.

“**Tax-Exempt Capitalized Interest Period**” means the period commencing on the Closing Date and ending on the Project Completion Date.

“**Trust Estate**” has the meaning set forth in the Granting Clauses of this Indenture.

“**Trustee**” means U.S. Bank Trust Company, National Association, or its successor, as Trustee hereunder as provided in Section 8.01 hereof.

“**UCC**” means the applicable Uniform Commercial Code, as amended.

“**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.

(e) Terms used herein that are defined in the California Commercial Code, as amended, and not otherwise defined herein shall have the meanings set forth in the California Commercial Code, as amended, unless the context requires otherwise.

Section 1.03. Indenture and Bonds Constitute a Contract; Security. 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 LACF2, the Trustee, and the Owners, from time to time, of such Bonds; (b) the security interest, lien, and pledge granted and made herein and the duties, covenants, obligations and agreements set forth herein to be observed and performed by or on behalf of LACF2 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, pledge, security interest, or otherwise, except as expressly provided herein or permitted hereby; and (e) the Bonds shall be special, limited obligations of LACF2 payable solely as provided herein and secured solely as provided herein and in the Other Documents;

Section 1.04. General Provisions Regarding the County and LACF2. Whenever in this Indenture the County is entitled to direct the Trustee in a particular matter or to approve acts of LACF2, 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 LACF2 shall be entitled to direct the Trustee in a particular matter

and the County's approval of acts of LACF2 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. LACF2 hereby authorizes the issuance of the Series 2024A Bonds to be issued hereunder in the principal amount of \$205,910,000. The Series 2024A Bonds shall be issued and designated as "Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt)." LACF2 hereby authorizes the issuance of the Series 2024B Bonds to be issued hereunder in the principal amount of \$6,225,000. The Series 2024B Bonds shall be issued and designated as "Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (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 LACF2 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, LACF2 may execute and, upon satisfaction of the conditions set forth in this Section, the Trustee shall authenticate and, upon request of LACF2, 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 LACF2;

(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 LACF2'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 2024A Bonds shall be issued in the aggregate principal amount of \$205,910,000. The Series 2024A 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 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 (June 1)	Principal Amounts	Interest Rates
2029	\$300,000	5.000%
2030	3,485,000	5.000
2031	3,660,000	5.000
2032	3,845,000	5.000
2033	4,035,000	5.000
2034	4,235,000	5.000
2035	4,450,000	5.000
2036	4,670,000	5.000
2037	4,905,000	5.000
2038	5,150,000	5.000
2039	5,405,000	5.000
2040	5,680,000	5.000
2041	5,960,000	5.000
2042	6,260,000	5.000
2043	6,570,000	5.000
2044	6,900,000	5.000
2049 [†]	40,235,000	5.250
2054 [†]	51,970,000	5.250
2057 [†]	38,195,000	5.250

[†]Term Bonds.

The Series 2024B Bonds shall be issued in the aggregate principal amount of \$6,225,000. The Series 2024B 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 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 (June 1)	Principal Amounts	Interest Rates
2029 [†]	\$6,225,000	4.538%

[†]Term Bonds.

(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, LACF2 has authorized execution and delivery to DTC of the Letter of Representations. Neither LACF2 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 LACF2 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 LACF2, 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 LACF2 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 LACF2 to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), LACF2 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 LACF2, 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 LACF2.

(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) LACF2 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. LACF2 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 LACF2 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 LACF2 payable solely as provided herein and secured solely as provided herein and in the Other Documents. The Trustee is only obligated to pass-through 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 LACF2 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 LACF2 before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by LACF2, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon LACF2 as though those who signed and attested the same had continued to be such officials of LACF2, and also any Bond may be signed and attested on behalf of LACF2 by such persons as at the actual date of execution of such Bond shall be the proper officials of LACF2 although at the nominal date of such Bond any such person shall not have been such officer of LACF2.

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, LACF2 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 LACF2 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 LACF2 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 LACF2; 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, LACF2, 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, LACF2. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to LACF2 and the Trustee and, if such evidence is satisfactory to them and indemnity satisfactory to them is given, LACF2, 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, LACF2 may pay the same without surrender thereof). LACF2 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 LACF2 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 LACF2 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 issued under this Indenture.

Section 2.08. Additional Bonds. LACF2 shall not issue any series of obligations payable from or secured by the Trust Estate other than the Bonds, except that LACF2 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 security interest, pledge, or lien on the Trust Estate on a parity with the security interest, pledge, and 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 LACF2 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) LACF2 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 and Accounts 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) LACF2 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 2024A Bonds are subject to redemption prior to their stated maturity as described below (i) upon the written direction of the County given to LACF2 and the Trustee at least 30 days prior to the date fixed for redemption; and (ii) otherwise upon the written direction of LACF2 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 LACF2).

The Series 2024A Bonds maturing on and prior to June 1, 2034 are not subject to optional redemption prior to their scheduled maturity. The Series 2024A Bonds maturing on and after June 1, 2035, are subject to redemption, in whole or in part, in Authorized Denominations, on any date on and after June 1, 2034, 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 2024A Bonds to be redeemed within a maturity shall be made as provided in Section 3.03 of this Indenture.

The Series 2024B Bonds are not subject to optional redemption prior to their scheduled maturity.

(b) Mandatory Sinking Fund Redemption. (i) The Series 2024A Bonds maturing in 2049, 2054 and 2057 are Term Series 2024A 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 2024A Bonds to be redeemed plus accrued interest to the date of redemption on June 1 in years and amounts as follows:

2049 Term Series 2024A Bonds

Redemption Years (June 1)	Redemption Amounts
2045	\$7,245,000
2046	7,625,000
2047	8,025,000
2048	8,450,000
2049*	8,890,000

* Final maturity

2054 Term Series 2024A Bonds

Redemption Years (June 1)	Redemption Amounts
2050	\$9,360,000
2051	9,850,000
2052	10,365,000
2053	10,910,000
2054*	11,485,000

* Final maturity

2057 Term Series 2024A Bonds

Redemption Years (June 1)	Redemption Amounts
2055	\$12,085,000
2056	12,720,000
2057*	13,390,000

* Final maturity

The principal amount of any term Series 2024A Bonds optionally redeemed pursuant to Section 3.01(a) shall be credited against the scheduled redemptions of such Series 2024A Bonds in the manner designated by an Authorized Officer of the County or LACF2, as applicable.

(ii) The Series 2024B Bonds maturing in 2029 are Term Series 2024B 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 2024B Bonds to be redeemed plus accrued interest to the date of redemption on June 1 in years and amounts as follows:

2029 Term Series 2024B Bonds

Redemption Years (June 1)	Redemption Amounts
2028	\$3,190,000
2029*	3,035,000

* Final maturity

(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 LACF2 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 LACF2 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, LACF2 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 LACF2.

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 LACF2 and with the sources of funds specified by the County and/or LACF2, the Trustee shall purchase Bonds offered to the County or LACF2 at prices deemed acceptable to the County or LACF2, 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 LACF2, 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 in trust with the Trustee 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 Bonds in the amount of \$703,387.93 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 LACF2 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 LACF2 that LACF2 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 in trust with the Trustee 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 and maintain in trust with the Trustee certain Accounts designated (i) a Bond Proceeds Account, into which shall be deposited \$206,948,895.94 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 LACF2, 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 LACF2, 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 LACF2, 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 LACF2 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 LACF2 and the County, which consent will not unreasonably be withheld.

(c) Final Payment. Upon "Final Acceptance," as defined in the Facilities Lease, LACF2 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 LACF2 (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 LACF2 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 LACF2, and any amount remaining after receipt by the Trustee of written notice from LACF2 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. LACF2 shall promptly send a copy to the County of any such written directions to the Trustee.

(d) Notices to Trustee. LACF2 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 LACF2. LACF2 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 LACF2 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 in trust with the Trustee a separate Fund designated the “Capitalized Interest Fund,” and shall establish therein and maintain in trust with the Trustee separate Accounts designated the “Series 2024A Capitalized Interest Account” and the “Series 2024B Capitalized Interest Account.”

(b) Deposit of Proceeds. The Trustee shall deposit \$26,280,461.11 into the Series 2024A Capitalized Interest Account from the proceeds of the Series 2024A Bonds. The Trustee shall deposit \$6,188,824.64 into the Series 2024B Capitalized Interest Account from the proceeds of the Series 2024B Bonds.

(c) Notice of Project Completion Date. LACF2 agrees to provide the Trustee with written notice of the Project Completion Date as soon as practicable after such date.

(d) Series 2024A Capitalized Interest Account.

(1) The Trustee shall use the moneys deposited in the Series 2024A Capitalized Interest Account to make transfers to the Interest Account to pay interest accrued on the Series 2024A Bonds until the end of the Tax-Exempt Capitalized Interest Period.

(2) Upon providing the Trustee with notice of a Project Completion Date, LACF2 shall direct the Trustee as to the amount that can be transferred to the Interest

Account to pay interest accrued but unpaid on the Series 2024A Bonds until such Project Completion Date.

(3) Effective on the Project Completion Date, the balance on hand in the Series 2024A Capitalized Interest 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.

(e) Series 2024B Capitalized Interest Account. The Trustee shall use the moneys deposited in the Series 2024B Capitalized Interest Account to make transfers to the Interest Account to pay interest accrued on all of the Series 2024B Bonds until the Rent Commencement Date. The Trustee shall also use the moneys deposited in the Series 2024B Capitalized Interest Account to pay interest accrued on the Series 2024A Bonds until the Rent Commencement Date. Effective on the Rent Commencement Date, the balance on hand in the Series 2024B Capitalized Interest 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.

(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 investment earnings on money in each Account of the Capitalized Interest Fund shall be credited to such Account.

(g) Closing of Capitalized Interest Fund and Accounts Therein. 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; Insurance and Condemnation Proceeds.

(a) Insurance Proceeds.

(1) *To Non-Bond Proceeds Account.* If the Trustee receives (A) any payments from LACF2 or the County with written direction to the Trustee, with a copy to LACF2 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 LACF2 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 LACF2 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, LACF2 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, LACF2 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 LACF2 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 LACF2, with a copy to the County, to defease such Bonds as are directed by LACF2 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 LACF2 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 LACF2 in writing, with a copy to the County (provided, however, that upon the written direction of LACF2, 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, LACF2 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) LACF2 Deposits to Non-Bond Proceeds Account. If the Trustee receives any payment from LACF2 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 LACF2, with a

copy to the County, the Trustee shall deposit any such funds into the Non-Bond Proceeds Account. Upon the written direction of LACF2, 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 in trust with the Trustee 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 LACF2, 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 LACF2 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 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 LACF2; 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, pledge, and security interest, 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 in trust with the Trustee 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 and maintain in trust with the Trustee certain Accounts designated (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 LACF2 or the County, with a copy to LACF2 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 LACF2 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 LACF2 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 LACF2, with written notice to the Trustee from LACF2, 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, pledge, and security interest of the Trustee for the benefit of the Owners of Bonds on such money shall be first and prior to the lien, pledge, or security interest of any other Person thereon.

Section 4.07. Liens. LACF2 shall not create or suffer to exist any lien, security interest, pledge, or encumbrance upon the Trust Estate or any part thereof, other than the security interest, pledge, and 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 LACF2 (at the cost of LACF2), 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.

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 LACF2 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 LACF2, 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, LACF2 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 LACF2 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 LACF2.

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. LACF2 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, LACF2 waives receipt of such confirmations. The Trustee shall furnish to the County and LACF2 periodic statements of account which include detail of all investment transactions made by the Trustee.

Section 4.12. Arbitrage Rebate. LACF2 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 LACF2 in performing such calculations or making any necessary payments.

Section 4.13. Rebate Fund.

(a) Establishment. The Trustee shall establish and maintain in trust with the Trustee 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, pledge, or security interest hereunder, but shall be held in trust for the purposes described in this Section 4.13. At the direction of LACF2, 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. LACF2 will, at its cost, hire a Rebate Analyst, which shall calculate (i) by no later than August 30 of each year, commencing August 30, 2025, 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 LACF2, 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 LACF2 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 LACF2, 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 LACF2 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 LACF2.

(f) Amendment. The intent of this Section 4.13 is to require funding of the Rebate Fund so that money in that Fund or 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, LACF2 shall not be required to retain a Rebate Analyst or continue to perform arbitrage rebate calculations as provided in this Section 4.13 if LACF2 provides the Trustee with an Opinion of Bond Counsel to the effect that LACF2 has met one of the permitted exceptions from the payment of Rebateable Arbitrage, no Rebateable 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 LACF2, 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 in trust with the Trustee a separate Fund designated the “Capital Repairs Fund,” for purposes of holding and disbursing certain funds under the Facilities Lease for capital repairs under 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, pledge, or security interest hereunder, but shall be held in trust for the purposes described in this Section 4.15.

If LACF2 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 LACF2, 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 and Accounts 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 LACF2, but shall be special, limited obligations of LACF2 payable solely as provided herein and secured solely as provided herein and in the Other Documents. LACF2 is a single-purpose entity, is not a governmental entity and does not have taxing power.

LACF2 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. LACF2 shall record the Deed of Trust and Assignment of Leases with the County Recorder of Los Angeles County and shall file an appropriately completed UCC Financing Statement with the California Secretary of State's Office, and the Trustee shall file continuation statements as described herein to maintain the effectiveness thereof. At the expense of LACF2, 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 LACF2) were made a continuation statement with respect to each UCC Financing Statement on which the Trustee is listed as a secured party filed by LACF2 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 LACF2 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.

LACF2 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 LACF2; Representations. LACF2 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. LACF2 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 grant a security interest in, pledge, and create a lien on the Trust Estate as provided herein

and in the Other Documents, and that the Bonds in the hands of the Owners thereof are and will be valid and binding obligations of LACF2 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. LACF2 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. LACF2 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 LACF2. LACF2 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 LACF2'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 LACF2 of the Premises. The Trustee shall cooperate with LACF2 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. Without limiting in any way the Granting Clauses, LACF2 shall execute, and the Trustee shall accept, assignment of LACF2's rights (except for LACF2'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. LACF2 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. LACF2 will convey to the County title to the Premises (unencumbered by management contracts or any leases by LACF2 of the Premises), and, upon receipt of an executed deed from LACF2, 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 LACF2 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 LACF2 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 LACF2, and upon any such grant deed delivered to it by LACF2.

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 LACF2 or the County shall be in accordance therewith and with this Indenture. LACF2 shall provide a copy of any such amendment or assignment to the Trustee.

Section 5.08. Disposition of Project; Insurance of Premises. LACF2 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, LACF2 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) LACF2 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 2024A Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, LACF2 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 2024A Bonds.

(b) In the event that at any time LACF2 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, LACF2 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 LACF2 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 2024A 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, LACF2 and the Trustee may mutually agree and if the purchase price has been paid by the County in immediately available funds, LACF2 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 LACF2 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 LACF2 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 LACF2 and the County by the Trustee, or to LACF2, 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 LACF2 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 LACF2 and the County specifying such failure and requesting that such failure be remedied by LACF2 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 LACF2, 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 LACF2 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 LACF2 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 LACF2 of the Premises or any other lease by LACF2 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 LACF2, 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 LACF2, 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 LACF2, 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, LACF2 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 LACF2 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 LACF2 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, LACF2 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 LACF2 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 LACF2 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, LACF2 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 Trust Company, 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 LACF2, 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 LACF2 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 LACF2, the County or the Developer, as appropriate, or for the validity or sufficiency of the security for the Bonds issued hereunder, 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 LACF2, 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 LACF2, as appropriate and shall have no duty to collect, preserve, exercise or enforce rights in the Trust Estate (against prior parties or otherwise), except as set forth herein, but the Trustee may require of LACF2, 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 LACF2, 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 LACF2 shall take prompt steps to have a successor appointed as provided by Section 8.01(b) of this Indenture.

In the event that LACF2 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 LACF2 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 LACF2, 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 LACF2 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 LACF2.

(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, LACF2 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 LACF2 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. LACF2 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 LACF2; 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 LACF2, the Trustee may consult with counsel, who may be counsel of or to LACF2, 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 LACF2 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 LACF2, 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 LACF2, or if the Trustee deems necessary, further instructions from LACF2 or, at the expense of LACF2, 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.

LACF2 shall annually prepare a certificate of insurance coverage (“Insurance Coverage Certificate”) affirming that, to the best of LACF2’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. LACF2 shall submit the Insurance Coverage Certificate to County and shall seek the written concurrence of County that, to the best of the County’s knowledge, the statements made therein by LACF2 are true and correct (the “Concurrence”). Not later than January 30, 2025, and each January 30 thereafter, the Insurance Coverage Certificate and Concurrence shall be provided to the Trustee by LACF2, 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 LACF2 and its agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.07. Compensation and Indemnification. LACF2 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 LACF2 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 security interests, pledges, and liens provided for in the Granting Clauses and the Other Documents, 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.

LACF2 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 LACF2 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, LACF2 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.

Section 8.08. Securities Intermediary. (a) At all times during which the Trustee does not maintain hereunder securities accounts to which financial assets may be credited, there shall be a Securities Intermediary acting as such pursuant hereto.

(b) U.S. Bank National Association is hereby appointed as the initial Securities Intermediary and U.S. Bank National Association hereby accepts such appointment.

(c) The initial Securities Intermediary and any successor thereto (i) shall at all times be a trust company, national banking association or bank in good standing in or incorporated under the laws of the United States or any state thereof having (or if such trust company, national banking

association or bank is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$250,000,000, and subject to supervision or examination by a federal or state agency, (ii) shall not be an affiliate of LACF2, and (iii) shall, in the ordinary course of its business, maintain securities accounts for others and be so maintaining Accounts hereunder.

(d) Each Fund and Account shall be a securities Account maintained with the Securities Intermediary to which financial assets may be credited and the Securities Intermediary shall treat the Trustee as entitled to exercise the rights that comprise such financial assets.

(e) The Securities Intermediary shall not change the name or the account number of any Fund or Account without the prior written consent of the Trustee.

(f) Each item of property credited to each Fund or Account shall be treated as a financial asset.

(g) The Securities Intermediary shall comply with entitlement orders originated by the Trustee, without the need for consent by LACF2 or any other Person.

(h) The Securities Intermediary shall not agree with any Person, other than the Trustee, that it will comply with entitlement orders originated by any Person other than the Trustee.

(i) The Securities Intermediary shall not take any action inconsistent with this Section or any other provision of this Indenture applicable to it. The Securities Intermediary shall not be a party to any agreement that is inconsistent with this Section or any other provision of this Indenture or that limits or conditions any of its obligations under this Section or any other provision of this Indenture.

(j) Each item of property credited to each Fund or Account shall not be subject to, and the Securities Intermediary hereby waives, any security interest, lien, claim, encumbrance or right of setoff in favor of the Securities Intermediary or any Person claiming through the Securities Intermediary, other than the Trustee.

(k) For purposes of Article 8 of the Uniform Commercial Code, the securities intermediary's jurisdiction of the Securities Intermediary with respect to the Funds and Accounts shall be the State.

(l) It is the intent of LACF2, the Trustee and the Securities Intermediary that each Fund and Account shall be a securities account of the Trustee and not an account of LACF2.

(m) The Securities Intermediary shall be entitled to all of the immunities, protections, limitations of liability and indemnities afforded to the Trustee pursuant to Article VIII hereof.

(n) The Securities Intermediary may at any time resign by providing no less than 30 days' written notice of such resignation to the Trustee and LACF2. The Trustee may remove the Securities Intermediary by providing no less than 20 days' written notice of such removal to the Securities Intermediary. In case at any time the Securities Intermediary shall cease to be eligible in accordance with the provisions of subsection (b) of this Section, the Securities Intermediary

shall resign immediately. The Trustee shall promptly remove the Securities Intermediary if at any time the Securities Intermediary shall cease to be eligible in accordance with the provisions of subsection (b) of this Section. The Trustee shall appoint a successor Securities Intermediary that satisfies the provisions of subsection (b) of this Section. The Trustee shall cause (i) each Fund and Account to be established and maintained with such successor Securities Intermediary in accordance with the terms hereof, and (ii) the successor Securities Intermediary to execute and deliver a written agreement between the Trustee and such successor Securities Intermediary, pursuant to which such successor Securities Intermediary agrees to be the Securities Intermediary hereunder and to be bound by the provisions of this Indenture applicable to the Securities Intermediary. The duties and obligations of the resigning or removed Securities Intermediary hereunder shall remain in effect until the successor Securities Intermediary has accepted its appointment and each Fund and Account and all property credited thereto have been transferred to the successor Securities Intermediary.

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. LACF2 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, LACF2 in this Indenture other covenants, agreements, limitations and restrictions to be observed by LACF2 that are not contrary to or inconsistent with this Indenture as theretofore in effect;
- (d) to confirm, as further assurance, any pledge, lien, or security interest under, and the subjection of the Trust Estate to any security interest, 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 2024A 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 LACF2 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 LACF2 in accordance with its terms and that it will not adversely affect the exemption from federal income taxation of interest on the Series 2024A 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 LACF2 and the Trustee of any Supplemental Indenture deemed necessary or desirable by LACF2 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 LACF2 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 LACF2 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, LACF2 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 LACF2 and the County in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Series 2024A 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 LACF2 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 LACF2, 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, LACF2 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 LACF2) 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, LACF2 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. LACF2 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) LACF2 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) LACF2, the Trustee, and the County shall receive an opinion of counsel or other evidence reasonably satisfactory to LACF2 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) LACF2 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 LACF2 of Base Rent required under the Facilities Lease; and (vi) LACF2 and the Trustee shall receive an Opinion of Bond Counsel satisfactory to LACF2 and County and the Trustee that such exclusion shall not adversely affect the tax-exempt status of interest payable on the Series 2024A 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 LACF2 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 LACF2 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 LACF2. If at any time LACF2 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 LACF2 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. LACF2 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 LACF2 in any of the following ways, provided that LACF2 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 LACF2 shall also pay or cause to be paid all other sums payable hereunder, then and in that case, at the election of LACF2 (evidenced by a certificate of LACF2 filed with the Trustee, signifying the intention of LACF2 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, lien on, and security interest in the Trust Estate and all covenants, agreements and other obligations of LACF2 under this Indenture shall cease, terminate, become void and be completely discharged and satisfied, except for LACF2's duties under Section 8.07 hereof, which shall survive. In such event, upon the request of LACF2, the Trustee shall cause an accounting for such period or periods as may be requested by LACF2 to be prepared and filed with LACF2 and shall execute and deliver to LACF2 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 LACF2 (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 securing 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, 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 LACF2 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 LACF2'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 LACF2 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 2024A 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 LACF2 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 LACF2 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 LACF2 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 LACF2, 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 LACF2, 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 LACF2 of any Bonds, in lieu of such cancellation and delivery and unless otherwise directed by LACF2 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 LACF2 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 LACF2: Los Angeles County Facilities 2 Inc.
c/o Public Facilities Group
1700 Seventh Avenue
Suite 2100, PMB 552
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 Trust Company, 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 LACF2 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 LACF2 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 LACF2 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 director, officer, employee or agent, or member of LACF2, or any successor to LACF2, as such, either directly or through LACF2, or any past, present, or future director, officer, employee or agent, or member of any successor to LACF2 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 director, officer, employee or agent, or member of LACF2 or any successor to LACF2, 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. LACF2's Compliance With Continuing Disclosure Requirements of the SEC.

(a) **Contract/Undertaking.** This Section constitutes LACF2'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.** LACF2 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 LACF2 prepared in accordance with generally accepted accounting principles; and

(2) Information regarding material changes to the Facilities Lease, material Rent delinquencies, changes in tenancy of the Premises (but excluding subtenancies of specific County agencies or departments) 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 LACF2's fiscal year, commencing with the report for LACF2's June 30, 2024, fiscal year (which is due no later than April 1, 2025). LACF2's current fiscal year ends June 30. LACF2 shall provide notice of any change in such fiscal year by providing written notice of the change to the MSRB. In lieu of providing such annual financial information and operating data, LACF2 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, LACF2 shall provide LACF2's audited annual financial statement prepared in accordance with generally accepted accounting principles, when and if available, to the MSRB.

(c) Enumerated Events. LACF2 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 2024A Bonds, or other material events affecting the tax status of the Series 2024A 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 LACF2;
13. The consummation of a merger, consolidation, or acquisition of the LACF2 or the sale of all or substantially all of the assets of LACF2, 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;
15. Incurrence of a financial obligation (as defined in the Rule), if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

(d) Notification Upon Failure to Provide Financial Data. LACF2 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, LACF2 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. LACF2's obligations under this Section 11.12 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 LACF2 (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, LACF2 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, LACF2 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 LACF2. 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 reportable 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 August 22, 2024 (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 LACF2 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 2 Inc. has caused this Indenture to be signed in its name by its President, and U.S. Bank Trust Company, 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
2 INC.**

By: _____
John Finke, President

**U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION**

By: _____
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION HEREBY ACCEPTS APPOINTMENT AS SECURITIES INTERMEDIARY UNDER THIS INDENTURE AND AGREES TO BE BOUND BY THE PROVISIONS OF THIS INDENTURE APPLICABLE TO THE SECURITIES INTERMEDIARY.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

EXHIBIT A
FORM OF BONDS

R- _____

\$ _____

LOS ANGELES COUNTY FACILITIES 2 INC.
LEASE REVENUE BONDS, SERIES 2024[A/B]
(VERMONT CORRIDOR SITE 2)
[(Tax-Exempt)/(Federally Taxable)]

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
%	June 1, 20__	August 22, 2024	54531P ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

Los Angeles County Facilities 2 Inc., a California nonprofit public benefit corporation (“LACF2”), for value received, hereby promises to pay (but only as provided in the Indenture) 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, 2024. 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 Trust Company, 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 LACF2 designated as “Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024[A/B] (Vermont Corridor Site 2) [(Tax-Exempt)/(Federally Taxable)]” (the “Series 2024[A/B] Bonds”), issued in the aggregate principal amount of \$[205,910,000/6,225,000], pursuant to that certain Indenture of Trust, dated as of August 1, 2024, by and between LACF2 and the Trustee (the “Indenture”). Simultaneously with the issuance of the Series 2024[A/B] Bonds, LACF2 is issuing its Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024[A/B] (Vermont Corridor Site 2) [(Tax-Exempt)/(Federally Taxable)] (the “Series 2024[A/B] Bonds”), in the aggregate principal amount of \$[205,910,000/6,225,000]. The Series 2024[A/B] Bonds are on a parity with the Series 2024[A/B] Bonds. The Series 2024A Bonds and the Series 2024B Bonds are collectively referred to as the “Bonds.” Pursuant to and as more particularly provided in the Indenture, Additional Bonds may be issued by LACF2 on a parity with the Series 2024A Bonds and the Series 2024B

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 August 1, 2024, between LACF2, 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 LACF2 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 as provided in the Indenture, and are secured as provided therein and in the Other Documents

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 2 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, August __, 2024, and thereafter as provided in the Indenture.

**LOS ANGELES COUNTY FACILITIES
2 INC.**

By: _____
President

ATTESTED BY:

Secretary

TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This is one of the Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024[A/B] (Vermont Corridor Site 2) [(Tax-Exempt)/(Federally Taxable)], as described in the within-mentioned Indenture.

Date of Authentication: _____

**U.S. BANK TRUST COMPANY,
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 Trust Company, National Association, as Trustee

FROM: Los Angeles County Facilities 2 Inc.

SUBJECT: Indenture of Trust, dated as of August 1, 2024 (the “Indenture”) regarding Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt) and Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (Federally Taxable) (collectively, 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
2 INC.**

By: _____
Authorized Officer

EXHIBIT C

FINAL COMPLETION CERTIFICATE

TO: U.S. Bank Trust Company, National Association, as Trustee

FROM: Los Angeles County Facilities 2 Inc.

SUBJECT: Indenture of Trust, dated as of August 1, 2024 (the “Indenture”) regarding Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt) and Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (Federally Taxable) (collectively, 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. LACF2 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
2 INC.**

By: _____
Authorized Officer

cc:

EXHIBIT D

FORM OF LACF2'S ANNUAL DISCLOSURE REPORT

Los Angeles County Facilities 2 Inc. ("LACF2")
Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt)

and

Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (Federally Taxable)

Report for Period Ending June 30, _____ (the "Reporting Period")

Annual Financial Statements

Attached is a copy of LACF2's annual financial statements for the Reporting Period described above showing ending fund balances for LACF2 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 material Rent delinquencies occurred during the Reporting Period:
3. The following change(s) in tenancy of the Premises (other than changes in subtenancies of specific County agencies or departments) occurred during the Reporting Period:
4. The following change(s) in the Trustee occurred during the Reporting Period:

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APPENDIX C-2
FORM OF GROUND LEASE

NOTE: For the sake of brevity, certain exhibits have been omitted from the attached form of the Ground Lease Agreement.

GROUND LEASE AGREEMENT

between

**COUNTY OF LOS ANGELES,
a body corporate and politic**

and

**LOS ANGELES COUNTY FACILITIES 2 INC.,
a California nonprofit public benefit corporation**

Dated as of August 1, 2024

**Vermont Corridor Site 2
Los Angeles, California**

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GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT (this “**Ground Lease**”) is dated for reference purposes as of August 1, 2024, and is made by and between the **COUNTY OF LOS ANGELES**, a body corporate and politic (“**County**”), and **LOS ANGELES COUNTY FACILITIES 2 INC.**, a California nonprofit public benefit corporation (“**LACF2**”). County and LACF2 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 550 South Vermont Avenue and 3175 West 6th Street and which is legally described on the attached Exhibit A (collectively, the “**Ground Lease Premises**” or the “**Land**”). As used herein, the Ground Lease Premises includes all easement rights heretofore or hereafter appurtenant to the Land.

B. LACF2 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, LACF2 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 25351 and 25536(c), County desires to lease the Land to LACF2 pursuant to this Ground Lease, in order for LACF2 to design, develop, permit, and construct improvements and install furniture, fixtures and equipment on the Land consisting of (i) renovation and expansion of the existing office building comprised of (a) approximately 154,793 gross square feet of existing space renovated to Class A office space, including two ground floor retail spaces of approximately 1,000 square feet each, (b) an extension of the existing building floorplates to include an additional approximately 88,340 gross square feet of new Class A office space, for a total of approximately 243,133 gross square feet of Class A office space, (c) approximately 12,050 gross square feet of renovated subterranean back-of-house support space, and (d) an elevated pedestrian walkway connecting the existing office building to the terrace level of the neighboring office building commonly known as 510 South Vermont Avenue ((a), (b), (c), and (d) collectively, the “**Office Building**”), (ii) installation of approximately 10 surface parking spots (“**Surface Parking Spaces**”) and landscaping located on the Land, and (iii) demolition of the existing 52,000 square foot former Department of Workforce Development, Aging and Community Services headquarters and adjacent two-story parking structure located on the Land, all to serve as office space and related ancillary facilities for various County departments, commissions and staff (collectively, the “**Project**”).

D. The County will sublease the Land, the Office Building, the Surface Parking Spaces, landscaping and such other improvements as may be located on the Land from time to time back from LACF2 pursuant to a Facilities Lease Agreement, between LACF2, as sublandlord, and the County, as subtenant (the “**Facilities Lease**”), the form of which is attached as Exhibit B.

E. LACF2 will engage TC LA Development, Inc., a Delaware Corporation, as developer (“**TCLA**”) 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, by and between LACF2 and TCLA (the “**Development Agreement**”) in the form attached as Exhibit C, for a fixed price as provided in the Facilities Lease, all of which shall be subject to the County’s concurrence as provided in the Facilities Lease.

F. Financing for the Project shall be from the proceeds of tax-exempt and taxable obligations issued by LACF2, 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 LACF2, and LACF2 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**”). 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, LACF2 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.

1.3 Applicable Laws. “**Applicable Laws**” means all of the following, even if unforeseen or extraordinary, to the extent affecting any of, (a) LACF2, 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 LACF2, 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. LACF2 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, excessive noise or excessive waste of utilities for a construction project of the size and character of the Project, and LACF2 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 LACF2 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, LACF2 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 LACF2 shall cooperate regarding the provision of reciprocal temporary and permanent pedestrian, vehicular, parking, 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 LACF2 shall execute such instruments as may be necessary to provide for such pedestrian, vehicular, parking, and utility access easements at no additional cost to LACF2 and agree to cooperate in the location thereof. Such instruments will consist of the following:

1.5.1 Parking Agreement. LACF2 covenants, for the benefit of County, to enter into an agreement with Los Angeles County Facilities Inc., a California nonprofit public benefit corporation (“LACF”), as the ground lessee of the that certain parking garage located at 523 Shatto Place (the “**Garage**”), and County, as the fee owner of the office building located at 510 South Vermont Avenue with approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and approximately 965 structured parking spaces, and including the Garage (collectively, the “**Site 1 Project**”), pursuant to which County (and its employees, subtenants and invitees) shall have the exclusive right to use a minimum of six hundred ten (610) parking spaces in the Garage (the “**Garage Parking Spaces**”), together with a non-exclusive right to use those portions of the Garage and the Site 1 Project reasonably necessary for vehicular and pedestrian ingress and egress access to the Garage Parking Spaces. Such agreement shall be in substantially the form attached as Exhibit I to the Facilities Lease.

1.5.2 Pedestrian Skybridge Easement. LACF2 covenants, for the benefit of County, to enter into an easement agreement with LACF, as the ground lessee of the land underlying the Site 1 Project, and County, as the fee owner of the land underlying the Site

1 Project and tenant of the Site 1 Project, for the construction and operation of an elevated pedestrian walkway connecting the existing office building to the terrace level of the neighboring office building commonly known as 510 South Vermont Avenue. Such agreement shall be in substantially the form attached as Exhibit V to the Facilities Lease.

1.5.3 Permanent Utility Easement. County, as the fee owner of the land underlying the Site 1 Project, will grant a permanent easement along the boundary of the Site 1 Project adjacent to the Project to construct, install, repair and replace electrical utilities serving the Project. Such permanent easement shall be in a form mutually approved by County and LACF2.

1.5.4 Utility License Agreement. LACF2 will enter into a license agreement with LACF and County, as the fee owner of the land underlying the Site 1 Project, allowing the Project to temporarily access the Site 1 Project's electrical supply during the construction of the Project. Such license agreement shall be in substantially the form attached as Exhibit W to the Facilities Lease.

1.5.5 No Build Covenant. County, as the fee owner of the land underlying the Site 1 Project, will grant a no build covenant upon the real property comprising the existing drive aisle along the boundary of the Site 1 Project adjacent to the Project such that no current or future owner of the Site 1 Project may construct any building or structure upon such existing drive aisle in order to allow the Project to comply with applicable permitting requirements. Such no build covenant shall be in a form mutually approved by County and LACF2.

1.6 Leasehold Title Insurance. The leasehold interest in the Ground Lease Premises granted to LACF2 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 (Eric Gile, 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 LACF2 and County (the “**Effective Date**”) and, unless such term is extended, shall terminate on the earlier of (a) June 1, 2057 and (b) the date that the Bonds are no longer Outstanding (as defined in the Indenture of Trust, dated for reference purposes as of August 1, 2024, between LACF2 and Trustee (the “**Indenture**”)) and the Project has been conveyed by LACF2 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. LACF2 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 LACF2 shall also be required to make the following additional payments:

3.1 Net Lease. The Parties acknowledge that the rent to be paid by LACF2 under this Ground Lease is intended to be absolutely net to County. LACF2 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. LACF2 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, in addition to costs to bring said utilities to the Ground Lease Premises, unless otherwise provided in the Facilities Lease.

3.3 Taxes and Assessments. LACF2 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 LACF2 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, LACF2 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 County shall be solely responsible for payment of any such real property taxes. LACF2'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. LACF2 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 LACF2.

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 LACF2 within the proper timeframe so as not to be delinquent.. This statement is intended to comply with Section 107.6 of the Revenue and Taxation Code. LACF2 shall include a statement in any sublease (other than the Facilities Lease) to the effect that the interests created therein are derived from LACF2's interest under this Ground Lease and that LACF2's interest requires the payment of a possessory interest tax.

LACF2 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 LACF2'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, LACF2 shall cause the Project to be constructed and developed on the Ground Lease Premises. LACF2 shall not develop or construct on the Ground Lease Premises any improvements except as set forth in the Facilities Lease.

4.2 Pre-Construction Activities. Following the issuance of the Bonds and after delivery of the Notice to Proceed (as defined in the Development Agreement) by LACF2 to TCLA, without a requirement of notice by County, LACF2 shall, pursuant to the Development Agreement, cause TCLA to ensure, at its sole cost and expense, that the Ground Lease Premises are secured and kept free of any trespassers or other non-permitted occupiers, illegal activities, graffiti, trash, or any other conditions that could pose a threat to public health, safety or order, other otherwise create a nuisance. Notwithstanding the foregoing, upon notification by County or any other governmental agency having jurisdiction over the Premises, LACF2 shall promptly cause TCLA to take corrective actions to cure an of the foregoing conditions.

4.3 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 LACF2. However, LACF2 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.

4.3.1 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 LACF2 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.

4.3.2 Vesting of the Project in County. Upon the date the Bonds are no longer Outstanding, all of LACF2'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 LACF2 to County. No further deed or other instrument shall be necessary to confirm the vesting in County of title to the Project; however, LACF2 shall upon request of the County and in a timely manner, execute,

acknowledge and deliver to County a quitclaim deed to convey all of LACF2's leasehold interest in the Ground Lease Premises and its ownership of the Project and any other improvements constructed by LACF2 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". LACF2 accepts the Ground Lease Premises "as is" in its existing condition to the extent provided in this Section 5.1, and LACF2 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**") in accordance with Applicable Laws. 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, including but not limited to Hazardous Substances located within the existing improvements located on 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 (other than County's obligations with respect to Hazardous Substances located on, in, or under the Ground Lease Premises as of the Effective Date set forth in the preceding sentence) or at any other time during the Term by LACF2 or the act or omission of LACF2's contractors or their subcontractors or any other party for which LACF2 is liable, and the responsibility for the same shall remain with LACF2.

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 LACF2 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, LACF2 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 LACF2'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 LACF2 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 LACF2 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 LACF2 after the giving of such notice to LACF2 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 one hundred twenty (120) days after the expiration of LACF2's cure period, if any, provided under this Ground Lease, for LACF2 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 LACF2.

6.2.3 Extended Cure Period. If a non-monetary default is reasonably susceptible of cure, but cannot reasonably be remedied within one hundred twenty (120) 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 one hundred twenty (120) 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 LACF2 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 LACF2, 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 one hundred twenty (120) 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 LACF2 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 LACF2'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 LACF2 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 LACF2's rights under this Ground Lease in any proceedings for the foreclosure of any Leasehold Mortgage, or the assignee or transferee of LACF2'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 LACF2 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 LACF2's interest under this Ground Lease pursuant to foreclosure, assignment in lieu of foreclosure or other proceedings Leasehold Mortgagee may, upon acquiring LACF2'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 LACF2 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 LACF2 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 LACF2 or LACF2's Bankruptcy Trustee. If LACF2 or LACF2'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 LACF2 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 LACF2 or by a third party, by purchase or otherwise.

6.2.12 Further Assurances. Upon request from LACF2 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 LACF2 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 LACF2 and its officers, representatives, employees, and agents (the "**Indemnified LACF2 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 LACF2.

7.2 Indemnification by LACF2. LACF2 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 LACF2 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 LACF2. 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 LACF2’s indemnification of County, and during the Term and until all of LACF2’s obligations pursuant to this Ground Lease have been met, LACF2 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 LACF2 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 LACF2’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 LACF2’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 LACF2. 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 LACF2, 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
Real Estate Division
320 West Temple Street, 7th Floor
Los Angeles, CA 90012
Attention: Senior Manager

8.1.2 Claims Notice. LACF2 shall promptly notify County of any third party claim or suit filed against LACF2 which arises from or relates to this Ground Lease, and could result in the filing of a claim or lawsuit against LACF2 and/or County.

8.1.3 Additional Insured Status and Scope of Coverage. Indemnified County Parties, shall be provided additional insured status under LACF2's General Liability policy with respect to liability arising from or connected with LACF2's acts, errors, and omissions arising from and/or relating to LACF2'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 LACF2's acts or omissions, whether such liability is attributable to LACF2 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 minimum Required Insurance provisions hereof. 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. LACF2 shall provide County with, or LACF2'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 LACF2.

8.1.5 Failure to Maintain Required Insurance. LACF2's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall constitute an Event of Default by LACF2. County, at its sole discretion, may obtain damages from LACF2 resulting from LACF2's failure to maintain Required Insurance, and/or County may elect to purchase the Required Insurance without further notice to LACF2, and LACF2 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 LACF2's Insurance Shall Be Primary. LACF2'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 LACF2 coverage.

8.1.8 Waiver of Subrogation. To the fullest extent permitted by law, LACF2 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. LACF2 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. LACF2's policies shall not obligate County to pay any portion of any LACF2 deductible or Self-Insured Retentions ("SIR"). County retains the right to require LACF2 to reduce or eliminate policy deductibles and SIRs with respect to County, or to provide a bond guaranteeing LACF2'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 LACF2 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. LACF2 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 County 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 (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 LACF2'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 LACF2'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 LACF2 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 LACF2 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 LACF2 and County's Remedies.

10.1 Events of Default. The following occurrences or acts shall constitute an Event of Default by LACF2 (each an "**Event of Default**") under this Ground Lease:

10.1.1 Monetary Defaults. The failure of LACF2 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. LACF2 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 LACF2 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 LACF2's failure to perform; provided, however, that where LACF2's performance of such covenant, condition or agreement is not reasonably susceptible of completion within such thirty (30) day period and LACF2 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 LACF2 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 LACF2's Financial Condition. LACF2 shall be in default hereunder if LACF2 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 LACF2 or any material part of its properties.

10.1.4 LACF2 Event of Default Under Facilities Lease. Any LACF2 Event of Default under the Facilities Lease shall be an Event of Default under this Ground Lease.

10.1.5 LACF2 Default Under Development Agreement. Any LACF2 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, LACF2 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 LACF2 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, LACF2 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 LACF2'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 LACF2 hereunder. The acceptance by County of rent shall not be a waiver of any preceding breach or default by LACF2 of any provision hereof, other than the failure of LACF2 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 LACF2 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 LACF2 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 LACF2 shall pay all rent and all other amounts payable by LACF2 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 LACF2.
12. **Compliance with Laws.** LACF2 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. LACF2 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
Chief Executive Office – Real Estate Division
County of Los Angeles
320 West Temple.,7th Floor
Los Angeles, CA 90012
Attention: Senior Manager

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

Chief Executive Office- Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012
Attention: Assistant Chief Executive Officer

Treasurer and Tax Collector- Public Finance
County of Los Angeles
500 West Temple St., Room 432
Los Angeles, CA 90012
Attention: Assistant Treasurer and Tax Collector

If to LACF2:

Los Angeles County Facilities Inc.
c/o Public Facilities Group
1700 Seventh Avenue
Suite 2100, PMB 552
Seattle, WA 98101
Attention: John Finke

With a copy to:

Hillis Clark Martin & Peterson PS
999 Third Avenue, Suite 4600
Seattle, WA 98104
Attention: Matthew W. Markovich

If to Leasehold Mortgagee:

U.S. Bank Trust Company, National Association,
U.S. Bank Tower
633 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Global 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 LACF2 and Key Staff. LACF2 acknowledges and agrees that (a) the sole and explicit purpose of this Ground Lease is for LACF2 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 LACF2 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 LACF2 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 LACF2 to a party other than the County pursuant to the Facilities Lease, and which constitutes less than the unrestricted conveyance of the entire LACF2 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 LACF2’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 LACF2 have the right to Sublease the Ground Lease Premises pursuant to the following: LACF2 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 LACF2 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 (as defined in the Indenture) delivered to the Trustee. Prior to entering into any Sublease, LACF2 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.

15.2.4 Retail Space Subleases. Notwithstanding the foregoing, the Parties acknowledge that the Facilities Lease contemplates that LACF2 will sub-sublease the two (2) one-thousand (1,000) square foot retail spaces located on the ground floor of the Office Building to third party users identified by the County pursuant to written sublease agreements, and that nothing in Section 15.2 of this Ground Lease will prohibit LACF2 from entering into such sublease agreements in accordance with the terms of the Facilities Lease.

15.3 Assignment. Except for the Leasehold Mortgage, LACF2 shall not assign, mortgage, or encumber this Ground Lease or delegate the duties of LACF2 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 LACF2 herein, be assignable by operation of law.

15.3.1 Approval of Assignments. Except as specifically provided in this Article 15, LACF2 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 LACF2, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against LACF2, or by any process of law including proceedings under the Bankruptcy Act.

15.3.3 Additional Requirements. 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 LACF2, then LACF2 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 LACF2 hereunder shall be binding upon the heirs, executors, administrators, successors, and assigns of LACF2, and all rights, privileges and benefits arising under this Ground Lease in favor of LACF2 shall be available in favor of its heirs, executors, administrators, successors, and assigns.

16. Representations and Warranties.

16.1 Representations and Warranties of LACF2. LACF2 hereby makes the following representations and warranties as of the Effective Date:

16.1.1 Legal Power. LACF2 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 LACF2. This Ground Lease is a valid and legally binding obligation of LACF2 and the applicable provisions hereof enforceable against LACF2 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 LACF2, and no provision of any indenture, instrument, or agreement, written or oral, to which LACF2 is a party or which governs the actions of LACF2 or which is otherwise binding upon LACF2, nor to LACF2's knowledge is there any judgment, decree or order of any governmental authority or court binding on LACF2 which would be contravened by the execution, delivery or performance by LACF2 of this Ground Lease.

16.1.4 Litigation Pending. To LACF2'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 LACF2, which, if adversely determined, would materially impair LACF2'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 LACF2 is a party.

16.1.6 No Insolvency. To LACF2's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against LACF2, nor are any of such proceedings contemplated by LACF2.

16.1.7 Accuracy of Materials. To LACF2's knowledge, all written reports, documents, and instruments prepared by LACF2 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 LACF2, nor its directors, officers, employees or affiliates, nor any individual representing LACF2, nor anyone holding an interest in LACF2 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. LACF2 has not employed or retained any person, other than a bona fide employee working solely for LACF2, 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 LACF2 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 LACF2 is or are authorized to execute this Ground Lease and bind LACF2 to its terms and conditions, and, upon such execution, this Ground Lease shall be legally binding on LACF2 and, if LACF2 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. LACF2 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 LACF2. If LACF2 fails to make any repairs or replacements as required, County may notify LACF2 of said failure in writing, and should LACF2 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 LACF2.

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 LACF2, 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 LACF2 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 LACF2 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 LACF2, 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 County Policy Requirements. LACF2 shall comply with the following County policy requirements and also endeavor to cause such policy requirements to be incorporated into all agreements to which it is a party for the development of the Project.

18.10.1 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. LACF2 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.

18.10.2 Rental or Sale. LACF2 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. LACF2 shall endeavor to cause all leases and contracts affecting the Premises or any portion thereof to contain clauses expressly giving effect to this Section 18.

18.10.3 Community Workforce Agreement. LACF2 shall comply with the Countywide Community Workforce Agreement approved and adopted by County's Board of Supervisors on February 17, 2023, a copy of which is attached as Exhibit F, including but not limited to the Local and Targeted Worker Hiring Policy that is attached as Attachment D thereto.

18.10.4 Civic Art. LACF2 shall comply with County's civic art policy attached hereto as Exhibit G, as may be amended from time to time.

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 LACF2 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. LACF2 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 LACF2 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, LACF2 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 LACF2 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, LACF2 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. LACF2 expressly acknowledges that LACF2 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, LACF2 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 LACF2, 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 (as defined below) shall be postponed until the next Business Day. The term "**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.

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 LACF2 pursuant to this Ground Lease, such sums shall be due and payable within five (5) Business Days after LACF2'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 LACF2 repays sums advanced by County on LACF2'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, LACF2 shall surrender and deliver up the Ground Lease Premises, including all improvements then located thereon and the appurtenances thereto, into the possession of LACF2, 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. LACF2 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.

18.22 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
Exhibit F	Community Workforce Agreement

Exhibit G County Civic Art Policy

[Signatures on next page]

COUNTY:

COUNTY OF LOS ANGELES
a body corporate and politic

FESIA A. DAVENPORT
Chief Executive Office

By: _____
Name: John T. Cooke
Title: Assistant Chief Executive Officer

ATTEST:

DEAN C. LOGAN
Registrar-Recorder/County Clerk

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:

DAWYN R. HARRISON
County Counsel

By: _____
Name: Behnaz Tashakorian
Title: Principal Deputy

LACF2:

LOS ANGELES COUNTY FACILITIES 2 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 August __, 2024, before me, _____, Notary Public, personally appeared John T. Cooke, 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 August ____, 2024, 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 August ____, 2024, before me, _____, Notary Public, personally appeared Behnaz Tashakorian, 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)

STATE OF WASHINGTON

COUNTY OF KING

} ss.

This record was acknowledged before me on August ____, 2024 by John Finke as President of LOS ANGELES COUNTY FACILITIES 2 INC., a California nonprofit public benefit corporation.

[Stamp Below]

Signature

NOTARY PUBLIC in and for the State of Washington

My Commission Expires _____

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 15 TO 17 INCLUSIVE, BLOCK 4, SHATTO PLACE, IN THE CITY OF LOS ANGELES, 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.

APN: 5077-003-902

**EXHIBIT B
FACILITIES LEASE**

[Attached]

**EXHIBIT C
DEVELOPMENT AGREEMENT**

[Attached]

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 2024-2025.
- B. There were no taxes levied for the fiscal year 2023-2024 as the property was vested in a public entity.
- C. 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
Recorded: February 24, 1913 in Book 5414, Page 96 of Deeds
Affects: the Easterly 5 feet of Lots 15 and 16

- 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.
- 4. 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.

Affects: Lot 17

5. 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.
6. 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: the rear 3 feet of Lots 15, 16 and 17
7. 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: the rear 5 feet of Lots 15, 16 and 17
8. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: The Pacific Telephone and Telegraph Company, a Corporation
Purpose: pole lines and conduits
Recorded: February 16, 1959 in Book D366, Page 545 of Official Records
Affects: the Easterly 5 feet of Lots 15, 16 and 17
9. 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 of Official Records

Reference is hereby made to said document for full particulars.

Affects: The herein described Land and other land.
10. 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 of Official Records

Reference is hereby made to said document for full particulars.

Affects: The herein described Land and other land.

11. 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. 6078, in Book M1422, Page 858 of Official Records

Reference is hereby made to said document for full particulars.

This covenant and agreement provides that it shall be binding upon any future owners, encumbrancers, their successors or assigns, and shall continue in effect until the advisory agency approves termination.

12. 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.: as Instrument No. 3939, in Book M1518, Page 375 of Official Records

Reference is hereby made to said document for full particulars.

Affects: The herein described Land and other land.

13. 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.: as Instrument No. 4585, in Book M2018, Page 149 of Official Records

Reference is hereby made to said document for full particulars.

Affects: The herein described Land and other land.

14. Intentionally deleted

15. 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: as Instrument No. 95-2040205 of Official Records

16. 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: as Instrument No. 20072636447 of Official Records

17. Intentionally deleted

18. Intentionally deleted

19. Intentionally deleted

20. An instrument entitled Covenant and Agreement for a Passive Methane Mitigation System

Recording Date: August 11, 2020

Recording No: as Instrument No. 20200928103 of Official Records

Reference is hereby made to said document for full particulars.

This covenant and agreement provides that it shall be binding upon any future owners, encumbrancers, their successors or assigns, and shall continue in effect until the advisory agency approves termination.

21. A Notice of Substandard property as disclosed by a document

Recording Date: November 3, 2022

Recording No: as Instrument No. 20221044924 of Official Records

Reference is hereby made to said document for full particulars.

EXHIBIT E
FORM OF MEMORANDUM OF GROUND LEASE

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

Hillis Clark Martin & Peterson P.S.
Attention: Matthew W. Markovich
999 Third Avenue, Suite 4600
Seattle, WA 98104

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE ONLY.

Assessor's Parcel Nos. _____

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 August 1, 2024 and is made by and between **COUNTY OF LOS ANGELES**, a body corporate and politic ("**County**"), and **LOS ANGELES COUNTY FACILITIES 2 INC.**, a California nonprofit public benefit corporation ("**LACF2**").

1. Ground Lease. County leased to LACF2 under that certain Ground Lease Agreement dated for reference purposes as of August 1, 2024 (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 August 22, 2024, and, unless such term is extended, shall terminate on the earlier of (a) [_____] [FINAL MATURITY DATE OF BONDS] and (b) the date that the Bonds are no longer Outstanding (as defined in the Indenture of Trust, dated as of August 1, 2024, by and between LACF2 and U.S. Bank Trust Company, National Association, as Trustee) and the Project has been conveyed by LACF2 to County as set forth in the applicable provisions of the Facilities Lease Agreement dated for reference purposes as of August 1, 2024 (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 LACF2 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 2 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: FESIA A. DAVENPORT
Title: Chief Executive Officer

ATTEST:
DEAN C. LOGAN
Registrar-Recorder/County Clerk

By: _____
Name: _____
Title: Deputy

APPROVED AS TO FORM:
DAWYN R. HARRISON County

County Counsel

By: _____
Name: _____
Title: Senior Deputy

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 _____, 2024, 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 _____, 2024, 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 _____, 2024, 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 _____, 2024, 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:

EXHIBIT F
COMMUNITY WORKFORCE AGREEMENT

[Attached]

EXHIBIT G
COUNTY CIVIC ART POLICY

[Attached]

APPENDIX C-3

FORM OF FACILITIES LEASE

NOTE: For the sake of brevity, certain exhibits have been omitted from the attached form of the Facilities Lease Agreement.

**FACILITIES
LEASE AGREEMENT**

between

**LOS ANGELES COUNTY FACILITIES 2 INC.,
a California nonprofit public benefit corporation**

and

**COUNTY OF LOS ANGELES,
a body corporate and politic**

Dated as of August 1, 2024

**Vermont Corridor Site 2
Los Angeles, California**

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FACILITIES LEASE AGREEMENT

THIS FACILITIES LEASE AGREEMENT (this “**Lease**”) dated as of August 1, 2024 and is made by and between **LOS ANGELES COUNTY FACILITIES 2 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 550 South Vermont Avenue and 3175 West 6th Street and which is legally described on the attached Exhibit A (collectively, the “**Land**”).

B. Pursuant to California Government Code Sections 25351 and 25536(c), Tenant desires to have Landlord design, develop, permit, and construct improvements and install furniture, fixtures and equipment on the Land consisting of (i) renovation and expansion of the existing office building comprised of (a) approximately 154,793 gross square feet of existing space renovated to Class A office space, including two ground floor retail spaces of approximately 1,000 square feet each, (b) an extension of the existing building floorplates to include an additional approximately 88,340 gross square feet of new Class A office space, for a total of approximately 243,133 gross square feet of Class A office space, (c) approximately 12,050 gross square feet of renovated subterranean back-of-house support space, and (d) an elevated pedestrian walkway connecting the existing office building to the terrace level of the neighboring office building commonly known as 510 South Vermont Avenue ((a), (b), (c), and (d) collectively, the “**Office Building**”), (ii) installation of approximately 10 surface parking spots (“**Surface Parking Spaces**”) and landscaping located on the Land, and (iii) demolition of the existing 52,000 square foot former Department of Workforce Development, Aging and Community Services headquarters and adjacent two-story parking structure located on the Land, all to serve as office space and related ancillary facilities for various County departments, commissions and staff (collectively, the “**Project**”). The Project shall be delivered to Tenant in Turnkey Condition as defined in Section 1.

C. Landlord will engage TC LA Development, Inc., a Delaware corporation, as developer (“**TCLA**”) 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 in the form attached as Exhibit O, for a Fixed Price as provided herein, all of which shall be subject to Tenant’s Concurrence as provided herein.

D. The financing for the Project will be pursuant to Landlord’s issuance of Bonds (defined in Section 1). The Bonds are issued by a nonprofit organization on behalf of a government entity to finance a public facility. Upon the date the Tax-Exempt 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.

E. Landlord and Tenant desire to enter into this Lease whereby, following the completion of the Project, Landlord shall operate, maintain and repair the Premises, and Tenant shall lease and occupy the Premises at the rent and subject to all of the terms, covenants and conditions set forth herein.

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 the Annual Capital Repair Reserve Payment, Capital Expenditures and Alterations by Landlord, 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.

“**Alterations by Landlord**” means amounts payable by Tenant to Landlord pursuant to Section 10.4.

“**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.

“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.

“**Civic Art**” means art to be installed in accordance with the County Art Policy and the Construction Documents.

“**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 General Construction Contract and (ii) 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 the 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.

“**Contract Documents**” means the Construction Documents, the Construction Contracts and the other documents identified as Contract Documents in the General Construction Contract, all of which shall be subject to Tenant’s Concurrence.

“**Contractors**” means the 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.

“**County Art Policy**” means County’s civic art policy attached hereto as Exhibit U, as may be amended from time to time.

“**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 March 23, 2027.

“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 Lease 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.

“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 but including a commercially reasonable amount to cover capital repairs) payable for office premises in Los Angeles County, California comparable to the Premises hereunder. As of the Effective Date, the parties hereto have agreed and determined that Fair Market Rent for the Premises is not less than \$16,000,000 per annum. In making such determination, consideration has been given to the uses and purposes that may be served by the Premises and the benefits therefrom that will accrue to the County and the general public. The

Fair Market Rent shall be re-calculated in the event of damage, destruction or partial condemnation of the Premises as contemplated in Sections 19 and 20 and to the extent necessary in connection with the calculations under Section 5.11. In the event the Fair Market Rent is re-calculated, the Fair Market Rent shall be determined by a qualified MAI appraiser selected by Tenant and reasonably acceptable to Landlord.

“Final Acceptance” has the meaning set forth in Section 9.14.

“Final Payment” means payment to the Developer, the Architect, the 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 and the Landlord operate, commencing with July 1 and ending with June 30.

“Fixed Price” means an amount not to exceed Two Hundred Ten Million and no/100 dollars (\$210,000,000.00), 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.

“Garage” means that certain parking garage located at 523 Shatto Place in Los Angeles, California that is part of the Site 1 Project.

“General Construction Contract” means the agreement between Landlord and the General Contractor for construction of the Project.

“General Contractor” means SNYDER LANGSTON, LLC, a Delaware limited liability company the anticipated general contractor for the Project, or another qualified general contractor proposed by Developer and approved by Landlord.

“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 Q), 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).

“LACF” means Los Angeles County Facilities Inc., a California nonprofit public benefit corporation, and its successors and permitted assigns.

“Land” has the meaning set forth in Recital A.

“Landlord” means Los Angeles County Facilities 2 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 Building” has the meaning set forth in Recital B.

“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.

“Pedestrian Skybridge” means an elevated pedestrian walkway connecting the Office Building to the terrace level of the neighboring office building commonly known as 510 South Vermont Avenue that comprises a portion of the Site 1 Project.

“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 Office Building, the Surface Parking Spaces, landscaping 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) Project, (b) Tenant Improvements to be constructed within the Project, and (c) the Financed FF&E and the Procured FF&E. The Project shall be consistent with and reasonably inferable from the approved Project Requirements as being necessary to produce the intended results. The Project design shall be structured around a solid core and shell to ensure a functional and easily maintainable building foundation. The Project shall be designed to meet LEED Gold certification standards

“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 and obtaining all appurtenant easements required for such utility relocation and installation, all roadway improvements (if any), sidewalks and landscaping, all permit fees, all costs of the 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 General Contractor, all amounts paid to the General Contractor under the 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 or the General Contractor), payment and performance bonds, applicable state and local retail sales taxes, the Project Contingency, all costs of the Civic Art, and all costs of the Relocation Services.

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; (f) any costs of obtaining the exclusive right to use a minimum of six hundred ten (610) parking spaces in the Garage; and (g) 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 600 Commonwealth Ave., 5601 E. Slauson Ave., 350 S. Figueroa, 3530 Wilshire Blvd., 2601 Wilshire Blvd., and 501 Shatto Place to the Project, the costs of which shall 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.

"Rent Payment Date" means each June 1 and December 1 throughout the Term.

"Retail Space Lease" has the meaning set forth in Section 21.

“**Retail Spaces**” has the meaning set forth in Section 21.

“**Requirements of Law**” means all requirements relating to land and building construction (including those specifically applicable to Tenant’s contemplated use of the Premises and 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.

“**Site 1 Project**” means the office building located at 510 South Vermont Avenue with approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and approximately 965 structured parking spaces, and including the Garage.

“**Substantial Completion Date**” means the date of Substantial Completion of the Project.

“**Substantial Completion of the Project**” has the meaning set forth in Section 9.13.

“**Substantially Complete**” means 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 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.

“**Surface Parking**” has the meaning set forth in Recital B.

“**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 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 Matthew J. Diaz, 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.

“**Trustee**” has the meaning given such term under the Indenture.

“**Turnkey Condition**” means that Substantial Completion of the Project has been achieved and all Financed FF&E and Procured FF&E has been installed in accordance with the Construction Documents, and the 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.

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 (Eric Gile, 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) June 1, 2057, (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.

4. Base Rent; Conveyance of Premises.

4.1 Obligation to Pay Base Rent. Tenant shall pay Base Rent to the Trustee at the Trustee's address set forth in Section 34.15 without deduction or offset (except as set forth in the last sentence of this Section 4.1 below), prior notice or demand, in advance on the Rent Commencement Date and thereafter in advance on each Rent Payment Date throughout the Term. 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 on the Rent Commencement Date shall equal the prorated amount attributable to the period occurring between the Rent Commencement Date and the next following Rent Payment Date, and the last Base Rent payment shall equal the prorated amount attributable to the period occurring between the last Rent Payment Date and the Expiration Date. 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. The Tenant's obligation to pay Base Rent on the Rent Commencement Date or any subsequent Rent Payment Date shall be reduced by the amount of any proceeds of the Series 2024B Bonds (as defined in the Indenture) available in the Interest Account (as defined in the Indenture).

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.

5. Additional Rent; Payment of Operating Costs and Capital Costs.

5.1 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 General Construction Contract as approved by Tenant to enforce product or workmanship warranties given by Developer, the 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 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) any costs of obtaining the exclusive right to use a minimum of six hundred ten (610) parking spaces in the Garage;

(u) if elected by Landlord and Tenant, 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 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.** In advance of the Rent Commencement Date and thereafter in advance of each Rent Payment Date, Tenant shall pay as Additional Rent, on February 1 and August 1 of each year, 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 February 1, 2028 (and that is attributable to the period from February 1, 2028 through July 31, 2028) shall be paid no later than January 31, 2028. 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 ($\frac{1}{2}$) 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 \$243,000 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 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 Agreement by and between Tenant and Landlord of even date herewith (the form of which is attached as Exhibit R) (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 or illegal drug use.

(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 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 General Contractor 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 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 General Contractor Insurance. Prior to the date of the execution of the 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 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 General Contractor or the 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. “**Substantial Completion of the Project**” shall have occurred when all of the following events have occurred with respect to the Project:

(a) Developer has notified Landlord and Tenant in writing that the 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 and activities required for LEED Gold certification (or as otherwise agreed by Landlord and Tenant);

(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 Project 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 Project 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 Project 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 Project Substantial Completion Date, then this condition shall be deemed satisfied;

(d) The 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 Project 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 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 Project.

(h) 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) The General Contractor has issued a certificate that the Project has been finally completed in substantial accordance with the Contract Documents and no Hazardous Substances were incorporated into the structure of the 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 updated title commitment dated at least ninety (90) days after Substantial Completion, that (i) confirms that no liens for labor or materials have arisen in connection with the construction of the Project, and (ii) shows 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 Civic Art shall have been installed.

(l) Developer shall have submitted the initial applications, supporting documents, and other materials needed to obtain LEED Gold 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 fee interest 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 fee interest 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 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 General Construction 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; and tenant improvements to the retail area of the Premises.¹

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

¹ NTD: To be confirmed: Relocation Services are included in the budget such that no change order will be necessary.

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 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 be subject to Tenant's prior approval, and 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 180 days after the close of each Fiscal Year (beginning with the Fiscal Year ending June 30, 2025), 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 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.

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 owed to Developer and paid to Landlord through Bond proceeds on the date of issuance of the Bonds.

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 in a timely manner. 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 non-confidential and/or non-privileged 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 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 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 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 (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, after Substantial Completion of the Project, 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.

Notwithstanding the foregoing, upon Tenant's election, Landlord shall sublease from Tenant the portion of the Premises consisting of approximately two (2) one-thousand (1,000) square foot spaces located within the ground floor retail space of the Office Building, as depicted in Exhibit S (the "**Retail Spaces**"), or a portion thereof, pursuant to a written lease agreement mutually acceptable to Landlord and Tenant (a "**Retail Space Lease**"), provided that the sole purpose of executing a Retail Space Lease shall be for Landlord to sub-lease the Retail Spaces or portions thereof to a Retail Space Lessee (as defined below) identified by Tenant. Subject to the requirements of this paragraph, Tenant shall have the right to direct the use and operation of the Retail Spaces, including but not limited to the selection, by written notice to Landlord, of the third party user of all or any portion of the Retail Spaces (collectively, the "**Retail Space Lessees**"). Landlord shall be solely responsible for the leasing, management, and maintenance of the Retail Spaces. Landlord's rent obligation under the Retail Space Lease shall be to pay to Tenant the balance remaining, if any, from the rent (base or additional), operating expense reimbursements or other amounts paid to Landlord by the Retail Space Lessee, after first deducting any leasehold excise or other similar tax payable by Landlord, and all management and leasing fees, administration costs, leasing commissions, operating expenses, utilities, repair costs, legal fees and similar costs and expenses incurred by Landlord in connection with the leasing, management, and maintenance of the Retail Spaces. Each sublease of the Retail Spaces and the permitted use thereunder shall be subject to (i) the provisions of Section 7 regarding use of the Premises, (ii) Landlord and Tenant receiving a Favorable Opinion of Bond Counsel (as defined in the Indenture), which shall have been delivered to Trustee, and (iii) all Applicable Laws.

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, then Tenant will not exercise its remedies under Section 23, 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 may be extended to such period reasonably required to complete such cure, but in any event, not more than an additional ninety (90) days. 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. In the event that Trustee 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.

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 prior 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 written requests regarding security and employee privacy protocols. 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. 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, 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.

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, 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 all other Parties as follows:

If to Landlord:

Los Angeles County Facilities 2 Inc.
c/o Public Facilities Group
1700 Seventh Avenue
Suite 2100, PMB 552
Seattle, WA 98101
Attention: John Finke

With a copy to:

Hillis Clark Martin & Peterson PS
999 Third Avenue, Suite 4600
Seattle, WA 98104
Attention: Matthew W. Markovich

If to Tenant:

County of Los Angeles
Chief Executive Office- Real Estate Division
320 W. Temple St., 7th Floor
Los Angeles, CA 90012
Attention: 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: Behnaz Tashakorian

Chief Executive Office- Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012
Attention: Assistant Chief Executive Officer

Treasurer and Tax Collector- Public Finance
County of Los Angeles
500 West Temple St., Room 432
Los Angeles, CA 90012
Attention: Assistant Treasurer and Tax Collector

If to Trustee:

U.S. Bank Trust Company, National Association,
U.S. Bank Tower
633 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Global 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 at no cost to the Tenant.

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 the General Contractor and its 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 the 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 the General Contractor comply with the payroll record keeping and availability requirement of Section 1776 of the Labor Code. In addition, Landlord shall require that the 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 the 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 signed by the Chief Executive Officer of the County of Los Angeles, or her designee, and approved as to form by the County Counsel of the County of Los Angeles.

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 General Construction Contract . Landlord shall vigorously enforce the provisions of the General Construction Contract including, without limitation, provisions requiring the payment of liquidated damages in the event that the General Contractor fails to achieve completion of construction of the Project by the date set forth in the Construction Contract. Amounts received from the General Contractor and available for payment of debt service on the Bonds shall be deposited with the Trustee as provided under the Indenture.

37. Parking Agreement. Landlord covenants, for the benefit of Tenant, to enter into an agreement with LACF, the ground lessee of the Garage, and Tenant, the fee owner of the land underlying the Site 1 Project which includes the Garage, pursuant to which Tenant (and its employees, subtenants and invitees) shall have the exclusive right to use a minimum of six hundred ten (610) parking spaces in the Garage (the “**Garage Parking Spaces**”), together with a non-exclusive right to use those portions of the Garage and the Site 1 Project reasonably necessary for vehicular and pedestrian ingress and egress access to the Garage Parking Spaces. Such agreement shall be in substantially the form set forth as Exhibit I hereto.

38. County Policy Requirements. Landlord shall comply with the following County policy requirements and also cause such policy requirements to be incorporated into all Construction Contracts for the Project.

38.1 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.

38.2 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.

38.3 Community Workforce Agreement. Landlord shall comply with the Countywide Community Workforce Agreement approved and adopted by the County’s Board of Supervisors on February 17, 2023, a copy of which is attached as Exhibit P, including but not limited to the Local and Targeted Worker Hiring Policy that is attached as Attachment D thereto.

38.4 Civic Art. Landlord shall comply with the County Art Policy, a copy of which is attached as Exhibit U.

39. Pedestrian Skybridge Easement. Landlord covenants, for the benefit of Tenant, to enter into an easement agreement with LACF, the ground lessee of the land underlying the Site 1 Project, and Tenant, as the fee owner of the land underlying the Site 1 Project and tenant of the Site 1 Project, for the construction and operation of the Pedestrian Skybridge. Such agreement shall be in substantially the form set forth as Exhibit V hereto.

40. Permanent Utility Easement. Tenant, as the fee owner of the land underlying the Site 1 Project, will grant a permanent easement along the boundary of the Site 1 Project adjacent to the Project to construct, install, repair and replace electrical utilities serving the

Project. Such permanent easement shall be in a form mutually approved by Landlord and Tenant.

41. Utility License Agreement. Landlord will enter into a license agreement with LACF and Tenant, as the fee owner of the land underlying the Site 1 Project, allowing the Project to temporarily access the Site 1 Project's electrical supply during the construction of the project. Such license agreement shall be in substantially the form set forth as Exhibit W hereto.

42. No Build Covenant. Tenant, as the fee owner of the land underlying the Site 1 Project, will grant a no build covenant upon the real property comprising the existing drive aisle along the boundary of the Site 1 Project adjacent to the Project such that no current or future owner of the Site 1 Project may construct any building or structure upon such existing drive aisle in order to allow the Project to comply with applicable permitting requirements. Such no build covenant shall be in a form mutually approved by Landlord and Tenant.

[Signature pages follow]

DATED the date first above written.

LANDLORD:

LOS ANGELES COUNTY FACILITIES 2 INC.,
a California nonprofit public benefit corporation

By: _____

Name: John Finke

Title: President

TENANT:

COUNTY OF LOS ANGELES,
a body corporate and politic

FESIA A. DAVENPORT
Chief Executive Officer

By: _____
Name: John T. Cooke
Title: Assistant Chief Executive Officer

ATTEST:

DEAN C. LOGAN
Registrar-Recorder/County Clerk

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:

DAWYN R. HARRISON
County Counsel

By: _____
Name: Behnaz Tashakorian
Title: Principal Deputy

STATE OF WASHINGTON

COUNTY OF KING

} ss.

This record was acknowledged before me on August ____, 2024 by John Finke as President of LOS ANGELES COUNTY FACILITIES 2 INC., a California nonprofit public benefit corporation.

[Stamp Below]

Signature

NOTARY PUBLIC in and for the State of Washington

My Commission Expires _____

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 August ____, 2024, before me, _____, Notary Public, personally appeared John T. Cooke, 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 August ____, 2024, 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 August ____, 2024, before me, _____, Notary Public, personally appeared Behnaz Tashakorian, 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 15 TO 17 INCLUSIVE, BLOCK 4, SHATTO PLACE, IN THE CITY OF LOS ANGELES, 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.

APN: 5077-003-902

EXHIBIT B

SCHEDULE OF BASE RENT

The Base Rent specified in this Exhibit B shall be payable only from and after the Rent Commencement Date; accordingly, the Base Rent due on any date specified below (a “**Payment Date**”) shall in fact be due only if such Payment Date is on or after the Rent Commencement Date. If the Rent Commencement Date occurs on a date other than a Payment Date, then the Base Rent due on the Rent Commencement Date shall be prorated based on the number of days from the Rent Commencement Date to the next Payment Date.

<i>Period Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
12/01/2024		2,998,597.39	2,998,597.39
06/01/2025		5,451,995.25	5,451,995.25
12/01/2025		5,451,995.25	5,451,995.25
06/01/2026		5,451,995.25	5,451,995.25
12/01/2026		5,451,995.25	5,451,995.25
06/01/2027		5,451,995.25	5,451,995.25
12/01/2027		5,451,995.25	5,451,995.25
06/01/2028	3,190,000	5,451,995.25	8,641,995.25
12/01/2028		5,379,614.15	5,379,614.15
06/01/2029	3,335,000	5,379,614.15	8,714,614.15
12/01/2029		5,303,250.00	5,303,250.00
06/01/2030	3,485,000	5,303,250.00	8,788,250.00
12/01/2030		5,216,125.00	5,216,125.00
06/01/2031	3,660,000	5,216,125.00	8,876,125.00
12/01/2031		5,124,625.00	5,124,625.00
06/01/2032	3,845,000	5,124,625.00	8,969,625.00
12/01/2032		5,028,500.00	5,028,500.00
06/01/2033	4,035,000	5,028,500.00	9,063,500.00
12/01/2033		4,927,625.00	4,927,625.00
06/01/2034	4,235,000	4,927,625.00	9,162,625.00
12/01/2034		4,821,750.00	4,821,750.00
06/01/2035	4,450,000	4,821,750.00	9,271,750.00
12/01/2035		4,710,500.00	4,710,500.00
06/01/2036	4,670,000	4,710,500.00	9,380,500.00
12/01/2036		4,593,750.00	4,593,750.00
06/01/2037	4,905,000	4,593,750.00	9,498,750.00
12/01/2037		4,471,125.00	4,471,125.00
06/01/2038	5,150,000	4,471,125.00	9,621,125.00
12/01/2038		4,342,375.00	4,342,375.00
06/01/2039	5,405,000	4,342,375.00	9,747,375.00
12/01/2039		4,207,250.00	4,207,250.00
06/01/2040	5,680,000	4,207,250.00	9,887,250.00
12/01/2040		4,065,250.00	4,065,250.00
06/01/2041	5,960,000	4,065,250.00	10,025,250.00
12/01/2041		3,916,250.00	3,916,250.00
06/01/2042	6,260,000	3,916,250.00	10,176,250.00
12/01/2042		3,759,750.00	3,759,750.00
06/01/2043	6,570,000	3,759,750.00	10,329,750.00
12/01/2043		3,595,500.00	3,595,500.00
06/01/2044	6,900,000	3,595,500.00	10,495,500.00
12/01/2044		3,423,000.00	3,423,000.00
06/01/2045	7,245,000	3,423,000.00	10,668,000.00
12/01/2045		3,232,818.75	3,232,818.75
06/01/2046	7,625,000	3,232,818.75	10,857,818.75
12/01/2046		3,032,662.50	3,032,662.50

06/01/2047	8,025,000	3,032,662.50	11,057,662.50
12/01/2047		2,822,006.25	2,822,006.25
06/01/2048	8,450,000	2,822,006.25	11,272,006.25
12/01/2048		2,600,193.75	2,600,193.75
06/01/2049	8,890,000	2,600,193.75	11,490,193.75
12/01/2049		2,366,831.25	2,366,831.25
06/01/2050	9,360,000	2,366,831.25	11,726,831.25
12/01/2050		2,121,131.25	2,121,131.25
06/01/2051	9,850,000	2,121,131.25	11,971,131.25
12/01/2051		1,862,568.75	1,862,568.75
06/01/2052	10,365,000	1,862,568.75	12,227,568.75
12/01/2052		1,590,487.50	1,590,487.50
06/01/2053	10,910,000	1,590,487.50	12,500,487.50
12/01/2053		1,304,100.00	1,304,100.00
06/01/2054	11,485,000	1,304,100.00	12,789,100.00
12/01/2054		1,002,618.75	1,002,618.75
06/01/2055	12,085,000	1,002,618.75	13,087,618.75
12/01/2055		685,387.50	685,387.50
06/01/2056	12,720,000	685,387.50	13,405,387.50
12/01/2056		351,487.50	351,487.50
06/01/2057	13,390,000	351,487.50	13,741,487.50
	212,135,000	240,879,629.94	453,014,629.94

EXHIBIT C

PRELIMINARY PLANS

[See attached.]

EXHIBIT D-1

PROJECT SCHEDULE

[See attached.]

EXHIBIT D-2

PROJECT BUDGET

[See attached.]

EXHIBIT E

MEMORANDUM OF FACILITIES LEASE

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

Hillis Clark Martin & Peterson P.S.
Attention: Matthew W. Markovich
999 Third Ave, Suite 4600
Seattle, WA 98104

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE *ONLY*

Assessor's Parcel Nos.

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 August 1, 2024 and is made by and between **LOS ANGELES COUNTY FACILITIES 2 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 August 1, 2024 (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 on the attached Exhibit A.

2. Facilities Lease. Sublandlord leases 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 August 1, 2024 (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 the Effective Date and, unless such term is extended, shall expire on the earlier of (a) June 1, 2057, (b) the date that the Bonds are no longer Outstanding (as defined in that certain Indenture of Trust dated August 1, 2024 by and between Landlord and U.S. Bank Trust Company, National Association) and the Premises have been conveyed by Landlord to Tenant 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 (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.

3. Option to Purchase. Subtenant has the option to purchase the Sublandlord’s leasehold interest in the Land and its fee interest in the improvements thereon 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.

DATED the date first above written.

LANDLORD:

LOS ANGELES COUNTY FACILITIES 2 INC.,
a California nonprofit public benefit corporation

By _____
Name: John Finke
Title: President

SIGNER(S) OTHER THAN NAMED ABOVE:

TENANT:

COUNTY OF LOS ANGELES,
a body corporate and politic

By _____

Name: FESIA A. DAVENPORT

Title: Chief Executive Officer

ATTEST:

DEAN C. LOGAN
Registrar-Recorder/County Clerk

By _____

Name: _____

Title: _____

APPROVED AS TO FORM:

DAWYN R. HARRISON

County Counsel

By _____

Name: _____

Title: _____

**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 August 1, 2024, from Los Angeles County Facilities 2 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: FESIA A. DAVENPORT
Title: Chief Executive Officer

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)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2024,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

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)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2024,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

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)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2024,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

Signature: _____ Seal

(MEMORANDUM OF FACILITIES LEASE - EXHIBIT A

LEGAL DESCRIPTION

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 August 1, 2024. 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: FESIA A. DAVENPORT
Title: Chief Executive Officer

ATTEST:

DEAN C. LOGAN
Registrar-Recorder/County Clerk

By _____
Name: _____
Title: _____

APPROVED AS TO FORM:

DAWYN R. HARRISON
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 2 INC., a California nonprofit public benefit corporation (“**Landlord**”) dated for reference purposes as of August 1, 2024 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 August 1, 2024 between Landlord and U.S. Bank Trust Company, N.A., as Trustee, (the “**Indenture**”) 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: FESIA A. DAVENPORT

Title: Chief Executive Officer

ATTEST:

DEAN C. LOGAN

Registrar-Recorder/County Clerk

By _____

Name: _____

Title: _____

APPROVED AS TO FORM:

DAWYN R. HARRISON

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

PARKING AGREEMENT

[See attached.]

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 2024-2025.
- B. There were no taxes levied for the fiscal year 2023-2024 as the property was vested in a public entity.
- C. 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
Recorded: February 24, 1913 in Book 5414, Page 96 of Deeds
Affects: the Easterly 5 feet of Lots 15 and 16

- 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.
- 4. 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.

Affects: Lot 17

5. 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.

6. 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: the rear 3 feet of Lots 15, 16 and 17

7. 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: the rear 5 feet of Lots 15, 16 and 17

8. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: The Pacific Telephone and Telegraph Company, a Corporation
Purpose: pole lines and conduits
Recorded: February 16, 1959 in Book D366, Page 545 of Official Records
Affects: the Easterly 5 feet of Lots 15, 16 and 17

9. 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 of Official Records

Reference is hereby made to said document for full particulars.

Affects: The herein described Land and other land.

10. 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 of Official Records

Reference is hereby made to said document for full particulars.

Affects: The herein described Land and other land.

11. 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. 6078, in Book M1422, Page 858 of Official Records

Reference is hereby made to said document for full particulars.

This covenant and agreement provides that it shall be binding upon any future owners, encumbrancers, their successors or assigns, and shall continue in effect until the advisory agency approves termination.

12. 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.: as Instrument No. 3939, in Book M1518, Page 375 of Official Records

Reference is hereby made to said document for full particulars.

Affects: The herein described Land and other land.

13. 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.: as Instrument No. 4585, in Book M2018, Page 149 of Official Records

Reference is hereby made to said document for full particulars.

Affects: The herein described Land and other land.

14. Intentionally deleted

15. 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: as Instrument No. 95-2040205 of Official Records

16. 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: as Instrument No. 20072636447 of Official Records

17. Intentionally deleted

18. Intentionally deleted

19. Intentionally deleted

20. An instrument entitled Covenant and Agreement for a Passive Methane Mitigation System

Recording Date: August 11, 2020

Recording No: as Instrument No. 20200928103 of Official Records

Reference is hereby made to said document for full particulars.

This covenant and agreement provides that it shall be binding upon any future owners, encumbrancers, their successors or assigns, and shall continue in effect until the advisory agency approves termination.

21. A Notice of Substandard property as disclosed by a document

Recording Date: November 3, 2022

Recording No: as Instrument No. 20221044924 of Official Records

Reference is hereby made to said document for full particulars.

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 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 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
Real Estate Division
320 West Temple Street, 7th Floor
Los Angeles, CA 90012
Attention: Senior Manager

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 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 April 23, 2026, 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 re-lamping.
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 Office 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

[See attached.]

EXHIBIT O

DEVELOPMENT AGREEMENT

[See attached.]

EXHIBIT P

COUNTYWIDE COMMUNITY WORKFORCE AGREEMENT

[See attached.]

EXHIBIT Q

INDENTURE

[See attached.]

EXHIBIT R

TAX AGREEMENT

[See attached.]

EXHIBIT S

RETAIL SPACES

[See attached.]

EXHIBIT T
RESERVED

EXHIBIT U

COUNTY ART POLICY

[See attached.]

EXHIBIT V

PEDESTRIAN SKYBRIDGE EASEMENT

[See attached.]

EXHIBIT W

UTILITY LICENSE AGREEMENT

[See attached.]

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APPENDIX C-4

FORM OF DEVELOPMENT AGREEMENT

NOTE: For the sake of brevity, certain exhibits have been omitted from the attached form of the Development Agreement.

DEVELOPMENT AGREEMENT

Between

**LOS ANGELES COUNTY FACILITIES 2 INC.
a California nonprofit public benefit corporation**

and

**TC LA DEVELOPMENT, INC.
a Delaware corporation**

Dated as of August 1, 2024

**Vermont Corridor Site 2
Los Angeles, California**

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DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this “**Agreement**”) is dated for reference purposes as of August 1, 2024 and is by and between LOS ANGELES COUNTY FACILITIES 2 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 August 1, 2024 (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 550 South Vermont Avenue and 3175 West 6th Street and which is legally described on the attached Exhibit A (collectively, the “**Premises**” or the “**Land**”).

B. Pursuant to California Government Code Sections 25351 and 25536(c), Owner desires to design, develop, permit, and construct improvements and install furniture, fixtures and equipment on the Land consisting of (i) renovation and expansion of the existing office building comprised of (a) approximately 154,793 gross square feet of existing space renovated to Class A office space, including two ground floor retail spaces of approximately 1,000 square feet each, (b) an extension of the existing building floorplates to include an additional approximately 88,340 gross square feet of new Class A office space, for a total of approximately 243,133 gross square feet of Class A office space, (c) approximately 12,050 gross square feet of renovated subterranean back-of-house support space, and (d) an elevated pedestrian walkway connecting the existing office building to the terrace level of the neighboring office building commonly known as 510 South Vermont Avenue ((a), (b), (c), and (d) collectively, the “**Office Building**”), (ii) installation of approximately 10 surface parking spots (“**Surface Parking Spaces**”) and landscaping located on the Land, and (iii) demolition of the existing 52,000 square foot former Department of Workforce Development, Aging and Community Services headquarters and adjacent two-story parking structure located on the Land, all to serve as office space and related ancillary facilities for various County departments, commissions and staff (collectively, the “**Project**”). 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 lease the Land, the Office Building, the Surface Parking Spaces, landscaping and such other improvements as may be located on the Land from time to time, 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, furnishing 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 General Contractor to construct the Project and (ii) the Architect and 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 the 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, 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, furnishing 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.

"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.

“Civic Art” means art to be installed in accordance with the County’s arts policy and the Construction Documents.

“Commencement of Construction” means the date Developer or Owner executes and delivers a Notice to Proceed to General Contractor.

“Condemnation” has the meaning set forth in Section 21.2(b).

“Construction Contracts” means (i) General Construction Contract and (ii) 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 the 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 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.

“Contract Documents” means the Construction Documents, the Construction Contracts and the other documents identified as Contract Documents in the General Construction Contract, copies of which shall be provided to Tenant.

“Contractors” means the 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 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 March 23, 2027. 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 22, 2024, (ii) Owner has not issued its Notice to Proceed on or before August 23, 2024, (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).

“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 12.4, have occurred prior to Final Payment being made.

“Final Payment” means payment to the Developer, the Architect, the 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 Fifteen Million Three Hundred One Thousand One Hundred Thirty-Nine and no/100 dollars (\$15,301,139.00), 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 Ten Million and no/100 dollars (\$210,000,000.00), 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.

“General Construction Contract” means the agreement between Owner and the General Contractor for construction of the Project.

“General Contractor” means Snyder Langston, LLC, a Delaware limited liability company, the anticipated general contractor for the Project, or another qualified general contractor proposed by Developer and approved by Owner.

“Ground Lease” has the meaning set forth in Recital A.

“Guaranteed Maximum Construction Price” means the maximum cost for construction of the Project, as guaranteed by the General Contractor pursuant to the terms of the 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.

“**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); 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 the 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 the General Construction Contract, or failure to deliver plans, information, specifications, or other information within the time frames required under this Agreement or the 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 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 ten (10) 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 Tenant’s request at the 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) Project, (b) Tenant Improvements to be constructed within the Project, and (c) the Financed FF&E and the Procured FF&E. 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 and obtaining all appurtenant easements required for such utility relocation and installation, all roadway improvements (if any), sidewalks and landscaping, all permit fees, all costs of the

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, General Contractor, all amounts paid to the General Contractor, under the 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, the Project Contingency, all costs of the Civic Art, and all costs of the Relocation Services; 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 600 Commonwealth Ave., 5601 E. Slauson Ave., 350 S. Figueroa, 3530 Wilshire Blvd., 2601 Wilshire Blvd., and 501 Shatto Place to the Project in conformance with plans, change orders and directions agreed by Owner and Developer with Tenant’s Concurrence, the cost of which shall be part of the Bonds.

“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.

“Substantial Completion Date” means the date of Substantial Completion of the Project.

“Substantial Completion of the Project” has the meaning set forth in Section 12.1.

“Substantially Complete” means that the Project has been constructed in substantial accordance with the Contract Documents and: (a) 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; (b) the Project is weather tight and waterproof; (c) the fire and life safety systems within the Project are operational and in good working order and condition; (d) the elevators within the Project operate and function in good working order and condition, but may still require minor touch up installation and cleaning; (e) 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; (f) 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 (g) 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;

“**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 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.

“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” means that Substantial Completion of the Project has been achieved, and all Financed FF&E and Procured FF&E has been installed in accordance with the Construction Documents, and the 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 or the 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 in the soil), or other causes beyond the reasonable control of Developer or the 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 General Contractor’s failure to comply with the terms and provisions of this Agreement or the 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 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 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, furnishing 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 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, capitalized interest, 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 and the General Contractor, the following entities have been approved by Owner and are intended to be retained in connection with the Project:

- (a) Utility Consultant: Dry Utility Experts
- (b) Civil Engineers: KPFF
- (c) Landscape Architect: SWA
- (d) Geotechnical Engineers: Geotechnologies
- (e) Environmental Consultants: Tetra Tech; Citadel Environmental
- (f) Commissioning Agent: Salas O'Brien South, LLC

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. For any design-build elements, the Construction Contract shall provide that the design professionals shall be engaged by the General Contractor.

4.3 Amendments of Design or Construction Contracts. Consistent with the terms and conditions of the 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 the 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 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 at twenty-five percent (25%) of completion for the 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 the work covered by that design contract, the work and 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") Gold certification from the U.S. Green Building Council ("USGBC") with respect to the 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 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 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 Project, and Developer shall diligently and continuously use commercially reasonable efforts to pursue such LEED certification for the Project. If Developer has diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the Project, and the LEED certification for the Project has not been obtained within eighteen (18) months after Final Acceptance of the 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 Project has not been obtained within eighteen (18) months after Final Acceptance of the Project (subject to Unavoidable Delays), and Developer has not diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the 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 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 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 General Contractor to determine the division of the 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 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 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 General Contractor for bidding documents.

(g) Developer shall work with 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 General Contractor to provide an analysis of the types and quantities of labor required for the Project and shall review with 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 General Contractor to develop bidders' interest in the Project, establish bidding procedures, issue bidding documents to bidders and conduct pre-bid conferences with prospective bidders. Developer shall cause 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 General Contractor with respect to questions from bidders and the issuance of addenda.

(l) Developer, working with 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 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 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 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 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 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 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 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 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 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 is Substantially Complete.

(s) Developer shall cause 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 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.

(v) Developer shall procure and install the Civic 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.

(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 the General Contractor under the General Construction Contract as a result of the failure to achieve Substantial Completion of the Project 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 Project 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 Project 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 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 the General Construction Contract which shall contain (a) the Guaranteed Maximum Construction Price and (b) 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) General Contractor and its 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) 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) General Contractor comply with the payroll record keeping and availability requirement of Section 1776 of the Labor Code.

(d) 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) 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 June 11, 2019, 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 General Contractor to procure and maintain, at a minimum, for the duration of the 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 General Contractor and its agents, representatives, employees and/or subcontractors. The cost of such insurance shall be paid by 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 General Contractor to) be responsible for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Project.

(b) Developer shall (or shall cause 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 Project construction site 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 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 12.7, 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 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 Project. Upon Final Acceptance, Developer shall cause 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 Project. Without increasing the Fixed Price, Developer and Owner have agreed that Developer shall cause 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. 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 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 General Contractor 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 the 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;; 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 General Contractor consistent with the terms of the 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 General Contractor, from any of the Contractors. When retainage that has been previously withheld from a payment application submitted by General Contractor is to be paid by 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 General Contractor to the Owner pursuant to the Construction Contract, as well as a conditional partial lien release from 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 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 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 General Contractor's payment applications. 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 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 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 Non-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 Four Million Five Hundred Sixty-Three Thousand Two Hundred Sixty and no/100 dollars (\$4,563,260.00), which is an amount equal two and one-half percent (2.5%) of the Project Costs and, to the extent a Developer's Fee is payable pursuant to the definitions of Owner Discretionary Costs and Other Owner Costs, the 2.5% Developer's Fee shall also be paid with respect to Owner Discretionary Costs and Other Owner 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 and one-half percent (2.5%) 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 \$4,563,260, payable in installments of \$152,108.67 per month from July 1, 2024 (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 \$4,563,260 (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 \$152,108.67 multiplied by the number of months elapsed from July 2024 to the date of the Bond Closing;

(b) With each monthly Project Application for Payment prior to Final Acceptance, \$152,108.67 (not to exceed in the aggregate, including the payment following Bond Closing, the sum of \$4,563,260, 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 Project	90.0%
Final Acceptance	97.5%
LEED Certification	100.0%

TOTAL MILESTONE FEES \$4,563,260

* 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 Substantial Completion of the Project. “Substantial Completion of the Project” shall have occurred when all of the following events have occurred:

(1) Developer has notified Owner and Tenant in writing that the 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 and activities required for LEED Gold certification (or as otherwise agreed by Owner and Tenant);

(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 Project 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 Project 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 Project 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 Substantial Completion Date, then this condition shall be deemed satisfied;

(4) 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 Project 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 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 (1) through (5) 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 Project.

(8) Notwithstanding that Substantial Completion of the 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 Project 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.

12.2 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, 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.

12.3 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.

12.4 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.

(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 Owner 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.

(g) General Contractor has issued a certificate that the Project has been finally completed in substantial accordance with the Contract Documents and no Hazardous Substances were incorporated into the structure of the Project (other than as set forth in the Construction Documents).

(h) 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.

(i) Owner, Tenant and Trustee have each received an updated title commitment dated at least ninety (90) days after Substantial Completion, that (i) confirms that no liens for labor or materials have arisen in connection with the construction of the Project, and (ii) shows no additional exceptions to such title policy other than those approved by or arising through Owner (with Tenant's Concurrence).

(j) 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.

(k) The Civic Art has been installed.

(l) Developer shall have submitted the initial applications, supporting documents, and other materials needed to obtain LEED Gold certification (or as otherwise agreed by Owner and Tenant).

12.5 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.

12.6 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 12.7, 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), and (2) 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.

12.7 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 \$10,000,000	50.0%	50.0%
Amounts in excess of \$10,000,000	0.0%	100.0%

NOTE: In no event shall Developer’s Incentive Fee exceed Five Million Dollars (\$5,000,000).

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) General Contractor and 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 or 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.

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 for the Project prepared by General Contractor . 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 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 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, General Contractor and its subcontractors, Owner, and 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 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 2 Inc.
c/o Public Facilities Group
1700 Seventh Avenue
Suite 2100, PMB 552
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: Matthew W. Markovich

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
Chief Executive Office- Real Estate Division
320 W. Temple St., 7th Floor
Los Angeles, CA 90012
Attention: Senior Manager

With copies to:

Office of County Counsel
County of Los Angeles
500 West Temple St. 6th Floor
Los Angeles, CA 90012-2932
Attention: Behnaz Tashakorian

Chief Executive Office – Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012
Attention: Assistant Chief Executive Officer

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
L	Community Workforce Agreement	Section 26.2
M	County Civic Art Policy	Section 26.3

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.

26. County Policy Requirements. Developer shall assist Owner in facilitating its compliance with the following County policy requirements and also endeavor to cause such policy requirements (to the extent applicable) to be incorporated into all agreements to which it is a party for the development of the Project.

26.1 Employment. The Parties shall not, in the implementation of this Agreement 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. Developer 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.

26.2 Community Workforce Agreement. Developer shall assist Owner in facilitating its compliance with the Countywide Community Workforce Agreement approved and adopted by County’s Board of Supervisors on February 17, 2023, a copy of which is attached as

Exhibit L, including but not limited to the Local and Targeted Worker Hiring Policy that is attached as Attachment D thereto.

26.3 Civic Art. Developer shall assist Owner in facilitating its compliance with County's civic art policy attached hereto as Exhibit M, as it may be amended from time to time, but in no event shall any such amendments increase cost or liability without Developer's prior written consent.

[Signatures appear on next page.]

DATED the day and year first above written.

OWNER: LOS ANGELES COUNTY FACILITIES 2 INC.,
a California nonprofit public benefit corporation

By: _____
Name: John Finke
Its: 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 15 TO 17 INCLUSIVE, BLOCK 4, SHATTO PLACE, IN THE CITY OF LOS ANGELES, 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.

APN: 5077-003-902

EXHIBIT B
Facilities Lease Agreement

[Attached]

EXHIBIT C

Site Plan

[Attached]

EXHIBIT D
Project Budget

[Attached]

EXHIBIT E

Schedule of Preliminary Plans

[Attached]

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; and (ii) the date required under the General Construction Contract with respect to insurance required to be carried by the 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 2 Inc.
c/o Public Facilities Group
1700 Seventh Avenue
Suite 2100, PMB 552
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.

K. **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 General Contractor to provide the requisite insurance coverage listed below:

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.

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.

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 General Construction Contract price to assure the payment of claims of material men supplying materials to the General Contractor, Subcontractors and mechanics and laborers employed by the General Contractor or Subcontractors on the Project, and the second in the

sum of not less than 100% of the sum of the General Construction Contract price to assure the faithful performance of the 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

[Attached]

EXHIBIT J
Financed FF&E

[Attached]

EXHIBIT K

Form of Payment Requisition

TO: U.S. Bank Trust Company, National Association, as Trustee

FROM: Los Angeles County Facilities 2 Inc.

SUBJECT: Indenture of Trust, dated as of August 1, 2024 (the “Indenture”) regarding Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt) and Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (Federally Taxable) (collectively, 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
2 INC.**

By: _____
Authorized Officer

EXHIBIT L

Community Workforce Agreement

[Attached]

EXHIBIT M
County Civic Art Policy

[Attached]

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

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FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, proposes to render its final opinion in substantially the following form:

[____], 2024

Los Angeles County Facilities 2 Inc.
Seattle, Washington

Los Angeles County Facilities 2 Inc.
Lease Revenue Bonds, Series 2024A
(Vermont Corridor Site 2) (Tax-Exempt)

Los Angeles County Facilities 2 Inc.
Lease Revenue Bonds, Series 2024B
(Vermont Corridor Site 2) (Federally Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Los Angeles (the “County”) in connection with the issuance by the Los Angeles County Facilities 2 Inc. (the “Issuer”) of \$205,910,000 aggregate principal amount of Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt) (the “Series 2024A Bonds”), and \$6,225,000 aggregate principal amount of Los Angeles County Facilities 2 Inc. Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (Federally Taxable) (the “Series 2024B Bonds” and together with the Series 2024A Bonds, the “Bonds”), issued pursuant to the Indenture of Trust, dated as of August 1, 2024 (the “Indenture”), by and between the Issuer and U.S. Bank Trust Company, 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 2024A 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 original delivery of the Bonds on 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 original delivery of the Bonds on 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 provided to us 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 2024A 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 view 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 a valid and binding agreement of, the Issuer.

3. Interest on the Series 2024A 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 2024A Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Series 2024A Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We observe that 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**

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CONTINUING DISCLOSURE UNDERTAKING OF THE ISSUER

Los Angeles County Facilities 2 Inc. (the “Issuer”) has agreed, pursuant to the Indenture of Trust dated as of August 1, 2024 (the “Indenture”) by and between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), to provide certain continuing disclosure in connection with the issuance of the \$205,910,000 Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt) (the “Tax-Exempt Bonds”) and its \$6,225,000 Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (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, material Rent delinquencies, changes in tenancy of the Premises (but excluding subtenancies of specific County agencies or departments) 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, 2024 fiscal year (which is due no later than April 1, 2025). The Issuer’s current fiscal year ends June 30. The Issuer shall provide notice of any change 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;

14. Appointment of a successor or additional Trustee or the change of name of the Trustee, if material;

15. Incurrence of a Financial Obligation¹ of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(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

¹ "Financial Obligation" means "financial obligation" as such term is defined in Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

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.

Date: August 22, 2024.

LOS ANGELES COUNTY FACILITIES 2 INC.

By: _____
Authorized Signatory

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**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 \$205,910,000 Lease Revenue Bonds, Series 2024A (Vermont Corridor Site 2) (Tax-Exempt) (the “Tax-Exempt Bonds”) and its \$6,225,000 Lease Revenue Bonds, Series 2024B (Vermont Corridor Site 2) (Federally Taxable) (the “Federally Taxable Bonds” and, together with the “Tax-Exempt Bonds,” the “Bonds”) by the Los Angeles County Facilities 2 Inc. (the “Issuer”). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of August 1, 2024 (the “Indenture”) by and between the Issuer and U.S. Bank Trust Company, 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.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“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) 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, 2024 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 (or the Tax-Exempt Bonds, as specified) 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 with respect to the Tax-Exempt Bonds);
- (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.
- (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties

(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;
- (7) Appointment of a successor or additional trustee or the change of name of a trustee; or
- (8) Incurrence of a Financial Obligation of the County or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security holders; and

(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 subsection (a)(8) 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: August 22, 2024.

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 2 Inc.
Lease Revenue Bonds, Series 2024A
(Vermont Corridor Site 2) (Tax-Exempt)

Los Angeles County Facilities 2 Inc.
Lease Revenue Bonds, Series 2024B
(Vermont Corridor Site 2) (Federally Taxable)

Date of Issuance: August 22, 2024

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

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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 Issuer, 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 its website.

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 Issuer 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 ISSUER, 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 Issuer 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.

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**LOS ANGELES COUNTY FACILITIES 2 INC.
LEASE REVENUE BONDS, SERIES 2024A (VERMONT CORRIDOR SITE 2) (TAX-EXEMPT) AND SERIES 2024B (VERMONT CORRIDOR SITE 2) (FEDERALLY TAXABLE)**



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