

In the opinion of Kutak Rock LLP, Bond Counsel to the County, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2019B Bond for any period during which such Series 2019B Bond is held by a "substantial user" of the facilities refinanced by the Series 2019B Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Bond Counsel is further of the opinion that interest on the Series 2019 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Series 2019 Bonds is exempt from present State of California personal income taxes. See "TAX MATTERS" herein.



\$85,030,000
COUNTY OF ORANGE, CALIFORNIA
Airport Revenue Refunding Bonds

\$34,530,000 Series 2019A (Governmental/Non-AMT)	\$50,500,000 Series 2019B (Private Activity/Non-AMT)
---	---

Dated: Date of Delivery

Due: July 1, as shown on inside front cover

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

The Airport Revenue Refunding Bonds, Series 2019A and Series 2019B (collectively, the "Series 2019 Bonds") are being issued by the County of Orange, California (the "County") to (i) refund and defease the Refunded Bonds, (ii) fund a debt service reserve subaccount for the Series 2019 Bonds, and (iii) pay certain expenses in connection with the issuance of the Series 2019 Bonds.

The Series 2019 Bonds will bear interest at the rates, and mature in the amounts and on the dates, as set forth in the maturity schedules on the inside front cover page of this Official Statement. Interest on the Series 2019 Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2019.

The Series 2019 Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of interests in the Series 2019 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of such interests will not receive physical certificates representing their interests in the Series 2019 Bonds purchased. Principal of and interest on the Series 2019 Bonds are payable directly to DTC by the Trustee for the Series 2019 Bonds (U.S. Bank National Association). Upon receipt of such payments, DTC is obligated in turn to remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2019 Bonds, as described herein. See "APPENDIX F—BOOK-ENTRY SYSTEM."

The Series 2019 Bonds are subject to optional redemption prior to maturity as more fully described herein. See "DESCRIPTION OF THE SERIES 2019 BONDS—Redemption Provisions."

THE SERIES 2019 BONDS ARE LIMITED OBLIGATIONS OF THE COUNTY PAYABLE SOLELY FROM THE NET REVENUES OF THE AIRPORT AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2019 BONDS EXCEPT FROM THE NET REVENUES. THE GENERAL FUND OF THE COUNTY IS NOT LIABLE, AND THE CREDIT OR TAXING POWER OF THE COUNTY IS NOT PLEDGED, FOR THE PAYMENT OF THE SERIES 2019 BONDS. THE SERIES 2019 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE COUNTY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE AIRPORT. THE OWNERS OF THE SERIES 2019 BONDS HAVE NO RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE COUNTY.

The Series 2019 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the County, and certain other conditions. Certain legal matters will be passed upon for the County by the Office of County Counsel and by Kutak Rock LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. Frasca & Associates, LLC has acted as Municipal Advisor to the County in connection with the issuance of the Series 2019 Bonds. It is expected that the Series 2019 Bonds will be available for delivery through the facilities of DTC on or about May 14, 2019.

Morgan Stanley

MATURITY SCHEDULE

\$34,530,000
County of Orange, California
Airport Revenue Refunding Bonds
Series 2019A
(Governmental/Non-AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] Numbers
2019	\$ 540,000	5.000%	1.360%	100.471	684212FL2
2020	2,980,000	5.000	1.370	104.056	684212FM0
2021	3,130,000	5.000	1.390	107.551	684212FN8
2022	3,290,000	5.000	1.420	110.922	684212FP3
2023	3,455,000	5.000	1.440	114.224	684212FQ1
2024	3,625,000	5.000	1.470	117.381	684212FR9
2025	3,800,000	5.000	1.500	120.425	684212FS7
2026	4,000,000	5.000	1.530	123.354	684212FT5
2027	3,490,000	5.000	1.580	125.996	684212FU2
2028	3,595,000	5.000	1.600	125.822 ^C	684212FV0
2029	2,625,000	5.000	1.680	125.130 ^C	684212FW8

\$50,500,000
County of Orange, California
Airport Revenue Refunding Bonds
Series 2019B
(Private Activity/Non-AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] Numbers
2019	\$1,410,000	5.000%	1.360%	100.471	684212FX6
2020	8,275,000	5.000	1.370	104.056	684212FY4
2021	8,685,000	5.000	1.390	107.551	684212FZ1
2022	3,460,000	5.000	1.420	110.922	684212GA5
2023	3,640,000	5.000	1.440	114.224	684212GB3
2024	5,220,000	5.000	1.470	117.381	684212GC1
2025	7,335,000	5.000	1.500	120.425	684212GD9
2026	5,255,000	5.000	1.530	123.354	684212GE7
2027	1,670,000	5.000	1.580	125.996	684212GF4
2028	1,750,000	5.000	1.600	125.822 ^C	684212GG2
2029	2,275,000	5.000	1.680	125.130 ^C	684212GH0
2030	1,525,000	5.000	1.750	124.528 ^C	684212GJ6

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2019 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 County, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

^C Priced to the par call date of July 1, 2027.

COUNTY OF ORANGE

County Executive Office
Hall of Administration, 333 W. Santa Ana Boulevard, Santa Ana, California 92701

Board of Supervisors

Lisa A. Bartlett (Fifth District), Chairwoman
Michelle Steel (Second District), Vice Chairwoman
Andrew Do (First District)
Donald P. Wagner (Third District)
Doug Chaffee (Fourth District)

County Officials

Frank Kim, County Executive Officer
Shari L. Freidenrich, County Treasurer-Tax Collector
Eric H. Woolery, County Auditor-Controller

Orange County Airport Commission

John Clarey (Fifth District), Chair
Lee M. Lowrey (Second District), Vice Chair
David Bailey (Fourth District)
Angie R. Cano (First District)
Bruce B. Junor (Third District)

John Wayne Airport Officials

Barry A. Rondinella, Airport Director
Richard Francis, Assistant Airport Director

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Kutak Rock LLP

Trustee

U.S. Bank National Association

Municipal Advisor

Frasca & Associates, LLC

Verification Agent

Robert Thomas CPA, LLC

No dealer, broker, salesperson or other person has been authorized by the County 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. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2019 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Airport since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2019 Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Series 2019 Bonds.

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

IN MAKING ANY INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY, THE AIRPORT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2019 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2019 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2019 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING
STATEMENTS IN THIS OFFICIAL STATEMENT

The statements contained in this Official Statement that are not purely historical, are forward-looking statements, including statements regarding the County's expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "forecast," "will likely result," "are expected to," "will

continue,” “is anticipated,” “intend” or other similar words. Prospective investors should not place undue reliance on forward-looking statements. See “INTRODUCTION—Forward-Looking Statements” herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COUNTY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
Purpose of Series 2019 Bonds	1
Authorization.....	1
John Wayne Airport	2
Security for the Bonds	2
Passenger Facility Charges.....	2
Rate Covenant	3
Continuing Disclosure	3
Investment Considerations	3
Forward-Looking Statements	3
Summaries and Additional Information.....	4
PLAN OF REFUNDING	4
Plan of Refunding.....	4
Sources and Uses of Funds.....	6
Redemption of Series 2009B Bonds Maturing on July 1, 2034	6
DEBT SERVICE REQUIREMENTS	7
DESCRIPTION OF THE SERIES 2019 BONDS.....	7
General	7
Redemption Provisions.....	8
SECURITY FOR THE BONDS.....	9
Pledge of Net Revenues.....	9
Limited Obligations.....	10
Revenue Fund; Application of Revenues.....	11
Rate Covenant	13
Budgetary Procedures.....	14
Revenue Bond Reserve Account	14
Additional Parity Bonds	15
Passenger Facility Charges.....	15
Subordinated Debt.....	16
Special Purpose Facilities Obligations.....	16
Insurance	16
Events of Default and Remedies; No Acceleration.....	17
JOHN WAYNE AIRPORT	17
General	17
Historical Background and the Settlement Agreement	18
Existing Airport Facilities	22
Capital Improvement Program	24
AIRPORT MANAGEMENT	24
General	24
Airport Management	25
Airport Employees and Employees Relations.....	27
AIRPORT OPERATIONS	28
Airport's Role in the Region.....	28
Enplaned Passengers at John Wayne Airport.....	29
Airlines and Market Shares	31
Destination Markets	32
Aircraft Operations and Noise Limitations	33
General Aviation Operations	35
AGREEMENTS FOR THE USE OF AIRPORT FACILITIES	35
Airline Lease and Revenue Policy.....	35
Terminal Concessions	38
Automobile Parking Facilities	39
Rental Cars	39
FINANCIAL INFORMATION.....	40
Airline Revenue.....	40
Passenger Facility Charges.....	40
Federal Grants	41
Non-Airline Revenue.....	41
Revenue Sources	43
Historical Operating Results.....	43
Management's Discussion of Financial Results.....	46
CERTAIN INVESTMENT CONSIDERATIONS	47
Limited Obligations	47
Factors Affecting the Airline Industry	47
Limitations Under the Settlement Agreement and the 2014 Amendment	49
Financial Condition of the Airlines	49
Effect of Airline Bankruptcies	50
Effect of County Bankruptcy	51
Aviation Security Concerns	52
Earthquake and Seismic Conditions.....	52
Considerations Regarding Passenger Facility Charges	52
Rate Covenant Not a Guarantee	53
Federal Law Affecting Airport Rates and Charges	53
Cyber and Data Security	54
Enforceability of Remedies; Limitation on Remedies	55
Current and Future Regulations and Legislation	55
Potential Limitation of Tax Exemption of Interest on Series 2019 Bonds	56
Forward-Looking Statements.....	56
LITIGATION	56
RATING	57
TAX MATTERS	57
General	57
Special Considerations With Respect to the Series 2019 Bonds	57
Backup Withholding	58
Changes in Federal and State Tax Law	58
Tax Treatment of Original Issue Premium	58
UNDERWRITING	58
VERIFICATION OF MATHEMATICAL COMPUTATIONS	59
FINANCIAL STATEMENTS	59
CONTINUING DISCLOSURE	60
LEGAL MATTERS	60
MUNICIPAL ADVISOR	60
MISCELLANEOUS	61
AUTHORIZATION	61
APPENDIX A	JOHN WAYNE AIRPORT AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018, AND AUDITED SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2018
APPENDIX B	CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATED TO THE COUNTY
APPENDIX C	SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
APPENDIX D	PROPOSED FORM OF OPINION OF BOND COUNSEL
APPENDIX E	FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX F	BOOK-ENTRY SYSTEM

\$85,030,000
County of Orange, California
Airport Revenue Refunding Bonds
\$34,530,000
Series 2019A
(Governmental/Non-AMT)
\$50,500,000
Series 2019B
(Private Activity/Non-AMT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto (this “Official Statement”), is to furnish information concerning the County of Orange, California (the “County”) and John Wayne Airport (the “John Wayne Airport” or the “Airport”), and certain other information in connection with the sale by the County of \$34,530,000 aggregate principal amount of Airport Revenue Refunding Bonds, Series 2019A (the “Series 2019A Bonds”), and \$50,500,000 aggregate principal amount of Airport Revenue Refunding Bonds, Series 2019B (the “Series 2019B Bonds,” and, together with the Series 2019A Bonds, the “Series 2019 Bonds”).

This Introduction contains only a brief summary of the terms of the Series 2019 Bonds being offered and a brief description of this Official Statement. All statements contained herein are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of the Constitution and laws of the State of California (the “State”) and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions.

Unless otherwise defined herein, all capitalized terms used herein shall have the definitions set forth in the Indenture. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Certain Definitions.”

Purpose of Series 2019 Bonds

The proceeds of the Series 2019 Bonds, along with other available moneys, will be used to (i) refund and defease the Refunded Bonds (as defined herein), (ii) fund a debt service reserve subaccount for the Series 2019 Bonds, and (iii) pay certain expenses in connection with the issuance of the Series 2019 Bonds. ”See “PLAN OF REFUNDING.”

Authorization

The Series 2019 Bonds are being issued pursuant to Chapter 14 of Division 2 of Title 3 (Sections 26301 to 26400.53, inclusive), as amended, of the Government Code of the State of California, as supplemented by Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (Sections 53580 to 53589.5, inclusive) (the “Act”); and the Indenture, dated as of July 1, 1987, as amended (the “Original Indenture”), by and between the County and U.S. Bank National Association, as successor trustee (the “Trustee”), and the Sixth Supplemental Indenture, to be dated as of May 1, 2019 (the “Sixth Supplemental Indenture,” and together with the “Original Indenture,” the “Indenture”), by and between the County and the Trustee. The issuance of the Series 2019 Bonds has been authorized by a resolution adopted by the Board of Supervisors of the County (the “Board”).

John Wayne Airport

John Wayne Airport is owned and operated by the County. The Airport is a department of the County and uses an enterprise fund to account for its operations. The Airport serves Orange County and adjacent portions of Los Angeles, Riverside and San Bernardino Counties, which is considered its “air trade area.” According to May 2018 statistics from the U.S. Census Bureau, Orange County is the third most populous county in the State and the sixth most populous in the nation.

John Wayne Airport is classified as a medium air traffic hub by the Federal Aviation Administration (the “FAA”). According to data the FAA publishes, the Airport was the nation’s 42nd busiest airport in terms of enplaned passengers in the United States for calendar year 2017 (the latest year for which data is available). In the same year, the Airports Council International ranked the Airport the 31st busiest in terms of total aircraft operations.

The Airport functions as an origination and destination airport (i.e., passengers beginning or ending their trips at the Airport) primarily serving the short-to-medium haul market in its air trade area. As of February 28, 2019, the Airport was served by seven major/national carriers and four regional/commuter carriers. For the fiscal year ended June 30, 2018, 5,323,260 passengers were enplaned at the Airport. The County’s fiscal year (“Fiscal Year”) currently begins on July 1 and ends on June 30 of the immediately subsequent year. See “AIRPORT OPERATIONS—Enplaned Passengers at John Wayne Airport.”

Operations at the Airport are subject to and limited by the terms of a Settlement Agreement (as defined herein), and amendments related thereto, that resolved litigation with the neighboring City of Newport Beach and two community groups. Pursuant to the Settlement Agreement, a total of 10.8 million passengers are currently allowed to be enplaned and deplaned at the Airport each calendar year. Approximately 10.7 million passengers were enplaned and deplaned at the Airport in Fiscal Year 2018. The Airport’s operating data is reported on a fiscal year basis (whereas the terms of the Settlement Agreement and the 2014 Amendment (as defined herein) are set forth pursuant to a calendar year basis), however, the Airport is able to proactively manage its operations to stay within the limits set forth in the Settlement Agreement and the 2014 Amendment. The current annual limit increases to 11.8 million passengers on January 1, 2021 and to 12.2 or 12.5 million passengers (depending on the actual service level from 2021 to 2025) on January 1, 2026. Per its terms, the Settlement Agreement is set to expire on December 31, 2030. See “JOHN WAYNE AIRPORT—Historical Background and the Settlement Agreement” for additional information on the Settlement Agreement.

Security for the Bonds

Pursuant to the Indenture, the County has pledged to the payment of the Series 2019 Bonds and any Additional Bonds hereafter issued (collectively, the “Bonds”), the Net Revenues of the Airport and its rights to receive Net Revenues, and certain funds, accounts and subaccounts established and maintained pursuant to the Indenture. Net Revenues consist of the excess Revenues of the Airport, if any, after the payment of Current Expenses. No other assets or revenues of the County are pledged to the payment of the Bonds. See “SECURITY FOR THE BONDS.”

At the time of issuance of the Series 2019 Bonds and the refunding and defeasance of the Refunded Bonds, no other Bonds will be Outstanding.

Passenger Facility Charges

The County has received approval from the FAA to impose and use a Passenger Facility Charge of \$4.50 per enplaned passenger at the Airport. Even though Passenger Facility Charge revenues (“PFC”) are

not included in Revenues and are not pledged to the payment of the Series 2019 Bonds, the County expects to use PFCs to pay a portion of the debt service on the Series 2019 Bonds. See “SECURITY FOR THE BONDS—Passenger Facility Charges” and “FINANCIAL INFORMATION—Passenger Facility Charges” herein.

Rate Covenant

Pursuant to the Indenture, the County has covenanted to fix, charge and collect rates, fees, rentals and charges for the use of the Airport and has covenanted to revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of certain deposits required by the Indenture and to produce Net Revenues in each Fiscal Year at least equal to 125% of the Long-Term Debt Service Requirement for such Fiscal Year. For Fiscal Year 2018, Net Revenues were equal to 719% of the Long-Term Debt Service Requirement on the Outstanding Bonds.

If, during any such period, estimated Revenues are less than the amount required in the preceding paragraph, the County has covenanted to revise its rates, fees, rentals and charges, or alter its methods of operation or take other action in such manner as is calculated to produce the amount so required in such period. See “SECURITY FOR THE BONDS—Rate Covenant” herein.

For the purposes of determining compliance with the Rate Covenant in any Fiscal Year, the County is entitled to deduct from the Long-Term Debt Service Requirement any debt service that is paid with PFCs, Customer Facility Charges (“CFC”) or Grant Revenues. See “SECURITY FOR THE BONDS—Rate Covenant” and “—Passenger Facility Charges” herein.

Continuing Disclosure

The County will covenant for the benefit of the owners and beneficial owners of the Series 2019 Bonds to annually provide, or cause to be provided, certain financial information and operating data relating to the County and the Airport by not later than seven months following the end of each Fiscal Year (currently June 30) (the “Annual Report”), and to provide, or cause to be provided, notices of the occurrence of certain enumerated events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (the “EMMA System”) or any successor method designated by the MSRB, pursuant to the requirements of Rule 15c2-12 of the Securities Exchange Commission. See “CONTINUING DISCLOSURE” and “APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Investment Considerations

The purchase and ownership of the Series 2019 Bonds involve investment risks. Prospective purchasers of the Series 2019 Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2019 Bonds, see “CERTAIN INVESTMENT CONSIDERATIONS.”

Forward-Looking Statements

The statements contained in this Official Statement that are not purely historical, are forward-looking statements, including statements regarding the County’s expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “project,” “forecast,” “will likely result,” “are expected to,” “will continue,” “is anticipated,” “intend” or other similar words. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the County on the date hereof, and the County assumes no obligation

to update any such forward-looking statements. It is important to note that the County's and the Airport's actual financial and operating results likely will differ, and could differ materially, from those in such forward-looking statements.

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including airlines, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the County. Any such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Summaries and Additional Information

Brief descriptions of the Series 2019 Bonds, the Indenture, the Settlement Agreement, the Airline Lease (as defined herein) and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the County or the Airport since the date hereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Series 2019 Bonds. The County and the Airport maintain websites at www.ocgov.com and www.ocair.com, respectively. Except as otherwise provided herein, information on such websites is not part of this Official Statement nor has such information been incorporated by reference herein, and such websites should not be relied upon in deciding whether to invest in the Series 2019 Bonds.

PLAN OF REFUNDING

Plan of Refunding

The Series 2019 Bonds are being issued to (a) current refund and defease all of the County's outstanding Airport Revenue Bonds, Series 2009A (the "Refunded Series 2009A Bonds"), which are currently outstanding in the aggregate principal amount of \$55,760,000 (the Refunded Series 2009A Bonds are described in more detail in the table below), (b) current refund and defease all of the County's Airport Revenue Bonds, Series 2009B maturing on and between July 1, 2019 and July 1, 2028 (both dates inclusive) and on July 1, 2039 (the "Refunded Series 2009B Bonds," and together with the Refunded Series 2009A Bonds, the "Refunded Bonds"), which are currently outstanding in the aggregate principal amount of \$76,520,000 (the Refunded Series 2009B Bonds are described in more detail in the table below), (c) fund a debt service reserve subaccount for the Series 2019 Bonds, and (d) pay the costs of issuance of the Series 2019 Bonds.

Refunded Series 2009A Bonds

Maturity Date (July 1)	Principal Amount	CUSIP Number¹
2019	\$ 1,810,000	684212EF6
2020	1,900,000	684212EG4
2025	11,080,000	684212EH2
2031	15,940,000	684212EJ8
2039	25,030,000	684212EK5

¹ CUSIP numbers are provided only for the convenience of the reader. Neither the County nor the Underwriter undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

A portion of the proceeds of the Series 2019A Bonds, together with certain available moneys, will be deposited into an escrow fund for the Refunded Series 2009A Bonds (the “Series 2009A Escrow Fund”) to be established under the terms of an escrow agreement between the County and U.S. Bank National Association, as Trustee and escrow agent. Certain amounts deposited into the Series 2009A Escrow Fund will be invested in direct, noncallable obligations of the United States Treasury and all remaining amounts deposited into the Series 2009A Escrow Fund will be held uninvested in cash. Amounts on deposit in the Series 2009A Escrow Fund will be used on July 1, 2019 to pay the principal or redemption price of and interest on the Refunded Series 2009A Bonds.

Refunded Series 2009B Bonds

Maturity Date (July 1)	Principal Amount	CUSIP Number¹
2019	\$ 6,845,000	684212EX7
2020	7,185,000	684212EY5
2021	7,545,000	684212EZ2
2024	1,960,000	684212FA6
2024	6,600,000	684212FB4
2028	25,700,000	684212FC2
2039	20,685,000	684212FF5

¹ CUSIP numbers are provided only for the convenience of the reader. Neither the County nor the Underwriter undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

A portion of the proceeds of the Series 2019B Bonds, together with certain available moneys, will be deposited into an escrow fund for the Refunded Series 2009B Bonds (the “Series 2009B Escrow Fund”) to be established under the terms of an escrow agreement between the County and U.S. Bank National Association, as Trustee and escrow agent. Certain amounts deposited into the Series 2009B Escrow Fund will be invested in direct, noncallable obligations of the United States Treasury and all remaining amounts deposited into the Series 2009B Escrow Fund will be held uninvested in cash. Amounts on deposit in the Series 2009B Escrow Fund will be used on July 1, 2019 to pay the principal or redemption price of and interest on the Refunded Series 2009B Bonds.

Upon delivery of the Series 2019 Bonds, Robert Thomas CPA, LLC (the “Verification Agent”), will deliver a report stating that it has verified the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be held in the Series 2009A Escrow Fund and the Series 2009B Escrow Fund (collectively, the “Escrow Funds”) will be sufficient to pay the principal and redemption price of and interest on the applicable Series of Refunded Bonds on July 1, 2019. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

Sources and Uses of Funds

The following table sets forth the sources and uses of funds in connection with the issuance of the Series 2019 Bonds:

Table 1
Sources and Uses of Funds

	Series 2019A Bonds	Series 2019B Bonds	Total
<u>Sources:</u>			
Par Amount	\$34,530,000.00	\$50,500,000.00	\$ 85,030,000.00
Original Issue Premium	6,046,126.55	7,358,226.60	13,404,353.15
Other Available Moneys ¹	<u>20,620,133.57</u>	<u>26,312,916.14</u>	<u>46,933,049.71</u>
Total	<u>\$61,196,260.12</u>	<u>\$84,171,142.74</u>	<u>\$145,367,402.86</u>
<u>Uses:</u>			
Deposit to Escrow Funds	\$57,028,538.11	\$78,230,307.39	\$135,258,845.50
Deposit to Series 2019 Reserve Subaccount	3,937,135.68	5,614,032.40	9,551,168.08
Costs of Issuance ²	<u>230,586.33</u>	<u>326,802.95</u>	<u>557,389.28</u>
Total	<u>\$61,196,260.12</u>	<u>\$84,171,142.74</u>	<u>\$145,367,402.86</u>

¹ Includes (a) amounts to be released from the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Reserve Account, and (b) PFCs and Airport cash to be contributed by the County.

² Costs of Issuance include legal fees, the fees of the Municipal Advisor, the Trustee, the Escrow Agent and the Verification Agent, underwriter’s discount, printing costs, rating agency fees and other miscellaneous expenses.

Redemption of Series 2009B Bonds Maturing on July 1, 2034

On April 30, 2019, the County redeemed, with available moneys, its outstanding Airport Revenue Bonds, Series 2009B with a stated maturity date of July 1, 2034, which were outstanding in the aggregate principal amount of \$13,895,000.

[Remainder of page intentionally left blank]

DEBT SERVICE REQUIREMENTS

The estimated debt service requirements for the Series 2019 Bonds are set forth in the following table. At the time of issuance of the Series 2019 Bonds and the refunding and defeasance of the Refunded Bonds, no other Bonds will be Outstanding.

Table 2
Debt Service Requirements of Series 2019 Bonds

Fiscal Year Ending June 30	Series 2019A Bonds		Series 2019B Bonds		Total Debt Service^{1,2}
	Principal	Interest	Principal	Interest	
2019	\$ 540,000	\$ 225,404	\$ 1,410,000	\$ 329,653	\$ 2,505,057
2020	2,980,000	1,699,500	8,275,000	2,454,500	15,409,000
2021	3,130,000	1,550,500	8,685,000	2,040,750	15,406,250
2022	3,290,000	1,394,000	3,460,000	1,606,500	9,750,500
2023	3,455,000	1,229,500	3,640,000	1,433,500	9,758,000
2024	3,625,000	1,056,750	5,220,000	1,251,500	11,153,250
2025	3,800,000	875,500	7,335,000	990,500	13,001,000
2026	4,000,000	685,500	5,255,000	623,750	10,564,250
2027	3,490,000	485,500	1,670,000	361,000	6,006,500
2028	3,595,000	311,000	1,750,000	277,500	5,933,500
2029	2,625,000	131,250	2,275,000	190,000	5,221,250
2030	—	—	1,525,000	76,250	1,601,250
Total ¹	<u>\$34,530,000</u>	<u>\$9,644,404</u>	<u>\$50,500,000</u>	<u>\$11,635,403</u>	<u>\$106,309,807</u>

¹ Totals may not foot due to rounding.

² Includes principal and interest payments coming due on the succeeding July 1.

Source: The County and Frasca & Associates, LLC

DESCRIPTION OF THE SERIES 2019 BONDS

General

The Series 2019 Bonds will bear interest at the rates and mature, subject to redemption prior to maturity, on the dates and in the principal amounts set forth on the inside front cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2019 Bonds will be dated their date of delivery and bear interest from that date payable semi-annually on January 1 and July 1 of each year, commencing July 1, 2019 (each an “Interest Payment Date”). Interest due and payable on the Series 2019 Bonds on any Interest Payment Date will be payable to the person who is the registered owner as of the Record Date (DTC, so long as the book-entry system with DTC is in effect). Each Series 2019 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2019 Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2019 Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before June 15, 2019, in which event such Series 2019 Bond will bear interest from its date of delivery. If interest on the Series 2019 Bonds is in default, Series 2019 Bonds issued in exchange for Series 2019 Bonds surrendered for transfer or exchange will bear interest from the last Interest Payment Date to which interest has been paid in full on the Series 2019 Bonds surrendered.

The Series 2019 Bonds are being issued in denominations of \$5,000 and integral multiples thereof (“Authorized Denominations”), in fully registered form in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2019 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2019 Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2019 Bonds, references herein to the Bondholders or registered owners means Cede & Co. and does not mean the Beneficial Owners of the Series 2019 Bonds.

So long as Cede & Co. is the registered owner of the Series 2019 Bonds, the principal and redemption price of and interest on the Series 2019 Bonds are payable by wire transfer from the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the Direct and Indirect Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “APPENDIX F—BOOK-ENTRY SYSTEM.”

Redemption Provisions

Optional Redemption. The Series 2019A Bonds maturing on or before July 1, 2027 will not be subject to optional redemption. The Series 2019A Bonds maturing on or after July 1, 2028 are subject to redemption prior to their respective maturities, at the option of the County, from and to the extent of any source of available funds, on or after July 1, 2027, in whole or in part on any date from such maturities as determined by the County if less than all of the Series 2019A Bonds are to be called for prior redemption and by lot within any such maturity (or as otherwise directed by the Securities Depository) if less than all of the Series 2019A Bonds of any maturity are to be redeemed, at a redemption price equal to the principal amount of the Series 2019A Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Series 2019B Bonds maturing on or before July 1, 2027 will not be subject to optional redemption. The Series 2019B Bonds maturing on or after July 1, 2028 are subject to redemption prior to their respective maturities, at the option of the County, from and to the extent of any source of available funds, on or after July 1, 2027, in whole or in part on any date from such maturities as shall be determined by the County if less than all of the Series 2019B Bonds are to be called for prior redemption and by lot within any such maturity (or as otherwise directed by the Securities Depository) if less than all of the Series 2019B Bonds of any maturity are to be redeemed, at a redemption price equal to the principal amount of the Series 2019B Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Notice of Redemption and Conditional Notice of Redemption. The Trustee shall give notice of redemption, in the name of the County, to the registered owners affected by redemption at least 30 days but not more than 60 days before each redemption date, send such notice of redemption by first class mail (or with respect to Series 2019 Bonds held by DTC, either via electronic means or by an express delivery service for delivery on the next following Business Day) to each registered owner of a Series 2019 Bond to be redeemed; each such notice shall be sent to the registered owner’s registered address. Failure to give any required notice of redemption as to any particular Series 2019 Bonds will not affect the validity of the call for redemption of any Series 2019 Bonds in respect of which no failure occurs. On the date designated for redemption, notice having been given as aforesaid, the Series 2019 Bonds or portions thereof so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Series 2019 Bonds or such portions thereof on such date, and from and after such redemption date interest on such Series 2019 Bonds will cease to accrue.

If at the time the notice of optional redemption is given, there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2019 Bonds called for redemption, such notice may

state that it is conditional, that is, subject to the deposit of moneys with the Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice shall be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, the redemption shall be cancelled and on such cancellation date notice shall be mailed to the holders of such Series 2019 Bonds, to be redeemed in the manner provided in the Indenture and the Sixth Supplemental Indenture.

To the extent that Cede & Co. is the registered owner for DTC, DTC will be responsible for notifying the DTC Participants, which in turn will be responsible for notifying the Beneficial Owners. See “APPENDIX F—BOOK-ENTRY SYSTEM.”

SECURITY FOR THE BONDS

Pledge of Net Revenues

Pursuant to the Indenture, the County has pledged to the payment of the Bonds (including the Series 2019 Bonds), the Net Revenues of the Airport and its rights to receive Net Revenues.

“Net Revenues” for any period means the excess, if any, of Revenues over Current Expenses for such period.

“Revenues” means (a) except to the extent excluded below, all payments, proceeds, fees, charges, rents and all other income derived by or for the County for the use of and for the services and facilities furnished by or from the operation or ownership of, the Airport and all other income derived by the County from the operation or ownership of the Airport and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence; (b) investment income from funds, accounts and subaccounts but only to the extent credited or charged against the Revenue Fund as provided under the Indenture; (c) amounts which the County is authorized, but not obligated, to pay or transfer to the Revenue Fund to the extent of any such payments or transfers, including transfers from the Airport General Fund, but excluding amounts transferred to the Airport General Fund pursuant to the Indenture in the current Fiscal Year, which amounts will become Revenues only at the time of payment or transfer to the Revenue Fund; (d) amounts transferred from the Rebate Account to the Revenue Fund in any Fiscal Year; (e) any proceeds of business interruption insurance; and (f) Available Revenues. Revenues do not include: (i) any gifts, grants, (excluding Available Grant Revenues) bequests, contributions or donations, which are restricted by their terms to purposes inconsistent with the payment of debt service on the Bonds or Current Expenses; (ii) proceeds from the sale and disposition of all or any part of the Airport; (iii) reimbursements to the County of its advances to the Operating Fund; (iv) to the extent and for so long as such payments are pledged to secure the financing of the same, rentals or other payments (including debt service) from the financing of Special Purpose Facilities, except to the extent otherwise provided by the County in respect of any such facilities; (v) any proceeds of Eminent Domain or insurance, other than the business interruption insurance mentioned above and any other proceeds or Eminent Domain or insurance which is not restricted by its terms to purposes inconsistent with the payment of debt service on the Bonds or Current Expenses; (vi) passenger charges collected at the Airport, including, but not limited to, PFCs, but excluding Available PFC Revenues; (vii) customer facility charges collected at the Airport or on behalf of the County with respect to the Airport, including, but not limited to, CFCs, but excluding Available CFC Revenues; (viii) any taxes, fees, charges or impositions, the proceeds of which are limited by authorizing law to the construction of capital improvements at the Airport or noise abatement with respect to Airport operations, except to the extent such amounts are received as payment for use of the Airport; and (viii) the proceeds of any indebtedness. See “—Revenue Fund; Application of Revenues” below.

“Current Expenses” means the County’s current expenses for the operation, maintenance and repair of the Airport as determined in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing; (a) all ordinary and usual expenses of operation, maintenance and repair, (b) administrative expenses, (c) salaries and employee benefits, (d) payments to any retirement plan or plans properly chargeable to the Airport, (e) insurance expenses, (f) engineering expenses relating to the operation, maintenance or repair of the Airport, (g) fees and expenses of the Trustee and Bond Registrar, legal expenses, and fees of consultants, and (h) any other expenses required to be paid by the County under the Indenture or by law; but Current Expenses will not include: (i) any reserves for extraordinary replacements or repairs, (ii) any allowance for depreciation, (iii) any interest, (iv) any principal payment in respect of capital leases or indebtedness including the Bonds, (v) any deposits to any Fund or Account created under the Indenture and payments of principal, premium, if any, and interest from such Funds and Accounts, (vi) any loss from the sale, exchange or other disposition of capital assets at the Airport if such sale, exchange or disposition was otherwise permitted by the Indenture; (vii) any unrealized gains or losses on securities held for investment by or on behalf of the County for the Airport, or any unrealized gains or losses from the write down, reappraisal or revaluation of assets including investments for “other than temporary declines” in book value; (viii) any non-cash items that are required to be treated as operation, maintenance and repair expenses of the Airport as determined in accordance with generally accepted accounting principles, (xi) any loss resulting from the extinguishment of indebtedness; and (x) any Current Expenses described in clause (a) through (h) above which are paid with amounts other than Revenues.

The term **“Airport”** means the John Wayne Airport, as now located within the County, including runways, taxiways, landing pads, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated by the County in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions and improvements thereto, to the fullest extent permitted by the Act. The term “Airport” however, excludes any Special Purpose Facility so long as any indebtedness issued to finance such Special Purpose Facility is outstanding. The County has no such indebtedness outstanding.

In addition, as security for the payment of the Bonds, the County has pledged the money and Investment Obligations in any and all of the related subaccounts of the Revenue Bond Funds and Accounts and the money and Investment Obligations in the Renewal and Replacement Fund, the Project Account and any Additional Facilities Account, to the extent such money and Investment Obligations have not been encumbered by the County. Moneys or Investment Obligations in the Airport General Fund or in the Rebate Account are not pledged to the payment of the Bonds nor is any other property of the County other than the Net Revenues and funds and accounts described above.

Limited Obligations

The Bonds (including the Series 2019 Bonds) are limited obligations of the County payable solely from the Net Revenues of the Airport, and the County is not obligated to pay the Bonds except from the Net Revenues.

The General Fund of the County is not liable, and the credit or taxing power of the County is not pledged, for the payment of the Bonds or their interest. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon, any of the property of the County or any of its income or receipts, except the Net Revenues of the Airport. The owners of the Bonds have no right to compel the exercise of any taxing power of the County.

Revenue Fund; Application of Revenues

The Indenture creates a special fund, designated the Revenue Fund, to which the County is required to deposit all Revenues of the Airport when received by the County. The Indenture requires that moneys or deposits in the Revenue Fund shall be applied solely in accordance with the order of priorities established by the Indenture.

In addition to the Revenue Fund, in which there is established a Rebate Account, the Indenture creates the following funds and accounts: (1) Operating Fund; (2) Revenue Bond Fund and Revenue Bond Interest Account, Revenue Bond Principal Account, Revenue Bond Sinking Fund Account, Revenue Bond Redemption Account and Revenue Bond Reserve Account therein; (3) Subordinated Debt Fund; (4) Renewal and Replacement Fund; (5) Airport General Fund; and (6) Insurance and Condemnation Award Fund.

Moneys in the Revenue Fund (other than amounts in the Rebate Account) are required to be transferred and applied to the following funds, accounts and subaccounts on or before the 25th day of each month, except as provided in the provisions of the Indenture summarized in paragraphs (e), (f) and (h) below, in the following manner and order of priority:

(a) the Operating Fund an amount equal to the difference between (i) one-sixth of the amount shown by the Annual Budget as (a) Current Expenses for the then current Fiscal Year plus (b) the County's cost of capital items which are budgeted to be paid from the Operating Fund for the then current Fiscal Year to the extent permitted under the Indenture, and (ii) the amount of unencumbered funds on deposit in the Operating Fund;

(b) each subaccount in the Revenue Bond Interest Account (including the Series 2019A Interest Subaccount and the Series 2019B Interest Subaccount), one-sixth of the interest due on the Bonds (including the Series 2019 Bonds) payable from such subaccount on the next ensuing Interest Payment Date;

(c) each subaccount in the Revenue Bond Principal Account (including the Series 2019A Principal Subaccount and the Series 2019B Principal Subaccount), one-twelfth of the principal becoming due and payable on all Serial Bonds of the Bonds (including the Series 2019 Bonds) payable from such subaccount maturing on the next ensuing July 1;

(d) each subaccount in the Revenue Bond Sinking Fund Account, one-twelfth of the amount required to retire the Term Bonds of the Bonds payable from such subaccount for which annual mandatory redemption is required, which are required to be called by mandatory redemption or to be paid at maturity on the next ensuing July 1, in accordance with the Sinking Fund Requirement therefor (the Series 2019 Bonds do not consist of any Term Bonds);

(e) the appropriate subaccount in the Revenue Bond Reserve Account (including the Series 2019 Reserve Subaccount) in the manner set forth in the Indenture, in any month in which the amount on deposit in any such subaccount in the Revenue Bond Reserve Account is less than the Reserve Requirement for the related Series of Bonds due to the application of money therein in accordance with the terms of the Indenture, the reduction in value of Investment Obligations therein or the issuance of Additional Bonds and a corresponding increase in the Reserve Requirement;

(f) the Subordinated Debt Fund, with respect to any Series of Subordinated Bonds authorized pursuant to a Supplemental Indenture, such amounts as are specified in such Supplemental Indenture;

(g) the Renewal and Replacement Fund one-twelfth of the amount budgeted for renewal and replacements as shown in the Annual Budget for the current Fiscal Year or such greater amount as the County may determine, provided that the County shall not be obligated to make any such deposits in excess of the budgeted amounts, and in any month in which the amount on deposit in the Renewal and Replacement Fund is less than the Renewal and Replacement Fund Requirement at the level required for such month, one-twelfth of the amount of such deficiency, and shall make a deposit in approximately equal amounts in the next eleven months; and

(h) the Airport General Fund, whenever in any Fiscal Year there shall have been deposited in the respective accounts or subaccounts referred to above all amounts required to be deposited in such accounts or subaccounts for the then current Fiscal Year, both accrued and thereafter becoming due in the balance of such Fiscal Year.

The following is a graphic description of the flow of funds described above.

Priority	
1	Revenue Fund
	Deposit all Revenues
2	Operating Fund
	Amounts on deposit in the Operating Fund are used to pay Current Expenses plus the cost of capital items budgeted to be paid from the Operating Fund.
3	Revenue Bond Fund
	The following accounts are established in the Revenue Bond Fund: Revenue Bond Interest Account, Revenue Bond Principal Account, Revenue Bond Redemption Account, Revenue Bond Reserve Account and Revenue Bond Sinking Fund Account.
	Amounts on deposit in the Revenue Bond Fund are used to pay annual debt service on the Bonds and to maintain the Reserve Requirement(s) in the Revenue Bond Reserve Account.
4	Subordinate Debt Fund
	Amounts on deposit in the Subordinate Debt Fund are used to pay annual debt service on Subordinated Bonds and to maintain reserves for the Subordinated Bonds.
5	Renewal and Replacement Fund
	Amounts on deposit in the Renewal and Replacement Funds are used to pay the costs of capital renewals and replacements.
6	Airport General Fund
	Amounts on deposit in the Airport General Fund may be used for any lawful aviation purposes.

The Indenture provides that if there are not sufficient Revenues to make the payments required in paragraphs (b) through (d) above into the applicable subaccounts, such deposits will be made pro rata to each subaccount in accordance with the aggregate principal amount then required to be deposited with respect to each Series of Bonds.

If in any month the County fails to make any deposit or payment required by paragraphs (a) through (e) above, the County is required to deposit or pay, in addition to the amounts then due, but only from Revenues, an amount sufficient to cure the deficiency in deposit or payment in the prior month unless such deficiency is cured by a transfer, pursuant to the terms of the Indenture, of money or Investment Obligations to such fund or account from other funds and accounts under the Indenture.

Moneys in the Revenue Fund will be continuously invested and reinvested as directed by the County Representative in Investment Obligations to the extent practicable. The interest accruing on Investment Obligations in the Revenue Fund, the Renewal and Replacement Fund and the Operating Fund and any profit or loss realized upon the disposition or maturity of such Investment Obligations will be credited to the Revenue Fund. Investment Obligations in the Revenue Fund will be valued at least annually (just prior to each principal payment date) (a) at face value if such Investment Obligations mature within 12 months from the date of valuation thereof, and (b) if such Investment Obligations mature more than 12 months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at his option, if so redeemable, or, if not so redeemable, at the lesser of (1) the cost of such Investment Obligations plus the amortization of any premium or minus the amortization of any discount thereon plus accrued interest, and (2) the market value of such Investment Obligations plus accrued interest.

Rate Covenant

Pursuant to the Indenture, the County has covenanted to fix, charge and collect rates, fees, rentals and charges for the use of the Airport and has covenanted to revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of the deposits required by the provisions of the Indenture described in paragraphs (a) through (g) under the heading “—Revenue Fund; Application of Revenues” above and to produce Net Revenues in each Fiscal Year at least equal to 125% of the Long-Term Debt Service Requirement for such Fiscal Year (collectively, the “Rate Covenant”). PFCs, CFCs and Grant Revenues are not included in Revenues, unless, pursuant to a Supplemental Indenture or a resolution, the County irrevocably agrees to deposit into the Revenue Fund or an Available Revenue Account and pledges PFCs, CFCs or Grant Revenues to the extent received by the County, in such amounts and during such periods as specified in a Supplemental Indenture or a resolution for the purpose of paying principal of and interest on the Bonds. Long-Term Debt Service Requirements paid with PFCs, CFCs and Grant Revenues are not included in the calculation of the Rate Covenant. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for the definition of “Long-Term Debt Service Requirement.”

If, during any period, estimated Revenues are less than the amount required in the preceding paragraph, the County has covenanted to revise its rates, fees, rentals and charges, or alter its methods of operation or take other action in such manner as is calculated to produce the amount so required in such period.

If the audit report for any Fiscal Year indicates that the County has not satisfied the Rate Covenant for such Fiscal Year, then as soon as practicable (but not later than 60 days) after the receipt of the audit report for such Fiscal Year, the County is required to employ an Airport Consultant to review and analyze the financial status and the administration and operations of the Airport, to inspect the properties constituting the Airport, and to submit to the Board and the County Representative, within 60 days after employment of the Airport Consultant, a written report, including the action which the Airport Consultant recommends should be taken by the County with respect to the revision of its rates, fees, rentals and charges, alteration of its methods of operation or the taking of other action that is projected to result in producing the amount so required in the following twelve-month period or if less, the maximum amount deemed feasible by the Airport Consultant. Promptly upon its receipt of the recommendations, the County is

required, after giving due consideration to the recommendations, to revise its rates, fees, rentals and charges or alter its methods of operations, although such revisions or alterations need not comply with the Airport Consultant's recommendations so long as such revisions or alterations are projected by the County to result in compliance with the Rate Covenant. For the purpose of determining compliance in any audit report, only Available Revenues actually deposited with the Trustee (as opposed to projected deposits) will be applied as a credit against the Long-Term Debt Service Requirement.

In the event the County fails to take action as required by the provisions of the Indenture described in the two preceding paragraphs, the Trustee may, and upon request of the Owners of not less than 10% in principal amount of all Bonds Outstanding shall, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the County to comply with its obligations.

Budgetary Procedures

The Indenture requires that, on or before the first day of each Fiscal Year, the County will prepare a proposed budget for such Fiscal Year for the Airport in the form of the budget then required by law. Each budget is to be prepared in such manner as to specify Current Expenses and the amounts to be deposited in the various funds, accounts and subaccounts created by the Indenture during the Fiscal Year for which the budget is prepared. The budget is to be accompanied by a pro forma statement of Revenues, Current Expenses and rates, fees, rentals and charges estimated to be necessary to meet the Rate Covenant and is to include or make reference to the amounts to be expended during such Fiscal Year from the Construction Fund and the Renewal and Replacement Fund Requirement for such Fiscal Year.

The budget for the Airport is prepared by the County in each Fiscal Year in conjunction with the preparation of the overall budget for all County departments and operations. The Indenture requires that the County adopt a final budget for the Airport for each Fiscal Year by not later than October 1 of such Fiscal Year and to certify to the Trustee on or before October 1 of each year as to its compliance with the foregoing requirements of the Indenture.

The County has never failed to comply with the foregoing requirements of the Indenture.

The County may at any time adopt an amended or supplemental budget for the remainder of the then-current Fiscal Year, and must do so when any periodic financial statement indicates that the County is unable to maintain or operate the Airport and comply with the Rate Covenant within the budgetary guidelines and statements related thereto.

Revenue Bond Reserve Account

Pursuant to the Indenture, the Trustee has established the Revenue Bond Reserve Account in the Revenue Bond Fund. The Indenture provides that at the time of issuance of each Series of Bonds, the County, pursuant to a Supplemental Indenture, will elect whether such Series of Bonds (and any other Series of Bonds issued at the same time) will be secured or will not be secured by a subaccount to be established in the Revenue Bond Reserve Account and the amounts deposited therein.. Each subaccount established in the Revenue Bond Reserve Account is required to be funded in an amount equal to the applicable Reserve Requirement. Pursuant to the Sixth Supplemental Indenture, the County will elect that at the time of issuance of the Series 2019 Bonds, a subaccount designated as the "Series 2019 Reserve Subaccount" will be established in the Revenue Bond Reserve Account and the Series 2019 Reserve Subaccount will be fully funded with cash in an amount equal to the "Series 2019 Reserve Requirement" (an amount equal to the average annual Long-Term Debt Service Requirement for the Series 2019 Bonds).

At the time of issuance of the Series 2019 Bonds, the Series 2019 Reserve Requirement will equal \$9,551,168.08.

Amounts in the Series 2019 Reserve Subaccount will be used to pay the principal of and interest on the Series 2019 Bonds, on a pari passu basis, to the extent that moneys in the Series 2019 Principal Subaccounts and/or the Series 2019 Interest Subaccounts are insufficient. Amounts in the Series 2019 Reserve Subaccount will only be pledged to, and available for the payment of, the Series 2019 Bonds, and will not be pledged to, or available to make payment on, any other Bonds that may be issued in the future. Amounts in any future subaccounts in the Revenue Bond Reserve Account will not be pledged to, or made available to make payment on, the Series 2019 Bonds. After the issuance of the Series 2019 Bonds and the refunding and defeasance of the Refunded Bonds, there will not be any other Bonds outstanding under the Indenture.

Moneys held in the Revenue Bond Reserve Account may be invested and reinvested at the direction of the County Representative in Government Obligations and certain repurchase agreements or investment agreements as provided in the Indenture. Investments in the Revenue Bond Reserve Account may be valued by the Trustee at any time requested by the County upon reasonable notice. As set forth in the Indenture, whenever the value of any subaccount of the Revenue Bond Reserve Account is less than the applicable Reserve Requirement, the Trustee will compute and immediately give the County notice of the amount necessary to cure such deficiency. The County is not liable for any deficiency except from Net Revenues. Whenever the valuation of cash and Investment Obligations in any subaccount of the Revenue Bond Reserve Account is greater than the applicable Reserve Requirement, the Trustee will compute and transfer the excess amount to the County for deposit into the Revenue Fund.

In lieu of funding a subaccount in the Revenue Bond Reserve Account with cash or Investment Obligations, the County, at its option, may fund all or any portion of the Reserve Requirement related to such subaccount by providing the Trustee (a) an irrevocable, unconditional letter of credit issued by a bank or savings and loan association whose long-term uncollateralized debt obligations are rated, at the time such letter of credit is issued, in one of the three highest Rating Categories by one or more Rating Agencies, or (b) an insurance policy, which may be referred to in any Supplemental Indenture as a "Reserve Fund Surety Policy", providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and issued by a municipal bond or other insurance company who is rated, at the time of issuance of such policy, in one of the three highest Rating Categories by one or more Rating Agencies.

Additional Parity Bonds

The Indenture permits the County to issue Additional Bonds, including refunding bonds, payable from Net Revenues on a parity with the Series 2019 Bonds, as described and under the conditions set forth in the Indenture. See "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—General Covenants and Representations—Issuance of Additional Bonds."

The County has covenanted in the Indenture not to issue any other indebtedness other than capital leases payable as described in the definition of Current Expenses, which will have a lien on Net Revenues prior to the lien established by the Indenture.

Passenger Facility Charges

PFCs are not included in Revenues, unless, pursuant to a Supplemental Indenture or a resolution, the County, irrevocably agrees to deposit into the Revenue Fund or an Available Revenue Account and pledges PFCs, to the extent received by the County, in such amounts and during such periods as specified in a Supplemental Indenture or a resolution for the purpose of paying principal of and interest on the Bonds.

Such irrevocably committed and pledged PFCs constitute Available Revenues under the Indenture. The County does not expect to pledge PFCs to the payment of debt service on the Series 2019 Bonds, but does expect to use PFCs to pay a portion of the debt service on the Series 2019 Bonds. Debt service paid with PFCs is not included in the calculation of the Rate Covenant. See “FINANCIAL INFORMATION—Passenger Facilities Charges” for a discussion of certain matters relating to PFCs.

Subordinated Debt

Subordinated Bonds, payable from a subordinate lien on Net Revenues, may be issued by the County without limitation. The Indenture does not restrict or limit the right of the County to incur indebtedness, other than Bonds and capital leases payable as described in the definition of Current Expenses, provided that debt service on such indebtedness is not payable on a prior or parity basis with the Bonds from Net Revenues.

There are no Subordinated Bonds or other subordinated debt payable from Net Revenues currently outstanding.

Special Purpose Facilities Obligations

The Indenture permits the County to finance the acquisition or construction of any Special Purpose Facilities permitted by law if certain requirements are met. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—General Covenants and Representations—Financing of Special Purpose Facilities.”

Any Special Purpose Facility so financed or otherwise acquired by the County and not constituting a part of the Airport may be added to the Airport by resolution of the Board, provided that at the date of inclusion of such Facility in the Airport the County delivers to the Trustee: (a) a certificate of the County Representative stating that no Default has occurred and is continuing or, if any Default then exists, that action taken pursuant to the Indenture will cure the same; and (b) a report of an Airport Consultant stating that based upon its knowledge and analysis of the financial performance and operations of the Airport, the requirements of the Indenture with respect to any indebtedness would be satisfied.

There are no Special Purpose Facilities obligations currently outstanding.

Insurance

As described in “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—General Covenants and Representations—Insurance,” the County is required to purchase and maintain or cause to be maintained insurance covering such properties belonging to the Airport as customarily insured against, including loss or damage from such causes as are customarily insured by enterprises of a similar nature in the State, business interruption insurance and comprehensive general liability insurance on the Airport for bodily injury and property damage, with such reasonable deductibles as may be available.

If an Insurance Consultant and the County certify to the Trustee that the amount of insurance coverage required by the terms of the Indenture is not available on reasonable terms and conditions, the insurance coverage required by the terms of the Indenture may be modified in accordance with such determination, and the coverage as modified shall constitute the minimum requirements of the terms of the Indenture.

Unless the insurance coverage required by the terms of the Indenture is maintained through Qualified Self Insurance as described in the Indenture, such coverage will be maintained through policies that (A) are issued by a financially responsible insurer or insurers qualified to write the respective insurance in the State and of recognized standing, (B) are in such form and contain such provisions (including, without limitation, the loss payable clause, the waiver of subrogation clause, deductibility clauses and the designation of the named insured parties) as are generally considered customary provisions for the type of insurance involved, and (C) prohibit cancellation or substantial modification by the insurer without at least 30 days prior written notice to the County and the Trustee. Copies of each policy will be provided to the Trustee upon request.

As of the date of this Official Statement, the County maintains the following insurance on the Airport:

- (a) All risk insurance, including coverage for business interruption, in the amount of \$800,000,000 per occurrence with a \$5,000 per occurrence deductible. Earthquake coverage is \$100,000,000 per occurrence and annual aggregate, with a deductible of 5% per unit of insurance and subject to a \$100,000 minimum per occurrence. Flood coverage is \$600,000,000 with a deductible of \$25,000 and subject to a \$100,000 minimum for any one occurrence.
- (b) Bodily injury and property damage insurance in the amount of \$250,000,000 per occurrence, with no deductible.
- (c) Terrorism insurance coverage is \$750,000,000 with a \$5,000 deductible.

The County intends to continue to secure insurance coverage levels as indicated above if commercially available and economically feasible. See “CERTAIN INVESTMENT CONSIDERATIONS—Aviation Security Concerns.”

The County is entitled to provide the coverage required by the Indenture through Qualified Self Insurance, provided that the requirements contained in the Indenture are satisfied. “Qualified Self Insurance” means insurance maintained through the program of self-insurance or insurance maintained with a fund, company or association in which the County has a material interest or of which the County has control, either singly or with others.

Events of Default and Remedies; No Acceleration

Events of Default under the Indenture and related remedies are described in “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default and Remedies.” The occurrence of an Event of Default does not grant any right to accelerate payment of the Series 2019 Bonds to the Trustee or the Holders of the Series 2019 Bonds. The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the obligations of the County under the Indenture.

JOHN WAYNE AIRPORT

General

John Wayne Airport is located on a 503-acre parcel in the south/central portion of the County that has convenient access to three major freeways and is adjacent to the cities of Costa Mesa, Newport Beach and Irvine. It is the only commercial service airport in Orange County and is located approximately 35 miles south of Los Angeles. Access to the Airport is available from three nearby freeways, Interstate 405

and the 55 and 73 freeways. The 55 freeway provides direct access to the Airport from the north, while major arterial street access connects all three freeways to the Airport. MacArthur Boulevard, an eight-lane arterial street, provides convenient access to the Airport from Interstate 405.

John Wayne Airport serves the County and adjacent portions of Los Angeles, Riverside and San Bernardino Counties, which is considered its “air trade area” (the “Air Trade Area”). According to May 2018 statistics from the U.S. Census Bureau, Orange County is the third most populous county in the State and the sixth most populous in the nation. Furthermore, according to the U.S. Census Bureau 2013-2017 American Community Survey 5-Year Estimates, median family income for the County was estimated to be \$92,236, which was higher than the estimates for the State and the United States, \$76,975 and \$70,850, respectively. See also “APPENDIX B—CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATED TO THE COUNTY.”

The Airport is classified as a medium air traffic hub by the FAA. According to data the FAA publishes, the Airport was the nation’s 42nd busiest airport in terms of enplaned passengers in the United States for calendar year 2017 (the latest year for which data is available). In the same year, the Airports Council International ranked the Airport the 31st busiest in terms of total aircraft operations. The Airport functions as an origination and destination (“O&D”) airport (i.e., passengers beginning or ending their trips at the Airport) primarily serving the short-to-medium haul market in its Air Trade Area. From Fiscal Year 2009 through Fiscal Year 2018, O&D passengers accounted for an average of 93% of all passengers enplaned at the Airport.

The Airport was ranked as “Best Large Airport” in both the 2017 and 2018 J.D. Power North America Airport Satisfaction Study.

Historical Background and the Settlement Agreement

In response to the growth in commercial operations at John Wayne Airport and its associated noise impact on neighborhoods adjacent to John Wayne Airport, in the early 1970s the County adopted a policy limiting access to John Wayne Airport to the incumbent airlines. Following deregulation of the airline industry in 1978, the FAA required that the County provide reasonable, and not unjustly discriminatory, opportunities for service to John Wayne Airport by all qualified air carriers. In 1981, the County adopted a master plan for improvements to address the rapid passenger growth at John Wayne Airport and the inadequacies of the existing terminal, parking and related facilities.

The Settlement Agreement. In 1985, the Board approved a new Master Plan for John Wayne Airport and certified Environmental Impact Report 508 (“EIR 508”), which served as a joint state and federal impact statement. The Master Plan resulted in a controversy between the County and surrounding communities regarding the legality of EIR 508 and the proposed improvements at John Wayne Airport. Accordingly, the County initiated a declaratory relief action in federal court naming the City of Newport Beach and two citizen groups as defendants. A settlement agreement (the “Settlement Agreement”) arose out of that litigation concerning the extent of physical improvements at John Wayne Airport and the level of permitted operations at John Wayne Airport through the year 2005.

As a result of the Settlement Agreement, the County adopted the John Wayne Airport Commercial Airline Access Plan and Regulation, and furthermore amended its ordinances to include the noise and access restrictions set forth in the Settlement Agreement. Pursuant to the Settlement Agreement, the County agreed to modify its Master Plan and to provide for development to occur at John Wayne Airport in two phases. The Settlement Agreement provided, among other things, that following completion of a new terminal (which occurred in 1990) and through 2005, average daily departures (“ADDs”) by commercial aircraft exceeding a designated noise threshold were capped at 73 ADDs and the total amount of passengers

using the Airport (enplaning and deplaning) was limited to 8.4 million annual passengers (“MAP”) per year. More than 73 ADDs were permitted to depart from the Airport on a daily basis, so long as those aircraft operate at a noise level that was quieter than the noise levels for Class A or Class AA aircraft and so long as the 8.4 MAP was not exceeded. The County also agreed, in the Settlement Agreement, to maintain John Wayne Airport as a self-supporting entity and maintain the existing nighttime curfew on air carrier operations. See “AIRPORT OPERATIONS—Aircraft Operations and Noise Limitations.” The Settlement Agreement also limited the total square footage of the Terminal and departure lounge and the number of parking spaces at the Airport.

In addition, the County agreed in the Settlement Agreement to support efforts to identify an alternative airport site and to facilitate funding for such a study. This study process, led by the Airport Site Coalition, was unable to identify an alternative airport site that was acceptable to participating stakeholders.

Following ratification of the Settlement Agreement, the County commenced an extensive capital improvement program, which included a two-level 337,900 square foot terminal building with 14 gates, improvements to the terminal apron and taxiways, three multi-story parking structures, general aviation improvements and freeway and on-site traffic circulation improvements (collectively, the “1985 Improvement Project”). The 1985 Improvement Project was substantially completed in September 1985 and the new terminal facility, the Thomas F. Riley Terminal (the “Terminal”), was occupied by the County.

2003 Amendment to the Settlement Agreement. On June 25, 2002, the Board certified an environmental impact report and approved an amendment to the Settlement Agreement (the “2003 Amendment”) to permit significant enhancements to commercial airline operating capacity and significant improvements to the Terminal and airline facilities as early as January 1, 2003. By letter from the Chief Counsel to the FAA the amendments to the Settlement Agreement were determined to be consistent with federal law. The 2003 Amendment was approved by all parties, and by the Federal District Court. The 2003 Amendment extended the life of the Settlement Agreement through December 1, 2015, expanded operating capacity and increased airline operating flexibility at John Wayne Airport. Specifically, the 2003 Amendment: (i) increased the number of ADDs for non-exempt aircraft operations from 73 to 85; (ii) created four new Class A ADDs for commercial cargo operations (raising the non-exempt aircraft operations total to 89); (iii) increased the annual passenger limits (the “MAP Limit”) from 8.4 to 10.3 MAP beginning on January 1, 2003 through December 31, 2010, and from 10.3 to 10.8 MAP from January 1, 2011 through December 31, 2015; and (iv) increased the permitted number of loading bridges at the Terminal from 14 to 20 gates. The 2003 Amendment also removed the limits set forth in the Settlement Agreement that limited the square footage of the Terminal, and departure lounge and the number of parking spaces allowed at the Airport.

Following ratification of the 2003 Amendment, the County commenced an extensive capital improvement program, which included, (a) relocation of the South Remain-Over-Night aircraft parking, (b) construction of a new multi-level, 6-gate Terminal C with approximately 275,000 square feet that is attached to Terminal B, (c) construction of a north and a south commuter/regional terminal facility that each accommodate four regional aircraft at ground level, (d) demolition of a parking structure to make room for new Terminal C, (e) construction of a new 2,000-space Parking Structure C (Phase 1) adjoining Terminal C, (f) roadway improvements, and (g) construction of a new maintenance building (collectively, the “2003 Improvement Project”). The 2003 Improvement Project, with a total construction cost of approximately \$457 million, was funded with bond proceeds (including proceeds of the Series 2009 Bonds), federal grants, PFCs and Airport revenue and investment income. The 2003 Improvements were completed between 2009 and 2011.

2014 Amendment to the Settlement Agreement. Pursuant to the 2003 Amendment, the Settlement Agreement was set to expire on December 31, 2015. In early 2012, the signatories to the Settlement

Agreement began discussing an amendment to the Settlement Agreement, including, extending the term. On September 30, 2014, the Board approved additional amendments to the Settlement Agreement (the “2014 Amendment”). The 2014 Amendment was approved by all the parties, and by the Federal District Court. The 2014 Amendment extended the life of the Settlement Agreement through December 31, 2030 and expanded operating capacity and provided additional airline operating flexibility at the Airport. Specifically, the 2014 Amendment: (i) extended the number of ADDs for non-exempt aircraft operations permitted under the 2003 Amendment through December 31, 2020 and increased the number of ADDs for non-exempt aircraft operations from 85 to 95 from January 1, 2021 through December 31, 2030; (ii) created four new Class A ADDs designated for priority allocation to commercial cargo operations (two of which may be allocated for passenger service); (iii) extended the MAP Limit of 10.8 MAP through December 31, 2020, increased the MAP Limit from 10.8 MAP to 11.8 MAP from January 1, 2021 through December 31, 2025, and increased the MAP Limit from 11.8 MAP to either 12.2 MAP or 12.5 MAP (depending on the level of service at the Airport) from January 1, 2026 through December 31, 2030; and (iv) extended the limit of no more than 20 bridges at the Terminal through December 31, 2020 and removed such limit from January 1, 2021 through December 31, 2030.

Additionally, as part of the 2014 Amendments, the parties reached agreement on the definition of a “proposed project” and project alternatives to be analyzed pursuant to the California Environmental Quality Act. The proposed project, project alternatives and Final Environmental Impact Report (“EIR”), including public comments submitted on the Draft EIR and responses to those comments, were presented to, and approved by, the Board on September 30, 2014. The Board also adopted a Mitigation Monitoring and Reporting Program.

The Settlement Agreement expires on December 31, 2030. Historically, the community signatories have asked that the County enter into negotiations with respect to extensions to provisions in the Settlement Agreement. The County’s objectives in any possible future negotiations would be consistent with the long standing and adopted policy of the County to operate the Airport in a manner that provides the maximum air transportation opportunities, ensures that the Airport operations do not unreasonably result in adverse environmental impacts on the surrounding communities, and is consistent with covenants with the County’s bondholders.

The following table summarizes key provisions of the Settlement Agreement and the 2014 Amendment.

[Remainder of page intentionally left blank]

Table 3
Summary of Settlement Agreement & 2014 Amendment

	Settlement Agreement	2014 Amendment
Term	<u>Phase 1:</u> April 1, 1985 through September 30, 1990 <u>Phase 2:</u> October 1, 1990 ¹ through December 31, 2005	January 1, 2016 through December 31, 2030
Curfew²	Existing curfew regulations to remain in effect through December 31, 2020	Existing curfew regulations to remains in effect through December 31, 2035
Average Daily Departures (ADDs)	<u>Phase 1:</u> ³ Maximum of 55 Class A & AA ADDs No more than 39 Class A departures <u>Phase 2:</u> ³ Maximum of 73 Class A & AA ADDs No more than 39 Class A departures	<u>Phase 1:</u> Maximum of 85 Class A ADDs ⁴ for passenger service through December 31, 2020 <u>Phase 2:</u> Maximum of 95 Class A ADDs ⁴ for passenger service through December 31, 2030 4 Class A ADDs ⁴ designated for priority allocation to all-cargo service through December 31, 2030. Two of these may be allocated for passenger service.
Passengers/MAP Cap	<u>Phase 1:</u> 4.75 MAP <u>Phase 2:</u> 8.4 MAP	<u>Phase 1:</u> 10.8 MAP through December 31, 2020 <u>Phase 2:</u> 11.8 MAP through December 31, 2025 <u>Phase 3:</u> 12.2 MAP from January 1, 2026 through December 31, 2030 <u>IF</u> less than 11.21 MAP is served between January 1, 2021 and December 31, 2025 <u>OR</u> 12.5 MAP from January 1, 2026 through December 31, 2030 <u>IF</u> more than 11.21 MAP is served between January 1, 2021 and December 31, 2025
Terminal	Not to exceed 337,900 sq. ft.	No limit
Departure Lounge	Not to exceed 37,000 sq. ft. ea.	No limit
Parking	Not to exceed 8,400 spaces	No limit
	No parking structure to have more than four levels	No limit
Loading Bridges	Not to exceed 14 total	<u>Phase 1:</u> Not to exceed 20 total through December 31, 2020 <u>Phase 2:</u> No limit through December 31, 2030

¹ The Settlement Agreement defined the start of Phase 2 as April 1, 1990 or the opening date of the new passenger terminal, whichever came later. As a result of the mid-September 1990 terminal completion, Phase 2 began on October 1, 1990.

² The County's General Aviation Noise Ordinance prohibits commercial departures from the Airport between 10:00 p.m. and 7:00 a.m. (8:00 a.m. on Sundays) and commercial arrivals into the Airport between 11:00 p.m. and 7:00 a.m. (8:00 a.m. on Sundays).

³ Three noise-based "classes" of departures were defined: Class A, AA, and E with Class E the most restrictive.

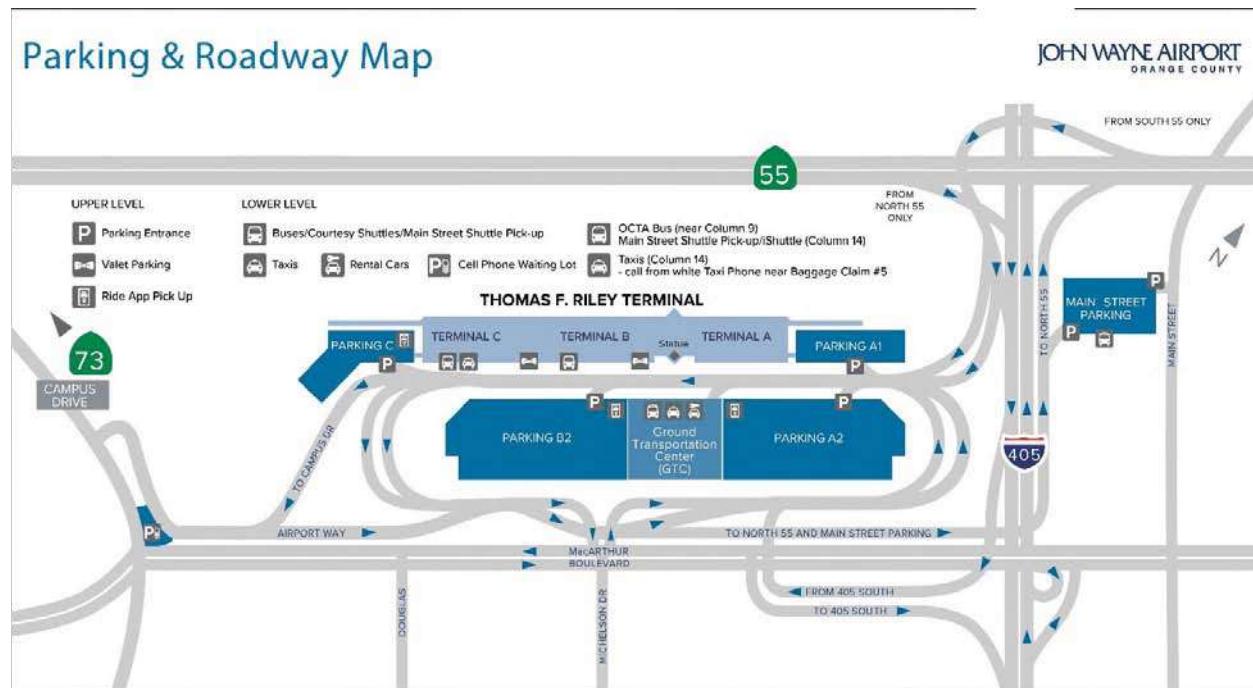
⁴ Under the 2003 Amendment, Class A and Class AA departures were condensed into one Class A category.

Source: John Wayne Airport, Orange County records

The “Spheres” Agreement. In October 2006, the County entered into a “Cooperative Agreement” with the City of Newport Beach intended to address a number of issues and projects of mutual concern. With respect to the Airport, the Cooperative Agreement states that the County and the City of Newport Beach would continue their efforts to promote compatibility between operations at the Airport and land uses within and in proximity to the City of Newport Beach. Specifically, the City of Newport Beach agreed that it would not initiate proceedings to annex the Airport or any portions of the Airport or other County-owned land without the written consent of the County. The County agreed that, prior to its acquisition of land for the purpose of constructing a second air carrier runway or extension of its existing air carrier runway to the south, it would present a plan for construction of the runway to the City of Newport Beach and would proceed with the plan only with approval of the City Council of the City of Newport Beach. The County is not actively pursuing any plans to build a second carrier runway or extend its existing carrier runway.

Existing Airport Facilities

The primary Airport facilities include: a terminal building, parking and rental car facilities, a ground transportation center, the airfield and operations for fixed base operators. The figure below shows the current layout of the terminal area and the locations of the parking facilities.



Airfield. John Wayne Airport has two parallel runways designated as Runway 20R-2L and Runway 20L-2R and an associated system of taxiways.

Table 4
John Wayne Airport Runways
(in feet)

Runway	Length	Width
20R-2L	5,700	150
20L-2R	2,887	75

Runway 20R-2L serves both commercial air carrier and general aviation aircraft. Runway 20L-2R, which is shorter and more narrow than Runway 20R-2L, is used by general aviation aircraft and serves as a taxiway for commercial aircraft during peak morning departure hours.

The length, width and strength of Runway 20R-2L is adequate to accommodate commercial air carrier activities consistent with the Airport's existing and future role in the Air Trade Area serving O&D markets as a short to medium haul facility with some long haul demand (for example, the Airport accommodates long haul service to markets in Newark (2,430 air miles from the Airport) and Atlanta (1,910 air miles from the Airport)). Runway 20R-2L is sufficient for current and future generation narrow body aircraft (Boeing 737NG series, 737MAX series 757-200W and Airbus A319/320/321 and NEO series) and large regional aircraft (CRJ 900, EB 175, EMB 190 and Airbus A220) to serve the Air Trade Area.

Jet fuel for commercial aircraft is currently delivered by thirty-two 8,000 gallon tanker trucks daily and stored in three 254,000 gallon above ground tanks for a total capacity of 762,000 gallons. SNA Fuel (the airline consortium that owns and operates the commercial fuel farm) is in the process of completing the construction of two 1,500,000 gallon fuel tanks, which are expected to go into service in mid-2019. The costs of construction of the new fuel tanks is being financed by SNA Fuel. Fuel will be delivered to these new tanks by the new pipeline that was constructed and owned and operated by Wickland Pipeline. The combination of these tanks are expected to meet the airlines future fuel demands when the MAP Limit increases to 12.5 MAP.

Passenger Terminals. The existing Terminal, consists of Terminals A, B and C and north and south commuter holdrooms. Terminals A and B and related facilities opened in 1990, while Terminal C and related facilities opened in 2011. The current Terminal includes 20 second-level jet gates with loading bridges for air carriers and two commuter gates. Terminals A, B and C, which together comprise the Terminal, each provide a concourse for aircraft loading and unloading; a landside building for passenger ticketing, check in, baggage makeup and screening, passenger security screening, a Federal Inspection Services area, and baggage claim; and a shared, centrally located food court and restaurant on the airside. The Terminal provides a total of approximately 738,000 square feet of space on three levels. The arrivals (lower) level contains baggage claim and rental car counters. The departures (second) level provides passenger ticketing, check in, passenger security screening, gates, and concession facilities. Two airline lounges are located on the mezzanine (third) level.

The Terminal's apron provides aircraft parking for the 20 second-level jet gates, 6 commuter aircraft positions, and 30 remain-over-night spaces.

In late 2010, the County completed construction of a central utility plant that supplies the Terminal with power and chilled water to serve the air conditioning system. The facility also houses four natural gas-fired internal combustion engines driving a total of seven megawatts of electricity and two 550 ton absorption chillers, one 125 ton air cooled centrifugal chiller, three 750 ton centrifugal chillers and all ancillary mechanical support equipment.

Parking, Rental Car and Ground Transportation Facilities. Automobile parking facilities include four multi-level parking structures, located adjacent to the Terminal (Parking Structures A1, A2, B2 and C) with a total of approximately 6,580 spaces and one nearby off-site surface parking lot (Main Street Parking) with a total of 1,920 spaces. The Airport has approximately 8,500 total parking spaces. In addition to Terminal self-parking facilities, there are approximately 475 spaces available for valet parking.

The lower level of Parking Structures A2 and B2 accommodates rental car pickup and drop-off operations with a total of approximately 1,510 spaces. There are currently five on-Airport rental car companies that operate seven rental car brands — Alamo, Avis, Budget, Dollar, Enterprise, Hertz and

National. The on-Airport rental car companies operate under the terms of leases entered into with the County. Off-Airport rental car companies operate pursuant to licenses that grant the companies the right to pick up passengers from the Terminal and shuttle them to their off-site locations. The off-Airport rental car companies currently include Airport Van Rental, Allied Rent-A-Car, Go Rentals, Midway Car Rental, Newport Beach Rent A Car, Fox/Payless Rent-A-Car, Silver Car, SNA Auto Rental, OC Van Rental, SoCal Van Rental dba United Van Rental, Stop Then Go Rent-A-Car, Thrifty Car Rental, and United Auto Rental.

A ground transportation center is located between Terminals A and B on the arrivals (lower) level and has dedicated curbsides for taxis, courtesy vehicles, buses to the Main Street Lot, and public transportation. In order to mitigate traffic congestion on the lower level roadway, transportation network companies (“TNCs”), such as Lyft and Uber, are required to pick up passengers at certain allotted spaces in the upper level of Parking Structures A2, B2 and C, as well as drop-off passengers at the upper roadway Terminal curbside.

General Aviation and Other Facilities. The Airport also supports a variety of general aviation activities, including charter, flight instruction, recreation, business, law enforcement, media, and medical/mercy flights (air ambulance). There are facilities for fixed base operators (“FBOs”), hangars, tie-downs, fueling, and other services that accommodate 520 general aviation aircraft. County facilities accommodate 297 of these aircraft while FBO facilities accommodate the remaining aircraft. Tenants serving general aviation include full service FBOs, hangar operators, aircraft maintenance, and flight instruction. The general aviation area also includes offices and maintenance shops. FBOs are located on both the east and west sides of the airfield. The west side has been primarily designated for aircraft storage. There are two full-service FBOs on the Airport, Atlantic Aviation and Aviation Consultants Inc. dba ACI Jet, and each is currently operating at the Airport pursuant to a month-to-month interim lease.

FedEx and United Parcel Services air cargo package handling and sorting operations are located on the south side of the airfield. FedEx and UPS primarily process “next day” and “second day” cargo through the Airport.

The Airport administrative building is located on Airport property across the airfield opposite the Terminal and outside the perimeter fence.

Capital Improvement Program

The County is currently implementing numerous capital improvement projects over the next five and a half Fiscal Years (Fiscal Years 2019 through 2024), totaling approximately \$185 million. The projects including, among others, rehabilitation and upgrade to existing Airport facilities and infrastructure. Funding for the capital improvement projects will be provided from various sources, including: (i) Airport available funds; (ii) the FAA Airport Improvement Program grants and Voluntary Airport Low Emissions Program grants; and (iii) pay-as-you-go PFCs. The Airport does not currently expect to issue additional Bonds to finance the costs of its capital improvement projects. Also, see “—Historical Background and the Settlement Agreement” above.

AIRPORT MANAGEMENT

General

John Wayne Airport is operated as a department of the County under the direct control of the County’s five-member elected Board of Supervisors. The Board creates policy for the management of the Airport. The Board also appoints a five-member advisory commission called the Orange County Airport Commission (the “Commission”) that makes recommendations to the Board for development, maintenance

and operation of John Wayne Airport. Commission members have terms that are concurrent with the term of the County Supervisor that made the appointment.

The Airport is accounted for as a self-supporting enterprise fund on an accrual basis in accordance with generally accepted accounting principles for governmental entities. Attached as Appendix A are the audited financial statements for the Airport enterprise fund for the Fiscal Year ended June 30, 2018, and the audited schedule of Passenger Facility Charge Revenues and Expenditures for the Fiscal Year ended June 30, 2018.

Airport Management

The Airport is under the supervision of an Airport Director, who is appointed by, and serves at the pleasure of, the County Executive Officer. The Airport Director oversees a staff of approximately 181 full-time employees, including a management team comprised of the Assistant Airport Director and six deputy directors.

Barry A. Rondinella, Airport Director. Barry A. Rondinella has been Airport Director of the Airport since 2015. As Airport Director, Mr. Rondinella develops Airport policy and administers all activities associated with the operation of the Airport. He has direct responsibilities for six Airport divisions which include: Business Development, Facilities Development, Finance Administration, Maintenance, Operations and Public Affairs (the “Airport Divisions”). Mr. Rondinella also oversees the Airport’s budget and staff. Prior to joining the Airport, he served as Director of Operations for the Department of Airports of the City of Los Angeles, Deputy Director for Operations at Sacramento International Airport and Airport Director for Stockton Metropolitan Airport. He is a licensed commercial pilot, a U.S. Air Force veteran and an Accredited Airport Executive. Mr. Rondinella earned an Associate of Science degree in Commercial Aviation from Mount San Antonio College and a Bachelor of Science degree in Aviation Administration from California State University, Los Angeles.

Richard Francis, Assistant Airport Director. Richard Francis has been Assistant Airport Director of the Airport since 2017. As Assistant Airport Director, Mr. Francis assists the Airport Director in developing Airport policy and administering all activities associated with the operation of the Airport. He assists the Airport Director in overseeing the Airport Divisions, Human Resources and Quality Assurance & Compliance, as well as the Airport’s budget. The Assistant Airport Director acts as the Airport Director in his absence. Prior to joining the Airport, Mr. Francis served as Assistant City Manager for the City of Costa Mesa for five and a half years and Chief of Staff to former Orange County Supervisor John M.W. Moorlach. Furthermore, Mr. Francis was with the County’s Probation Department for 13 years and concluded his career there as a Division Director. Mr. Francis earned a master’s degree in Public Administration from American Public University and a bachelor’s degree in Religious Education from Vanguard University of Southern California.

David Pfeiffer, Deputy Airport Director, Business Development. David Pfeiffer had been Deputy Airport Director of Business Development at the Airport since 2017. As Deputy Airport Director of Business Development, Mr. Pfeiffer is charged with developing, implementing and monitoring all commercial real property contracts involving the Airport, as well as all necessary services to keep the Airport running efficiently. The Business Development division is comprised of two units: the Asset Management Unit and the Insurance Unit. Mr. Pfeiffer’s background includes concession development and management planning, negotiation of leases and management of commercial properties with San Francisco International Airport and Portland International Airport.

Lawrence G. Serafini, Deputy Airport Director, Facilities Development. Lawrence G. Serafini has been Deputy Airport Director of Facilities Development at the Airport since 2001. As Deputy Airport

Director of Facilities Development, Mr. Serafini is responsible for planning, organizing and directing all aspects of facilities capital improvements, development and engineering for all facilities at the Airport. He oversees Engineering, Airport Development and Project Management, Planning, Environmental Compliance and Computer Aided Drafting and Design. Mr. Serafini retired from the U.S. Navy as a Lieutenant Commander, Civil Engineer Corps. He earned a Master of Science degree in Environmental Engineering from California State University, Long Beach and a Bachelor of Arts degree in Civil Engineering from Rensselaer Polytechnic Institute.

Mariane Teschner, Deputy Airport Director, Finance Administration. Mariane Teschner has been Deputy Airport Director of Finance Administration at the Airport since 2013. Prior to her current position, Ms. Teschner served as the Airport Finance Manager for more than three years. As Deputy Airport Director of Finance Administration, Ms. Teschner is responsible for Airport finances, debt and liquidity management, budget preparation and monitoring, procurement operation, daily operation of accounting systems and processes, airlines' rates and charges and preparation of financial statements and regulatory reports. The Finance Administration division is comprised of three units: Budget and Procurement, Finance, and Accounting. The Accounting unit is comprised of Airport staff and out-stationed Auditor-Controller staff. Prior to joining the Airport, Ms. Teschner had more than 20 years' experience working in the private sector in various financial management positions, including Chief Financial Officer, Finance Director, Controller, and Vice President of Finance Control and Analysis. Ms. Teschner earned a master's degree in Business Education and Business Administration from the University of Cincinnati and a Bachelor of Science degree in Financial Management from Saint Scholastica's College.

Scott Hagen, Deputy Airport Director, Operations. Scott Hagen has been Deputy Airport Director of Operations at the Airport since 2005. As Deputy Airport Director of Operations, Mr. Hagen is responsible for the day-to-day oversight of Airport activities and information technology. Airport Operations is comprised of three units: Airside Operations, Landside Operations and Information Technology. The Airport Operations unit conducts Airport inspections, addresses the needs of Airport tenants, airlines and travelers, oversees administration of general aviation aircraft, manages employee identification and badging process, manages parking facilities, and monitors ground transportation providers. As Deputy Airport Director of Operations, he also serves as John Wayne Airport's Security Coordinator, where Mr. Hagen oversees Airport Police Services and Airport Rescue and Fire Fighting services, and is the primary point of contact to the Transportation Security Administration (the "TSA"). Prior to his appointment as Deputy Airport Director of Operations, Mr. Hagen served as Manager of Landside Operations at John Wayne Airport for more than 6 years. Mr. Hagen earned a Bachelor of Science degree in Aeronautics from Embry-Riddle Aeronautical University and is licensed by the Federal Aviation Administration as a Private Pilot and an Airframe & Power Plant mechanic.

Eric Freed, Deputy Airport Director, Public Affairs. Eric Freed has been Deputy Airport Director of Public Affairs at the Airport since 2016. As the Deputy Airport Director of Public Affairs, he is responsible for all aspects of government, media and community relations, customer relations and communications at John Wayne Airport. The Public Affairs division is comprised of four units: Access & Noise, Communications, Customer Relations and Public Relations. Mr. Freed began his career at the Airport in 1988, and prior to his appointment as Deputy Airport Director of Public Affairs, he was Manager of Access and Noise, where he managed the Access and Noise office for more than 14 years. Before joining the Airport, he was Executive Assistant to former Orange County Supervisor Roger Stanton. Mr. Freed earned a Bachelor of Science degree in Agricultural Business from California Polytechnic State University, San Luis Obispo.

Kevin Flynn, Deputy Airport Director, Maintenance. Kevin Flynn has been Deputy Airport Director of Maintenance at the Airport since 2018. As Deputy Airport Director of Maintenance, Mr. Flynn is responsible for planning, organizing and implementing strategic actions for building repair and

maintenance, airfield repair and maintenance, central utility plant management, and janitorial and other maintenance service contract management. He also provides proactive infrastructure maintenance, preventative repair, utility services, evaluation of current facility structures, and anticipates the needs of the traveling community and Airport tenants. Mr. Flynn has more than 25 years' experience in both the public and private sectors, and prior to joining the Airport, he was Vice President for Kimley-Horn and Associates, Inc., a planning and design engineering consulting firm. Mr. Flynn earned a Bachelor of Science degree in Civil Engineering from University of Massachusetts.

Airport Employees and Employees Relations

As of July 1, 2018, the Airport had 178 budgeted positions, and 162 active employees. As shown in Table 5 below, most employees of John Wayne Airport are represented by four recognized employee organizations pursuant to Memoranda of Understanding with the County. The County has never experienced a labor stoppage.

Table 5
John Wayne Airport
Recognized Employee Organization

Organization	Number of Represented Employees (Approximate)	Memorandum of Understanding Expiration Date	Represented Employees
Teamsters Local 952	10	June 2019 ¹	Operations and Service Maintenance
International Union of Operating Engineers	21	June 2019 ¹	Craft and Plant Engineers
Orange County Employees Association (OCEA)	101	June 2019 ¹	General, Office Services and Supervisory
Orange County Managers Association (OCMA)	33	June 2019 ¹	Administrative Managers

¹Contract renewal negotiations are currently under way for these organizations.

Source: Airport Management.

Two executive managers are unrepresented by a labor organization and their employment is governed by a Personnel and Salary Resolution.

The Airport contracts with the Orange County Sheriff-Coroner for security services, and with the Orange County Fire Authority for aircraft rescue and firefighting.

Job titles and descriptions for John Wayne Airport employees are determined by classifications established and controlled by the County. The County Executive Officer negotiates contractual agreements with recognized employee organizations and is responsible for relations between the organizations and the County.

During the fiscal years ended June 30, 2017 and June 30, 2018, salaries and employee benefits paid from Airport Revenues were approximately \$19,497,000 and \$20,320,000 respectively, or approximately

21.9% or 22.4% of Total Operating Expenses. See “FINANCIAL INFORMATION—Historical Operating Results” below.

Defined Benefit Pension Plan. Airport employees are covered by the Orange County Employees Retirement System (“OCERS”), which is an independent, defined benefit retirement plan in which the employees of the County and employees of certain cities and special districts within the County participate. Like most defined benefit plans, the OCERS has actuarial unfunded liabilities. In accordance with various Board resolutions, the County’s funding policy is to make periodic contributions to OCERS in such amounts that, when combined with employee contributions and investment income, will fully provide for member benefits upon their retirement. The Airport’s total contribution for Fiscal Years 2018 and 2017 was approximately \$3.478 million and \$3.235 million, respectively. The County expects that the Airport’s contributions to OCERS will continue to increase in the future. Covered employees are required to contribute a percentage of their annual compensation (based on a formula) to OCERS as a condition of their employment. See “Note 3 – Defined Benefit Pension Plan” in Appendix A attached hereto for additional information on OCERS. Additionally, further information concerning OCERS may be found in the County’s Comprehensive Annual Financial Report, for the year ended June 30, 2018, which may also be accessed on the County’s website, at www.ac.ocgov.com.

Postemployment Health Care Benefits. The Airport is a participant in the County’s Retiree Medical Plan (the “Retiree Medical Plan”), which is a cost-sharing multiple-employer defined benefit other post-employment benefit (“OPEB”) plan, intended to assist career County employees in maintaining health insurance coverage following retirement from County service. Eligible retired County employees receive a monthly grant to help offset the cost of their County-offered health plan and/or Medicare A and/or B premiums. County employees that are ineligible to receive such grant are provided a lump sum payment equal to 1% of the employee’s final average hourly pay multiplied by the employee’s qualifying hours of service. For Fiscal Years 2018, and 2017, the Airport was required to contribute \$521,000 and \$477,000 to the Retiree Medical Plan, which was 100% of its required contributions. See “Note 4 – Postemployment Health Care Benefits” in Appendix A attached hereto for information on the Airport’s share of the County’s proportionate share of net OPEB liability, OPEB expense and deferred outflows/inflows of resources related to OPEB.

AIRPORT OPERATIONS

Airport’s Role in the Region

The Airport has a unique role in the overall aviation network of southern California, complementing the five other commercial service airports in the region; Los Angeles International Airport (“LAX”), Ontario International Airport (“ONT”), Long Beach Airport (“LGB”), Bob Hope Airport (aka Hollywood Burbank Airport) (“BUR”) and San Diego International Airport (“SAN”). Each of these commercial service airports are located approximately the following road miles from the Airport: 42 road miles (LAX); 45 road miles (ONT); 22 road miles (LGB); 52 road miles (BUR); and 87 road miles (SAN). The Airport functions as an O&D airport primarily serving the short-to-medium haul market in its Air Trade Area. See “—Destination Markets” below. From Fiscal Year 2009 through Fiscal Year 2018, O&D passengers accounted for an average of 93% of all passengers enplaned at the Airport. As a consequence of this unique role, the Airport’s operations and financial performance has been largely unaffected by the expansion (or contraction) of activities at the other four Los Angeles basin airports.

Demand in the County for long haul domestic and international markets is served primarily by LAX. However, due to convenience factors, airport access issues and growing east-west service at the Airport, the number of passengers using the Airport for long haul domestic service has grown.

Residents in the northeast portion of the County can access ONT, however, it is not convenient to residents and businesses in other areas of the County, including the large business population which surrounds the Airport. Residents in the northwest portion of the County have convenient access to LGB, which has seen increased passenger activity since 2009. LGB operates under flight slot restrictions imposed by the City of Long Beach.

The impact of BUR upon activity at the Airport is negligible due to its inconvenient location for County residents in relation to the Airport and the relative proximity of three alternative airports.

Enplaned Passengers at John Wayne Airport

As shown in Table 6 below, the number of annual enplaned passengers increased from 4,523,096 in Fiscal Year 2004 to 5,323,260 in Fiscal Year 2018. Over the 15-year period starting in Fiscal Year 2004 and ending in Fiscal Year 2018, enplanements at the Airport grew at an average yearly rate of 1.3%. Also as shown below, the number of enplaned passengers increased 2.8% from Fiscal Year 2017 to Fiscal Year 2018, and increased 0.3% for the eighth-month period ended February 28, 2019 when compared with the eighth-month period ended February 28, 2018.

Table 6
John Wayne Airport
Historical Enplanements

Fiscal Year Ended June 30	Enplanements	Annual Growth Rate
2004	4,523,096	—
2005	4,770,223	5.5%
2006	4,808,643	0.8
2007	4,956,525	3.1
2008	4,780,487	(3.6)
2009	4,269,395	(10.7)
2010	4,391,439	2.9
2011	4,282,816	(2.5) ¹
2012	4,309,464	0.6
2013	4,547,598	5.5
2014	4,642,948	2.1
2015	4,792,579	3.2
2016	5,173,572	7.9
2017	5,178,761	0.1
2018	5,323,260	2.8
Eight-Month Period Ended February 28	Enplanements	% Change
2018	3,489,411	—
2019	3,499,889	0.3%

¹ The decline in enplanements in Fiscal Year 2011 was as a result of Virgin America terminating service from the Airport in May 2010.
 Source: Airport Management.

Passenger growth at the Airport is directly affected by the MAP Limit under the Settlement Agreement and the 2014 Amendment. The Airport proactively manages its passenger traffic in order to stay within the MAP Limit. Currently, there is a waiting list of existing airlines serving the Airport that want additional gate space and new airlines that want to begin operating from the Airport. As discussed above in “JOHN WAYNE AIRPORT—Historical Background and the Settlement Agreement,” the 2014 Amendment limits the total number of passengers served (enplanements and deplanements) annually. The MAP Limit is 10.8 MAP through December 31, 2020. On January 1, 2021, the MAP Limit will increase to 11.8 MAP through December 31, 2025 and will increase again on January 1, 2026 to either 12.2 MAP or 12.5 MAP through December 31, 2030 (when the Settlement Agreement is set to expire), depending on the actual service level between January 1, 2021 and December 31, 2025. Table 7 below shows the actual number of passengers served by the Airport as compared to the MAP Limit imposed by the Settlement Agreement, the 2003 Amendment and the 2014 Amendment for the last ten Fiscal Years and for the first eight months of Fiscal Years 2018 and 2019. See “JOHN WAYNE AIRPORT—Historical Background and the Settlement Agreement” for more information on the Settlement Agreement, the 2003 Amendment and the 2014 Amendment.

Table 7
John Wayne Airport
Historical Passenger Activity
Million Annual Passenger (MAP) Cap

Fiscal Years	Total Passengers¹	MAP Limit²
2009	8,552,590	10,300,000
2010	8,812,269	10,300,000
2011	8,611,054	10,550,000 ³
2012	8,650,860	10,800,000
2013	9,124,172	10,800,000
2014	9,304,295	10,800,000
2015	9,608,873	10,800,000
2016	10,361,436	10,800,000
2017	10,373,714	10,800,000
2018	10,670,000	10,800,000

Eight-Month Period Ended February 28	Total Passengers¹	MAP Limit
2018	7,011,403	N/A
2019	7,033,471	N/A

¹ Enplanements and deplanements.

² The 2014 Amendment extended the term of the Settlement Agreement through December 31, 2030. The 2014 Amendment allows the MAP Limit to remain at 10.8 MAP through December 31, 2020. Furthermore, beginning on January 1, 2021, the 2014 Amendment provides for an increase of the MAP Limit to 11.8 MAP through December 31, 2025, and beginning on January 1, 2026 to 12.2 MAP or 12.5 MAP through December 31, 2030, depending on the actual service level between January 1, 2021 and December 31, 2025.

³ The MAP Limit increased to 10.8 MAP on January 1, 2011

Source: Airport Management.

Airlines and Market Shares

As of February 28, 2019, there were twelve scheduled airlines operating at the Airport: Alaska, American, Compass, Delta, Frontier, Horizon, SkyWest Commercial, SkyWest Commuter (dba Delta Connection and/or dba United Express), Southwest, United, WestJet and Delux (dba JetSuiteX Air).

Table 8 sets forth the airlines serving the Airport and the number of enplaned passengers and the respective market share for such airlines for Fiscal Years 2016 through 2018. Between Fiscal Year 2016 and Fiscal Year 2018 the top five airlines at the Airport maintained their respective market shares.

Table 8
John Wayne Airport
Airline Enplanements Market Share

Air Carrier	Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018	
	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share
Southwest	2,385,979	46.1%	2,221,567	42.9%	2,027,811	38.1%
American ¹	848,073	16.4	845,755	16.4	855,832	16.0
United	663,604	12.8	719,481	13.9	819,149	15.4
Alaska	527,747	10.2	486,821	9.4	543,921	10.2
Delta	383,690	7.4	446,084	8.6	512,269	9.6
SkyWest – Commercial	111,582	2.2	155,526	3.0	221,352	4.2
Frontier	106,125	2.1	109,635	2.1	111,489	2.1
Compass ²	15,661	0.3	86,872	1.7	94,189	1.8
Horizon ³	14,042	0.3	42,686	0.8	77,584	1.5
WestJet	36,997	0.7	37,148	0.7	41,065	0.8
Commuters ⁴	80,072	1.5	27,186	0.5	18,599	0.3
Totals	<u>5,173,572</u>	<u>100.0%</u>	<u>5,178,761</u>	<u>100.0%</u>	<u>5,323,260</u>	<u>100.0%</u>

¹ Effective November 1, 2015, American Airlines completed its acquisition of US Airways and commenced operating as a single carrier at the Airport. American Airlines and US Airways passenger data has been combined for purposes of this table.

² Compass Airlines commenced operations at the Airport on May 1, 2016.

³ Horizon Air commenced operations at the Airport on March 16, 2016.

⁴ Includes SkyWest Commuter (dba Delta Connection and United Express).

Source: Airport Management.

[Remainder of page intentionally left blank]

Landing fees at the Airport are charged based upon landed weight of the aircraft. Certain historic landed weight information for air carriers (including all cargo carriers) serving the Airport is shown in Table 9.

Table 9
John Wayne Airport
Air Carrier Landed Weight Market Share
Fiscal Years 2016-2018

Air Carrier	Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018	
	Pounds¹	Market Share	Pounds¹	Market Share	Pounds¹	Market Share
Southwest	2,793,760	47.3%	2,496,448	42.7%	2,166,693	36.9%
American ²	876,705	14.8	853,392	14.6	912,221	15.5
United	752,763	12.7	824,221	14.1	852,013	14.5
Alaska	540,789	9.2	532,368	9.1	596,901	10.2
Delta	445,358	7.5	507,776	8.7	579,584	9.9
SkyWest – Commercial	121,423	2.1	194,014	3.3	275,944	4.7
Frontier	97,488	1.7	100,143	1.7	113,852	1.9
Compass ³	17,127	0.3	97,398	1.7	102,794	1.7
FedEx	78,978	1.3	78,362	1.3	91,455	1.6
UPS	44,310	0.8	46,644	0.8	78,310	1.3
Horizon ⁴	13,276	0.2	44,707	0.8	45,906	0.8
WestJet	44,049	0.7	43,349	0.7	43,583	0.7
Commuters ⁵	83,375	1.4	29,286	0.5	20,377	0.3
Totals⁵	5,909,400	100.0%	5,848,107	100.0%	5,879,632	100.0%

¹ Measured in thousands.

² Effective November 1, 2015, American Airlines completed its acquisition of US Airways and commenced operating as a single carrier at the Airport. American Airlines and US Airways passenger data has been combined for purposes of this table.

³ Compass Airlines commenced operations at the Airport on May 1, 2016.

⁴ Horizon Air commenced operations at the Airport on March 16, 2016.

⁵ Includes SkyWest Commuter (dba Delta Connection and United Express).

⁶ Totals may not foot due to rounding.

Source: Airport Management.

Destination Markets

The Airport provides service to various destinations that meet the needs of business and leisure travelers. A 2017 Airport Passenger Survey conducted by Phoenix Marketing International found that approximately 52% of Airport passengers were traveling mainly for pleasure or leisure and 48% were traveling for business. Table 10 below presents a listing, in order of enplanements, of the top fifteen destinations served by the Airport in calendar year 2018.

As evidenced in Table 10, the Airport serves a diverse mix of short-haul and medium-haul destinations as well as several long-haul locations. Further, a balanced mix of airlines serves the Airport, including legacy carriers Alaska, American, Delta and United; low cost carriers Frontier, Southwest, and WestJet; regional and commuter carriers Compass, Horizon, SkyWest Commercial, SkyWest Commuter and Delux (dba JetSuiteX Air). The Airport also currently has regularly scheduled international service to or from Mexico (Cabo San Lucas and Puerto Vallarta) and Canada (Vancouver).

Table 10
John Wayne Airport
Top 15 Non-Stop Destinations Served
Calendar Year 2018

Non-Stop Destination	Enplaned Passengers	Average Daily Departures
Phoenix	508,824	11
Denver	492,033	10
Seattle	489,878	12
San Francisco	456,275	13
San Jose	442,380	12
Dallas	414,270	8
Chicago	324,213	7
Las Vegas	323,424	11
Oakland	297,043	7
Sacramento	271,055	6
Houston	210,162	5
Atlanta	205,951	3
Portland	177,219	4
Salt Lake City	175,217	5
Minneapolis-St. Paul	110,160	3

Source: Airport Management.

Aircraft Operations and Noise Limitations

As described under “JOHN WAYNE AIRPORT—Historical Background and the Settlement Agreement,” the Airport is subject to the Settlement Agreement and the 2014 Amendment regarding the development and use of the Airport. The Phase 2 Commercial Airline Access Plan and Regulation (the “Access Plan”) describes how the provisions of the Settlement Agreement and the 2014 Amendment are applied and enforced. General aviation operations are unaffected by these limitations.

Specifically, the Access Plan defines a series of operating parameters that apply to all commercial and commuter carriers. These parameters include, but are not limited to, limits on aircraft noise, ADDs and annual passengers as well as a nighttime curfew. Noise limits are set for two classes of aircraft, Class A and Class E, both of which must meet defined decibel requirements as measured at each of seven noise monitoring locations. While both classes meet FAA’s Stage 3 requirements, Class E departures are more quiet and are generally used for short- or medium-haul destinations. The Airport may allocate, and carriers may operate, a maximum of 89 “Class A” ADDs. The number of Class E departures is limited only by the MAP Limit, as defined in the Settlement Agreement, the 2014 Amendment and the Access Plan. The County does not believe the noise limits imposed by the Settlement Agreement or the 2014 Amendment will impair its ability to pay debt service on the Series 2019 Bonds or meet its other financial obligations.

[Remainder of page intentionally left blank]

Table 11 below sets forth a summary of aircraft operations and their classifications for Fiscal Years 2014 through 2018 and the eight months ended February 28, 2018 and 2019.

Table 11
John Wayne Airport
Scheduled Departures

Type of Aircraft	Fiscal Years					Eight-Months Ended February 28	
	2014	2015	2016	2017	2018	2018	2019
Class A ¹	28,820	29,505	29,413	30,386	30,908	20,556	20,061
Class E ²	12,166	11,237	15,372	15,052	15,184	10,000	11,661
Total	40,986	40,742	44,785	45,438	46,092	30,556	31,722

¹ The 2014 Amendment combines all regulated Class A and Class AA flights into a single class operating at maximum permitted Class A noise levels.

² Class E includes both Class E and Class PE.

Source: Airport Management.

[Remainder of page intentionally left blank]

General Aviation Operations

As shown in Table 12 below, annual general aviation operations increased from 187,566 to 209,391 between Fiscal Year 2009 and Fiscal Year 2018 and from 137,254 to 144,838 for the eight-month periods ended February 28, 2018 and 2019, respectively. This represents an average annual increase of approximately 1.3% during the 10-year period. Despite a modest increase in general aviation operations, FBO and hangar rental revenues increased by 59% between Fiscal Year 2017 and Fiscal Year 2018 due to new interim lease agreements and a new FBO operator. The interim leases effectively adjusted the base rent for leased premises from ground rent to ground and improvements lease rents at updated appraised value. See Table 15 below for additional information on FBO and hangar rental revenues.

Table 12
John Wayne Airport
General Aviation Operations

Fiscal Year	General Aviation Operations	Annual Percent Increase (Decrease)
2009	187,566	—
2018	191,136	1.9%
2011	176,225	(7.8)
2012	168,517	(4.4)
2013	167,392	(0.7)
2014	169,384	1.2
2015	182,256	7.6
2016	186,488	2.3
2017	194,240	4.2
2018	209,391	7.8

Eight-Months Ended February 28	General Aviation Operations	Annual Percent Increase (Decrease)
2018	137,254	—
2019	144,838	5.5%

Source: Airport Management.

AGREEMENTS FOR THE USE OF AIRPORT FACILITIES

The County entered into, and receives payments under, different agreements with various airlines and other parties, including lease agreements relating to landing fees and the leasing of space in the Terminal, other building and miscellaneous leases regarding the leasing of cargo and hangar facilities, and concession agreements relating to the sale of goods and services at the Airport.

Airline Lease and Revenue Policy

All but three of the passenger airlines operating at the Airport have entered into an agreement with the County known as the Certified Passenger Airline Lease (each an “Airline Lease”). Compass, Horizon and SkyWest-Commercial operate under license agreements instead of an Airline Lease. The Airline Lease became effective December 13, 2016, and expires on December 31, 2020, with a 90-day cancellation provision exercisable by either party. The rents, fees, and charges in the Airline Lease are established in accordance with (a) Resolution 02-062, adopted by the Board on March 12, 2002, which reasserts and

establishes the John Wayne Airport Revenue Planning Policy (“Revenue Policy”) that was adopted in 1987 under Resolution 87-825; and (b) the Indenture.

Under the Revenue Policy, airline terminal rental rates are established under a commercial compensatory methodology where the rental rate is calculated to recover the average cost of each square foot of Rentable Space in the Terminal cost center. (Rentable Space is the total amount of space, in square feet, available for rent in the Terminal to airlines, concessions, and other tenants.) The landing fee and apron fee rates are established under a cost center residual approach where non-airline revenues are credited to each of the Airfield and Apron cost centers to determine the net cost to be paid by the airlines. Airport management adjusts airline rates and charges semiannually in accordance with the terms of the Airline Lease. New rates are established on a Plan Year basis from April 1 to March 30.

The County has established cost centers to account for revenues and expenses that are used in the calculation of the Terminal Rental Rate, Landing Fee Rate, Apron Fee Rates, and TSA Mandated Security Costs under the Revenue Policy. The County accounts for all operating revenues, direct and indirect operating expenses, debt service, reserve requirements, and amortization on the basis of these cost centers. The Revenue Policy established the following direct cost centers to be used in the calculation of airline rates and charges:

- (a) ***Terminal.*** The Terminal, including enplaning and deplaning drives.
- (b) ***Airfield.*** Activities and areas provided for the landing, takeoff, and taxiing of aircraft; aircraft parking; approach and clear zones; and aviation easements.
- (c) ***Apron.*** Activities and areas provided for the parking of aircraft, including loading/unloading of passengers, overnight parking of aircraft, and storage of aircraft handling equipment, or constituting the area adjoining the passenger terminal.
- (d) ***Cargo.*** Activities and areas provided for cargo operations, including loading/unloading of aircraft and removal/delivery by surface transportation.
- (e) ***General Aviation.*** Activities and areas provided for general aviation operations, including fixed base operators and aircraft storage operators.
- (f) ***Ground Transportation.*** Activities and areas designated for rental car operations (excluding rental ticket counters in the Terminal), and all Airport access roadways.
- (g) ***Parking.*** Activities and areas designated for employee and public auto parking.

The Airport allocates certain indirect maintenance and operation expenses to the direct cost centers, including Administration, Engineering, Operations, Building Maintenance, and Grounds Maintenance.

Under the Revenue Policy, the Airport calculates the Terminal Rental Net Requirements, the Apron Fee Net Requirements and the Landing Fee Net Requirement by summing the following amounts:

- (a) ***Direct Current Expenses***—Direct Current Expenses are Current Expenses directly assignable to the Terminal, Apron and Airfield cost centers.
- (b) ***Allocated Current Expenses.*** Allocated Current Expenses are Current Expenses directly assignable to the indirect cost centers that are allocated to the direct cost centers on the basis of each direct cost center’s share of total Current Expenses for all direct cost centers.

(c) ***Current Expense Reserve Retention***—The Current Expense Reserve Retention is one-sixth of the increase in the budgeted Current Expenses for the current Fiscal Year over the estimated Current Expenses for the preceding Fiscal Year that is allocated to direct cost centers on the basis of each cost center's share of total Current Expenses for all direct cost centers.

(d) ***Depreciation, Amortization, and Interest***—Depreciation, amortization, and interest on the net book value of assets financed with Airport funds will be included in the Terminal Rentals, Apron Fees and Landing fees prior to the inclusion of Debt Service for such rates and charges.

(e) ***Direct Debt Service (net of Available PFC Revenues)***—Direct Debt Service (net of Available PFC Revenues) is the Debt Service directly assignable to the Terminal, Apron or Airfield cost centers.

(f) ***Allocated Debt Service (net of Available PFC Revenues)***—Allocated Debt Service (net of Available PFC Revenues) is the Debt Service assignable to the indirect Airport cost centers that is allocated to the direct cost centers on the basis of each direct cost center's share of total Debt Service for all direct cost centers.

(g) ***Debt Service Coverage equal to 25% of Direct and Indirect Debt Service***—Twenty-five percent of direct and indirect Debt Service and such other amounts as may be required by subordinated indebtedness.

(h) ***Debt Service Reserve Deficiency***—Required deposits to the Debt Service Reserve Requirement, calculated based on the direct and indirect Debt Service attributed to the Terminal, Apron and Airfield costs centers.

(i) ***Renewal and Replacement Deficiency***—Required renewal and replacement costs will normally be paid from available funds provided by coverage requirements, however, to the extent such funds are inadequate, any excess requirements determined in accordance with the Indenture and properly attributable to the Terminal, Apron and Airfield cost centers will be included in the Terminal Rentals, Apron Fees and Landing Fees.

(j) ***Less: Revenue Credits***—consisting of (i) utility and janitorial costs that are directly reimbursed by tenants for the Terminal (deducted from Terminal Rentals), (ii) fuel flowage fees (deducted from Landing Fees) and (iii) maintenance trailer rent (deducted from Apron Fees).

(k) ***Estimated (Surplus) Deficit for the Current Fiscal Year***—The estimated (surplus) deficit, if any, in Terminal Rentals, Apron Fees and Landing Fees for the current year will be subtracted from (added to) the Terminal Rentals, Apron Fees and Landing Fee total requirements, in developing estimated rates for the next succeeding Fiscal Year and said estimated (surplus) deficit will be based upon the estimated Current Expense and Revenue data available for the current Fiscal Year when the rates, fees and charges are estimated for the next succeeding Fiscal Year.

(l) ***Actual (Surplus) Deficit for the Prior Fiscal Year***—The difference, if any, between any estimated (surplus) deficit as set forth in (k) above, and the actual (surplus) deficit for the prior Fiscal Year will be subtracted from (added to) the Terminal Rental, Apron Fees, and Landing Fee total requirement, in developing revised rates for the current Fiscal Year and such actual (surplus) deficit will be based on the audited Current Expense and Revenue data as soon as it becomes available, and included for the remaining portion of the current Fiscal Year.

Terminal Rental Rate is calculated by dividing the Terminal Rental Net Requirement by total airline rentable space in the Terminal. Holdroom, concourse, and security checkpoint space is allocated 10% equally among all airlines, 45% based on operations, and 45% based on enplaning passengers. Baggage claim and baggage makeup space is allocated 20% equally among all airlines and 80% based on deplaning passengers.

Apron Fee Rates are calculated by dividing the Apron Fee Net Requirement into three components—50% to the Remain-Over-Night Fee requirement which is divided by available aircraft parking positions to yield a fee per day, 25% to the Operation Fee requirement which is divided by ADDs to yield a fee per departure, and 25% to the Equipment Storage Fee requirement which is divided by square feet for equipment storage space to yield a storage rent per square foot.

Landing Fee Rates are calculated by dividing the Landing Fee Net Requirement by projected Landed Weight (in 1,000 pounds).

TSA Mandated Security cost reimbursement consists of (a) County Sheriff costs, net of TSA reimbursements, allocable to the Terminal, Airfield, and Apron (the aeronautical cost centers); and (b) 100% of the in-line baggage screening costs, which consist of space rent for baggage screening space, passenger queueing areas for TSA screening, and direct utilities, maintenance, and janitorial for this space, net of TSA space rentals. This cost is allocated 10% equally among all airlines, 45% based on operations, and 45% based on enplaning passengers.

Terminal Concessions

The primary sources of terminal concession revenues are food and beverage concessions, merchandise concessions, and other terminal concessions.

Food and Beverage. The County has entered into primary food and beverage leases with HMSHost, Carl's Jr., McDonalds, Subway and Vino Volo, which provide nonexclusive concession privileges to the concessionaires to provide food and beverage services in the Terminal facilities, including in-Terminal restaurants, food court, snack bars, and cocktail bars. The leases are scheduled to expire in 2021, and the County has the option to extend each of the leases for two years. The leases provide for payment to the County of percentages of gross sales or a minimum annual guarantee ("MAG"), whichever is greater. Currently, there is 38,749 square feet dedicated to food and beverage operations at the Airport.

HMSHost operates a mix of branded-food outlets, including Anaheim Ducks Bar & Grill, Belgian Beer Bar, California Pizza Kitchen, Ciao, Farmer's Market Culinary Arts, Hobie Sand Bar, Javi's, La Tapenade Mediterranean, Ruby's Diner, Starbucks, Zov's as well as snack bars. McDonalds operates two fast food restaurants on the departure level of Terminals A and B.

In Fiscal Year 2018, food and beverage gross sales totaled \$39.5 million, or \$7.42 per enplaned passenger.

Merchandise. The County has executed news and gift and specialty retail concession leases with the Hudson Group, Paradies and Xpress Spa/Brookstone to provide retail, news, sundry, and gift services at the Airport in 13,421 square feet. The Hudson and Paradies leases are scheduled to expire on January 11, 2021, and the County has the option to extend each of the leases for two years. The leases require payment to be made by the tenant, equal to the greater of the MAG or a percentage of gross receipts from business operations conducted on or from the leased premises. In Fiscal Year 2018, retail gross sales were \$16.8 million, or \$3.16 per enplaned passenger.

Other Concession Revenues. Other Terminal concession revenues include advertising, luggage carts, and public telephones.

Automobile Parking Facilities

LAZ Parking California, LLC (“LAZPCI”) currently operates the public parking facilities at the Airport under a parking facilities and valet parking operating agreement (the “LAZ Operating Agreement”) executed in February 2017 (and subsequently amended in 2018) that expires on February 2020, and the County has the option to extend the agreement for two years. Pursuant to the LAZ Operating Agreement, LAZ is responsible for maintaining and operating the existing facilities, collecting parking fees, and managing passenger experience and operating traffic control in the areas used by the TNCs. LAZ remits all gross parking revenues to the County and is reimbursed for operating expenses and paid a management fee.

Rental Cars

The lower level of Parking Structures A and B accommodate rental car pickup and drop-off operations. There are currently five on-Airport rental car companies that operate seven rental car brands — Alamo, Avis, Budget, Dollar, Enterprise, Hertz and National. Off-Airport rental car companies are licensed to pick up passengers from the Terminal and shuttle them to their off-site locations. The off-Airport rental car companies currently include Airport Van Rental, Allied Rent-A-Car, Go Rentals, Midway Car Rental, Newport Beach Rent A Car, Fox/Payless Rent-A-Car, Silver Car, SNA Auto Rental, OC Van Rental, SoCal Van Rental dba United Van Rental, Stop Then Go Rent-A-Car, Thrifty Car Rental, and United Auto Rental.

The on-Airport rental car companies accounted for nearly 96% of rental car revenues in Fiscal Year 2018. The shares of rental car revenues for Fiscal Year 2018 are as follows.

Table 13
John Wayne Airport
Shares of Rental Car Revenues
Fiscal Year 2018

Rental car company	Share of revenues
On-Airport companies	
Hertz	27%
Alamo/National	23
Avis	20
Enterprise	13
Budget	8
Advantage Rent-A-Car ¹	5
Off-Airport companies	4
Total	100%

¹ Advantage Rent-A-Car On-Airport lease concession was terminated on November 30, 2018.

Source: Airport Management.

The five on-Airport rental car companies operate under the terms of leases that provide that the companies pay the greater of a MAG or a concession fee of 10% of gross revenues plus rent for their

facilities in the garage. These agreements expire on November 30, 2019 with a 90-day cancellation provision exercisable by the County. Off-Airport rental car companies pay 9% of gross revenues to the County.

FINANCIAL INFORMATION

Airline Revenue

As of February 28, 2019, there were twelve scheduled airlines operating at of the Airport: Alaska, American, Compass, Delta, Frontier, Horizon, SkyWest Commercial, SkyWest Commuter (dba Delta Connection and/or dba United Express), Southwest, United, WestJet and Delux (dba JetSuiteX Air). Seven of these airlines (Alaska, American, Delta, Frontier, Southwest, United and WestJet) operate at the Airport under an Airline Lease; three of these airlines (Compass, Horizon and SkyWest Commercial) operate at the Airport under an operating license agreement instead of an Airline Lease; and the two commuter airlines (SkyWest Commuter (dba Delta Connection and dba United Express) and Delux (dba JetSuiteX Air)), operate at the Airport under a Commuter Airline Operating License.

Airline revenue consisting of Terminal Rents, Landing Fees, Apron Fees, utility and janitorial reimbursement, security reimbursement and ramp equipment storage rent accounted for 41% of total operating revenues in Fiscal Year 2018.

Airline rates and charges are calculated in accordance with the Revenue Policy. In compliance with this policy and in accordance with federal regulations, the Airport utilizes a compensatory fee system to establish rates for Terminal Rentals and a residual approach for Landing Fees and Apron Fees.

Landing and Apron Fees payable by the scheduled air carriers are used to pay Airport operating and maintenance costs for the airfield and apron, including a pro rata share of debt service on the Series 2019 Bonds. With respect to Terminal Rentals, the formulas utilized by the County provide for the establishment of rental rates such that the scheduled air carriers are paying their proportionate share (based upon rentable area) of all budgeted terminal area costs and reserves. See “AGREEMENTS FOR THE USE OF AIRPORT FACILITIES—Airlines Lease and Revenue Policy” for additional information on the rates and charges paid by the airlines operating at the Airport.

For each of the five Fiscal Years occurring between, and including, Fiscal Year 2014 and Fiscal Year 2018, the annual airline cost per enplaned passenger at the Airport was \$10.00, \$9.91, \$10.01, \$10.32 and \$10.03, respectively.

There are currently ten commercial airlines on the new entrant carrier waiting list, including Sun Country, Allegiant, Volaris, Endeavor, JetBlue, Aeromexico, Air Canada, Airbahn, Swoop and Spirit. There is currently one commuter airline, Mokulele (part of Southern Airways), on the new entrant carrier waiting list. As of the date of this Official Statement, the County cannot predict when, if ever, these airlines may begin operating from the Airport.

Passenger Facility Charges

PFCs are fees imposed on enplaned passengers by airport sponsors to generate revenues for airport projects that increase capacity, enhance competition among and between air carriers, enhance safety or security, or mitigate noise impacts. PFCs were established by Title 49 U.S.C. §40117, and authorized airport sponsors to collect PFCs in the amount of \$1.00 to \$3.00 per eligible enplaning originating and connecting passenger. The Aviation Investment and Reform Act (“AIR-21”) increased the maximum PFC airport sponsors could collect to \$4.50 per enplaning passenger. In return for the right to assess PFCs up

to \$3.00, large and medium hub airports forego up to 50% of their FAA Airport Improvement Program (“AIP”) entitlement funds. Large and medium-hub airports (such as the Airport) that collect a PFC of \$4.00 or \$4.50 forego 75% of their AIP entitlement funds.

In April 2006, the County received approval from the FAA to impose and use a PFC of \$4.50 per eligible enplaned passenger at the Airport, and has imposed the PFC since July 1, 2006. The County has FAA approval in connection with its PFC application to collect \$321 million in PFC revenues for project and financing costs associated with the construction of various approved projects, including certain of the projects originally financed with proceeds of the Series 2009 Bonds. As part of its approval in 2006, the FAA approved \$26 million of PFCs to be used for pay-as-you-go projects and \$295 million for financing costs incurred for the PFC approved projects (including the Series 2009 Bonds, and when issued, the Series 2019 Bonds). As a result of lower overall PFC bond financing requirements, in February 2016, the County filed an amendment with the FAA to re-allocate the excess PFCs (\$71 million) to pay-as-you-go projects. The FAA approved the amendment, which also effectively revised the authorized amount from \$321 million to \$312 million.

The County has collected approximately \$237.3 million in PFC revenues including interest earnings from July 1, 2006 through December 31, 2018. Between Fiscal Year 2014 and Fiscal Year 2018, the County collected an average of \$19.5 million of PFCs in each Fiscal Year. The County believes that use of PFC revenues to pay debt service with respect to a portion of the Series 2019 Bonds is in compliance with applicable FAA regulations and does not require further FAA approval.

As described in “SECURITY FOR THE BONDS—Passenger Facility Charges,” the County expects to use PFCs to pay a portion of the debt service on the Series 2019 Bonds as permitted by FAA regulations.

Federal Grants

The Airport is eligible to receive grants-in-aid from the FAA under the AIP for up to 80.59% of the costs of eligible projects at the Airport. AIP grants are available to airport operators in the form of entitlement funds and discretionary funds and are payable on a reimbursement basis. Entitlement funds are apportioned annually based upon the number of enplaned passengers and the aggregate landed weight of all cargo aircraft; discretionary funds are available at the discretion of the FAA based upon a national priority system. The AIP currently is funded from federal excise taxes, which must be authorized and approved by Congress. Large and medium-hub airports (including the Airport) that collect a PFC of \$4.00 or \$4.50 (such as the Airport) forego 75% of their AIP entitlement funds.

Although the County has applied for discretionary grants, none have been received or assumed in the funding sources for the Airport’s capital improvement program. The County received \$7.2 million of AIP entitlement grants over the last five Fiscal Years. The County also received \$11.8 million from the TSA over the last five Fiscal Years for baggage handling system upgrades for Terminals A, B and C, in addition to another \$855,000 for the TSA National Explosive Detection Canine Team Program. The County plans to submit an application to the FAA for voluntary airport low emission (“VALE”) grant funding for electric vehicles and shuttles, electric charging stations, and gate electrification to improve the Airport’s air quality.

Non-Airline Revenue

Automobile parking, concessions including car rental, food and beverage, tie-down fees, TNC fees and other miscellaneous revenue accounted for approximately 59% of total revenues in Fiscal Year 2018.

Public automobile parking is the largest source of non-aeronautical revenues at the Airport. As shown in Table 14, automobile parking accounted for 28% of total operating revenues in Fiscal Year 2018. On-site Airport parking facilities are operated by LAZ pursuant to the LAZ Operating Agreement. On July 29, 2008, the Board approved a \$3.00 increase to the daily maximum parking rate at Airport facilities, to \$20.00, and a \$1.00 increase to the hourly rate. Rates at a remote Airport parking lot were increased to \$2.00 per hour with a \$14.00 daily maximum. Those same parking rates remain in effect as of the date of this Official Statement.

Concessionaires operating in the Terminal complex include: (i) five rental car lessees (Avis, Budget, Enterprise dba Enterprise Rent-A-Car, Enterprise dba Alamo and National, and Hertz) operating seven rental car brands; (ii) several food and beverage operators (including HMSHost, Carl's Jr., McDonalds, Subway and Vino Vol); (iii) one advertising firm (Lamar Advertising); and (iv) news and gift merchandisers (including Paradies and Hudson Group). All food & beverage concessionaires operate under ten-year contracts and retail concessionaires (gifts, news and sundries) operate under ten-year contracts.

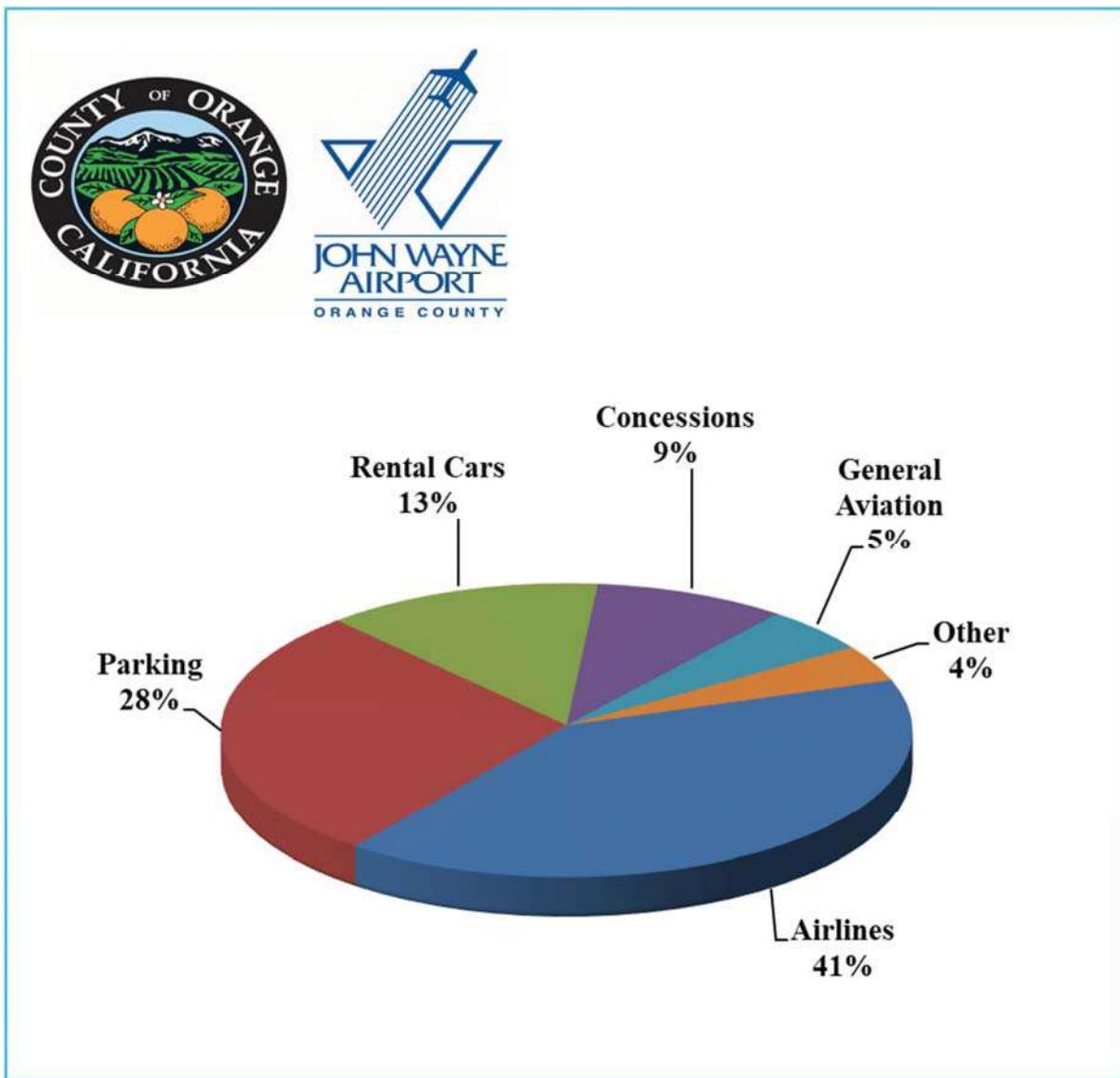
The minimum annual guarantee for all concessions in the Terminal is adjusted annually to the greater of 85% of the previous year's payments to the County or an amount that would result if the minimum annual guarantee for the previous year were to be increased by the same percentage as did the Consumer Price Index in the same period. Under no circumstances does the minimum annual guarantee decrease.

[Remainder of page intentionally left blank]

Revenue Sources

Table 14 presents the revenue sources at the Airport for Fiscal Year 2018.

Table 14
John Wayne Airport
Revenue Sources
Fiscal Year 2018



Historical Operating Results

Table 15 sets forth a Statement of Revenues and Expenses for the John Wayne Airport Enterprise Fund (the “Airport Fund”) for Fiscal Years 2014 through 2018 which have been extracted from data contained in the audited financial statements of the County. This data should be read in conjunction with the audited financial statements for the County attached hereto as Appendix A. This data is presented in a detailed format to identify specific types of revenue earned at the Airport that are included in the audited

financial statements. The data for the six-month periods ending December 31, 2017 and 2018 are not audited. See “APPENDIX A—JOHN WAYNE AIRPORT AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018, AND AUDITED SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2018.”

[Remainder of page intentionally left blank]

Table 15
County of Orange
John Wayne Airport Enterprise Fund
Statements of Revenues and Expenses
(Prepared On An Accrual Basis)
(in thousands)

	Fiscal Years Ended June 30					Six Months Ended December 31	
	Audited					Unaudited	
	2014	2015	2016	2017	2018	2017	2018
REVENUES:							
Airline Terminal Rent ¹	\$24,869	\$25,790	\$28,319	\$30,537	\$30,315	\$14,944	\$16,737
Airline Landing Fees	13,633	13,714	15,058	14,429	14,760	5,628	5,977
Airline Apron Fees	2,666	2,575	2,728	2,666	2,675	1,048	989
Utility & Janitorial Reimbursement	5,119	5,285	5,562	5,671	5,550	2,999	3,005
Parking	38,650	40,203	40,665	37,669	36,163	17,325	15,832
Rental Cars	14,056	14,705	15,913	15,933	16,847	7,242	7,479
Food & Beverage	7,506	7,822	6,442	6,771	6,723	2,858	2,979
Other Concessions ²	5,583	6,318	8,802	10,027	10,414	4,504	5,108
Aircraft Tiedown Fees	1,481	1,558	1,636	1,827	2,246	1,106	1,124
FBO Fees	2,655	2,726	2,819	3,387	4,683	2,366	2,529
Ramp Equipment Storage	999	955	969	963	933	500	527
Interest Revenue	618	645	1,842	1,291	2,752	1,203	2,081
Miscellaneous Revenue ³	2,258	2,002	1,708	1,345	1,688	1,184	317
Total Operating Revenues	<u>120,093</u>	<u>124,298</u>	<u>132,463</u>	<u>132,516</u>	<u>135,749</u>	<u>62,906</u>	<u>64,684</u>
OPERATING EXPENSES							
Professional and Specialized Services	38,255	37,391	38,225	40,913	42,157	14,927	14,101
Salaries and Employee Benefits	18,746	19,142	19,711	19,497	20,320	9,993	10,634
Other Services and Supplies	27,706	26,024	24,896	28,479	28,261	11,994	11,547
Taxes and Other Fees ⁴	—	—	—	166	151	162	157
Total Operating Expenses	<u>84,707</u>	<u>82,557</u>	<u>82,832</u>	<u>89,055</u>	<u>90,889</u>	<u>37,075</u>	<u>36,438</u>
NET REVENUES ⁵	<u>\$35,386</u>	<u>\$41,741</u>	<u>\$49,631</u>	<u>\$43,461</u>	<u>\$44,860</u>	<u>\$25,832</u>	<u>\$28,246</u>
Long-Term Debt Service ⁶	<u>(6,510)</u>	<u>(6,510)</u>	<u>(6,512)</u>	<u>(6,506)</u>	<u>(6,243)</u>	<u>N/A</u>	<u>N/A</u>
NET REVENUE AFTER DEBT SERVICE PAYMENTS	<u><u>\$28,876</u></u>	<u><u>\$35,231</u></u>	<u><u>\$43,119</u></u>	<u><u>\$36,955</u></u>	<u><u>\$38,617</u></u>	<u><u>\$25,832</u></u>	<u><u>\$28,246</u></u>
Coverage Calculation ⁷	5.44x	6.41x	7.62x	6.68x	7.19x	N/A	N/A

¹ "Airline Terminal Rent" includes airlines' share of post September 11, 2001 security costs. See "CERTAIN INVESTMENT CONSIDERATIONS—Aviation Security Concerns."

² "Other Concessions" includes specialty retail concessions, advertising, taxi, ground transportation, TNCs, smart carte, valet car wash, and other airline related services.

³ "Miscellaneous Revenue" includes penalties and forfeitures, gate card fees, badge fees, safety classes and commercial filming.

⁴ In Fiscal Year 2017, "Taxes and Other Fees" were reclassified to operating expenses in the financial statements.

⁵ Conforms to Indenture definition, net of depreciation expense.

⁶ Consists of debt service on the Series 2009 Bonds paid only from Net Revenues. The County also paid a portion of the debt service on the Series 2009 Bonds with Available PFC Revenues (approximately \$11.2 million per Fiscal Year). The County expects to use a portion of the proceeds of the Series 2019 Bonds, along with certain other available funds, to refund all of the Refunded Bonds. Additionally, on April 30, 2019, the County redeemed, with available moneys, all of its outstanding Airport Revenue Bonds, Series 2009B with a stated maturity date of July 1, 2034. See "PLAN OF REFUNDING" for additional information.

⁷ Representing Net Revenues divided by Long-Term Debt Service. Long-Term Debt Service does not include debt service paid with Available PFC Revenues. The Indenture requires that the Net Revenues for each Fiscal Year must be at least 125% of the Long-Term Debt Service Required for the Fiscal Year.

Source: John Wayne Airport audited financial statements and Airport Management.

Management's Discussion of Financial Results

During Fiscal Years 2014 through 2018, the Airport consistently generated positive cash flow in excess of debt service coverage requirements. Debt service coverage exceeded 5.0x for each Fiscal Year during the five-year period, exceeding 7.0x in Fiscal Years 2016 and 2018.

The County has maintained careful management of operating expenses and oversight of revenue generating agreements to ensure a steady stream of revenues. From Fiscal Year 2014 through Fiscal Year 2018, the Airport experienced year-over-year growth in total operating revenue. Total operating revenues in Fiscal Year 2018 were approximately \$15.7 million greater than in Fiscal Year 2014 (increasing to \$135.7 million from \$120.1 million, for a compounded annual growth rate of 3.1%) while total operating expenses in Fiscal Year 2018 were approximately \$6.2 million greater than in Fiscal Year 2014 (to \$90.9 million from \$84.7 million, for a compounded annual growth rate of 1.8%).

Collectively, airline terminal rents, landing fees, apron fees, including cargo carrier fees, are the largest source of airport revenues. These revenues also include airlines' reimbursements for utilities and janitorial expenses, ramp equipment storage, maintenance and upgrade of the Common Use Passenger Processing System and Custom Border Protection User Port fees. From Fiscal Year 2014 through Fiscal Year 2018, airline revenues on average represented 40% of total operating revenue. Airline revenues grew conservatively over the five year period, increasing at a compounded annual growth rate of 3.5% annually. The stability of airline revenues is consistent with stable enplanement and landed weight activity at the Airport.

Parking revenues, the single largest source of non-aeronautical revenue, decreased by \$4.5 million (cumulatively by -11.1%) for Fiscal Years 2017 and 2018 combined as compared to Fiscal Year 2016, as a result of the introduction of TNCs or ride share services (Uber, Lyft and Wingz). In addition, from Fiscal Year 2014 through Fiscal Year 2018, parking revenues experienced a compounded annual decline of 1.6% due to the increased use of TNCs. The exponential growth of TNCs caused significant disruptions to airports across the nation. In order to mitigate the effect of TNCs on Airport revenues, the County repurposed certain sections of the parking facilities for additional rental car concessionaires' Ready-Car-Park. Additional rental car parking spaces were made available by moving valet parking and car wash operations, previously in Parking Structures A and B, to the rooftop of Parking Structure C. The County recommended an increase to the ground transportation trip fees from \$2.25 to \$3.00, and added trip fees for drop-off. The changes to the ground transportation trip fee were approved by the Board in August 2018.

Other concession revenue (including the line items Rental Cars, Food & Beverage and Other Concessions in Table 15) increased at a compounded annual growth rate of 5.8% over the five year period. Concession revenues continue to grow in tandem with passenger activity, partially supported by minimum annual guarantee provisions in tenant lease agreements. The rental revenue from additional Ready-Car-Park leased spaces by rental car concessionaires also contributed to the increase in concession revenue.

During the first six months of Fiscal Year 2019, total operating revenues increased by approximately 2.8% compared to the first six months of Fiscal Year 2018, largely because of increased airline terminal rent and increased interest earnings. Revenue from airline terminal rents increased by 8.4% during this period as a result of non-capitalized (one-time) operating and maintenance costs relating to improvements to Terminals A & B, which were captured in the Airport's compensatory rate structure. Parking revenues decreased by approximately 8.6% in the first six months of Fiscal Year 2019 as compared to the first six months of Fiscal Year 2018, as TNCs continued to grow significantly. By repurposing the Airport's parking facility, reallocating parking spaces to rental car Ready-Car-Park, the Airport was able to increase rental car revenue by 3.3% during the first six months of Fiscal Year 2019 as compared the first six months of Fiscal Year 2018. Other Concessions revenue including TNC trip fee revenues, increased by

approximately 13% in the first six months of Fiscal Year 2019 as compared to the first six months of Fiscal Year 2018, resulting from accelerated growth in TNC activity and the increase in TNC trip fee effective September 1, 2018.

In Fiscal Year 2018, total operating expenses increased modestly by approximately 2.1% over Fiscal Year 2017. During the first six months of Fiscal Year 2019, operating expenses decreased 1.7% as compared to the first six months of Fiscal Year 2018 due to a one-time (\$2.9 million) reduction of operating expenses relating to improvements to Terminals A and B, which was completed in February 2019.

As noted in “SECURITY FOR THE BONDS—Budgetary Procedures” herein, the Airport prepares an annual budget for estimated revenues and expenses. Actual results are constantly monitored and planned activity is adjusted according to available resources. An amended or supplemental budget may be adopted at any time for the remainder of the then-current Fiscal Year.

The Airport has an internally established financial goal of maintaining more than 500 days’ cash on hand (calculated based on projected annual cash operating expenses for a Fiscal Year). As of February 28, 2019, the Airport had approximately \$258 million of unrestricted cash, or 987 days’ cash on hand (calculated based on projected annual cash operating expenses for Fiscal Year 2019).

CERTAIN INVESTMENT CONSIDERATIONS

Airport operations and revenue are influenced by a variety of factors including the health of the economy and the demographics of the Air Trade Area. The following is a general discussion of certain factors affecting Airport operations and revenue. The discussion does not purport to be an exhaustive listing of factors and other considerations affecting the airline industry and Airport operations. The County makes no representation that there are no other factors that may affect Airport operations and revenues.

Limited Obligations

The Series 2019 Bonds are limited obligations of the County payable solely from the Net Revenues of the Airport, and the County is not obligated to pay the Series 2019 Bonds except from the Net Revenues.

The General Fund of the County is not liable, and the credit or taxing power of the County is not pledged, for the payment of the Series 2019 Bonds or their interest. The Series 2019 Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon, any of the property of the County or any of its income or receipts, except the Net Revenues of the Airport. The owners of the Series 2019 Bonds have no right to compel the exercise of any taxing power of the County.

Factors Affecting the Airline Industry

General. The Series 2019 Bonds are payable solely from Net Revenues and other available funds. As discussed above under the caption “SECURITY FOR THE BONDS—Passenger Facility Charges,” the County expects to use PFCs to pay a portion of the debt service on the Series 2019 Bonds. Net Revenues and PFCs are dependent primarily on the level of aviation activity and enplaned passenger traffic at the Airport. The level of aviation activity and enplaned passenger traffic at the Airport are dependent upon a number of factors including local, regional, national and international economic conditions; political conditions and international hostilities such as those occurring in the Middle East; world health concerns; aviation security concerns; accidents involving commercial passenger aircraft; airline service and routes; airline airfares and competition; airline industry economics, including labor relations, fuel prices, aging aircraft fleets; business travel substitutes, including teleconferencing, videoconferencing and web-casting and other factors discussed in more detail under “—Financial Condition of the Airlines” below; capacity of

the national air traffic control and airport systems; capacity of the Airport and competition from other airports; and reliability of air service; and the availability and convenience of service at the Airport, among others. Many of these factors are outside the County's control. Declines in aviation activity and enplaned passenger traffic at the Airport would result in reduced Net Revenues and PFCs. Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, threats of terrorism, costs of aviation fuel, and airline concentration.

Economic Conditions. Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies.

Threats of Terrorism. Recent and ongoing terrorist attacks and threats of terrorism have had, and may continue to have, a negative impact on air travel. The County cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001 or the terrorist attacks more recently in Nice, Munich, Paris, Brussels and Istanbul, the likelihood of future air transportation disruptions or the impact on the County or the airlines operating at the Airport from such incidents or disruptions.

Cost of Aviation Fuel. Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America, fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the growth of economies around the world, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. According to Airlines for America, for the third quarter of 2018, jet fuel accounted for approximately 20.9% of the airline industry's operating expenses. The price of aviation fuel rose to an all-time high of approximately \$3.75 per gallon in July 2008. According to the U.S. Bureau of Transportation Statistics, the price of aviation fuel averaged approximately \$2.15 per gallon during 2018. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

Airline Concentration; Effect of Airline Industry Consolidation. The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airlines mergers include: (a) in 2008, Delta acquired Northwest and its affiliated Air Carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass; (b) on October 1, 2010, United Airlines and Continental Airlines merged and United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012; (c) on May 2, 2011, Southwest acquired Air Tran, and Southwest and Air Tran began operating as a single airline (under the Southwest brand) in March 2012; (d) on December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc., and American and US Airways began operating as a single airline (under the American brand) in October 2015; and (e) in December 2016, Alaska Air Group acquired Virgin America Inc. To date none of these mergers have had any material impact on airline service or enplanements at the Airport. While these prior mergers have not had any material impact on airline service or enplanements at the Airport or on Net Revenues, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Net Revenues, reduced PFCs and/or increased costs for the other airlines serving the Airport.

Pilot and Mechanics Shortage. Beginning in June of 2017, a shortage of pilots for Horizon Air's Bombardier Q400 aircraft resulted in impacts to Horizon Air's schedule. In the month of June 2017, the airline had to cancel more than 300 flights systemwide because it did not have enough pilots. Horizon Air had to curtail its flight schedule for the following fall. The lost routes were ultimately operated by the mainline carrier Alaska Airlines or SkyWest. In an effort to address this, Horizon Air has increased compensation and decreased the amount of time required for its pilots to advance their careers and has increased its hiring.

Pilot shortage is an industry-wide issue, and especially so for smaller regional airlines. There are several causes for the pilot shortage that affect all airlines. Congress changed duty time rules in 2010 to mitigate pilot fatigue, which required airlines to increase pilot staff. Beginning in 2013, first officers flying for commercial airlines were required to have at least 1,500 hours of flight time, instead of the 250 hours previously required. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Further, as passenger demand increases, the major air carriers are anticipated to need additional pilots, and are generally able to hire pilots away from regional airlines. As a result, small regional airlines have a particularly difficult time hiring qualified new pilots, despite increased incentives. The shortage of pilots available to regional airlines may result in reduced service to some smaller U.S. markets.

In addition to the pilot shortage, over the next decade there could be a shortage of qualified mechanics to maintain the airlines' fleet of planes. This potential shortage is as a result of an aging pool of mechanics, a large portion of which are expected to retire in the next decade, and a lack of younger people joining the ranks of the mechanics. A shortage of mechanics could raise the cost of maintenance, require airlines to maintain more spare planes and/or result in increased flight cancellations and delays.

Limitations Under the Settlement Agreement and the 2014 Amendment

Passenger growth at the Airport is directly affected by the limitations set forth in the Settlement Agreement and the 2014 Amendment. The Settlement Agreement and the 2014 Amendment: (i) limit the number of ADDs for non-exempt aircraft operations to 85 through December 31, 2020 and increase the number of ADDs for non-exempt aircraft operations from 85 to 95 from January 1, 2021 through December 31, 2030; (ii) create four new Class A ADDs designated for priority allocation to commercial cargo operations (two of which may be allocated for passenger service); (iii) set the MAP Limit at 10.8 MAP through December 31, 2020, increase the MAP Limit from 10.8 MAP to 11.8 MAP from January 1, 2021 through December 31, 2025, and increase the MAP Limit from 11.8 MAP to either 12.2 MAP or 12.5 MAP (depending on the level of service at the Airport) from January 1, 2026 through December 31, 2030; and (iv) limit the number of bridges at the Terminal to 20 through December 31, 2020 and remove such limit from January 1, 2021 through December 31, 2030. For additional discussion of the Settlement Agreement, the 2003 Amendment and the 2014 Amendment, see "JOHN WAYNE AIRPORT—Historical Background and the Settlement Agreement" herein.

Financial Condition of the Airlines

Revenues may be affected by the ability of the airlines serving the Airport, individually or collectively, to meet their obligations to pay rates, rentals, fees and charges. Nearly all of the airlines (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the SEC. Certain information, including financial information, concerning such airlines (or their respective parent corporations) is disclosed in reports and statements filed with the SEC. Such reports and statements can be inspected and copies obtained at prescribed rates at the SEC's principal offices at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information during the hours of operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at

<http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Some of the airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation (“USDOT”). Such reports can be inspected at the Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, USDOT, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the USDOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments or foreign corporations file limited information only with the USDOT.

The County has no responsibility for the completeness or accuracy of information available from the USDOT or SEC, including, but not limited to, updates of information on the SEC’s Internet site or links to other Internet sites accessed through the SEC’s site. The County has not reviewed or verified any of the information contained in such reports filed with the SEC and makes no representation as to the accuracy, completeness or fairness of any such reports or other information made available to the public by the airlines or their respective parent corporations.

Effect of Airline Bankruptcies

A bankruptcy of an airline operating at the Airport could result in delays or reductions in payments to the County which could affect the County’s ability to pay debt service on the Series 2019 Bonds. The bankruptcy of an airline with significant operations at the Airport could have a material adverse effect on operations of the Airport, Revenues, and the cost to the other airlines operating at the Airport.

In the event of an airline bankruptcy, the automatic stay provisions of the U.S. Bankruptcy Code (the “Bankruptcy Code”) could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the airline to the County or any action to enforce any obligation of the airline to the County. With the authorization of the bankruptcy court, the airline may be able to repudiate some or all of its agreements with the County and stop performing its obligations (including payment obligations) under such agreements. Such repudiation could also excuse the other parties to such agreements from performing any of their obligations. The airline may be able, without the consent and over the objection of the County, the Trustee, and the holders of the Series 2019 Bonds, to alter the terms, including the payment terms, of its agreements with the County, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the airline may be able to assign its rights and obligations under any of its agreements with the County to another entity, despite any contractual provisions prohibiting such an assignment. However, the County maintains that neither the County’s approval to operate at the Airport nor its permitted allotment of ADDs may be assigned, as they are property of the Airport. The Trustee and the holders of the Series 2019 Bonds may be required to return to the airline as preferential transfers any money that was used to make payments on the Series 2019 Bonds and that was received by the County or the Trustee from the airline during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the County under any lease with the airline may be subject to limitations.

An airline is likely to be in possession of PFCs at the time it goes into bankruptcy. While there are provisions in the law requiring airlines to treat PFCs as trust funds, the application of these provisions in a bankruptcy case is not clear. The airline may not be required to turn over to the County or the Trustee any PFCs in its possession at the time it goes into bankruptcy. Even while the airline is in bankruptcy, it may not be required to turn over PFCs that are collected prior to the time that the County or the Trustee demands

the turnover of the PFCs. Even after a demand is made, it is possible that the airline would not be required to turn over subsequently-collected PFCs.

There may be delays in payments on the Series 2019 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of an airline that could result in delays or reductions in payments on the Series 2019 Bonds. Regardless of any specific adverse determinations in an airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2019 Bonds.

Effect of County Bankruptcy

In December, 1994, the County filed for bankruptcy protection under Chapter 9 of the Bankruptcy Code, following certain collateral calls in connection with County investments. Legislation enacted by the State in 1995 as part of the County's recovery plan (Chapters 745, 746, 747, and 748 of the 1995 Statutes) diverted certain revenue to the County from other public agencies or from funds within the County, and dedicated such revenue to the payment of obligations arising out of the County's bankruptcy plan of adjustment. The County's bankruptcy did not delay or reduce any payments on the then outstanding Airport Revenue Bonds. On November 8, 2018, the Bankruptcy Court heard the motion of the County for the Order Closing the Bankruptcy. The Order Closing the Bankruptcy was finalized on November 15, 2018.

Should the County become the debtor in any future bankruptcy case the holders of the Series 2019 Bonds will not have a lien on Revenues received by the County or the Trustee after the commencement of the bankruptcy case unless such revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used to provide transportation services, as well as other revenues or receipts derived from particular functions of the debtor. While the County believes that the Revenues should be treated as special revenues, no assurance can be given that a court would not find otherwise. If Revenues are not special revenues, there could be delays or reductions in payments on the Series 2019 Bonds.

Furthermore, although the automatic stay arising upon the filing of a bankruptcy petition under Chapter 9 has historically been understood not to stay the collection and application of special revenues to payment of bonds secured by such special revenues, if the County were to become a debtor in a proceeding under Chapter 9, the bankruptcy court could find that the automatic stay exception for special revenues does not apply, and the parties to the proceeding may thus be prohibited from taking any action to collect Revenues, or to enforce any related obligation connected with the Series 2019 Bonds (including, but not limited, using amounts on deposit in the Series 2019 Reserve Subaccount to pay principal of and interest on the Series 2019 Bonds) without the bankruptcy court's permission.

If a court determines that Revenues are special revenues, the County will be able to continue to use such revenues to pay operation and maintenance costs of the Airport, notwithstanding any provision of the Indenture or any other agreement to the contrary.

There may be other possible effects of a bankruptcy of the County that could result in delays or reductions in payments on the Series 2019 Bonds.

Regardless of any specific adverse determinations in a County bankruptcy proceeding, a County bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2019 Bonds.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and continue to occur in the Middle East), terrorist attacks (see “—Factors Affecting the Airline Industry—Threats of Terrorism” above), increased threat levels declared by the Department of Homeland Security and world health concerns such as the Severe Acute Respiratory Syndrome (“SARS”) outbreak in 2003, the H1N1 influenza (“swine flu”) outbreak in 2009 and 2010 and the Zika virus outbreak that began in South America in 2015 and which spread to certain parts of southern Florida, may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes. The County cannot predict whether the Airport will be a target of terrorists in the future. Additionally, the County cannot predict the effect of any future government-required security measures on passenger activity at the Airport.

Earthquake and Seismic Conditions

The areas in and surrounding the Airport, like those in much of California, may be subject to unpredictable seismic activity. An occurrence of severe seismic activity in the area in which the Airport is located may result in substantial damage to, including total destruction of, the Airport, which could adversely affect Revenues or require substantial new capital spending by the County to replace or improve the Airport’s facilities. No assurance can be given that such events will not occur while the Series 2019 Bonds are outstanding. The County currently maintains earthquake insurance on its Airport facilities. See “SECURITY FOR THE BONDS—Insurance” herein for a discussion of the property insurance maintained by the County for John Wayne Airport. However, no assurance can be given that earthquake insurance will continue to be available at reasonable costs and in meaningful amounts.

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

Considerations Regarding Passenger Facility Charges

The County has received FAA authorization to collect PFCs as described under “FINANCIAL INFORMATION—Passenger Facility Charges.” The County expects to pay a portion of the debt service on the Series 2019 Bonds with PFCs.

The County’s authority to collect PFCs at the Airport is currently expected to expire on December 31, 2021. No assurance can be given that the County’s authority to collect PFCs will be increased or extended. Further, no assurance can be given that PFCs will actually be received in the amounts or at the times contemplated by the County. The amount and timing of receipt of actual PFCs will vary depending on actual levels of qualified passenger enplanements at the Airport. See “—Factors Affecting the Airline Industry” above.

In addition, the FAA may terminate the County’s ability to impose PFCs, subject to informal and formal procedural safeguards, if (a) PFCs are not being used for approved projects in accordance with the FAA’s approval, the Aviation Safety and Capacity Expansion Act of 1990, AIR-21 and 14 C.F.R. Part 158, as amended from time to time (collectively, the “PFC Acts”), or (b) the County otherwise violates the PFC Acts. The County’s authority to impose the PFC may also be terminated if the County violates certain AIP

grant assurances and certain provisions of the Airport Noise and Capacity Act (“ANCA”) and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the County’s authority to impose a PFC would not be summarily terminated. No assurance can be given that the County’s authority to impose the PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or by the FAA so as to reduce PFCs available to the County or that the County will not seek to decrease the amount of the PFC to be collected.

In the event the FAA or Congress reduced or terminated the County’s ability to collect PFCs, or PFC collections were otherwise less than anticipated, the County would need to find other funding sources to pay debt service on the portion of the Series 2019 Bonds it expects to pay with PFCs. In addition, in such a circumstance the County might need to find other sources of funding, including issuing additional parity securities, to finance the projects currently being paid for, or projected to be paid for, with PFCs.

Rate Covenant Not a Guarantee

The ability of the County to pay the principal of and interest on the Series 2019 Bonds depends on the ability of the County to generate Net Revenues at or above the levels required by the Indenture. Although, as more particularly described herein, the County expects that sufficient Revenues will be generated through the imposition and collection of the fees, rents charges and other Revenues described herein, there is no assurance that such imposition of fees, rents charges or other Revenues will result in the generation of Net Revenues in the amounts required by the Indenture. As a result, the County covenant does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments on the Series 2019 Bonds.

The County can provide no assurances that compliance with the Rate Covenant will not be limited by the requirement of federal law that all aeronautical rates and charges be reasonable. If the Rate Covenant requires the County to increase airline rates and charges in order to provide sufficient funds to pay debt service on the Series 2019 Bonds, but the increased airline rates or charges are deemed to be reasonable, then the County will not be able to increase such rates or charges and would be required to increase non-airline rates and charges or take other actions to meet the Rate Covenant. Under such circumstances there could be delays or reductions in payments on the Series 2019 Bonds. See “—Federal Law Affecting Airport Rates and Charges” below.

Federal Law Affecting Airport Rates and Charges

In general, federal aviation law requires that airport fees be reasonable and that, in order to collect PFCs and receive federal funding (such as AIP grants, TSA funding, and other federal grants) all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. Pursuant to the requirements of the Federal Aviation Administration Authorization Act of 1994 (the “1994 Aviation Act”), the USDOT and the FAA have promulgated regulations setting forth an expedited hearing process to be followed in determining the reasonableness of airport rates and charges, and have also promulgated a policy statement (the “Rates and Charges Policy”), which sets forth the standards that the USDOT uses in determining the reasonableness of the fees charged to airlines and other aeronautical users.

On August 1, 1997, the United States Court of Appeals for the District of Columbia Circuit (the “U.S. Court of Appeals”) vacated the Rates and Charges Policy in part and remanded it to the USDOT. On October 15, 1997, the U.S. Court of Appeals determined that a portion of the Rates and Charges Policy was arbitrary and capricious, including use of any “reasonable methodology” for valuation of non-airfield assets,

and therefore vacated the policy and remanded it to the USDOT. The USDOT has not yet adopted revisions to the Rates and Charges Policy. The costs that will be permitted to be included in determining an airport's rate base and the extent to which such future guidelines may limit the County's flexibility in setting rates and charges for use of the Airport's airfield and non-airfield facilities cannot be determined at this time. Any new FAA guidelines or any standards promulgated by a court in connection with a dispute could limit the amounts and allocation of costs payable by airlines serving the Airport. Until the USDOT promulgates a new policy regarding rates and charges, the guiding principle for determining whether rates and charges established for use of airport assets is the requirement of federal law that such charges be "reasonable."

The County is not aware of any formal dispute involving the Airport over any existing rates and charges. Under federal law and FAA regulations, FAA approval of the rates charged by the County is not required prior to adoption and implementation. However, airlines have the right to challenge the rates and charges to the extent they believe that such rates are not reasonable or otherwise not in compliance with federal law or applicable FAA regulations.

The County would be authorized to collect such rates during the pendency of any challenge; provided, however, that the County would be required to post a bond or letter of credit to secure potential refunds resulting from a determination that the rates were not reasonable or otherwise violated applicable federal law or FAA regulations.

The County believes that the rates and charges methodology utilized by the County and the rates and charges imposed by it upon air carriers, and other aeronautical users are reasonable and consistent with applicable law. However, there can be no assurance that a complaint will not be brought against the County challenging such methodology and the rates and charges established by the County and, if a judgment is rendered against the County, there can be no assurance that rates and charges paid by air carrier of the Airport will not be reduced.

A successful challenge to the compensatory rates which limits the ability of the County to charge rates materially below the levels anticipated by the County could have a material adverse impact on the financial condition of the Airport.

Cyber and Data Security

The County, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the County and its departments (including the Airport) face multiple cyber threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computers and other sensitive digital networks and systems (collectively, "System's Technology"). There have been many cyber-attack attempts on the County's computer system, but not any resulting in a material compromise of the system, data loss or breach that the County has identified.

In 2014, the County created the Cybersecurity Joint Task Force ("CSJTF") comprised of County department operations, policy and Information Technology staff. The CSJTF meets monthly to produce the County Cybersecurity Best Practices Manual. The CSJTF also has developed, reviewed and approved Countywide Security policies, plans and guidelines.

Through its Enterprise Privacy & Cybersecurity Program, the County implements a mandatory Cybersecurity Awareness Training to its workforce members. The County is establishing a Security Operations Center with cybersecurity professionals for cyber-attack monitoring, investigation, and response. The County is deploying the Security Information & Event Management which enable security administrators to collect log data of all events from a wide variety of network devices in the County to

identify and report on security threats and suspicious behavior. Implementation of an integration threat solution anti-virus using artificial intelligence to County workstations has been implemented in many departments. The County is also in the process of deploying a next generation cloud-based proxy and firewall that would provide Internet security, including web security.

In 2017, the Board authorized the County's Chief Information Officer to execute a contract with Tevora Business Solutions, Inc. to conduct a Countywide Cybersecurity Assessment and Audit of all departments (including the Airport). The assessment and audit was based on ten security domains established by the Department of Homeland Security Cyber Resilience Review, Vulnerability Assessment, and On-site Validation of Physical Security Controls.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the County's (including the Airport's) Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage.

No assurances can be given that the County's (including the Airport's) security and operational control measures will ensure against any and all cybersecurity threats and attacks. A cybersecurity incident or breach could damage the County's (including the Airport's) Systems Technology and cause disruption to County and/or Airport services, operations and finances. Although the County carries cyber liability insurance in the amount of \$75 million, the costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the County to material litigation and other legal risks, which could cause the County to incur material costs related to such legal claims or proceedings. The County will continue to assess cyber threats and protect its data and systems.

The airlines serving the Airport and other Airport tenants also face cybersecurity threats that could affect their operations and finances.

Enforceability of Remedies; Limitation on Remedies

As discussed above under "SECURITY FOR BONDS—Events of Default and Remedies; No Acceleration," there is no right to acceleration of payments to bondholders under the Indenture and bondholders may be required to make a separate claim for each semiannual payment not paid. Further, the remedies available to the owners of the Series 2019 Bonds upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions that are in many instances subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for in the Indenture may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the Series 2019 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2019 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally.

Current and Future Regulations and Legislation

As discussed in this Official Statement, the Airport is subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. The Airport is highly regulated by federal agencies including the FAA, TSA, Customs and Border Protection and the Department of Health. In the past, actions by these agencies (in particular the FAA and the TSA) have required the County to undertake additional capital expenditures and have affected passenger traffic. The County is unable to predict the adoption or amendment of additional laws, rules or regulations, including any environmental regulations, or their effect on the operations or financial condition of the Airport.

Potential Limitation of Tax Exemption of Interest on Series 2019 Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2019 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended (the “Code”), or court decisions may also cause interest on the Series 2019 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Code, or court decisions may also affect the market price for, or marketability of, the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See “TAX MATTERS—Changes in Federal and State Tax Law.”

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements”. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. See “INTRODUCTION—Forward-Looking Statements.”

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The County’s independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The County’s independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the County’s independent auditors assume no responsibility for its content.

LITIGATION

At the time of delivery of the Series 2019 Bonds the Office of County Counsel will deliver an opinion that, except as described in this Official Statement, no litigation is pending or to the best of County Counsel’s knowledge, threatened (1) challenging the titles of the officials of the County signatory to any of the Indenture, the Purchase Contract, the Escrow Agreement or the Continuing Disclosure Certificate to their respective offices; (2) contesting or affecting the validity of the Indenture, the Purchase Contract, the Escrow Agreement, the Continuing Disclosure Certificate or the Series 2019 Bonds; (3) seeking to restrain or enjoin the collection, allocation or transfer of the Revenues pledged to pay the principal of and interest on the Series 2019 Bonds; or (4) asserting that the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

General tort liability claims filed against the Airport are administered by the County’s Risk Management operation. Of the pending Airport liability claims, based upon the current status of such claims, it is not anticipated that they will have a financially significant potential for recovery.

RATING

The Series 2019 Bonds have been assigned a rating of "AA-" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"). Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from S&P, 55 Water Street, 38th Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Series 2019 Bonds.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel to the County, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2019B Bond for any period during which such Series 2019B Bond, is held by a "substantial user" of the facilities refinanced by the Series 2019B Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series 2019 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions described in the preceding sentences assume the accuracy of certain representations and compliance by the County with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2019 Bonds. Failure to comply with such requirements could cause interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019 Bonds. The County will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2019 Bonds.

Bond Counsel is further of the opinion that interest on the Series 2019 Bonds is exempt from present State of California personal income taxes.

A complete copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

Special Considerations With Respect to the Series 2019 Bonds

The accrual or receipt of interest on the Series 2019 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2019 Bonds. The extent of these other tax consequences will depend upon such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2019 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2019 Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2019 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2019 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend the federal and state tax matters referred to above under this heading “TAX MATTERS” or adversely affect the market value of the Series 2019 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2019 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2019 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2019 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2019 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Tax Treatment of Original Issue Premium

The Series 2019 Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Series 2019 Bond over its stated redemption price at maturity constitutes premium on such Series 2019 Bond. An initial purchaser of a Series 2019 Bond must amortize any premium over such Series 2019 Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Series 2019 Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Series 2019 Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2019 Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series 2019 Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series 2019 Bond.

UNDERWRITING

The Series 2019A Bonds will be purchased by Morgan Stanley & Co. LLC (the “Underwriter”), from the County at a price of \$40,495,215.40 (which represents the par amount of the Series 2019A Bonds, plus an original issue premium of \$6,046,126.55, less an underwriter’s discount of \$80,911.15), subject to the terms of the Purchase Contract, dated April 30, 2019 (the “Purchase Contract”), between the Underwriter and the County.

The Series 2019B Bonds will be purchased by the Underwriter from the County at a price of \$57,740,643.55 (which represents the par amount of the Series 2019B Bonds, plus an original issue premium of \$7,358,226.60, less an underwriter's discount of \$117,583.05), subject to the terms of the Purchase Contract.

The Purchase Contract provides that the Underwriter will purchase all of the Series 2019 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2019 Bonds set forth on the inside front cover hereof may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2019 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and certain of its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

The following paragraph has been provided by Morgan Stanley & Co. LLC for inclusion in this Official Statement and the County does not make any representations as to its accuracy or completeness.

Morgan Stanley & Co. LLC, the Underwriter of the Series 2019 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2019 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLC, the Verification Agent, will verify, from the information provided to them, the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be held in the Escrow Funds, will be sufficient to pay the principal and redemption price of and interest on the Refunded Bonds on July 1, 2019.

FINANCIAL STATEMENTS

John Wayne Airport Financial Statements for the fiscal year ended June 30, 2018, which are included in Appendix A to this Official Statement, have been audited by independent auditors Vavrinek, Trine, Day & Co., LLP, as stated in their report herein. The County has not requested nor obtained permission from Vavrinek, Trine, Day & Co., LLP to include its report in Appendix A. Vavrinek, Trine, Day & Co., LLP has not undertaken to update its report or to take any action intended or likely to elicit

information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP with respect to any event subsequent to the date of its report. See “APPENDIX A—JOHN WAYNE AIRPORT AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018, AND AUDITED SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2018” attached hereto.

CONTINUING DISCLOSURE

At the time of issuance of the Series 2019 Bonds, the County will execute and deliver a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) substantially in the form set forth in Appendix E of this Official Statement. Pursuant to the Continuing Disclosure Certificate, the County will covenant to provide, or cause to be provided, to the MSRB, through the EMMA System, in an electronic format as prescribed by the MSRB, for purposes of Rule 15c2-12 adopted by the Securities and Exchange Commission (the “Rule”), certain annual financial information and operating data relating to the County and the Airport by no later than seven months following the end of County’s fiscal year (presently June 30) (the “Annual Report”) commencing with the report for the 2018-2019 Fiscal Year, and, in a timely manner, notice of certain enumerated events. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth under the caption “APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” Failure of the County to comply with these covenants does not constitute an Event of Default under the Indenture.

During the last five years, the County failed to comply in certain respects with continuing disclosure undertakings related to outstanding bond indebtedness. These failures consist of the County not timely filing event notices with respect to an upgrade of the underlying rating of certain outstanding bonds of a related entity of the County and a rating upgrade of a bond insurer that is insuring certain bonds of the County. These notices of rating changes were subsequently provided to the MSRB, through the EMMA System. The County also failed to provide event notices with respect to the late filings described in the prior sentence. Each of these filings may be accessed through EMMA.

The County has adopted policies and procedures, and has contracted with Applied Best Practices a “dba” of Fieldman, Rolapp & Associates, Inc. and David Taussig & Associates, to maintain compliance with its continuing disclosure undertakings.

LEGAL MATTERS

The validity of the Series 2019 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the County. A complete copy of the proposed form of Bond Counsel’s opinion is contained in APPENDIX D hereto. Kutak Rock LLP serves as Disclosure Counsel to the County in connection with the Series 2019 Bonds. As Bond Counsel and Disclosure Counsel, Kutak Rock LLP, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation. Certain legal matters will be passed upon for the County by the Office of the County Counsel.

MUNICIPAL ADVISOR

Frasca & Associates, LLC has acted as Municipal Advisor to the County in connection with the issuance of the Series 2019 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. All of the fees of the Municipal Advisor

with regard to the issuance of the Series 2019 Bonds are contingent upon the issuance and delivery of the Series 2019 Bonds.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not representations of fact. No representation is made that any of such opinions or estimates will be realized.

There are appended to this Official Statement information pertaining to the County and the Airport, the summary of certain additional provisions of the Indenture, certain audited financial statements of John Wayne Airport, the proposed form of opinion of Bond Counsel, the description of the Book-Entry Only System and the form of Continuing Disclosure Certificate. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

References made herein to certain documents and reports are brief summaries thereof, which do not purport to be complete or definite, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture are available upon request from the County of Orange, Hall of Administration, 333 W. Santa Ana Blvd., Santa Ana, California 92701, Attention: Public Finance Director. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Series 2019 Bonds.

AUTHORIZATION

The Board has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the Public Finance Director and the Airport Director.

COUNTY OF ORANGE, CALIFORNIA

By: /s/ Suzanne Luster
Public Finance Director

By: /s/ Barry A. Rondinella
Airport Director

[This Page Intentionally Left Blank]

APPENDIX A

**JOHN WAYNE AIRPORT AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

AND

**AUDITED SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES
AND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2018**

[This Page Intentionally Left Blank]

**JOHN WAYNE AIRPORT
(An Enterprise Fund of
The County of Orange, California)**

Financial Statements
an Independent Auditor's Reports

for the Year Ended June 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

[This Page Intentionally Left Blank]

JOHN WAYNE AIRPORT
Financial Statements

Table of Contents

	<u>Page(s)</u>
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis (Unaudited)	3-10
Financial Statements:	
Statement of Net Position	11-12
Statement of Revenues, Expenses, and Change in Net Position.....	13
Statement of Cash Flows	14-15
Notes to Financial Statements.....	16-39
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	40-41

[This Page Intentionally Left Blank]



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
County of Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of John Wayne Airport (Airport), an enterprise fund of the County of Orange, California (County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Airport, an enterprise fund of the County, and do not purport to, and do not present fairly the financial position of the County as of June 30, 2018, the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 11 to the financial statements, the Airport adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Vernon T. Tice, DCP, CMA
Laguna Hills, California
December 5, 2018

JOHN WAYNE AIRPORT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2018 (To the Nearest Thousand)

As management of John Wayne Airport, Orange County (Airport), we offer readers of the Airport's financial statements this narrative overview and analysis of the financial activities of the Airport for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the information furnished in the Airport's financial statements.

Financial Highlights

- The Airport's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$714,831 (net position) at June 30, 2018. Of this amount, \$202,675 (unrestricted net position) may be used to meet the ongoing obligations of the Airport, \$21,716 (restricted net position) was externally restricted for specific purposes, and \$490,440 was the net investment in capital assets.
- Change in net position increased by \$36,948 or 5.5% of the restated beginning net position for the year ended June 30, 2018. This increase consists of operating income of \$10,097, nonoperating revenues of \$22,022, and capital grant contributions of \$4,829.
- Capital assets increased by \$25,242 or 4.1% from June 30, 2017, primarily due to the additions to capital assets for the Terminal Improvements Project.
- Current and other assets decreased by 58,496 or 16.3%, and current liabilities decreased by \$61,628 or 61.5% simultaneously, from June 30, 2017, primarily due to the payout for the early partial redemption of the Airport Revenue Bonds, Series 2009B (2009B Bonds) in the amount of \$27,210 and the adjustment to exclude non-negotiable instruments and non-monetary guaranties in the amount of \$25,920.

Overview of the Financial Statements

The Airport is a department of the County of Orange (County) and uses an enterprise fund to account for its operations.

The Airport's financial statements are divided into two components:

- Financial statements: Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; Statement of Cash Flows.
- Notes to Financial Statements.

The financial statements are prepared using the full accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America.

- Statement of Net Position is the statement of financial position for the Airport. Airport assets and liabilities, both financial and capital, short-term and long-term, and deferred outflows and inflows, are presented in this statement. Current assets and liabilities are reasonably expected to be realized or liquidated within one year.

JOHN WAYNE AIRPORT
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

- Statement of Revenues, Expenses, and Change in Net Position is the statement of operations for the Airport. All Airport revenues and expenses during the year, regardless of when cash is received or paid, are presented in this statement.
- Statement of Cash Flows is the financial statement classifying the Airport's cash and cash equivalent receipts (inflows) and payments (outflows) resulting from operating, noncapital financing, capital and related financing, or investing activities.
- Notes to Financial Statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements.

Refer to Note 1 to the financial statements, Reporting Entity and Summary of Significant Accounting Policies, for additional information.

Financial Analysis

Net position may serve as a useful indicator of the Airport's financial position. At June 30, 2018, the Airport's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$714,831.

Net Position:

	2018	2017	2018 vs 2017	2018 vs 2017
			\$ Change	% Change
ASSETS				
Current and other assets	\$ 300,154	\$ 358,650	\$ (58,496)	(16.3) %
Capital assets	637,987	612,745	25,242	4.1 %
TOTAL ASSETS	938,141	971,395	(33,254)	(3.4) %
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,060	8,713	347	4.0 %
LIABILITIES				
Current liabilities	38,584	100,212	(61,628)	(61.5) %
Noncurrent liabilities	186,899	192,780	(5,881)	(3.1) %
TOTAL LIABILITIES	225,483	292,992	(67,509)	(23.0) %
TOTAL DEFERRED INFLOWS OF RESOURCES	6,887	6,198	689	11.1 %
NET POSITION				
Net investment in capital assets	490,440	423,306	67,134	15.9 %
Restricted net position	21,716	39,956	(18,240)	(45.7) %
Unrestricted net position	202,675	217,656	(14,981)	(6.9) %
TOTAL NET POSITION	\$ 714,831	\$ 680,918	\$ 33,913	5.0 %

JOHN WAYNE AIRPORT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

At June 30, 2018, the largest component of the Airport's net position (68.6%) was its net investment in capital assets (e.g., land, structures and improvements, equipment, infrastructure, construction in progress, intangible assets, and intangible assets in progress), less any related outstanding debt used to acquire these assets. The Airport uses these capital assets to provide services to its passengers and visitors. Accordingly, these assets are not available for future spending. Although the Airport's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay the debt must be provided from operating activities or other sources, since the capital assets cannot be liquidated to fulfill these liabilities.

At June 30, 2018, an additional component of the Airport's net position (3.0%) represents resources that are subject to external usage restrictions such as reserve for debt service, Passenger Facility Charges (PFC), and replacements and renewals for capital projects. The remaining net position balance of \$202,675 (28.4%) is unrestricted and may be used to meet the Airport's ongoing obligations.

Comparison between the years ended June 30, 2018 and 2017:

The Airport's total assets decreased by \$33,254 or 3.4%. Current and other assets decreased by \$58,496 or 16.3% primarily due to a decrease in restricted investments with trustee as a result of the payout for the early partial redemption of the Airport's 2009B Bonds in the amount of \$27,210 on July 1, 2017, and a decrease in restricted deposits in lieu of cash as a result of the adjustment to exclude non-negotiable instruments and non-monetary guaranties in the amount of \$25,920. Capital assets increased by \$25,242 or 4.1% primarily due to the additions to capital assets for the Terminal Improvements Project, partially offset by the current year depreciation and amortization. Refer to Note 5 to the financial statements, Long-Term Obligations, and Note 10, Changes in Capital Assets, for additional information.

The Airport's total liabilities decreased by \$67,509 or 23.0%. Current liabilities decreased by \$61,628 or 61.5% primarily due to a decrease in bonds payable as a result of the payout for the early partial redemption of the Airport's 2009B Bonds in the amount of \$27,210 on July 1, 2017, and a decrease in deposit from others as a result of the adjustment to exclude non-negotiable instruments and non-monetary guaranties in the amount of \$25,920. Noncurrent liabilities decreased by \$5,881 or 3.1% mainly due to a decrease in bonds payable for the retirement of long-term debt obligations. Refer to Note 5, Long-Term Obligations, for additional information.

JOHN WAYNE AIRPORT
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

During the year ended June 30, 2018, the Airport's change in net position increased by \$36,948 or 5.5% of the restated net position, beginning of year.

Revenues, Expenses, and Change in Net Position:

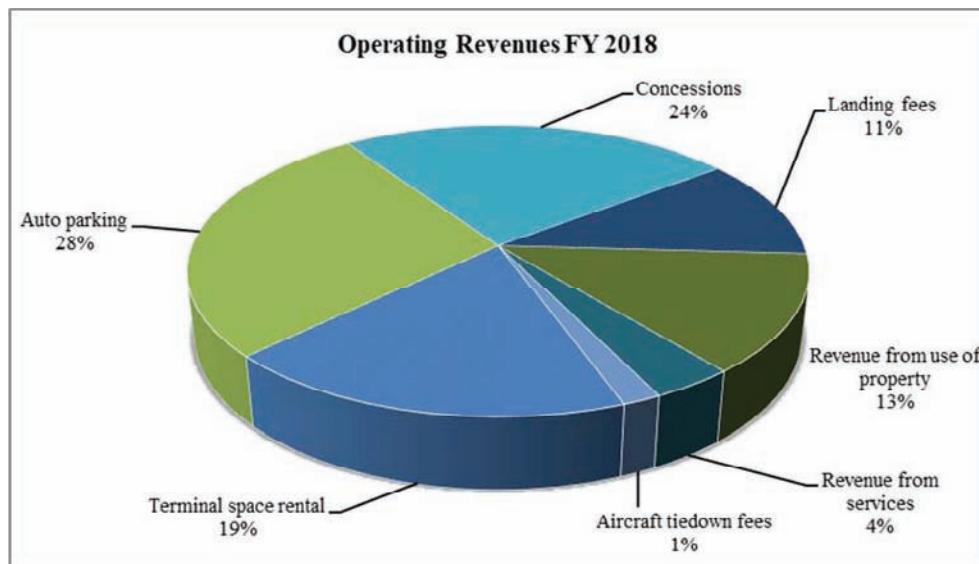
	2018*	2017	2018 vs 2017 \$ Change	2018 vs 2017 % Change
OPERATING REVENUES				
Terminal space rental	\$ 24,135	\$ 23,977	\$ 158	0.7 %
Auto parking	36,449	37,880	(1,431)	(3.8) %
Concessions	31,854	31,138	716	2.3 %
Landing fees	14,760	14,429	331	2.3 %
Revenue from use of property	17,345	16,581	764	4.6 %
Revenue from services	4,843	4,331	512	11.8 %
Aircraft tiedown fees	2,244	1,825	419	23.0 %
Total operating revenues	<u>131,630</u>	<u>130,161</u>	<u>1,469</u>	1.1 %
OPERATING EXPENSES				
Professional and specialized services	42,409	40,963	1,446	3.5 %
Salaries and employee benefits	20,320	19,497	823	4.2 %
Other services and supplies	28,261	28,479	(218)	(0.8) %
Taxes and other fees	151	166	(15)	(9.0) %
Depreciation and amortization	<u>30,392</u>	<u>29,820</u>	<u>572</u>	1.9 %
Total operating expenses	<u>121,533</u>	<u>118,925</u>	<u>2,608</u>	2.2 %
Operating income	<u>10,097</u>	<u>11,236</u>	<u>(1,139)</u>	(10.1) %
NONOPERATING REVENUES (EXPENSES)				
Interest income	2,896	1,436	1,460	101.7 %
Interest expense	(3,126)	(7,104)	3,978	(56.0) %
Bankruptcy settlement proceeds	1,113	768	345	44.9 %
Fines and penalties	195	198	(3)	(1.5) %
Gain (loss) on disposition of capital assets, net	(92)	(23)	(69)	300.0 %
Other revenue, net	310	146	164	112.3 %
PFC revenue	<u>20,726</u>	<u>19,901</u>	<u>825</u>	4.1 %
Total nonoperating revenues	<u>22,022</u>	<u>15,322</u>	<u>6,700</u>	43.7 %
INCOME BEFORE CAPITAL GRANT CONTRIBUTIONS				
	32,119	26,558	5,561	20.9 %
Capital grant contributions	<u>4,829</u>	<u>270</u>	<u>4,559</u>	1688.5 %
CHANGE IN NET POSITION				
	36,948	26,828	10,120	37.7 %
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>677,883</u>	<u>654,090</u>	<u>23,793</u>	3.6 %
TOTAL NET POSITION, END OF YEAR	<u>\$ 714,831</u>	<u>\$ 680,918</u>	<u>\$ 33,913</u>	5.0 %

*As adjusted in the year related to the implementation of GASB Statement No. 75.

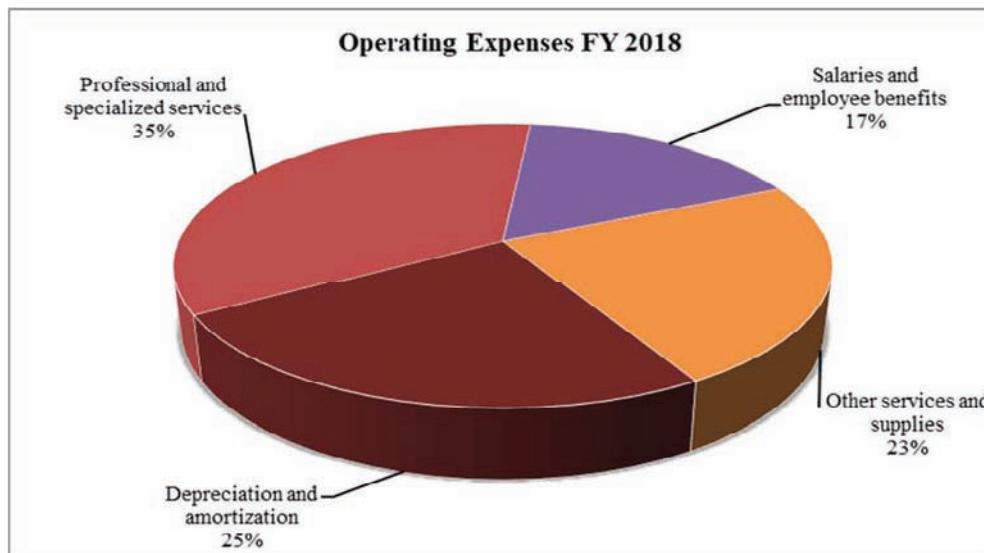
JOHN WAYNE AIRPORT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Comparison between the years ended June 30, 2018 and 2017:

The Airport's operating revenues increased by \$1,469 or 1.1% primarily due to an increase in overall operating revenues, partially offset by a decrease in auto parking.



The Airport's operating expenses increased by \$2,608 or 2.2% primarily due to an increase in professional and specialized services related to Airport security costs and an increase in salaries and employee benefits.



JOHN WAYNE AIRPORT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2018 (To the Nearest Thousand)

For the year ended June 30, 2018, the Airport's nonoperating revenues increased by \$6,700 or 43.7% primarily due to an increase in interest income from investments and a decrease in interest expense as a result of the early partial redemption of the Airport's 2009B Bonds and increased interest capitalization related to the Terminal Improvements Project. Capital grant contributions increased by \$4,599 or 1688.5% due to an increase in cost reimbursements for federally funded construction projects.

Capital Assets

The Airport's capital assets as of June 30, 2018, amounted to \$637,987, net of accumulated depreciation and amortization. The investment in capital assets includes land, construction in progress, intangible assets in progress, structures and improvements, equipment, infrastructure (runways, taxiways and aprons), and intangible assets. The total change in capital assets for the year ended June 30, 2018, was an increase of \$25,242 or 4.1%.

Capital Assets (Net of Accumulated Depreciation and Amortization):

	2018	2017	2018 vs 2017		2018 vs 2017
			\$ Change	% Change	
CAPITAL ASSETS					
Land	\$ 15,678	\$ 15,678	\$ --	0.0 %	
Construction in progress	128,153	76,247	51,906	68.1 %	
Structures and improvements	446,187	469,183	(22,996)	(4.9) %	
Equipment	4,184	2,808	1,376	49.0 %	
Infrastructure	41,865	46,342	(4,477)	(9.7) %	
Intangible assets	1,920	2,487	(567)	(22.8) %	
TOTAL CAPITAL ASSETS	\$ 637,987	\$ 612,745	\$ 25,242		4.1 %

A major capital asset project completed during the year ended June 30, 2018, was the Lighting Systems Upgrades with an approximate cost of \$1,611.

The construction costs include capitalized interest. For additional information regarding capitalization of interest, refer to Note 1 to the financial statements, Reporting Entity and Summary of Significant Accounting Policies.

At June 30, 2018, the Airport was committed under contracts for construction projects in the amount of \$9,268. Refer to Note 9 to the financial statements, Commitments, for more information.

JOHN WAYNE AIRPORT
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

Long-Term Debt Obligations

At June 30, 2018, the Airport had total bond obligations of \$152,199. The debt is secured by a pledge of operating revenues, net of specified operating expenses, interest earnings, other miscellaneous revenues, and available PFC revenue.

The following summarizes the Airport's outstanding bonds at June 30, 2018:

	2018	2017	2018 vs 2017		2018 vs 2017
			\$ Change	% Change	
LONG-TERM DEBT OBLIGATIONS					
Airport Revenue Bonds, Series 2009A	\$ 57,500	\$ 59,155	\$ (1,655)	(2.8) %	
Airport Revenue Bonds, Series 2009B	96,950	130,385	(33,435)	(25.6) %	
Add: Premium/(Discount) on Bonds Payable	(2,251)	(2,222)	(29)	1.3 %	
TOTAL LONG-TERM DEBT OBLIGATIONS	\$ 152,199	\$ 187,318	\$ (35,119)	(18.7) %	

During the year ended June 30, 2018, the decrease in the outstanding bonds was due to early partial redemption, principal payments, and amortization of bond premiums/discounts.

There were no changes to the Airport's underlying debt ratings as compared to the previous year. The Airport maintains the following long-term underlying debt ratings:

	Standard & Poor's	Moody's	Fitch
LONG-TERM DEBT RATINGS			
June 30, 2018			
Airport Revenue Bonds, Series 2009A and 2009B	AA-	Aa3	AA-
June 30, 2017			
Airport Revenue Bonds, Series 2009A and 2009B	AA-	Aa3	AA-

Additional information on the Airport's long-term debt obligations can be found in Note 5 to the financial statements, Long-Term Obligations.

Other Potentially Significant Matters

Airport Capital Improvement Program and Financial Planning:

The Airport began its multi-year \$118 million Terminal Improvements Project in January 2016. The project covers numerous safety, code compliance, comfort, convenience and aesthetic improvements to the Thomas F. Riley Terminal. These improvements not only extend the useful lives of the terminal components, but also enhance the existing facilities' aesthetics and infrastructure, allowing guests of the Airport and visitors to Orange County to experience a uniform level of quality throughout the Riley Terminal complex. Included as part of the Terminal

JOHN WAYNE AIRPORT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2018 (To the Nearest Thousand)

enhancements are the new Nursing Mother's Lounge and a new Animal Relief Area located post-security near Gate 12; both were completed in 2017. The Terminal Improvements Project is expected to be completed by the end of 2018, ahead of the original project schedule.

As is the case with any substantial capital improvement program, the Airport anticipates encountering many challenges in balancing the current level of operation and high standards for customer service with the substantial construction activity. In spite of the foregoing challenges, J.D. Power announced that the Airport was selected as the recipient of the Best Large Airport Award in the 2017 North America Airport Satisfaction Study measured by traveler satisfaction. The 2017 Airport Satisfaction Study measures overall traveler satisfaction by examining six factors (in order of importance): terminal facilities; airport accessibility; security check; baggage claim; check-in/baggage check; food, beverage and retail, in which the Airport significantly improved in every category. And for a second consecutive year, the Airport was the recipient of the Best Large Airport Award in 2018, garnering the highest overall rating in J.D. Power's survey of all North American airports.

The construction of the Paularino Gate Improvements Project began in August 2017 and is expected to be completed by the end of 2018. The work includes utility work, pavement replacement on the south side of Paularino Avenue between Airway Avenue and the perimeter road, and the replacement of the Paularino entry gate.

The chip enabled credit card technology, known as EMV (Europay, MasterCard and Visa) and near-field communication or NFC/Apple Pay, was successfully implemented in the Airport's Parking Access and Revenue Control System (PARCS) in March 2018.

Other significant capital projects slated for the next three years include Airport Operations Center, Airport Power Generation and Distribution Upgrades, Terminals A and B Air Handlers Replacement, Airfield Lighting and Signage Upgrade, Airport Exterior Lighting Improvements Project, and Concession Development Infrastructure.

For additional information related to construction or any other information provided in the report, refer to the Airport's website at <http://www.ocair.com> or submit to John Wayne Airport, Finance, 3160 Airway Ave., Costa Mesa, CA 92626.

JOHN WAYNE AIRPORT
 Statement of Net Position
 June 30, 2018
 (To the Nearest Thousand)

ASSETS

Current assets:

Cash (Note 2)	\$ 2,598
Pooled cash and investments with Treasurer (Note 2)	190,170
Cash equivalents/specific investments with Treasurer (Note 2)	16,629
Imprest cash (Note 2)	14
Accounts receivable	4,761
Pollution remediation obligation recoveries (Note 12)	256
Interest receivable	802
Due from other governmental agencies	4,161
Prepaid expenses	2,150
Restricted cash and investments with trustee (Note 2)	12,607
Restricted pooled cash and investments held for others (Note 2)	2,421
Restricted pooled cash and investments with Treasurer (Note 2)	10,017
Restricted Passenger Facility Charges (PFC) receivable	3,027
Restricted deposits in lieu of cash	5,340
Total current assets	254,953

Noncurrent assets:

Specific investments with Treasurer (Note 2)	34,452
Restricted investments with trustee (Note 2)	10,749
Capital assets (Note 10):	
Land	15,678
Construction in progress	128,153
Structures and improvements	766,346
Equipment	14,840
Infrastructure - runways, taxiways and aprons	229,348
Intangible assets	3,028
Less: accumulated depreciation/amortization	(519,406)
Total capital assets, net	637,987
Total noncurrent assets	683,188
TOTAL ASSETS	938,141

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pension (Note 3)	8,861
Deferred outflows of resources related to OPEB (Note 4)	199
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,060

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
 Statement of Net Position (Continued)
 June 30, 2018
 (To the Nearest Thousand)

LIABILITIES

Current liabilities:

Accounts payable	\$ 10,340
Retainage payable	249
Salaries and employee benefits payable	458
Interest payable	3,935
Unearned revenue	3,717
Due to County of Orange (Note 8)	2,547
Due to other governmental agencies	199
Compensated employee absences (Note 5)	1,064
Intangible asset obligations payable	43
Bonds payable, net (Note 5)	8,271
Deposits from others	7,761
Total current liabilities	<u>38,584</u>

Noncurrent liabilities:

Pollution remediation obligation (Notes 5 and 12)	994
Compensated employee absences (Note 5)	898
Intangible asset obligations payable	4
Bonds payable, net (Note 5)	143,928
Net pension liability (Note 3)	38,074
Net OPEB liability (Note 4)	3,001
Total noncurrent liabilities	<u>186,899</u>
TOTAL LIABILITIES	<u>225,483</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pension (Note 3)	6,785
Deferred inflows of resources related to OPEB (Note 4)	102
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,887</u>

NET POSITION

Net investment in capital assets	490,440
Restricted for debt service	8,672
Restricted for PFC (Note 1)	12,044
Restricted for capital projects - replacements and renewals	1,000
Unrestricted	<u>202,675</u>
TOTAL NET POSITION	<u>\$ 714,831</u>

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
 Statement of Revenues, Expenses, and Change in Net Position
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

OPERATING REVENUES

Terminal space rental	\$ 24,135
Auto parking	36,449
Concessions	31,854
Landing fees	14,760
Revenue from use of property	17,345
Revenue from services	4,843
Aircraft tiedown fees	2,244
Total operating revenues	<u>131,630</u>

OPERATING EXPENSES

Professional and specialized services	42,409
Salaries and employee benefits	20,320
Other services and supplies	28,261
Taxes and other fees	151
Depreciation and amortization (Note 10)	30,392
Total operating expenses	<u>121,533</u>
Operating income	<u>10,097</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	2,896
Interest expense	(3,126)
Bankruptcy settlement proceeds	1,113
Fines and penalties	195
Gain (loss) on disposition of capital assets, net	(92)
Other revenue, net	310
PFC revenue (Note 1)	20,726
Total nonoperating revenues	<u>22,022</u>

INCOME BEFORE CAPITAL GRANT CONTRIBUTIONS

32,119

Capital grant contributions	<u>4,829</u>
-----------------------------	--------------

CHANGE IN NET POSITION

36,948

TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED (NOTE 13)	<u>677,883</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 714,831</u>

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
 Statement of Cash Flows
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 132,583
Payments to suppliers for goods and services	(72,661)
Payments to employees	(20,491)
Payments to County of Orange	(6)
Payments for taxes and other fees	(151)
Other receipts	1,436
Net cash provided by operating activities	40,710

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES

Intergovernmental revenues	152
Net cash provided by noncapital financing activities	152

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(59,866)
Principal payments on long-term debt	(35,090)
Interest paid on long-term debt	(8,845)
Proceeds from capital grant contributions	1,390
Proceeds from sale of capital assets	8
Receipts from PFC	20,474
Net cash used in capital and related financing activities	(81,929)

CASH FLOWS FROM INVESTING ACTIVITIES

Sales (purchases) of investments, net	6,923
Interest received on investments	2,670
Net cash provided by investing activities	9,593

NET DECREASE IN CASH AND CASH EQUIVALENTS (31,474)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 265,930

CASH AND CASH EQUIVALENTS, END OF YEAR **\$ 234,456**

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$	10,097
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization		
Depreciation and amortization		30,392
Fines and penalties		195
Other revenue		1,171
(INCREASES) DECREASES IN:		
Accounts receivable		(591)
Due from County of Orange		52
Due from other governmental agencies		28
Prepaid expenses		(1)
Restricted deposits in lieu of cash		24,629
Deferred outflows of resources related to pension		(148)
Deferred outflows of resources related to OPEB		28
INCREASES (DECREASES) IN:		
Accounts payable		(1,951)
Salaries and employee benefits payable		25
Unearned revenue		(267)
Due to County of Orange		(58)
Due to other governmental agencies		45
Compensated employee absences		(46)
Deposits from others		(22,821)
Net pension liability		(496)
Net OPEB liability		(262)
Deferred inflows of resources related to pension		587
Deferred inflows of resources related to OPEB		102
Net cash provided by operating activities	\$	40,710

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION

Cash	\$ 2,598
Pooled cash and investments with Treasurer	190,170
Specific investments with Treasurer	51,081
Imprest cash	14
Restricted investments with trustee	23,356
Restricted pooled cash and investments held for others	2,421
Restricted pooled cash and investments with Treasurer	10,017
Total	279,657
Less: Specific investments with original maturities of 90 days or more	(34,452)
Investments held with trustee for debt service reserve requirement	(10,749)
TOTAL CASH AND CASH EQUIVALENTS	\$ 234,456

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		\$
Acquisition of capital assets with accounts payable		5,808
Acquisition of capital assets with retainage payable		242
Change in fair value of investments not considered cash or cash equivalents		40
Accrued capital grant contribution receivable		3,707
Loss on disposition of capital assets		92

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
Notes to Financial Statements
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

The Orange County Airport began operations in 1941. Commercial jet service at an expanded airport with a new terminal, larger operations area and extended runway began in 1967. In 1979, the Orange County Airport was renamed John Wayne Airport, Orange County (Airport).

The Airport is operated as a department of the County of Orange, California (County), and is accounted for as a self-supporting enterprise fund in the basic financial statements of the County. The financial statements presented herein represent the financial position, changes in financial position, and cash flows of the Airport only and are not intended to present the financial position, changes in financial position or where applicable, the cash flows of the County in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

A variety of federal, state and local laws, agreements and regulations govern operations at the Airport. The Federal Aviation Administration (FAA) has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Pursuant to the Airport and Airway Improvement Act of 1982 and other statutes, the County is constrained from transferring Airport revenues to its General Fund; this restriction is embodied in the federal grant agreements entered into by the County. Additionally, federal law governs the reasonableness of fees that may be charged for use of Airport facilities, further governs Airport noise and capacity limits, and imposes certain other restrictions on the County and Airport operations.

In 1985, a Settlement Agreement (Agreement) was reached between the County, the City of Newport Beach (City) and two community groups on a new 20-year Airport Master Plan (Plan). This Plan provided for a new, enclosed passenger terminal with 14 passenger loading bridges, baggage system, parking structures, airfield improvements and other Airport enhancements. In addition, strict noise and capacity regulations were imposed on the Airport's flight operations. Additional flight operations were permitted under the Plan and the cap on total passengers served was raised to 8.4 million annual passengers (MAP).

Financed by \$242,440 of revenue bonds, construction on the new terminal and other Airport facilities began in 1987. In September 1990, the Thomas F. Riley Terminal opened to the public.

In 2003 and 2014, the four signatories extended the Agreement and approved a series of amendments that allowed for additional facilities and operational capacity, while continuing to provide environmental protections for the local community. These amendments enhanced the operational capacity at the Airport by increasing the number of passengers to 10.3 MAP through 2010, to 10.8 MAP through 2020, to 11.8 MAP through 2025, and to 12.2 MAP or 12.5 MAP through 2030 depending on the actual service level from 2021 to 2025. These amendments maintain the Airport's curfew through 2035, increase the number of passenger loading bridges from 14 to 20, and will eliminate the limit on permitted number of commercial passenger loading bridges beginning in 2021.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Description of Reporting Entity (Continued)

The Airport derives revenues primarily from terminal space rental, auto parking, concessions, landing fees, and revenue from use of property. The Airport's major expenses include professional and specialized services for security, fire protection, parking management, and revenue bond debt service, salaries and employee benefits, and other services and supplies such as maintenance, insurance, and utilities.

Basis of Presentation - Fund Accounting

The Airport operates as an enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that cost of providing services to the general public on a continuing basis be financed or recovered primarily through service charges.

Basis of Accounting and Estimates

The Airport prepares its financial statements on the flow of economic resources measurement focus and uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Enterprise 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 an enterprise fund's principal ongoing operations.

The principal operating revenues of the Airport's enterprise fund are charges to customers for use of property and for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets including infrastructure assets, purchased or constructed by the Airport are capitalized at cost, while donated capital assets are recorded at acquisition value when received. Assets are capitalized when the original unit cost is equal to or greater than the County's capitalization threshold of \$5 for equipment, \$150 for structures and improvements, \$150 for intangible assets except \$5 for commercially acquired software, \$150 for infrastructure, and \$0 for land. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the related assets, which range from 3 to 20 years for equipment and intangible assets and 5 to 60 years for infrastructure and structures and improvements. No depreciation or amortization is provided on construction in progress or intangible assets in progress until the project is completed and the asset is placed in service.

Capitalization of Interest

Interest incurred during the construction phase is included as part of the capitalized cost of the capital assets constructed. For the year ended June 30, 2018, the total interest expense incurred through bond financing was \$7,841, and the capitalized interest was \$4,715.

Bonds Payable and Bond Premiums/Discounts

Bonds payable is reported net of applicable premiums or discounts. Bond premiums and discounts are amortized over the term of the bond using the effective interest rate method.

Deposits in Lieu of Cash

The Airport requires security deposits from airport lease agreement operators and renters. These security deposits are comprised primarily of negotiable instruments and are held in a safe with the Airport.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments, which are readily convertible to cash or mature within 90 days of the original purchase.

Pooled Cash and Investments

Pooled cash and investments and investments with trustee are stated at fair value. Pooled cash and investments with Treasurer and pooled cash and investments held for others are funds that the Airport has on deposit with the Orange County Treasurer's (Treasurer) County Investment Pool (Pool). These funds are invested in accordance with the Board approved Investment Policy Statement (IPS). The Treasurer allocates interest earned on the pooled cash and investments to the Airport monthly based on average daily balances on deposit with the Treasurer.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Specific Investments with Treasurer

The Treasurer credits interest earned on investments directly to the Airport. The investments are stated at fair value.

Self Insurance

Liability, property and business interruption insurance is purchased by the County to provide insurance coverage for the Airport for a total insurable value amount of \$1,116,673. The related insurance premium is recorded as an Airport expense. The Airport also participates in the County's self-insured programs for general and automobile liability insurance, workers' compensation, group health indemnified insurance plans, group salary continuance plan, group dental plan, and unemployment benefits plan. The Airport records its portion of the related self-insurance premiums charged by the County as an expense. The related liabilities are accrued by the County's self-insurance internal service fund based on estimated future amounts to be paid on known claims and incurred but not reported claims, including loss adjustment expenses.

Compensated Employee Absences

Compensated employee absences (vacation, compensatory time off, annual leave, and sick leave) are accrued as an expense and liability when earned.

Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position reports a separate section for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time. Conversely, deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Pension

The Airport recognizes a net pension liability to reflect its portion in the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the County's retirement plans.

Other Postemployment Benefit

The Airport recognizes a net Other Postemployment Benefit (OPEB) liability to reflect its portion in the County's proportionate share of the excess of the total OPEB liability over the fiduciary net position of the County's Retiree Medical Plan.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Components of Net Position

Net investment in capital assets - This amount is derived by subtracting the outstanding debt incurred by the Airport to buy or construct capital assets, net of accumulated depreciation, shown in the Statement of Net Position. Capital assets cannot readily be sold and converted to cash.

Restricted - This category represents restrictions imposed on the use of the Airport's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. As of June 30, 2018, the Airport reported restricted net position of \$21,716 for debt service, Passenger Facility Charges (PFC) and replacements and renewals for capital projects, of which \$12,044 was restricted by the PFC Program Guidelines.

Unrestricted - This category consists of net position that does not meet the definition of net investment in capital assets or restricted.

Policy Regarding Use of Restricted vs. Unrestricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Airport will utilize restricted resources first, and then unrestricted resources as needed.

Passenger Facility Charges

In 1990, the Aviation Safety and Capacity Expansion Act authorized the imposition of local PFC and use of resulting PFC revenue for allowable costs on FAA approved projects, including debt service.

The FAA approved the Airport's PFC application to collect \$4.50 per enplaned passenger effective July 1, 2006. The total approved PFC revenue to be collected was \$321,351 through December 31, 2021. In March 2016, the FAA approved the Airport's PFC Amendment application. The amended total approved PFC revenue to be collected is \$311,602 through December 31, 2021.

All PFC collected are restricted and are categorized as nonoperating revenues. PFC collected are maintained in an interest-bearing account administered by the Treasurer. Collected but unexpended PFC revenues are reported on the Airport's Statement of Net Position as current restricted assets, pooled cash and investments with Treasurer, and restricted cash and investments with trustee. Related PFC receivables are also reported as current restricted assets.

During the year ended June 30, 2018, \$20,726 PFC revenue was reported and \$32,828 was expended on approved PFC projects.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Concentrations

A significant portion of the Airport's revenues are directly or indirectly attributed to the activity of a number of major airlines. The Airport's revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Airport be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers. The three largest airlines in terms of enplaned passengers accounted for approximately 38%, 16%, and 15% of market share during the year ended June 30, 2018.

Note 2 – Cash and Investments

The Airport's investment policy guidelines allow for the same types of investments as the Board approved IPS. Types of investments allowed are U.S. Treasury securities, U.S. government agency securities, municipal debt, medium-term notes, bankers' acceptances, commercial paper, negotiable certificates of deposits, State of California Local Agency Investment Fund, repurchase agreements, money market mutual funds, investment pools, and supranational securities. Investments maintained by trustees are governed by the related bond indentures.

Total Airport cash and investments at fair value as of June 30, 2018, was as follows:

Cash and pooled cash and investments:		
Cash on hand	\$	2,612
Pooled cash and investments, restricted		12,438
Pooled cash and investments		<u>190,170</u>
Total cash and pooled cash and investments		<u>205,220</u>
Investments:		
With Treasurer		42,545
With Treasurer, cash and timing differences		8,536
With trustee, restricted		<u>23,356</u>
Total investments		<u>74,437</u>
Total cash and investments	\$	<u>279,657</u>

Cash

Cash represents amounts held by the Airport in a separate, insured and fully collateralized bank account, which was established upon the authorization of the Board shortly following the County bankruptcy.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 2 – Cash and Investments (Continued)

Specific Investments with Treasurer

In December 1997, the Treasurer deposited \$45,000 of Airport monies in a separate custodial account pursuant to a Memorandum of Understanding between the Airport and the Treasurer. Monies on deposit are invested by the Treasurer in accordance with the IPS. Additional monies may periodically be deposited in the account.

The investment balance was \$51,081 at June 30, 2018, of which \$16,629, are considered cash equivalents with original maturities of 90 days or less.

Pooled Cash and Investments

The Treasurer maintains the Pool for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. Interest is apportioned to individual funds based generally on the average daily balances on deposit with the Treasurer.

Deposits and Investments with Trustee

Investments with trustee represent amounts held by a trustee bank that are restricted for use in either acquiring certain assets or servicing long-term debt of the Airport as required by the bond indentures. The trustee as fiscal agent is mandated by the bond indentures as to the government obligations in which the debt issuance proceeds can be invested. Investments with trustee are stated at fair value based on quoted market prices provided by the trustee's independent valuation service.

Interest Rate Risk

Interest rate risk refers to the risk that changes in interest rates will affect the fair value of an investment. In accordance with the IPS, the Treasurer manages exposure to declines in fair value by limiting the weighted average maturity (WAM) to 60 days for any short-term pool and the maximum maturity to 397 days for short-term investments and 5 years for long-term investments. At June 30, 2018, the WAM for the Pool, specific investments with Treasurer, and investments with trustee approximated 350 days, 84 days, and 44 days, respectively.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Airport will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At fiscal year-end, in accordance with the IPS, the Airport's external investment pools and specific investments did not have any securities exposed to custodial credit risk, and there was no securities lending.

JOHN WAYNE AIRPORT
 Notes to Financial Statements (Continued)
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

Note 2 – Cash and Investments (Continued)

Credit Risk

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. The IPS sets forth the minimum acceptable credit ratings for investments from at least two of the following nationally recognized statistical rating organizations: Standard & Poor's (S&P), Moody's, or Fitch. For purchases of short-term debt, the issuer rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch). For purchases of long-term debt, the issuer rating must be no less than AA for purchases with remaining maturities longer than 397 days. Municipal debt issued by the County is exempt from the above credit rating requirements.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with the IPS, the following diversification limits must be applied at the time of purchase of a security.

Type of Investment	Orange County IPS	IPS Maximum Final Maturity (Long-Term Fund)	IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	5 Years	397 Days
U.S. Government Agency Securities	100% Total, no more than 50% in one issuer excluding securities with final maturities of 30 days or less	5 Years	397 Days
Municipal Debt	30% Total, no more than 5% in one issuer except 10%-County of Orange	5 Years	397 Days
Medium-Term Notes	30% Total, no more than 5% in one issuer	3 Years	397 Days
Bankers' Acceptances	40% Total, no more than 5% in one issuer	180 Days	180 Days
Commercial Paper	40% Total, no more than 5% in one issuer	270 Days	270 Days
Negotiable Certificates of Deposits	30% Total, no more than 5% in one issuer	3 Years	397 Days
State of California Local Agency Investment Fund	\$65 million per pool	N/A	N/A
Repurchase Agreements	20% Total, no more than 10% in one issuer	1 Year	1 Year
Money Market Mutual Funds	20% Total	N/A	N/A
Investment Pools	20% Total, no more than 10% in one pool	N/A	N/A
Supranationals	30% Total, no more than 5% in one issuer	5 Years	397 Days

JOHN WAYNE AIRPORT
 Notes to Financial Statements (Continued)
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

Note 2 – Cash and Investments (Continued)

Concentration of Credit Risk (Continued)

The Airport's pooled cash and investments are combined with the County's pooled investments, and therefore, do not represent specific identifiable investments and are not discretely rated. For the credit ratings of the Pool investments, refer to the County's Comprehensive Annual Financial Report (CAFR). The CAFR is available by accessing the Auditor-Controller's website at <http://www.ac.ocgov.com>.

At June 30, 2018, the credit ratings of the specific investments with Treasurer, and investments with trustee, and the related concentration of credit risk by investment type were as follows:

Specific Investments with Treasurer:	Fair Value	Principal	WAM (Years)	Rating (1)	% of Total
U.S. Government Agencies					
Federal National Mortgage Association Bonds	\$ 1,000	\$ 1,000	0.00	AA	2.35%
Federal Farm Credit Bank Discount Notes	2,000	2,000	0.01	A-1	4.70%
Federal Farm Credit Bank Bonds	2,487	2,500	0.09	AA	5.85%
Federal Home Loan Bank Discount Notes	9,537	9,565	0.15	A-1	22.41%
Federal Home Loan Mortgage Corporation Bonds	3,296	3,300	0.03	AA	7.75%
U.S. Treasuries	24,211	24,225	0.18	AA	56.91%
Money Market Mutual Funds	14	14	0.00	AAA	0.03%
Total	<u>\$ 42,545</u>	<u>\$ 42,604</u>	<u>0.23 (2)</u>		<u>100.00%</u>

Investments with Trustee:	Fair Value	Principal	WAM (Years)	Rating (1)	% of Total
U.S. Treasuries	\$ 10,927	\$ 10,960	0.25	AA	46.78%
Money Market Mutual Funds	12,429	12,429	0.00	AAA	53.22%
Total	<u>\$ 23,356</u>	<u>\$ 23,389</u>	<u>0.12 (2)</u>		<u>100.00%</u>

(1) The County obtains credit ratings from S&P, Moody's, and Fitch. The ratings indicative of the greatest degree of risk have been disclosed. NR means not rated.

(2) Portfolio weighted average maturity.

Fair Value Measurements

The investments are categorized into its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

JOHN WAYNE AIRPORT
 Notes to Financial Statements (Continued)
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

Note 2 – Cash and Investments (Continued)

Fair Value Measurements (Continued)

Part of the Airport's cash and investments are combined with the County's pooled investments, and therefore, do not represent specific identifiable investments. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as described above. For additional details regarding the Pool investment portfolio and fair value measurements, refer to the County's Comprehensive Annual Financial Report (CAFR). The CAFR is available by accessing the Auditor-Controller's website at <http://www.ac.ocgov.com>.

As of June 30, 2018, the Airport had the following investments by fair value level:

		Fair Value Measurement		
	Total	Level 1	Level 2	Level 3
With Treasurer:				
U.S. Government Agencies	\$ 18,320	\$ --	\$ 18,320	\$ --
U.S. Treasuries	<u>24,211</u>	<u>--</u>	<u>24,211</u>	<u>--</u>
Total investments by fair value level	<u>42,531</u>	<u>\$ --</u>	<u>\$ 42,531</u>	<u>\$ --</u>
Investments not subject to fair value hierarchy:				
Money Market Mutual Funds	14			
Total	<u><u>\$ 42,545</u></u>			
With trustee:				
U.S. Treasuries	\$ 10,927	\$ --	\$ 10,927	\$ --
Total investments by fair value level	<u>10,927</u>	<u>\$ --</u>	<u>\$ 10,927</u>	<u>\$ --</u>
Investments not subject to fair value hierarchy:				
Money Market Mutual Funds	12,429			
Total	<u><u>\$ 23,356</u></u>			

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 3 – Defined Benefit Pension Plan

Plan Description

All full-time employees of the Airport participate in the Orange County Employees Retirement System (OCERS), which is a cost-sharing, multiple-employer, defined benefit pension plan.

OCERS provides for retirement, death, disability and cost-of-living benefits, and is subject to the provisions of the County Employees Retirement Law of 1937, California Government Code Section 31451 et. seq. (the Retirement Law). OCERS is an independent, defined-benefit retirement plan in which employees of the County participate. Under OCERS, each employee receives a defined benefit pension at retirement, that is, a specific amount per month determined in accordance with the Retirement Law, which amount is not dependent upon the amount of money credited to the employee's account at the time of retirement.

The OCERS Board of Retirement (OCERS Board) does not set the benefit amounts. OCERS administers benefits that are set by the Board through the collective bargaining process with County employees in accordance with the Retirement Law. The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS. Such annual contributions consist primarily of two components: the “normal cost” contribution and the amortized portion of the “unfunded actuarial accrued liability” (the UAAL) contribution, to the extent an UAAL exists.

The Retirement Law requires an actuarial valuation to be performed at least once every three years. OCERS practice has been to conduct an actuarial valuation annually as of December 31, which is the end of the OCERS fiscal year.

Contributions

In accordance with various Board's resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employee contributions and investment income, will fully provide for member benefits by the time they retire. For the year ended June 30, 2018, the employer's contribution rate as a percentage of covered payroll for general members was 34.70%. The Airport's total contribution to OCERS for the year ended June 30, 2018, was \$3,478.

Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. In the 1997 Ventura decision of the California Supreme Court, the Court stated that for the purpose of calculating pension benefits, “final compensation” can mean not only base salaries, but also other components. Orange County employee contributions under current contracts are calculated on base salary, eligible premium pay and some categories of overtime as defined in the 1997 Ventura decision.

JOHN WAYNE AIRPORT
 Notes to Financial Statements (Continued)
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

Note 3 – Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the County reported a liability of \$3,984,401 for its proportionate share of the net pension liability, of which the Airport's allocated share of the County's net pension liability totaled \$38,074. The County's net pension liability was measured as of December 31, 2017, and the total pension liability was determined by an actuarial valuation from OCERS. The Airport's allocated share of the County's net pension liability is based on its percentage of actual employer contributions.

For the year ended June 30, 2018, the Airport recognized pension expense of \$3,407, which represents the change in the net pension liability during the measurement period, adjusted for actual contributions and deferred recognition of changes in investment gain/loss, actuarial assumptions, and plan benefits.

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to the net pension liability to be recognized in future periods in a systematic and rational manner. At June 30, 2018, the Airport reported deferred outflows of resources and deferred inflows of resources related to pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ --	\$ 2,612
Difference between expected and actual experience	104	3,309
Changes of assumptions	4,892	863
Changes in proportion and differences between Airport contributions and proportionate share of contributions	170	1
Contributions subsequent to measurement date	1,980	--
Prepaid pension contribution	1,715	--
Total	\$ 8,861	\$ 6,785

\$1,980 reported as deferred outflows of resources related to pension resulting from Airport contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

The Airport reported the full amount of prepaid pension contribution as a part of the prepaid expenses. However, due to the difference in the Airport's fiscal year end date and the net pension liability measurement date, half of the prepaid pension contribution, \$1,715, was recognized as deferred outflows of resources, and the other half remained in prepaid expenses.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 3 – Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts, provided by OCERS' actuarial study reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (180)
2020	(520)
2021	(1,128)
2022	(605)
2023	806
2024	8
Thereafter	--

For additional details on the defined benefit pension plan, actuarial assumptions, the net pension liability, and the required supplementary information, refer to the County's CAFR. The CAFR is available by accessing the Auditor-Controller's website at <http://www.ac.ocgov.com>.

Note 4 – Postemployment Health Care Benefits

Plan Description

The Airport is a participant in the County's Retiree Medical Plan. The Retiree Medical Plan is a cost-sharing multiple-employer defined benefit OPEB plan, intended to assist career employees in maintaining health insurance coverage following retirement from County service. Eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered health plan and/or Medicare A and/or B premiums.

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

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

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 4 – Postemployment Health Care Benefits (Continued)

Contributions

As an enterprise fund of the County, the Airport was required to contribute 4.1% of its payroll for the year ended June 30, 2018. The Airport's contribution was \$521, which was 100% of the required contribution.

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the County reported a liability of \$364,071 for its proportionate share of the collective net OPEB liability, of which the Airport's allocated share of the County's net OPEB liability totaled \$3,001. The County's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability was determined by an actuarial valuation. The Airport's allocated share of the County's net OPEB liability is based on its percentage of actual employer contributions.

For the year ended June 30, 2018, the Airport recognized OPEB expense of \$294. Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to the net OPEB liability to be recognized in future periods in a systematic and rational manner. At June 30, 2018, the Airport reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ --	\$ 102
Contributions subsequent to measurement date	199	--
Total	\$ 199	\$ 102

\$199 reported as deferred outflows of resources related to OPEB resulting from Airport contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 4 – Postemployment Health Care Benefits (Continued)

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts provided by the actuarial study reported as deferred inflows of resources related to OPEB will be recognized as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (27)
2020	(25)
2021	(25)
2022	(25)
Thereafter	--

For additional details on the Retiree Medical Plan, actuarial assumptions, funded status of the plan, and the required supplemental information, refer to the County's CAFR. The CAFR is available by accessing the Auditor-Controller's website at <http://www.ac.ocgov.com>.

Note 5 – Long-Term Obligations

General

The Airport has outstanding bonds, issued primarily to fund the Airport Improvement Program (AIP). These bonds are payable solely from revenues of the Airport and are not general obligations of the County. Interest is payable semi-annually on July 1 and January 1. The bond indenture agreement requires the Airport to deposit monthly with the trustee 1/12th of the principal amount of bonds maturing on the next July 1 and 1/6th of the interest payable on the next ensuing interest payment date.

Airport Revenue Bonds, Series 2009A and 2009B

On July 9, 2009, the Airport issued the Airport Revenue Bonds, Series 2009A and 2009B (2009A and 2009B Bonds) in the aggregate principal amount of \$233,115, with an original issue net premium of \$288 and interest rates ranging from 3.00% to 5.75%. The 2009A and 2009B Bonds were issued to finance a portion of the Airport Improvement Program (AIP), fund the debt service requirement for the bonds, fund capitalized interest on a portion of the bonds and pay costs relating to the issuance of the bonds. The AIP consist of numerous direct improvements to the Airport facilities such as construction of Terminal C, Parking Structure C and two commuter/regional holdrooms at the north and south ends of the extended Terminal. As of June 30, 2018, the outstanding principal amount, including net discount, of the 2009A and 2009B Bonds were \$56,435 and \$95,764, respectively, and the outstanding interest were \$36,402 and \$41,693, respectively. The 2009B Bonds in the amount of \$27,210 were called for early partial redemption on July 1, 2017.

JOHN WAYNE AIRPORT
 Notes to Financial Statements (Continued)
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

Note 5 – Long-Term Obligations (Continued)

Airport Revenue Bonds, Series 2009A and 2009B (Continued)

The 2009A and 2009B Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, (3) other miscellaneous revenue and (4) available PFC revenue. The 2009A and 2009B Bonds are payable through July 2039. For each fiscal year, the pledged net operating revenues are expected to be a minimum of 125% of the aggregate debt service requirement over the life of the bonds. For the year ended June 30, 2018, the total principal and interest paid and total net revenues were \$43,934 (including \$27,210 early bond redemption) and \$54,760 respectively. The total net revenues include \$9,902 available PFC revenue for the year ended June 30, 2018.

Revenue bonds outstanding and related activity for the year ended June 30, 2018, were as follows:

	Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018	Due in 1 year
<u>Airport Revenue Bonds</u>					
<u>Series 2009A</u>	\$ 59,155	\$ --	\$ (1,655)	\$ 57,500	\$ 1,740
Bond Premium/(Discount)	(1,085)	--	20	(1,065)	(19)
<u>Airport Revenue Bonds</u>					
<u>Series 2009B</u>	130,385	--	(33,435)	96,950	6,535
Bond Premium/(Discount)	(1,137)	(49)	--	(1,186)	15
Total	<u>\$ 187,318</u>	<u>\$ (49)</u>	<u>\$ (35,070)</u>	<u>\$ 152,199</u>	<u>\$ 8,271</u>

The following is a schedule of debt service payments to maturity on an annual basis:

<u>Year Ending June 30,</u>	<u>2009A Bonds</u>		<u>2009B Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 1,740	\$ 2,913	\$ 6,535	\$ 4,770	\$ 15,958
2020	1,810	2,833	6,845	4,448	15,936
2021	1,900	2,740	7,185	4,097	15,922
2022	1,995	2,640	7,545	3,729	15,909
2023	2,100	2,533	4,115	3,432	12,180
2024-2028	12,270	10,857	31,930	12,994	68,051
2029-2033	13,255	7,525	18,110	5,339	44,229
2034-2038	15,185	3,976	9,875	2,628	31,664
2039-2040	<u>7,245</u>	<u>385</u>	<u>4,810</u>	<u>256</u>	<u>12,696</u>
Total	<u>\$ 57,500</u>	<u>\$36,402</u>	<u>\$ 96,950</u>	<u>\$41,693</u>	<u>\$232,545</u>

JOHN WAYNE AIRPORT
 Notes to Financial Statements (Continued)
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

Note 5 – Long-Term Obligations (Continued)

Other Long-term Liabilities

Other long-term liability activities for the year ended June 30, 2018, were as follows:

	Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018	Due in 1 year
Compensated Employee Absences	\$ 2,008	\$ 1,868	\$ (1,914)	\$ 1,962	\$ 1,064
Pollution Remediation Obligation	994	--	--	994	--
Total	\$ 3,002	\$ 1,868	\$ (1,914)	\$ 2,956	\$ 1,064

Note 6 – Property Leased to Others

The Airport leases a portion of its capital assets under noncancelable operating lease agreements for airline operations, concessions, fixed-base operators (FBO), and other commercial purposes. The cost and carrying value of the Airport's property under operating leases as of June 30, 2018, were as follows:

	Cost of Leased Property	Accumulated Depreciation	Total Carrying Value of Leased Property
Structures and improvements	\$ 92,212	\$ (28,116)	\$ 64,096
Land	2,455	--	2,455
Balance at June 30, 2018	\$ 94,667	\$ (28,116)	\$ 66,551

Future minimum rental revenues to be received under these noncancelable operating leases as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Future Minimum Rent</u>
2019	\$ 45,947
2020	36,999
2021	23,967
2022	5,251
2023	1,842
2024-2028	7,984
2029-2033	56
Total	\$ 122,046

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 6 – Property Leased to Others (Continued)

Airline minimum rental revenues are based on rates adopted by the Board and are subject to change semi-annually in accordance with the related airlines' operating lease agreements. FBO and concession minimum rental revenues are adjusted annually as outlined in the lessees' operating leases.

The Airport also leases property through contingent rentals. Revenues from these contingent rentals arise primarily from airline fees and a percentage of the concessioners' gross revenues. Contingent rental payments received by the Airport totaled \$33,349 for the year ended June 30, 2018.

Note 7 – Commitments under Operating Leases

Lease expense was \$240 for the year ended June 30, 2018. As of June 30, 2018, there was \$125 in outstanding lease commitments.

Note 8 – Related Party Transactions

The Airport reimburses the County for the cost of providing security, insurance and other administrative services to the Airport. Amounts charged by other County departments are reported as operating expenses during the year incurred, and totaled \$23,034 for the year ended June 30, 2018.

Interfund receivable/payable balances are the result of the time lag between the time goods and services are provided by other County departments to the Airport and payment from the Airport to the other funds is made.

The composition of interfund balances as of June 30, 2018, was as follows:

Due To	Due From	Amount
General Fund	Airport	\$ 2,271
Internal Service Funds	Airport	231
Other Governmental Funds	Airport	45
Total Due To County of Orange		<u>\$ 2,547</u>

JOHN WAYNE AIRPORT
 Notes to Financial Statements (Continued)
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

Note 9 – Commitments

At June 30, 2018, the Airport was committed under contracts for the following construction projects:

Parking Structure C, Phase 2	\$ 2,652
Terminal Improvements	2,139
Taxiway B Rehabilitation	1,518
Others	2,959
Total	<u>\$ 9,268</u>

Note 10 – Changes in Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Additions	Deductions	Balance at June 30, 2018
Capital assets, not depreciated/amortized:				
Land	\$ 15,678	\$ --	\$ --	\$ 15,678
Construction in progress	76,247	53,616	(1,710)	128,153
Total capital assets, not depreciated/amortized	<u>91,925</u>	<u>53,616</u>	<u>(1,710)</u>	<u>143,831</u>
Capital assets, depreciated/amortized:				
Structures and improvements	764,854	1,705	(213)	766,346
Equipment	12,812	2,110	(82)	14,840
Infrastructure	229,348	--	--	229,348
Intangible assets	3,015	13	--	3,028
Total capital assets, depreciated/amortized	<u>1,010,029</u>	<u>3,828</u>	<u>(295)</u>	<u>1,013,562</u>
Less accumulated depreciation/amortization:				
Structures and improvements	(295,671)	(24,601)	113	(320,159)
Equipment	(10,004)	(734)	82	(10,656)
Infrastructure	(183,006)	(4,477)	--	(187,483)
Intangible assets	(528)	(580)	--	(1,108)
Total accumulated depreciation/amortization	<u>(489,209)</u>	<u>(30,392)</u>	<u>195</u>	<u>(519,406)</u>
Total capital assets depreciated/amortized, net	<u>520,820</u>	<u>(26,564)</u>	<u>(100)</u>	<u>494,156</u>
Total capital assets, net	<u><u>\$ 612,745</u></u>	<u><u>\$ 27,052</u></u>	<u><u>\$ (1,810)</u></u>	<u><u>\$ 637,987</u></u>

Total depreciation and amortization expense for the year ended June 30, 2018, was \$30,392.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 11 – New Accounting Pronouncements

The following summarizes recent GASB pronouncements implemented or effective in the year ended June 30, 2018:

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016. The County's OPEB plans are calendar year based; therefore, the Airport implemented this Statement in the year ended June 30, 2018.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The requirements of this Statement are effective for financial statements beginning after June 15, 2017. The Airport implemented this Statement in the year ended June 30, 2018. Refer to Note 13, Change in Accounting Principle, for additional information.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. The Airport implemented this Statement in the year ended June 30, 2018; however, this Statement did not have any impact on the Airport's financial statements.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 11 – New Accounting Pronouncements (Continued)

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The requirements of this Statement are effective for financial statements beginning after June 15, 2017. The Airport implemented this Statement in the year ended June 30, 2018; however, this Statement did not have any impact on the Airport's financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements beginning after June 15, 2017. The Airport implemented this Statement in the year ended June 30, 2018; however, this Statement did not have any impact on the Airport's financial statements.

The following summarizes recent GASB Pronouncements issued but not yet adopted that may impact future financial presentations. The Airport has not determined what, if any, impact implementation of the following Statements may have on future financial statements:

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement requires the recognition of a liability and a corresponding deferred outflows of resources associated with an asset retirement obligation based on the criteria and the measurement established in the Statement. This Statement also requires disclosure of required information about the asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which requires the Airport to implement this Statement in the year ending June 30, 2019.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement also describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which requires the Airport to implement this Statement in the year ending June 30, 2020.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 11 – New Accounting Pronouncements (Continued)

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflows of resources. The requirements of this Statement are effective for financial statements beginning after December 15, 2019, which requires the Airport to implement this Statement in the year ending June 30, 2021.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which requires the Airport to implement this Statement in the year ending June 30, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which requires the Airport to implement this Statement in the year ending June 30, 2021.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The Statement also requires that a component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired 100% equity interest in the component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which requires the Airport to implement this Statement in the year ending June 30, 2020.

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 12 – Pollution Remediation Obligation

In 1988 and 2006, the Airport was named as the responsible party in a cleanup and abatement order, for two sites on Airport property, by the California Regional Water Quality Control Board (RWQCB). The sites, the Old Fuel Farm and the Former Fire Station #33, were identified as having chemical impacts to the soil and groundwater. In 1994 and 2002, the Airport began monitoring and the remediation of the Old Fuel Farm and the Former Fire Station #33 sites, respectively.

In 2008, the sites were sampled as part of an assessment and the results revealed that the soil and groundwater were still impacted by chemical pollutants. In an effort to increase the removal of the chemicals, the Airport's environmental consultant reevaluated the sites and recommended a change to the remediation plan. The consultant calculated the new estimated pollution remediation liability based on a more active method of remediation that includes remedial technologies such as soil vapor extraction, dual-phase sparging and bioremediation.

The Airport started implementing the new remediation method in the fiscal year ended June 30, 2011. Following a remedial pilot test, the Airport has been performing monthly free-product removal at the Old Fuel Farm and performing annual groundwater monitoring at both sites. Active remediation has been delayed pending further guidance from the RWQCB, which could possibly affect the estimated pollution remediation liability as well as cause changes to the remedial technologies used to remediate the sites. As of June 30, 2018, the Airport has a liability of \$994 based on management's assessment and the results of the consultant's evaluation of potential remediation costs. The liability is not expected to decrease until active remediation begins or a closure plan is accepted by the RWQCB.

In 1995, the Airport entered into a Memorandum of Understanding (MOU) with one of its FBO lessees to address the remediation of the Old Fuel Farm. The FBO was identified as the operator of the site and the other responsible party. The lessee agreed to be obligated to pay 50% of the remediation costs associated with the Old Fuel Farm site. Reported in the Statement of Net Position as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is \$256 as of June 30, 2018.

The estimated pollution remediation obligation as of June 30, 2018, is:

Old Fuel Farm Site	\$ 785
Former Fire Station #33 Site	692
Less: Remediation Activity	<u>(483)</u>
Net Pollution Remediation Obligation	<u><u>\$ 994</u></u>

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 13 – Change in Accounting Principle

In the year ended June 30, 2018, the Airport implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and restated the beginning net position as of July 1, 2017, by \$3,035 to recognize the net OPEB liability and deferred outflows of resources related to OPEB. The restatement of the beginning net position is reflected in the Statement of Revenues, Expenses, and Change in Net Position:

Net position at July 1, 2017, as previously reported	\$ 680,918
Net OPEB liability	(3,262)
Deferred outflows of resources related to OPEB	227
Net position at July 1, 2017, as restated	<u>\$ 677,883</u>

Refer to Note 11, New Accounting Pronouncements, and Note 4, Postemployment Health Care Benefits, for additional information regarding GASB Statement No. 75 and Airport's implementation of this Statement.



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
County of Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of John Wayne Airport (Airport), an enterprise fund of the County of Orange, California (County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2018. Our report included an emphasis of matter paragraph stating that the financial statements of the Airport do not purport to, and do not, present fairly the financial position of the County as of June 30, 2018. Our report also included an emphasis of matter paragraph regarding the County's implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California

December 5, 2018

[This Page Intentionally Left Blank]

**JOHN WAYNE AIRPORT
(An Enterprise Fund of
The County of Orange, California)**

Schedule of Passenger Facility Charge
Revenues and Expenditures
With Independent Auditor's Reports

For the Year Ended June 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

[This Page Intentionally Left Blank]

JOHN WAYNE AIRPORT
Schedule of Passenger Facility Charge Revenues and Expenditures

Table of Contents

	<u>Page(s)</u>
Independent Auditor's Report on the Supplementary Information - Schedule of Passenger Facility Charge Revenues and Expenditures	1
Schedule of Passenger Facility Charge Revenues and Expenditures	2
Notes to Schedule of Passenger Facility Charge Revenues and Expenditures	3-4
Independent Auditor's Report on Compliance for the Passenger Facility Charge Program and Report on Internal Control Over Compliance	5-6

[This Page Intentionally Left Blank]



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT AUDITORS' REPORT
ON SCHEDULE OF PASSENGER FACILITY CHARGE
REVENUES AND EXPENDTUIRES**

To the Board of Supervisors
County of Orange, California

We have audited the financial statements of John Wayne Airport (Airport), an enterprise fund of the County of Orange, California (County), as of and for the year ended June 30, 2018, and have issued our report thereon dated December 5, 2018, which contained an unmodified opinion on those financial statements. Our report included an emphasis of matter paragraph stating that the financial statements present only the Airport, and do not purport to, and do not present fairly the financial position of the County as of June 30, 2018. Our report also included an emphasis of matter regarding to the Airport's adoption of Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Airport taken as a whole. The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures, prepared on a cash basis, for the year ended June 30, 2018, is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the Airport's basic financial statements. It provides relevant information that is not provided by the financial statements, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or a complete presentation in accordance with the accounting basis used for cash basis purposes. Under cash basis, Passenger Facility Charge revenues are recognized when received rather than when earned, and eligible expenditures are recognized when the related goods or services are paid. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charge Revenues and Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Laguna Hills, California
December 5, 2018

JOHN WAYNE AIRPORT
 Schedule of Passenger Facility Charge Revenues and Expenditures
 For the Year Ended June 30, 2018
 (To the Nearest Thousand)

	Project Number	Amount Approved	Cumulative Total - July 1, 2017	Quarter Ended				Year Ended June 30, 2018	Cumulative Total - June 30, 2018
				September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018		
REVENUES									
Passenger Facility Charge Revenues Received		\$ 311,602	\$ 203,399	\$ 5,175	\$ 5,164	\$ 4,847	\$ 5,288	\$ 20,474	\$ 223,873
Interest Earned		N/A	2,971	16	6	13	40	75	3,046
Total Revenues		\$ 311,602	\$ 206,370	\$ 5,191	\$ 5,170	\$ 4,860	\$ 5,328	\$ 20,549	\$ 226,919
EXPENDITURES									
In-line Baggage Screening	01-001	\$ 10,004	\$ 10,004	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 10,004
New South Remain Overnight (RON) Apron	01-002	9,600	9,600	--	--	--	--	--	9,600
Terminal Building Expansion	01-003	259,275	131,914	29,285	--	1,790	--	31,075	162,989
Common Use Terminal Equipment	01-004	32,697	25,519	1,652	--	101	--	1,753	27,272
Passenger Facility Charge Application Development	01-005	26	26	--	--	--	--	--	26
Total Amount Approved		\$ 311,602							
Total Expenditures		\$ 177,063	\$ 30,937	\$ --	\$ 1,891	\$ --	\$ 32,828	\$ 209,891	
Unexpended Passenger Facility Charge Revenues and Interest			\$ 29,307						\$ 17,028

See accompanying Notes to Schedule of Passenger Facility Charge Revenues and Expenditures.

JOHN WAYNE AIRPORT

Notes to Schedule of Passenger Facility Charge Revenues and Expenditures For the Year Ended June 30, 2018 (To the Nearest Thousand)

Note 1 – General

In 1990, the Aviation Safety and Capacity Expansion Act authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenue for allowable costs on Federal Aviation Administration (FAA) approved projects, including debt service.

The FAA approved the John Wayne Airport's (Airport) PFC application to collect \$4.50 per enplaned passenger effective July 1, 2006. The total approved PFC revenue to be collected was \$321,351 through December 31, 2021. In March 2016, the FAA approved the Airport's PFC Amendment application. The amended total approved PFC revenue to be collected is \$311,602 through December 31, 2021.

All PFC collected are restricted and are categorized as nonoperating revenues in the Airport's financial statements. PFC collected are maintained in an interest-bearing account administered by the Orange County Treasurer. Collected but unexpended PFC revenues are reported on the Airport's Statement of Net Position as current assets, restricted pooled cash and investments with Treasurer, and restricted cash and investments with trustee. Related PFC receivables are also reported as current restricted assets.

Note 2 – Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) presents the revenues collected from PFC, interest earned thereon, and expenditures incurred on approved projects on the cash basis of accounting, as permitted by the FAA, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Revenues received and expenditures spent on approved projects in the accompanying Schedule represent amounts reported to the FAA on the Passenger Facility Charge Quarterly Reports.

During the year ended June 30, 2018, \$20,474 in PFC revenue was collected, \$75 in interest revenue was received, and \$32,828 was expended on approved PFC projects.

Note 3 – Reconciliation of PFC Revenues to the Airport's Financial Statements

The following is a reconciliation of PFC revenues shown in the accompanying Schedule of Passenger Facility Charge Revenues and Expenditures to amounts reported in the audited financial statements of the Airport for the year ended June 30, 2018.

PFC Revenues Received per Schedule	\$ 20,474
Adjustments for Timing Differences Between	
the Cash Basis and Accrual Basis of Accounting	252
PFC Revenues per Audited Financial Statements	<u><u>\$ 20,726</u></u>

Expenditures of PFC revenues can be reconciled with the amounts reported in the Airport's financial records.

JOHN WAYNE AIRPORT

Notes to Schedule of Passenger Facility Charge Revenues and Expenditures (Continued)
For the Year Ended June 30, 2018
(To the Nearest Thousand)

Note 4 – Passenger Facility Charge Bond Financing

On July 9, 2009, the Airport issued the Airport Revenue Bonds, Series 2009A and 2009B (2009 Bonds) in the aggregate principal amount of \$233,115, with an original issue net premium of \$288. Per the bond indenture, the Airport has irrevocably committed and pledged available PFC revenues received from Fiscal Year (FY) 2009-10 through FY 2020-21 to pay a portion of the debt service related to FAA approved projects. Available PFC revenues pledged to debt service as of the year ended June 30, 2018 were as follows:

<u>Year Ending June 30,</u>	<u>Available PFC Revenue</u>
2019	9,909
2020	9,904
2021	9,908



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
THE PASSENGER FACILITY CHARGE PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Supervisors
County of Orange, California

Report on Compliance for the Passenger Facility Charge Program

We have audited John Wayne Airport's (Airport), an enterprise fund of the County of Orange, California, compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, that could have a direct and material effect on the Airport's passenger facility charge program for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Airport's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements described in the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Airport's passenger facility charge program. However, our audit does not provide a legal determination of the Airport's compliance with those requirements.

Opinion

In our opinion, the Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on its passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, issued by the Federal Aviation Administration, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Vawneek Tsin, Daz; Co., LLP
Laguna Hills, California
December 5, 2018

APPENDIX B

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATED TO THE COUNTY

The Airport functions primarily as an origination and destination (“O&D”) airport (i.e., passengers beginning or ending their trips at the Airport). From Fiscal Year 2009 through Fiscal Year 2018, O&D passengers accounted for an average of 93% of all passengers enplaned at the Airport. A number of economic factors influence the number of passengers flying from and to the County, including population, employment and income. Some of those factors are described below.

The economic and demographic information provided below has been collected from sources that the County considers to be reliable. Because it is difficult to obtain timely economic and demographic information, the economic condition of the County may not be fully apparent in all of the publicly available local and regional economic statistics provided herein. In particular, the economic statistics provided herein may not fully capture the impact of current economic conditions.

Population

Growth 2008-2017. The County is the third most populous county in the State and the sixth most populous in the nation. During the period 2008 through 2017, the population of the County increased by approximately 7.9%, compared to 8.0% for the State and 7.1% for the United States.

Table B-1
County of Orange, State of California and
United States Population Growth

Date	County	State	United States
2008	2,957,593	36,604,337	304,093,966
2009	2,987,177	36,961,229	306,771,529
2010	3,017,116	37,327,690	309,338,421
2011	3,053,465	37,672,654	311,644,280
2012	3,085,386	38,019,006	313,993,272
2013	3,113,649	38,347,383	316,234,505
2014	3,136,750	38,701,278	318,622,525
2015	3,160,576	39,032,444	321,039,839
2016	3,177,703	39,296,476	323,405,935
2017	3,190,400	39,536,653	325,719,178

Sources: U.S. Census Bureau statistics, May 2018

[Remainder of page intentionally left blank]

Projected Growth Through 2060. Table B-2 includes population projections for the County, the State and the United States. The County is expected to have growth rates lower than both the State of California and national levels between 2020 and 2060, 12.8%, 25.4% and 21.4% respectively.

Table B-2
County of Orange, State of California and
United States Population Projections

Year	County	State	United States
2020	3,206,012	40,639,392	332,555,000
2030	3,433,510	43,939,250	354,840,000
2040	3,558,071	46,804,202	373,121,000
2050	3,615,935	49,077,801	388,335,000
2060	3,616,576	50,975,904	403,697,000

Sources: Orange County and State Projections—California State Department of Finance, January 2018. United States Projections—Census Bureau, March 2018

Public Schools (Elementary and Secondary)

Public instruction in the County is provided by twelve elementary school districts, three high school districts, and fourteen unified (combined elementary and high school) districts. For 2017-18, the largest district, the Capistrano Unified District, had 53,622 students enrolled. Public school enrollment for the period 2012-13 through 2017-18 is presented in Table B-3.

Table B-3
County of Orange
Public School Enrollment

Grade Levels	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total Enrollment K-12	501,801	500,487	497,116	493,030	490,430	485,835

Source: California Department of Education, DataQuest Reports

Colleges and Universities

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

[Remainder of page intentionally left blank]

Employment

The following table summarizes the historical numbers of workers in the County since 2012.

Table B-4
County of Orange
Estimated Wage and Salary Workers by Industry*

	2012	2013	2014	2015	2016	2017
Agricultural	2,800	2,900	2,800	2,400	2,400	2,200
Mining & Logging	600	600	700	600	600	700
Construction	72,900	78,400	83,100	91,700	97,400	101,700
Manufacturing (Durable & Nondurable)	158,300	158,000	157,400	157,000	157,000	158,600
Trade, Transportation and Utilities	249,200	252,400	255,800	259,200	260,500	263,000
Information (Telecom & Publishing)	24,300	25,000	24,500	25,500	26,400	27,300
Finance, Insurance & Real Estate	108,300	113,100	113,600	116,100	117,600	119,000
Services (Professional, Health, Ed, Etc.)	662,800	686,700	709,200	738,100	765,300	785,800
Government	147,900	148,700	152,200	156,400	159,600	160,500
Total All Industries	<u>1,427,100</u>	<u>1,465,800</u>	<u>1,499,300</u>	<u>1,547,000</u>	<u>1,586,800</u>	<u>1,618,800</u>

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

Source: California Employment Development Department

[Remainder of page intentionally left blank]

The following tables set forth the principal employers in the County in 2018 and 2009.

Table B-5
Principal Employers
2018 and 2009

2018			
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	30,000	1	1.87%
University of California, Irvine	23,605	2	1.47
County of Orange	18,257	3	1.14
St. Joseph Health System	13,786	4	0.86
Kaiser Permanente	7,800	5	0.49
Boeing Co.	6,103	6	0.38
Albertsons	6,057	7	0.38
Wal-Mart	6,000	8	0.37
Hoag Memorial Hospital	5,680	9	0.35
Target Corporation	5,400	10	0.34

2009			
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	20,000	1	1.25%
County of Orange	18,668	2	1.17
University of California, Irvine	17,500	3	1.10
St. Joseph Health System	10,656	4	0.67
Boeing Co.	8,100	5	0.51
Yum! Brands Inc.	7,000	6	0.44
Target Corporation	6,100	7	0.38
Supervalu Inc.	6,082	8	0.38
California State University Fullerton	5,768	9	0.36
Bank of America Corporation	5,500	10	0.35

Source: Orange County Business Journal Book of Lists - County of Orange
<http://www.labormarketinfo.edd.ca.gov>

[Remainder of page intentionally left blank]

The following table sets forth the full-time equivalent county employees by function for fiscal years 2008-09 through 2017-18.

Table B-6
Full-time Equivalent County Employees by Function
Last Ten Fiscal Years

Function/Program	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13⁽²⁾	2011-12	2010-11	2009-10	2008-09
General Government	1,461	1,511	1,419	1,341	1,322	1,273	1,279	1,314	1,346	1,383
Public Protection	6,722	6,915	6,642	6,674	6,760	6,781	6,653	6,692	6,879	7,298
Public Ways and Facilities	386	431	435	440	478	508	542	569	585	622
Health and Sanitation	2,307	2,409	2,253	2,198	2,128	2,137	2,209	2,292	2,346	2,507
Public Assistance	4,276	4,529	4,306	4,239	4,043	3,876	3,867	3,935	4,023	4,000
Education	306	309	302	286	290	286	307	324	325	350
Recreation and Cultural Services	288	298	272	265	274	268	283	289	285	277
Airport	157	153	154	159	162	167	168	168	169	168
Waste Management	236	249	233	241	249	255	257	261	267	272
CFCOC	10	9	11	11	11	11	13	14	16	17
Total Full-time Equivalent Employees ⁽¹⁾	16,149	16,813	16,027	15,854	15,717	15,562	15,578	15,858	16,241	16,894

Note: ⁽¹⁾ Full-time equivalent employment is calculated by dividing total labor hours by the total of hours in a fiscal year (2,080 hours).

⁽²⁾ Updated fiscal year 2012-13 numbers due to revaluation of methodology. It was subsequently determined that prior methodology was appropriate.

Source: County Executive Office, County of Orange

Agriculture

Although representing a small percentage of the jobs in the County, agriculture remains an important sector of the County's economy. The total gross freight on board ("f.o.b.") value of County agricultural products decreased by 1.4% to \$113,237,000 in 2017 relative to 2016. The f.o.b. is an indicator of the first point of sale for a farmer and includes cost of production, harvesting and preparation for market. A five-year summary of farm production in the County is provided in Table B-7.

Table B-7
County of Orange
Gross Value of Farm Production

Production Type	2013	2014	2015	2016	2017
Animal Industry	\$ 396,010	\$ 195,000	\$ 184,000	\$ 887,000	\$ 2,094,000
Field Products	425,653	551,000	874,000	732,000	1,187,000
Nursery	73,567,293	67,242,000	63,961,000	55,685,000	61,670,000
Orchards	40,984,835	45,473,000	40,268,000	38,344,000	33,935,000
Vegetables	21,665,539	18,792,000	20,189,000	19,147,000	14,351,000
Total	\$137,039,330	\$132,253,000	\$125,476,000	\$114,795,000	\$113,237,000

Source: Orange County Agricultural Commissioner, Annual Orange County Crop Reports

[Remainder of page intentionally left blank]

Labor Force, Employment and Unemployment

The following table summarizes the labor force, employment, and unemployment figures over the period 2010 through 2017 for the County and the State.

Table B-8
County of Orange and State of California
Labor Force, Employment and Unemployment
Yearly Average

Year and Area	Civilian Labor Force	Civilian Employment	Civilian Unemployment	Civilian Unemployment Rate
<u>2010</u>				
Orange County	1,537,200	1,387,400	149,700	9.7%
California	18,336,300	16,091,900	2,244,300	12.2
<u>2011</u>				
Orange County	1,546,400	1,406,400	140,000	9.1
California	18,415,100	16,258,100	2,157,000	11.7
<u>2012</u>				
Orange County	1,562,100	1,439,300	122,900	7.9
California	18,523,800	16,602,700	1,921,100	10.4
<u>2013</u>				
Orange County	1,565,300	1,462,300	103,100	6.6
California	18,625,000	16,958,400	1,666,600	8.9
<u>2014</u>				
Orange County	1,572,700	1,486,400	86,300	5.5
California	18,758,400	17,351,300	1,407,100	7.5
<u>2015</u>				
Orange County	1,588,800	1,517,800	70,900	4.5
California	18,896,500	17,724,800	1,171,700	6.2
<u>2016</u>				
Orange County	1,602,500	1,537,700	64,800	4.0
California	19,093,700	18,048,800	1,044,800	5.5
<u>2017</u>				
Orange County	1,618,800	1,561,700	57,000	3.5
California	19,311,700	18,387,800	923,900	4.8

Source: California Employment Development Department. Data not seasonally adjusted. March 2017 Benchmark, data as of March 2018

[Remainder of page intentionally left blank]

Taxable Sales

Table B-10 summarizes the annual volume of taxable transactions since 2013.

Table B-10
County of Orange
Taxable Transactions⁽¹⁾
(in millions)

Type of Business	2013	2014	2015	2016	2017	2018 ⁽²⁾
General Merchandising and Clothing	\$ 8,933	\$ 9,150	\$ 8,836	\$ 8,892	\$ 9,089	\$ 9,342
All Food and Drink	8,298	8,814	9,636	10,020	10,230	10,524
Motor Vehicles and Parts	7,148	7,766	8,353	8,649	8,915	9,063
Service Stations	4,707	4,675	3,768	3,347	3,552	3,838
All Other	28,506	29,693	30,766	31,604	32,220	32,871
Total Taxable Sales	<u>\$57,591</u>	<u>\$60,097</u>	<u>\$61,358</u>	<u>\$62,511</u>	<u>\$64,006</u>	<u>\$65,639</u>

⁽¹⁾ May not add due to rounding.

⁽²⁾ 2018 reflects year-end forecast.

Source: The Chapman University Economic & Business Review, June 2018

Housing Characteristics

The total number of housing units in the County was estimated by the California State Department of Finance to be 1,094,169 as of January 1, 2018. This compares to 969,484 reported in 2000 and 875,105 in 1990. According to CoreLogic, the May 2018 median home price in the County was \$740,000 as compared to the \$537,450 for the six Southern California Counties combined. Since 2011, the median home price in the County has grown more than 50%.

Building Permits

The total valuation of residential building permits issued in the County is projected to exceed \$3.9 billion in 2018 and was \$3.3 billion in 2017. Table B-11 provides a summary of residential building permit valuations in the County during the period 2013 through 2018.

Table B-11
County of Orange
Residential Building Permit Valuations
(in millions)

Permit Valuation	2013	2014	2015	2016	2017	2018*
Residential	\$2,654	\$2,640	\$2,834	\$3,160	\$3,321	\$3,908
Nonresidential	1,521	1,993	2,196	2,487	2,284	2,787

* 2018 reflects year-end forecast.

Source: The Chapman University Economic & Business Review, June 2018

Water Supply

Maintaining the County's water supply is the responsibility of the Orange County Water District, manager of the County's groundwater basin, and the Municipal Water District of Orange County, the

County's largest manager of imported water. Approximately 75% of the County's water is from local groundwater sources; the rest is imported. The County's natural underground reservoir is sufficient to carry it through temporary shortfall periods, but local supplies alone cannot sustain the present population.

Recreation and Tourism

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

The County features 42 miles of coastline and beaches, including five state beaches and parks, five municipal beaches, and five County beaches. There are three small-craft harbors in the County; Newport, Huntington, and Dana Point harbors.

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

Transportation

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

Drivers in the County have access to five toll roads. The 91 Express Lanes is a 10-mile express lanes toll road in the median of the SR 91 connecting Orange County and Riverside County. The San Joaquin Toll Road (73) runs from Costa Mesa to Mission Viejo connecting to the I-405 and the I-5 freeways. The Foothill Eastern Toll Roads consisting of the 241, 261 and 133 connect to the SR 91 near the Riverside County line and I-5 freeway in the City of Irvine, the Laguna Canyon Road, and other cities in South County.

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

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are summaries of certain provisions of the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture. This summary discussion does not purport to be a complete statement of said provisions and the prospective purchasers of the Series 2019 Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

Certain Definitions

“Accountant” means an independent certified public accountant or firm of certified public accountants selected by the County under the provisions of the Indenture and licensed to practice in the State.

“Accrued Amount” means with respect to Capital Appreciation Bonds of any Series, the amount set forth in a Supplemental Indenture as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds.

“Act” means Chapter 14 of Division 2 of Title 3, Sections 26301 to 26400.53, inclusive, as amended, of the Government Code of the State of California, as the same may be amended from time to time.

“Additional Airport” means an airport which serves federally certified commercial air carriers, is located on a site other than the site of John Wayne Airport and is acquired, constructed or operated by the County or a joint exercise of powers agency of which the County is a member, including all airfields, landing places, heliport or places for the take-off and landing of aircraft and comprising such additional airport and all other airport facilities appurtenant thereto.

“Additional Bonds” means any Series of Bonds other than the Series 2019 Bonds and Subordinated Bonds authorized under and secured by the Indenture.

“Additional Facilities” means:

- (a) any airport facilities (including any Additional Airport), including all land, buildings, structures, equipment and appurtenances constituting a part thereof,
- (b) all enlargements of and improvements and additions to any existing or future buildings and structures that constitute the Airport, and
- (c) all renewals and replacements of any of the foregoing,

which airport facilities, enlargements, improvements, additions, renewals and replacements are financed as a whole or in part through the issuance of Bonds.

“Additional Facilities Account” means the account in the Construction Fund created and so designated by the Indenture.

“Airport” means the John Wayne Airport, as now located within the County, including runways, taxiways, landing pads, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated by the County in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions and improvements thereto, to the fullest extent permitted by the Act. The term “Airport” will also include any Additional Airport which becomes part of the Airport pursuant to the terms of the Indenture. The term “Airport” however, excludes any Special Purpose Facility so long as any indebtedness issued to finance such Special Purpose Facility is outstanding.

“Airport Consultant” means any engineer, engineering firm, firm of certified public accountants, airport consulting firm or corporation, or other qualified person, firm or corporation of favorable repute for skill and experience in performing the duties for which it is employed by the County under the Indenture.

“Airport General Fund” means the funds created and designated John Wayne Airport General Fund established pursuant to the Indenture.

“Airport Manager” and *“Airport Director”* mean the Airport Director, the officer succeeding to his principal functions, or such other individual who from time to time is designated in writing by the County to perform the duties of the Airport Director.

“Annual Budget” means the budget adopted or in effect for each Fiscal Year as provided in the Indenture.

“Available CFC Revenues” means, for any period of time, the amount of Customer Facility Charges which the County has irrevocably committed in a Supplemental Indenture or a resolution to be deposited into the Revenue Fund and used to pay Principal of and interest on the Bonds.

“Available Grant Revenues” means, for any period of time, the amount of Grant Revenues which the County has irrevocably committed in a Supplemental Indenture or a resolution to be deposited into the Revenue Fund and used to pay Principal of and interest on the Bonds.

“Available Moneys” means (a) proceeds of refunding bonds, (b) proceeds of the Bonds, (c) proceeds of insurance or condemnation awards, (d) moneys which have been on deposit with the Trustee for at least 123 days during which time no petition by or against the County or any party providing such moneys under any bankruptcy act or under any similar act which may be hereafter enacted will have been filed unless such petition will have been dismissed and such dismissal will be final and not subject to appeal, (e) moneys as to which there will have been delivered to the Trustee an opinion of counsel experienced in bankruptcy matters to the effect that payments of such moneys by the Trustee to any person other than the County or to any party providing such moneys do not constitute a preferential transfer under Section 547 of the United States Bankruptcy Code and (f) any investment thereof and the proceeds from the investment of any of the foregoing.

“Available PFC Revenues” means, for any period of time, the amount of Passenger Facility Charges which the County has irrevocably committed in a Supplemental Indenture or a resolution to be deposited into the Revenue Fund and used to pay Principal of and interest on the Bonds.

“Available Revenues” means Available CFC Revenues, Available Grant Revenues and Available PFC Revenues.

“Available Revenues Account” means the account by that name established pursuant to the Indenture.

“Balloon Long-Term Bonds” means fixed or Variable Rate Long-Term Bonds (a) 25% or more of the principal payments of which are due in a single year, or (b) 25% or more of the principal of which may, at the option of the holder thereof, be redeemed at one time, and in either event which portion of the principal is not required by the documents pursuant to which such Bonds are issued to be amortized by redemption prior to such date.

“Bond” or *“Bonds”* means the Series 2019 Bonds and any Additional Bonds authorized under and secured by the Indenture.

“Bond Registrar” means, with respect to any Series of Bonds, the Bond Registrar at the time serving as such under the Indenture, whether the original or a successor Bond Registrar.

“Business Day” means a day on which the Trustee, the Bond Registrar and the Depositary are open for the purpose of conducting their commercial banking business.

“Capital Appreciation Bonds” means Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable upon redemption or on the maturity date of such Bonds. Nothing in the Indenture prohibits the County from designating, in the appropriate Supplemental Indenture, any such Bonds by a name other than Capital Appreciation Bonds.

“Capitalized Interest Account” means the account in the Construction Fund created and designated pursuant to the Indenture.

“CFC” or *“Customer Facility Charge”* means all amounts received by the County from the payment of any customer facility fees or charges by customers of automobile rental companies pursuant to the authority granted by Section 1936 of the California Civil Code, as amended from time to time, or any other applicable State law, including all interest, profits or other income derived from the deposit or investment therefor.

“Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

“Completion Bonds” means any Long-Term Bonds incurred for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term Bonds have theretofore been incurred in accordance with the provisions of the Indenture, to the extent necessary to provide a completed facility of the type and scope contemplated at the time that such Long-Term Bonds theretofore incurred were originally incurred, and, to the extent the same will be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Bonds theretofore incurred were originally issued.

“Construction Fund” means the fund created and designated the John Wayne Airport Construction Fund by the Indenture.

“Cost,” as applied to the Project or to any Additional Facilities means, without intending thereby to limit or restrict any proper definition of such word under the Act, all items of cost set forth in the Indenture.

“Cost of Issuance Account” means the account of the Construction Fund created and so designated by the Indenture.

“County” means the County of Orange, California, a body corporate and politic and a political subdivision of the State.

“County Board of Supervisors” means the County Board of Supervisors of the County or any successor body succeeding to the County Board of Supervisors’ principal functions.

“County Counsel” means the County Counsel or any deputy County Counsel for the County or such other attorney who from time to time is designated by the County to perform the duties of the County Counsel.

“County Representative” means the Chief Executive Officer of the County, the Chief Financial Officer, the Airport Director, the person performing the duties of the Chief Executive Officer, the Chief Financial Officer or the Airport Director, respectively, or the official succeeding to the respective principal functions of the Chief Executive Officer, the Chief Financial Officer, or the Airport Director, respectively, and any other financial or administrative officer designated in writing by the County Board of Supervisors to act as County Representative under the Indenture.

“Current Expenses” means the County’s current expenses for the operation, maintenance and repair of the Airport as determined in accordance with generally accepted accounting principles, including, without limiting the generally of the foregoing, (a) all ordinary and usual expenses of operation, maintenance and repair, (b) administrative expenses, (c) salaries and employee benefits, (d) payments to any retirement plan or plans properly chargeable to the Airport, (e) insurance expenses, (f) engineering expenses relating to the operation, maintenance or repair of the Airport, (g) fees and expenses of the Trustee and Bond Registrar, legal expenses, and fees of consultants, and (h) any other expenses required to be paid by the County under the Indenture or by law, but Current Expenses will not include (i) any reserves for extraordinary replacements or repairs, (ii) any allowance for depreciation, (iii) any interest, (iv) any principal payment in respect of capital leases or indebtedness including the Bonds, (v) any deposits to any fund or account created under the Indenture and payments of principal, premium, if any, and interest from such funds and accounts, (vi) any loss from the sale, exchange or other disposition of capital assets at the Airport if such sale, exchange or disposition was otherwise permitted by the Indenture, (vii) any unrealized gains or losses on securities held for investment by or on behalf of the County for the Airport, or any unrealized gains or losses from the write down, reappraisal or revaluation of assets including investments for “other than temporary declines” in book value, (viii) any non-cash items that are required to be treated as operation, maintenance and repair expenses of the Airport as determined in accordance with generally accepted accounting principles, (ix) any loss resulting from the extinguishment of indebtedness, and (ix) any Current Expenses described in clauses (a) through (h) above which are paid with amounts other than Revenues.

“Current Interest Bonds” means Bonds the interest on which is payable on the Interest Payment Dates provided therefor in a Supplemental Indenture.

“Default” means any Event of Default and any event that, after notice or lapse of time or both, would become an Event of Default.

“Depository” means any bank or trust company duly authorized by law to engage in the banking business and selected by the County as a depository of money under the Indenture.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Eminent Domain” means the eminent domain or condemnation power by which all or any part of the Airport may be taken for another public use or any agreement that is reached in lieu of proceedings to exercise such power.

“Event of Default” means each of those events of default set forth in the Indenture. See “—Events of Default and Remedies—Events of Default” below.

“Fifth Supplemental Indenture” means the Fifth Supplemental Indenture, dated as of November 1, 2015, by and between the County and the Trustee.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of June 1, 1993, by and between the County and the Trustee, as successor trustee to U.S. Bank Trust National Association, formerly known as First Trust of California, National Association.

“Fiscal Year” means the period commencing on the first day of July in any year and ending on the last day of June of the following year, unless the Trustee is notified in writing by the County of a change in such period, in which case the Fiscal Year will be the 12-month period set forth in such notice.

“Fourth Supplemental Indenture” means the Fourth Supplemental Indenture, dated as of July 1, 2009, by and between the County and the Trustee.

“Government Obligations” means (a) United States Obligations (including obligations issued or held in book entry form), (b) prerefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in their highest rating category by one or more of the Rating Agencies; and (c) any other type of security or obligation which the Rating Agencies then maintaining ratings on the Subordinate Obligations to be defeased have determined to be permitted defeasance securities.

“Grant Revenues” means grants to be provided to the County by the United States or the State pursuant to a Letter of Intent or such other documentation in connection with Airport facilities or projects, and which grants are permitted by the terms thereof to be used for the payment of Bonds or are otherwise not prohibited from being used for the payment of Bonds.

“Indenture” means the Original Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture and as it may be hereafter amended or supplemented in accordance with the terms thereof.

“Insurance and Condemnation Award Fund” means the fund created and designated the John Wayne Airport Insurance and Condemnation Award Fund by the Indenture.

“Insurance Consultant” means a person or a firm of persons having a favorable reputation in the State for skill and experience in dealing with the insurance requirements of enterprises similar to the Airport and in performing the duties to be imposed upon it by the Indenture. Insurance Consultant will include the Risk Manager of the County (or such other individual who from time to time is designated in writing by the County to perform the duties of the Risk Manager of the County).

“Interest Payment Date” means, with respect to any Series of Bonds, the interest payment dates provided for in the Indenture or in the Supplemental Indenture relating to such Series.

“Investment Agreement” means an investment agreement or guaranteed investment contract by and between either the County or the Trustee (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short term rating category (if the term of the Investment Agreement is less than three years) or in either of the two highest long term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in items (a) or (b) of the definition of Investment Obligations which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third party liens.

“Investment Obligations” means any of the following, but only to the extent permitted by the laws of the State (currently set forth in California Government Code Section 53600 et seq.) and the County’s investment policy: (a) Government Obligations; (b) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration; (c) Direct and general long-term obligations of any state, which obligations are rated in one of the two highest Rating Categories by one or more of the Rating Agencies; (d) Direct and general short-term obligations of any state which obligations are rated in the highest Rating Category by one or more of the Rating Agencies; (e) Interest bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation (“FDIC”) or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (i) continuously and fully insured by FDIC and with banks that are rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies; or (ii) fully secured by obligations described in item (a) or (b) of this definition of Investment Obligations (A) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (C) subject to a perfected first lien in favor of the Trustee, and (D) free and clear from all third party liens; (f) Repurchase agreements which are (i) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from one or more of the Rating Agencies and (ii) fully secured by obligations specified in items (a) or (b) of this definition of Investment Obligations (A) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the

amount invested in the repurchase agreements, (B) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (C) subject to a perfected first lien in favor of the Trustee and (D) free and clear from all third party liens; (g) Prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category of one or more of the Rating Agencies; (h) Shares of a diversified open end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (i) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies or (ii) a money market fund or account of the Trustee or its affiliates or any state or federal bank that is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or whose own bank holding company parent is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or that has a combined capital and surplus of not less than \$50,000,000 (all investments included in this clause (i) may include funds which the Trustee or its affiliates provide investment advisory or other management services); (i) Interest bearing notes issued by a banking institution having a combined capital and surplus of at least \$500,000,000 and whose senior debt is in the highest Rating Category by one or more of the Rating Agencies; (j) Public housing bonds issued by public agencies which are either unconditionally guaranteed as to principal and interest by the United States of America, or rated in the highest Rating Category by one or more of the Rating Agencies; (k) Obligations issued or guaranteed by Private Export Funding Corporation, Resolution Funding Corporation and any other instrumentality or agency of the United States of America; (l) Investment Agreements; (m) Any other type of investment consistent with County policy in which the County directs the Trustee to invest provided that there is delivered to the Trustee a certificate of an County Representative stating that each of the Rating Agencies then maintaining a rating on the Bonds has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Bonds; (n) Any state administered pool investment fund in which the County is statutorily permitted or required to invest (including but not limited to the State of California Local Agency Fund (“LAIF”) established pursuant to Section 16429.1 et seq. of the Government Code of the State); (o) The Orange County Investment Pool (“OCIP”). The County may invest in OCIP up to the LAIF statutory limit; and (p) any other investment which is a permitted investment of the County in accordance with the laws of the State.

“Long-Term Bonds” means all Bonds with a stated maturity in excess of one year from the date originally issued, but also including Short-Term Bonds if a commitment by a financial lender exists to provide financing to retire such Short-Term Bonds and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute a repayment period longer than one year.

“Long-Term Debt Service Requirement” means, for any period of twelve consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of Principal of and interest on Outstanding Long-Term Bonds during such period, also taking into account (a) with respect to Balloon Long-Term Bonds the amount of Principal which would be payable in such period if such Principal were amortized from the date of incurrence thereof over the shorter of a period of twenty (20) years or the period of maturity of such Balloon Long-Term Bonds on a level debt service basis at an interest rate equal to the rate borne by such Bonds on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Bonds, the full amount of Principal payable at maturity will be included in such calculation and except that if there is any reimbursement obligation to any bank or other lending institution in connection with any such Balloon Long-Term Bonds the amount of Principal and interest to be taken into account will be the Principal and interest required to be paid in such period to such bank or lending institution, and (b) with respect to Variable Rate Bonds that

are Long-Term Bonds the interest on such Bonds will be calculated at (i) the initial rate of interest if such Bonds have not been outstanding for at least two Interest Payment Dates on which the interest has been subject to change, and (ii) subsequent to the second such Interest Payment Date, the weighted average rate of interest for such Bonds during the preceding two such Interest Payment Dates; provided, however, that Principal and/or interest will be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from (1) the proceeds of Long-Term Bonds, or other moneys not included in Revenues, including, but not limited to, Grant Revenues, CFCs or PFCs (provided such Grant Revenues, CFCs or PFCs have not otherwise been included in Revenues pursuant to the Indenture or a Supplemental Indenture), which are placed on deposit with the Trustee or are used by the County or are otherwise set aside and segregated by the County for such purpose, or (2) Available Grant Revenues, Available CFC Revenues and/or Available PFC Revenues which are projected by the County to be used to satisfy or which are used by the County to satisfy, as the case may be, all or a portion of the Long-Term Debt Service Requirement for the period in which such determination is made.

“*Net Proceeds*” means the gross proceeds derived from insurance or as an award arising from Eminent Domain with respect to the Airport, less payment of attorneys’ fees and expenses properly incurred in the collection of gross proceeds.

“*Net Revenues*” for any period means the excess, if any, of Revenues over Current Expenses for such period.

“*Operating Fund*” means the fund created and designated the John Wayne Airport Operating Fund by the Indenture.

“*Original Indenture*” means the Indenture, dated as of July 1, 1987 by and between the County and the Trustee, as successor trustee to Security Pacific National Bank.

“*Outstanding*” when used with reference to Bonds means, as of a particular date, all Bonds theretofore authorized under and secured by the Indenture except: (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds for the payment of which money, Government Obligations, or a combination of both, in an amount sufficient to pay on the date when such Bonds are to be paid or redeemed have been deposited with the Trustee in trust for the Owners of such Bonds; Government Obligations will be deemed to be sufficient to pay or redeem Bonds on a specified date if the principal of and the interest on such Government Obligations, when due, will be sufficient to pay on such date the Redemption Price of, and the interest accruing on, such Bonds to such date; and (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture.

“*Owner*” means a person in whose name a Bond is registered in the registration books provided for in the Indenture.

“*Passenger Facility Charges*” or “*PFCs*” means charges collected by the County pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990, the Aviation Investment Reform Act of 2000 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

“*Permitted Encumbrances*” means, with respect to the Airport:

(a) liens for taxes or other governmental charges or levies not delinquent or that are being contested in good faith by the County;

(b) covenants, easements, encumbrances, defects of title, reservations, restrictions, and conditions existing at the time of delivery of the Series 2019 Bonds;

(c) defects, irregularities, encumbrances, easements, including easements for roads and public utilities and similar easements, rights of way, mineral conveyances, mineral reservations, and clouds on title, none of which materially impairs the use of the property affected thereby for its intended purposes;

(d) mechanics', workers', repairmen's, architects', engineers', surveyors', or carriers' liens or other similar liens with respect to the Airport provided that the same will be discharged in the ordinary course of business and without undue delay or the validity of the same will be contested in good faith with any pending execution thereof appropriately stayed; and

(e) other liens, charges and encumbrances that do not prevent or materially impair the use of the property affected thereby for its intended purposes.

“Principal” means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an event of default, in which case “principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the Owners of the requisite principal amount of Bonds then Outstanding have given any request, demand, authorization, direction, notice, consent or waiver, “principal amount” means the Accreted Amount and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Proceeds Account” means the account in the Construction Fund to be created and so designated by the Indenture.

“Project” means the airport and aviation facilities generally described in the Indenture and as more fully described in the plans and specifications on file in the office of the Airport Manager, as the same may be amended or supplemented from time to time with the concurrence of the County Board of Supervisors or the County Representative, if required and in accordance with the Indenture.

“Project Account” means the account in the Construction Fund created and so designated by the Indenture.

“Rating Agency” and *“Rating Agencies”* means Fitch Ratings or Moody's Investor Services Service Inc. or S&P Global Ratings, or such other entity now or hereafter created meeting the criteria established by the United States Securities and Exchange Commission as a “nationally recognized statistical rating organization.”

“Rating Category” and *“Rating Categories”* means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rebate Account” means the account in the Revenue Fund created and so designated by the Indenture.

“Redemption Price” means the principal amount of a Bond called for redemption plus the applicable premium, if any, payable upon redemption thereof in the manner provided by the Indenture.

“Regular Record Date” means the 15th day of the month preceding any Interest Payment Date, whether or not a Business Day.

“Renewal and Replacement Fund” means the fund created and designated the John Wayne Airport Renewal and Replacement Fund by the Indenture.

“Renewal and Replacement Fund Requirement” for any Fiscal Year means the sum of \$1,000,000 or such larger amount as may be designated by the County.

“Reserve Requirement” means the amount, if any, required to be deposited and maintained in a separate subaccount within the Revenue Bond Reserve Account as set forth in a Supplemental Indenture.

“Revenue Bond Fund” means the fund created and designated the John Wayne Airport Revenue Bond Fund by the Indenture.

“Revenue Bond Interest Account” means the account in the Revenue Bond Fund created and so designated by the Indenture.

“Revenue Bond Principal Account” means the account in the Revenue Bond Fund created and so designated by the Indenture.

“Revenue Bond Redemption Account” means the account in the Revenue Bond Fund created and so designated by the Indenture.

“Revenue Bond Reserve Account” means the account in the Revenue Bond Fund created and so designated by the Indenture.

“Revenue Bond Sinking Fund Account” means the account in the Revenue Bond Fund created and so designated by the Indenture.

“Revenue Fund” means the fund created and designated the John Wayne Airport Revenue Fund by the Indenture.

“Revenues” means (a) except to the extent hereinafter excluded, all payments, proceeds, fees, charges, rents and all other income derived by or for the County for the use of and for the services and facilities furnished by or from the operation or ownership of, the Airport and all other income derived by the County from the operation or ownership of the Airport and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence; (b) investment income from funds, accounts and subaccounts but only to the extent credited or charged against the Revenue Fund as provided under the Indenture; (c) amounts which the County is authorized, but not obligated, to pay or transfer to the Revenue Fund to the extent of any such payments or transfers, including transfers from the Airport General Fund, but excluding amounts transferred to the Airport General Fund pursuant to Section 503(h) in the current Fiscal Year, which amounts will become Revenues only at the time of payment or transfer to the Revenue Fund; (d) amounts transferred from the Rebate Account to the Revenue Fund in any Fiscal Year; (e) any proceeds of business interruption insurance; and (f) Available Revenues.

There will not be included in Revenues: (i) any gifts, grants, (excluding Available Grant Revenues) bequests, contributions or donations, which are restricted by their terms to purposes inconsistent with the payment of debt service on the Bonds or Current Expenses; (ii) proceeds from the sale and disposition of all or any part of all or any part of the Airport; (iii) reimbursements to the County of its advances to the Operating Fund; (iv) to the extent and for so long as such payments are pledged to secure the financing of the same, rentals or other payments (including debt service) from the financing of Special Purpose Facilities, except to the extent otherwise provided by the County in respect of any such facilities; (v) any proceeds of Eminent Domain or insurance, other than business interruption insurance mentioned above and any other proceeds or Eminent Domain or insurance which is not restricted by its terms to purposes inconsistent with the payment of debt service on the Bonds or Current Expenses; (vi) passenger charges collected at the Airport, including, but not limited to, PFCs, but excluding Available PFC Revenues; (vii) customer facility charges collected at the Airport or on behalf of the County with respect to the Airport, including, but not limited to, CFCs, but excluding Available CFC Revenues; (viii) any taxes, fees, charges or impositions, the proceeds of which are limited by authorizing law to the construction of capital improvements at the Airport or noise abatement with respect to Airport operations, except to the extent such amounts are received as payment for use of the Airport; and (viii) the proceeds of any indebtedness.

“Second Supplemental Indenture” means the Second Supplemental Indenture dated as of December 1, 1996, by and between the County and the Trustee, as successor trustee to U.S. Bank Trust National Association, formerly known as First Trust of California, National Association.

“Serial Bonds” means the Bonds of any Series that are designated as such in the Indenture or in the Supplemental Indenture for such Series.

“Series” whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series.

“Series 1987 Bonds” means the Bonds issued pursuant to the Original Indenture.

“Series 2009 Bonds” means, collectively, the Series 2009A Bonds and the Series 2009B Bonds.

“Series 2009A Bonds” means the County of Orange, California, Airport Revenue Bonds, Series 2009A issued pursuant to the Original Indenture and the Fourth Supplemental Indenture.

“Series 2009B Bonds” means the County of Orange, California, Airport Revenue Bonds, Series 2009B issued pursuant to the Original Indenture and the Fourth Supplemental Indenture.

“Series 2019 Bonds” means, collectively, the Series 2019A Bonds and the Series 2019B Bonds.

“Series 2019 Interest Subaccounts” means the subaccounts established and maintained by the Trustee pursuant to the Sixth Supplemental Indenture.

“Series 2019 Principal Subaccounts” means the subaccounts established and maintained by the Trustee pursuant to the Sixth Supplemental Indenture.

“Series 2019 Rebate Subaccount” means the “Series 2019 Rebate Subaccount” established and maintained by the County pursuant to the Sixth Supplemental Indenture.

“Series 2019 Redemption Subaccounts” means the subaccounts established and maintained by the Trustee pursuant to the Sixth Supplemental Indenture.

“Series 2019 Reserve Subaccount” means the “Series 2019 Reserve Subaccount” established and maintained by the County pursuant to the Sixth Supplemental Indenture.

“*Series 2019A Bonds*” means the \$34,530,000 aggregate principal amount of County of Orange, California, Airport Revenue Refunding Bonds, Series 2019A issued pursuant to the Original Indenture and the Sixth Supplemental Indenture.

“*Series 2019A Interest Subaccount*” means the subaccount by that name established and maintained by the Trustee pursuant to the Sixth Supplemental Indenture.

“*Series 2019B Bonds*” means the \$50,500,000 aggregate principal amount of County of Orange, California, Airport Revenue Refunding Bonds, Series 2019B issued pursuant to the Original Indenture and the Sixth Supplemental Indenture.

“*Series 2019B Interest Subaccount*” means the subaccount by that name established and maintained by the Trustee pursuant to the Sixth Supplemental Indenture.

“*Short-Term Bonds*” means all Bonds with a stated maturity of one year or less.

“*Sixth Supplemental Indenture*” means the Sixth Supplemental Indenture, to be dated as of May 1, 2019, by and between the County and the Trustee.

“*Special Purpose Facilities*” means any land, building, structure or other facilities, including equipment, acquired or constructed, which are financed by the issuance of obligations which are issued in compliance with the provisions of the Indenture but are not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Indenture.

“*State*” means the State of California.

“*Subordinated Bonds*” means bonds authorized and secured under the Indenture payable from a subordinate lien on Net Revenues as provided in the Indenture.

“*Subordinated Debt Fund*” means the fund created and designated the John Wayne Airport Subordinated Debt Fund by the Indenture.

“*Supplemental Indenture*” means any indenture hereafter duly authorized and entered into between the County and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Original Indenture.

“*Term Bonds*” means the Bonds of any Series, other than Serial Bonds, stated to be payable by their terms on one or more dates.

“*Third Supplemental Indenture*” means the Third Supplemental Indenture, dated as of May 1, 2003, by and between the Trustee and the County.

“*Total Operating Revenues*” means, as to any period of time, total operating revenues with respect to the Airport, as determined in accordance with generally accepted accounting principles for airports consistently applied.

“*Trustee*” means the Trustee at the time serving as such under the Indenture, whether original or successor.

“United States Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian’s general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. “United States Obligations” will include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

“Variable Rate Bonds” means any portion of Bonds the interest rate on which is not established at the time of incurrence at a fixed or constant rate or is established from time to time.

Details of Bonds

Exchange of Bonds. Bonds, upon surrender thereof at the corporate trust office of the Bond Registrar, together with an assignment duly executed by the Owner or his attorney or legal representative in such form as will be satisfactory to the Bond Registrar, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any denomination or denominations authorized by the Supplemental Indenture pursuant to which such Bonds were issued, bearing interest at the same rate and in the same form as the Bonds surrendered for exchange. The County will make provision for the exchange of Bonds at the corporate trust office of the Bond Registrar.

Ownership of Bonds. The person in whose name any Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of and premium, if any, and interest on, any such Bond will be made only to or upon the order of the Owner thereof or his legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Authentication of Bonds. Only such Bonds as have endorsed thereon a certificate of authentication substantially in the form set forth in the Indenture or in the Supplemental Indenture pursuant to which such Bonds were issued, duly executed as provided in the Indenture or in the Supplemental Indenture, will be entitled to any benefit or security under the Indenture. No Bond will be valid or obligatory for any purpose unless and until such certificate of authentication on the Bond has been duly executed and dated as provided in the Indenture or a Supplemental Indenture, and such certificate upon any such Bond will be conclusive evidence that such Bond has been duly authenticated and delivered under the Indenture. The certificate of authentication on any Bond will be deemed to have been duly executed and dated if signed by an authorized officer under the Indenture or a Supplemental Indenture but it will not be necessary that the same officer sign the certificate of authentication on all of the Bonds or any Series thereof that may be issued under the Indenture at any one time.

Temporary Bonds. Until the definitive Bonds of any Series are ready for delivery, there may be executed, and upon direction of the County Representative, the Bond Registrar will deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, except as to identifying numbers, printed, engraved, lithographed or typewritten temporary Bonds in denominations permitted by the Indenture or the applicable Supplemental Indenture for the definitive Bonds, substantially of the tenor set

forth in the Indenture, with such appropriate omissions, insertions and variations as may be required. The County will cause the definitive Bonds to be prepared and to be executed and delivered to the Bond Registrar, and the Bond Registrar, upon presentation to it of any temporary Bond, will cancel the same or cause the same to be cancelled and will deliver, in exchange therefor, at the place designated by the Owner, without expense to the Owner, a definitive Bond or Bonds of the same Series and in the same aggregate principal amount, maturing on the same date and bearing interest at the same rate as the temporary Bond surrendered. Until so exchanged, the temporary Bonds will be entitled to the same benefit of the Indenture as the definitive Bonds to be issued and authenticated under the Indenture, including the privilege of registration if so provided. Until definitive Bonds are ready for exchange, interest on temporary Bonds will be paid when due and notation of such payment is endorsed thereon.

Mutilated, Destroyed, Lost, or Stolen Bonds. The County will cause to be executed, and the Bond Registrar will deliver a new Bond of like date, number and tenor in exchange and substitution for and upon the cancellation of any mutilated Bond, or in lieu of and in substitution for any destroyed, lost or stolen Bond, and the Owner will pay the reasonable expenses and charges of the County in connection therewith. Prior to the delivery of a substitute Bond the Owner of any Bond which was destroyed, lost or stolen, will file with the Bond Registrar evidence satisfactory to it of the destruction, loss or theft of such Bond and of the Owner's ownership thereof and will furnish to the County and to the Bond Registrar such security or indemnity as may be required by them to save each of them harmless from all risks, however remote.

Every Bond issued pursuant to the provisions of the Indenture in exchange or substitution for any Bond which is mutilated, destroyed, lost or stolen will constitute an additional contractual obligation of the County, whether or not the destroyed, lost or stolen Bonds are found at any time or are enforceable by anyone, and will be entitled to all the benefits and security of the Indenture equally and proportionately with any and all other Bonds of the same Series duly issued under the Indenture.

Construction Fund

Construction Fund. The Indenture establishes the Construction Fund and four special accounts therein designated the "Project Account," "Costs of Issuance Account," the "Additional Facilities Account" and the "Capitalized Interest Account," respectively. Unless otherwise prohibited from doing so, any money received by the Trustee or the County from any source for construction of Additional Facilities will be deposited upon the delivery of such Bonds in a separate subaccount in the Additional Facilities Account to be created by the Supplemental Indenture providing for the issuance of the Bonds financing such Additional Facilities.

The money in the Construction Fund (except the Costs of Issuance Account) will be held by a Depositary selected by the County and applied to the cost of Additional Facilities and will be disbursed from the County treasury in the same manner that other moneys are disbursed from the County treasury. The Costs of Issuance Account will be held by the Trustee. The money in each subaccount of the Capitalized Interest Account will be transferred to the related subaccount of the Revenue Bond Interest Account as provided in the Indenture or in any Supplemental Indenture. The money in each subaccount of the Cost of Issuance Account will be disbursed by the Trustee upon receipt of a written requisition signed by the County Representative for the purpose of paying all or any portion of the costs of issuance of the Series of Bonds relating to such subaccount.

Payments from Construction Fund. Payment of the Cost of Additional Facilities will be made from the applicable subaccount within the Additional Facilities Account. All payments from the Construction Fund will be subject to the provision and restrictions set forth in the Indenture, and the County will not cause or agree to permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions.

Cost of Additional Facilities. For the purpose of the Indenture, the cost of any Additional Facilities includes such costs as are eligible costs within the purview of the Act, and, without intending to limit or restrict any proper definition of such cost, includes the following: obligations incurred in connection with the construction, acquisition, and equipping of any Additional Facilities; capitalized interest on Bonds during construction periods; administrative expenses and costs of issuance.

Completion of Additional Facilities and Disposition of Construction Fund Balance. On the Completion Date for any phase of any Additional Facilities the County may withdraw all money then remaining in the relevant account or subaccount in the Construction Fund in excess of the amount then needed for completion of such Additional Facilities (provided that, in determining such excess amount, the County may, at its option, take into account anticipated investment earnings on the amount remaining in the Construction Fund) and apply the same, subject to covenants relating to restrictions on use of Bond proceeds under the Internal Revenue Code of 1986, as amended, for any lawful Airport purpose which, in the opinion of nationally recognized bond counsel (such opinion to be delivered by the County to the Trustee), will not adversely affect the exclusion from gross income for federal income tax purposes of interest income on the Bonds of the applicable Series.

The term "Completion Date" means the date upon which the County Representative delivers to the Trustee a certificate stating that the phase of any Additional Facilities has been substantially completed in accordance with the relevant plans and specifications and all construction costs related thereto, including, without limitation, all proper incidental expenses, have been paid or moneys in the Additional Facilities Account have been set aside for such payment.

Proceeds Account. If and when Net Proceeds are received and designated for use in the repair or replacement of the Airport, the Depository will create a new account in the Construction Fund to be designated the Proceeds Account into which Net Proceeds will be deposited. Payment of the Cost of repairing or replacing the Airport will be made from the Proceeds Account.

Revenues and Funds

Establishment of Funds. In addition to the Construction Fund, the Indenture establishes the following funds:

- (a) Revenue Fund, in which there is established a special account to be known as the Rebate Account;
- (b) Operating Fund;
- (c) Revenue Bond Fund, in which there are established five special accounts to be known as the Revenue Bond Interest Account, the Revenue Bond Principal Account, the Revenue Bond Redemption Account, the Revenue Bond Reserve Account and the Revenue Bond Sinking Fund Account;
- (d) Subordinated Debt Fund;
- (e) Renewal and Replacement Fund;
- (f) Airport General Fund; and
- (g) Insurance and Condemnation Award Fund.

The Rebate Account and the Revenue Bond Fund and the accounts and subaccounts therein will be established with and held by the Trustee. The Revenue Fund (except the Rebate Account), the Operating Fund, the Renewal and Replacement Fund, the Insurance and Condemnation Award Fund and the Airport General Fund and the accounts therein will be established with and held by a Depository selected by the County.

With the exception of the money in the Airport General Fund and the Rebate Account which will be held free and clear of any lien or encumbrance created by the Indenture, the money in all of the foregoing funds, accounts and subaccounts established pursuant to the Indenture will be held in trust and applied as provided in the Indenture and, pending such application, the money in the Revenue Bond Fund and the accounts and subaccounts therein will be subject to a lien and charge in favor of the Owners of the respective Series of Bonds issued and Outstanding under the Indenture and for the further security of such Owners, except as otherwise provided in the Indenture or in any Supplemental Indenture.

Each Supplemental Indenture providing for the issuance of an additional Series of Bonds will provide, if applicable, for the creation of a separate subaccount within the Rebate Account, the Capitalized Interest Account, the Revenue Bond Interest Account, the Revenue Bond Principal Account, the Revenue Bond Redemption Account, the Revenue Bond Reserve Account and the Revenue Bond Sinking Account with respect to such Series of Bonds, which subaccounts will bear the designation of such Series of Bonds.

Revenues Received by the County. Except as otherwise provided in the Indenture, all Revenues will be deposited when received in the Revenue Fund.

Application of Money in Revenue Fund. Moneys in the Revenue Fund will be applied as described under "SECURITY FOR THE BONDS—Revenue Fund; Application of Revenues."

On or before the 45th day next preceding any date on which Serial Bonds are to mature or Term Bonds are to be redeemed or are to mature, the County may satisfy all or a portion of its obligation to make the principal payments as described in the Indenture by delivering to the Trustee Serial Bonds maturing or Term Bonds maturing or required to be redeemed on such date. The price paid by the County to purchase any such Bond (if paid from moneys in the Revenue Bond Fund) will not exceed the Redemption Price plus accrued interest to the date of purchase applicable to such Bonds at the next redemption date. Upon such delivery the County will receive a credit against amounts required to be deposited into the Revenue Bond Interest Account and the Revenue Bond Principal Account or Revenue Bond Sinking Fund Account, as the case may be, on account of such Bonds with respect to all interest payments for the remainder of the Fiscal Year and in the amount of 100% of the principal amount of any such Serial Bonds or Term Bonds so delivered.

Application of Money in Operating Fund. The Current Expenses together with the County's cost of capital items (including the cost of capital leases) in an amount not to exceed in any Fiscal Year 15% of all Current Expenses as hereinafter determined and budgeted for such Fiscal Year will be paid from the Operating Fund as the same become due and payable. Payments from the Operating Fund will be made by the County in conformity with the applicable budget and procedures set forth in the Indenture.

If at any time the money held in the Operating Fund exceeds an amount equal to one-sixth (1/6) of the Current Expenses for the then current Fiscal Year as shown on the Annual Budget plus 100% of the amount of encumbered funds from previous budgets, the County will transfer such excess to the Revenue Fund.

Application of Money in Capitalized Interest Account and Interest Account. Moneys in the Capitalized Interest Account and Interest Account will be used to pay interest on the Bonds.

On the Completion Date for any Additional Facilities the County may withdraw all money then remaining in the relevant subaccount in the Capitalized Interest Account in excess of the amount then needed to provide for payment of capitalized interest until the completion of the remainder of the Additional Facilities (provided that, in determining such excess amount, the County may, at its option, take into account anticipated investment earnings on the amount remaining in the Capitalized Interest Account) and apply the same, subject to covenants relating to restrictions on use of Bond proceeds under the Internal Revenue Code of 1986, as amended, for any lawful Airport purpose which, in the opinion of nationally recognized bond counsel, will not adversely affect the tax-exempt status of interest income on the Bonds of the applicable Series.

Application of Money in Revenue Bond Principal Account. Moneys in the Principal Account will be used to pay the principal of Bonds at their respective maturities.

If at any date there is money in the Revenue Bond Principal Account and no Serial Bonds are then Outstanding or if on any principal payment date money remains therein after the payment of the principal of Serial Bonds then due, the Trustee will withdraw such money therefrom and will apply the same as follows: (a) deposit in the Revenue Bond Sinking Fund Account and the Revenue Bond Reserve Account, in that order, the amounts then required to be paid thereto by the County pursuant to the Indenture and (b) deliver all remaining amounts to the County. Upon receipt thereof the County will deposit (1) in the Renewal and Replacement Fund the amount then required to be paid thereto by the County pursuant to the Indenture and (2) all remaining amounts in the Airport General Fund.

Application of Money in Revenue Bond Sinking Fund Account. Money held for the credit of the subaccounts in the Revenue Bond Sinking Fund Account will be applied during each Fiscal Year to the retirement, purchase or payment of Term Bonds.

Application of Money in Revenue Bond Reserve Account. At the time of issuance of each Series of Bonds, the County, pursuant to a Supplemental Indenture, will elect whether such Series of Bonds (and any other Series of Bonds issued at the same time) will be secured or will not be secured by a subaccount to be established in the Revenue Bond Reserve Account and the amounts deposited therein. Should the County elect to secure a Series of Bonds (and such other Series of Bonds issued at the same time) with a subaccount in the Revenue Bond Reserve Account, the Supplemental Indenture executed and delivered by the County in connection with such Bonds will set forth the applicable Reserve Requirement for such subaccount.

The Trustee will use amounts in the appropriate subaccounts in the Revenue Bond Reserve Account to make transfers, in the following order, to the appropriate subaccounts in the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account to remedy any deficiency therein as of the 25th day of the month preceding any Interest Payment Date to pay the interest on or the principal of the related Bonds when due, whenever and to the extent that the money on deposit in any or all of said subaccounts is insufficient for such purposes.

All amounts in any subaccount of the Revenue Bond Reserve Account in excess of the applicable Reserve Requirement may be transferred to the Depository for deposit to the Revenue Fund at the written request of the County Representative and used for any lawful purpose.

In lieu of funding a subaccount in the Revenue Bond Reserve Account with cash or Investment Obligations, the County, at its option, may fund all or any portion of the Reserve Requirement related to such subaccount by providing the Trustee (a) an irrevocable, unconditional letter of credit issued by a bank or savings and loan association whose long-term uncollateralized debt obligations are rated, at the time such letter of credit is issued, in one of the three highest Rating Categories by one or more Rating Agencies, or

(b) an insurance policy, which may be referred to in any Supplemental Indenture as a “Reserve Fund Surety Policy”, providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and issued by a municipal bond or other insurance company who is rated, at the time of issuance of such policy, in one of the three highest Rating Categories by one or more Rating Agencies.

All amounts remaining in each subaccount in the Revenue Bond Reserve Account may be applied to the final payment of principal of and interest on the related Bonds secured by such subaccount, or upon a redemption of all or a portion of the Bonds secured by such subaccounts, or otherwise, at the written direction of the County Representative; provided, however, that on and as of the date of such payment or application, the balance in the subaccount of the Revenue Bond Reserve Account is not less than the applicable Reserve Requirement.

Application of Money in the Subordinated Debt Fund. The County will apply money on deposit with respect to Subordinated Bonds in accordance with the Supplemental Indenture providing for the issuance of such Subordinated Bonds.

Application of Money in the Renewal and Replacement Fund. The County will apply money in the Renewal and Replacement Fund to the payment of all or a part of the cost of capital items for renewals and replacements to the Airport and of costs incurred in connection therewith.

The County will also use amounts in the Renewal and Replacement Fund to make a deposit to the Revenue Bond Reserve Account whenever and to the extent that the money on deposit in the applicable subaccount of the Revenue Bond Reserve Account is insufficient and needed for the purpose of paying the interest on and the principal of the Bonds when due.

If at any time any encumbered moneys held in the Renewal and Replacement Fund exceed the Renewal and Replacement Fund Requirement, the County will withdraw an amount equal to such excess therefrom and deposit all amounts first, in the Operating Fund or in the Revenue Bond Fund (or any account or subaccount therein) in the order as set forth in the Indenture in order to cure any deficiency in any such fund or account, and, if no such deficiency exists, then in the Airport General Fund.

Application of Money in the Airport General Fund. The County will apply money on deposit in the Airport General Fund for any lawful purpose. Moneys in the Airport General Fund will be held free and clear of any lien or encumbrance created by the Indenture.

Application of Money in the Revenue Bond Redemption Account. Money held for the credit of the subaccounts in the Revenue Bond Redemption Account will be applied to the purchase or redemption of Bonds.

Purchase of Series 2019 Bonds. At the written request or direction of the County, Series 2019 Bonds may be purchased at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the applicable Series 2019 Interest Subaccount) as the County may in its discretion determine, but, to the extent purchased with moneys held in the Series 2019 Redemption Subaccounts, not to exceed the applicable redemption price of the Series 2019 Bonds which would be redeemed but for the operation of this paragraph (excluding accrued interest). No such purchases may occur from moneys held in the Series 2019 Redemption Subaccounts after notice of redemption has been given, and all Series 2019 Bonds so purchased by the Trustee will be cancelled and destroyed.

Rebate Account. (a) As of the first anniversary of the date of issuance and delivery of each Series of Bonds and as of each succeeding annual anniversary thereafter, through and including the date on which

the Bonds have been redeemed or have matured (each such date referred to as a “determination date”), the County will determine the amount of earnings received during the year ending on such determination date (the “bond year”) in the subaccounts established under the Indenture for each Series of Bonds, together with any other accounts or subaccounts under the Indenture which, as provided in the Indenture, need to be included in the determination. As of each determination date, the County will also calculate the amount of earnings, based upon the purchase price of the Investment Obligations, that would have been received with respect to each investment during the bond year ending with such determination date if their annual yield had been equal to the yield on each Series of Bonds, based upon the purchase prices of the Investment Obligations.

(b) If the amount determined in accordance with (a) is a positive number for the bond year, the Depository will, in the County’s sole discretion, transfer from the Revenue Fund the amount so determined and transfer such sum to the Series subaccount of the Rebate Account. If the amount determined in accordance with (a) is a negative number for the bond year, the Trustee will transfer from the Series subaccount of the Rebate Account the amount so determined for deposit into the Revenue Fund.

(c) The Trustee, upon written direction from the County as required by Section 148(f) of the Internal Revenue Code of 1986, as amended, will timely make all payments to the Internal Revenue Service.

Insurance and Condemnation Award Fund. The Trustee will transfer Net Proceeds to the Depository for deposit into the Insurance and Condemnation Award Fund, when and as received by the Trustee, and apply the same as described under the Indenture.

Depositories of Money, Security for Deposits, Investment of Funds and Covenant as to Arbitrage

Security for Deposits. Any and all money received by the County under the provisions of the Indenture, other than the Airport General Fund and the Rebate Account, will be deposited as received with the Trustee or one or more other Depositories as provided in the Indenture, and will be trust funds under the terms of the Indenture, and, to the extent permitted by law in the case of the Construction Fund, will not be subject to any lien or attachment by any creditor of the County other than the Owners.

All money deposited with the Trustee or any Depository under the Indenture, other than the Airport General Fund and the Rebate Account, in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency will be continuously secured in such a manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it will not be necessary for the Trustee or the Depository to give security for the deposit of any money with it for the payment of the principal of or the redemption premium or the interest on any Bonds, or for the Trustee to give security for any money that will be represented by obligations purchased under the provisions of the Indenture as an investment of such money.

All money deposited with the Trustee or any Depository will be credited to the particular fund, account or subaccount to which such money belongs.

Investment of Money. Money held for the credit of all funds, accounts and subaccounts, other than the Airport General Fund and the Revenue Bond Reserve Account, will be continuously invested and reinvested by the County, the Trustee or the Depositories, whichever is applicable, in Investment Obligations to the extent practicable. Money held for the credit of the Airport General Fund may be invested and reinvested by the County as provided by law. Moneys held for the credit of the Revenue Bond

Reserve Account may be invested and reinvested in Government Obligations, repurchase agreements described in item (f) of the definition of Investment Obligations or Investment Agreements described in item (l) of the definition of Investment Obligations. Investment Obligations will mature or be redeemable at the option of the holder thereof not later than the respective dates when the money held for the credit of such funds, accounts and subaccounts will be required for the purposes intended. The maturity date of any repurchase agreement will be deemed to be the stated maturity date of such agreement and not the maturity dates of the underlying Investment Obligations.

The County Representative or his designee will give to the Trustee written directions respecting the investment of any money required to be invested under the Indenture. The Trustee may request in writing additional direction or authorization from the County Representative or his designee with respect to the proposed investment of money under the provisions of the Indenture. Upon receipt of such directions, the Trustee will invest, subject to the provisions of the Indenture, such money in accordance with such directions. In the absence of receipt of such directions, the Trustee will invest solely in United States Obligations or investments described in item (h) of the definition of Investment Obligations.

Investment Obligations acquired with money in or credited to any fund, account or subaccount established under the Indenture will be deemed at all times to be a part of such fund, account or subaccount. The County, or the Trustee or any Depository (at the request of the County) may commingle any of the moneys held by it in any fund, account or subaccount created under the Indenture for investment purposes only, provided that separate records are maintained for each such fund, account or subaccount to account for such transaction.

The County acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the County the right to receive brokerage confirmations of security transactions as they occur, the County specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the County periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Sixth Supplemental Indenture.

Investment Obligations acquired with money in or credited to any fund, account or subaccount established under the Sixth Supplemental Indenture will be deemed at all times to be a part of such fund, account or subaccount.

The interest accruing on Investment Obligations in the funds, accounts and subaccounts, other than the Series 2019 Rebate Subaccount, which will retain any and all of its profits and losses, and any profit or loss realized upon the disposition or maturity of such Investment Obligations will be credited to or charged against the following funds, accounts and subaccounts: (1) interest and profit or loss resulting from any account of the Revenue Fund will be credited to or charged against the Revenue Fund; (2) interest and profit or loss resulting from the Series 2019 Reserve Subaccount will be credited to or charged against the Revenue Fund; (3) interest and profit or loss resulting from each of the Series 2019 Interest Subaccounts, the Series 2019 Principal Subaccounts or the Series 2019 Redemption Subaccounts will be credited and charged against the Revenue Fund; and (4) any interest and profit or loss resulting from the Series 2019 Costs of Issuance Account will be transferred by the Trustee and deposited into the Series 2019A Interest Subaccount and the Series 2019B Interest Subaccount on a pro-rata basis.

Valuation. Investment Obligations in any fund, account or subaccount (other than the Airport General Fund) will be valued at least annually (a) at face value if such Investment Obligations mature within 12 months from the date of valuation thereof, and (b) if such Investment Obligations mature more than 12

months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at his option, if so redeemable, or, if not so redeemable, at the lesser of (1) the cost of such Investment Obligations plus the amortization of any premium or minus the amortization of any discount thereon plus accrued interest, and (2) the market value of such Investment Obligations plus accrued interest.

Covenant as to Arbitrage. The County covenants that so long as any of the Bonds remain Outstanding money on deposit in any fund, account or subaccount maintained in connection with the Bonds, regardless of whether such money was derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated from time to time thereunder. The County further covenants and agrees to comply with the requirements of Section 148(f) of such Code and applicable regulations promulgated from time to time thereunder, and to comply with the further procedures contained in the Indenture.

General Covenants and Representations

Payment of Principal, Interest and Premium. The County will cause to be paid, when due, the principal of (whether at maturity, by acceleration, by call for redemption or otherwise) and the premium, if any, and interest on the Bonds at the places, on the dates and in the manner provided in the Indenture and in the Bonds.

Construction of Additional Facilities. The County will construct any Additional Facilities for the construction of which Bonds are issued or for which money repayable from the proceeds of Bonds is advanced to the County. Upon the completion of such Additional Facilities the County will operate and maintain the same as a part of the Airport.

Operation of the Airport. The County will establish and enforce reasonable rules and regulations governing the operation and use of the Airport, operate the Airport in an efficient and economical manner, maintain the properties constituting the Airport in good repair and in sound operating condition for so long as the same are necessary to the operation of the Airport upon a revenue-producing basis, and comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body that are applicable to the Airport.

Budgets and Covenant As to Current Expenses. On or before the 1st day of each Fiscal Year, the County will prepare a proposed budget for such Fiscal Year for the Airport in the form of the budget then required by law. Each budget will be prepared in such manner as to specify Current Expenses and the amounts to be deposited in the various funds, accounts and subaccounts created by the Indenture during the Fiscal Year for which such budget was prepared. The budget will be accompanied by a pro forma statement of Revenues, Current Expenses and rates, fees, rentals and charges estimated to be necessary to meet the requirements of the provisions relating to the rate covenant in the Indenture and will include or make reference to the amounts to be expended during such Fiscal Year from money in the Construction Fund and the amount of the Renewal and Replacement Fund Requirement for such Fiscal Year.

On or before October 1 of each Fiscal Year, the County will adopt the budget for the Airport for such Fiscal Year (which budget together with any amendments thereof or supplements thereto as hereinafter permitted is collectively called the "Annual Budget").

The proposed budget for such Fiscal Year or, if there is none, the budget for the preceding Fiscal Year, will be deemed to be in force and will be treated as the Annual Budget under the provisions of the Indenture until the adoption of the Annual Budget.

The County may at any time adopt an amended or supplemented Annual Budget for the remainder of the then current Fiscal Year, and will do so when any periodic financial statement indicates that the County is unable to maintain or operate the Airport and comply with the requirements of the rate covenant in the Indenture within the budgetary guidelines and statements related thereto, and when so adopted the Annual Budget as so amended or supplemented will be treated as the Annual Budget under the provisions described above.

Copies of the Annual Budget, including any amendments or supplements thereto, will be mailed by the County to each Owner requesting the same, and made available for inspection at the office of the County Representative. Any Annual Budget required by the Indenture may be part of a budget or other financial report or statement prepared with respect to the Airport.

Records, Accounts and Audits. The County will keep the funds, accounts, subaccounts, money and investments of the Airport separate from all other funds, accounts, money and investments of the County or any of its departments and will keep accurate records and accounts of all items of costs and of all expenditures relating to the Airport and of the Revenues collected and the application of such Revenues. Such records and accounts will be open to the inspection of all interested persons.

Within 180 days after the close of such Fiscal Year the County will cause the Accountant to prepare an audit of its books and accounts pertaining to the Airport. Reports of each such audit will be filed with the County Representative, the Trustee and each Depositary, and copies of each such report will be mailed to each Owner requesting the same and will be made available for inspection at the office of the County Representative. Each such audit report will be accompanied by an opinion of the Accountant stating that the examination of the financial statements was conducted in accordance with generally accepted auditing standards and stating whether such financial statements present fairly the financial position of the Airport or the County and the results of its operations and changes in its financial position for the period covered by such audit report in conformity with generally accepted accounting principles applied on a consistent basis for public entities of like type. Any audit may be part of a comprehensive audit of the County's books and records.

If for any reason beyond its control, the County is unable to obtain the foregoing opinion as to compliance with generally accepted accounting principles, the County will be deemed to be in compliance with the foregoing requirements if it is taking all reasonable and feasible action to obtain such opinion in subsequent Fiscal Years, and if, in lieu of a statement as to compliance and conformity, such opinion states the reasons for such noncompliance or nonconformity.

Insurance. The County will purchase and maintain or cause to be maintained insurance covering such properties belonging to the Airport as are customarily insured against, including loss or damage from such causes as are customarily insured by enterprises of a similar nature in the State, business interruption insurance and comprehensive general liability insurance on the Airport for bodily injury and property damage, with such reasonable deductibles as may be available, including the following:

- (a) fire (with Uniform Standard Extended Coverage Endorsements or equivalent coverage obtainable through federal or State programs) and vandalism and malicious mischief insurance as may be approved for issuance in the State, including insurance against loss or damage from lightning, windstorm, hail, explosion, aircraft, vehicles and smoke, subject to deductibles of not more than 50% of the then applicable Renewal and Replacement Fund Requirement per accident, at all times in amounts equal to the lesser of (i) the principal amount of all Bonds outstanding and (ii) the full replacement cost of the properties constituting the Airport, which amount will be sufficient to ensure that the County could not become a co-insurer under the terms and conditions of the applicable policy or policies. To the extent that any contractor for the

construction of Additional Facilities provides an insurance policy or certificate of insurance showing that the same coverage as is required in the Indenture is being carried by such contractor and adequately protects the interest of the County and the Owners in the Additional Facilities or any part thereof, the insurance provided for by this subparagraph (a) with respect to all or any part of the Project or Additional Facilities will not be required for such construction period while all or any part of the Project or Additional Facilities is so covered by such other insurance;

(b) comprehensive general liability insurance with limits of not less than \$50,000,000 combined single limit for bodily injury and property damage occurrence;

(c) business interruption insurance, covering loss of anticipated Revenues by reason of the total or partial suspension of, or interruption in, the operation of the Airport, with such exceptions as are customarily imposed by insurers, in an amount equal to the Long-Term Debt Service Requirements plus the budgeted Current Expenses for the then current Fiscal Year; and

(d) workers' compensation insurance in such amounts as are required by law.

If the Insurance Consultant and the County certify to the Trustee that the amount of insurance coverage required by the Indenture is not available on reasonable terms and conditions, the insurance coverage required by the Indenture may be modified in accordance with such determination, and the coverage as modified will constitute the minimum requirements of the Indenture.

The County will also procure, and maintain adequate fidelity insurance or bonds on all officers and employees handling or responsible for any Revenues or funds of the Airport, such insurance or bonds to be in an aggregate amount at least equal to the maximum amount of such Revenues or funds at any one time in the custody of all such officers and employees or in the amount of one million dollars (\$1,000,000), whichever is less.

Unless the insurance coverage required by the Indenture is maintained through Qualified Self Insurance as described below, such coverage will be maintained through policies that (a) are issued by financially responsible insurer or insurers qualified to write the respective insurance in the State and of recognized standing, (b) are in such form and contain such provisions (including, without limitation, the loss payable clause, the waiver of subrogation clause, deductibility clauses and the designation of the named insured parties) as are generally considered customary provisions for the type of insurance involved, and (c) prohibit cancellation or substantial modification by the insurer without at least 30 days prior written notice to the County and the Trustee.

The County will be entitled to provide the coverage required by the Indenture through Qualified Self Insurance, provided that the requirements set forth below are satisfied. "Qualified Self Insurance" means insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the County has a material interest or of which the County has control, either singly or with others.

Each plan of Qualified Self Insurance will be established in accordance with law, will provide that upon the termination of such plan reserves will be established or insurance acquired in amounts adequate to cover any potential retained liability in respect of the period of Qualified Self Insurance, and will be reviewed at least once every three years by an Insurance Consultant or registered actuary who will deliver to the County a report on the adequacy of the reserves established thereunder in light of claims made. If the Insurance Consultant or actuary determines that such reserves are inadequate in light of the claims made, he will make a recommendation as to the amount of reserves that should be established and maintained, and the County will comply with such recommendation unless it can establish to the satisfaction of and

receive a certification from, an Insurance Consultant that such recommendation is unreasonable in light of the nature of the claims or the history of recovery against the County for similar claims.

The County will deliver to the Trustee in the month of September at least once every two year period a certificate stating that the County has complied with the requirements of the Indenture.

The Net Proceeds paid in satisfaction of any claim made under policies providing the coverage for fire and casualty and business interruption will be applied as provided in the Indenture.

Notice of Taking; Cooperation of Parties. If any public authority or entity attempts to take or damage all or any part of the Airport through Eminent Domain proceedings, the County will take prompt and appropriate measures to protect and enforce its rights and interests and those of the Trustee and the Owners in connection with such proceedings.

The Net Proceeds of any award or compensation resulting from Eminent Domain proceedings will be applied as described under the subheading “—Insurance and Eminent Domain Proceeds” below.

Insurance and Eminent Domain Proceeds. All Net Proceeds of all fire and casualty insurance required by the Indenture and all Net Proceeds resulting from Eminent Domain proceedings will be delivered to the Depositary for deposit in the Insurance and Condemnation Award Fund and will be applied at the election of the County:

(a) to promptly, replace, repair, rebuild or restore the Airport to substantially the same condition as that which existed prior to such damage, destruction or taking, with such alterations and additions as the County may determine and as will not impair or otherwise adversely affect the revenue-producing capability of the Airport, provided that, in the event the total amount of such Net Proceeds exceeds \$10,000,000, prior to the commencement of such replacement, repair, rebuilding or restoration, the County will deliver to the Trustee a report of an Airport Consultant setting forth (i) an estimate of the total cost of the same, (ii) the estimated date upon which such replacement, repair, rebuilding or restoration will be substantially complete, and (iii) a statement to the effect that Net Proceeds, together with other funds made available or to be made available by the County, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding or restoration of the Airport; or

(b) to the redemption of Bonds, provided that Bonds may be redeemed only if (i) the Airport has been restored to substantially the same condition as prior to such damage, destruction or taking or (ii) the County has determined that the portion of the Airport damaged, destroyed or taken is not necessary to the operation of the Airport and that the failure of the County to repair or restore the same will not impair or otherwise adversely affect the revenue-producing capability of the Airport, or (iii) the Airport Consultant has been unable to make the statement required by subparagraph (a)(iii) of this paragraph.

If the County does not apply Net Proceeds or cause them to be applied, to replace, repair, rebuild, or restore the Airport, the County will direct the Trustee to redeem Bonds in accordance with the Indenture and the Depositary will transfer from the Insurance and Condemnation Award Fund to the Trustee for deposit into the subaccounts in the Revenue Bond Redemption Account an amount sufficient to pay the Redemption Price of the Bonds to be redeemed and to the subaccounts in the Revenue Bond Interest Account an amount that, together with amounts then on deposit therein, is sufficient to pay interest accruing on the Bonds to be redeemed to the date of redemption.

If the County elects to apply Net Proceeds, or cause them to be applied, to replace, repair, rebuild, or restore the Airport, the County will transfer such Net Proceeds from the Insurance and Condemnation Award Fund to the Proceeds Account, and will make disbursements therefrom, in accordance with the procedures and requirements set forth in the Indenture.

Compliance With Applicable Law. So long as any Bond is Outstanding, the County will comply or cause there to be compliance with all applicable laws, orders, rules, regulations and requirements of any municipal or other governmental authority relating to the construction, use and operation of the Airport, provided that the County may contest the same, so long as its failure to comply with the same during the period of such contest will not materially impair the operation or the revenue-producing capability of the Airport.

Payment of Charges and Covenant Against Encumbrances. Except as provided in the Indenture, the County will not create or suffer to be created any lien or charge upon the Airport or any part thereof, or on the Net Revenues, except for Permitted Encumbrances. The County will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within 60 days after the same become due and payable, all lawful costs, expenses, liabilities and charges relating to the maintenance, repair, replacement or improvement of the properties constituting the Airport and the operation of the Airport and lawful claims and demands for labor, materials, supplies or other objects that might by law become a lien upon the Airport or Net Revenues if unpaid. The County will not be required to pay or cause to be discharged, any lien, cost or other liability so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

Disposition of Airport Properties. Except as described below under the subheading “—Additional Facilities; Additions to the Airport”, the County will not sell or otherwise dispose of all or any part of the properties constituting the Airport.

(a) The County will have the right to sell or dispose of any machinery, fixtures, apparatus, tools, instruments or other personal property which may be determined to be part of the Airport, or any materials used in connection therewith if the County determines that such articles are no longer needed or useful in connection with the construction or maintenance of the properties constituting the Airport or the operation of the Airport or that such sale or disposition will not materially impair the operating efficiency of the Airport or reduce the ability of the County to satisfy the requirements relating to the rate covenant as described in the Indenture.

(b) The County, without notice to the Trustee and free of any obligation to make any replacement thereof or substitution therefor, will have the right to demolish or remove any real property and structures existing as part of the Airport provided that the County determines that such removal or demolition does not materially impair the operating efficiency of the Airport or reduce the ability of the County to satisfy the requirements relating to the rate covenant as described in the Indenture.

(c) Notwithstanding the provisions of paragraph (b) above, if the County determines that any real property or structure constituting a part of the Airport or attributable in whole or in part to the Airport has become inadequate, unsuitable or unnecessary, the County will then have the right to demolish or remove such property and, to the extent permitted by law, may sell or otherwise dispose of all or a part of the same, if the County will construct, acquire, replace or substitute real property or structures having a utility value at the Airport at least equal to that of the property demolished or removed.

Unless some other disposition is required by law or by contract, the County will, in its sole discretion, deposit the proceeds resulting from any abandonment, sale or disposition of properties constituting the Airport to any account in the Construction Fund if the amount then on deposit therein is insufficient to pay the costs of Additional Facilities or to the Airport General Fund.

Additional Facilities; Additions to the Airport. All buildings, structures and items of personal property that are constructed, placed or installed in or upon the properties constituting the Airport as an addition or improvement to, as a substitute for, or in renewal, replacement or alteration of, any buildings, structures, and personal property constituting part of the Airport, and all real property acquired as an addition to, in replacement of, or as a substitute for real property constituting a part of the Airport will thereupon become a part of the Airport.

Contracts, Leases and Other Agreements. The County may lease, as lessor, all or any part of the Airport, or contract or agree for the performance by others, of operations or services on or in connection with the Airport or any part thereof, for any lawful purpose, provided, that

- (a) the County will remain fully obligated and responsible under the Indenture to the same extent as if such lease, contract or agreement, or any amendment or revision thereof, had not been executed, and
- (b) the obligation of the County under such lease, contract or agreement will not impair the performance of the County's obligations under the Indenture.

Financing of Special Purpose Facilities. The County is not prohibited by the Indenture from financing the acquisition or construction of any Special Purpose Facilities permitted by law so long as (a) the County will have delivered to the Trustee an opinion of County Counsel to the effect that the underlying obligations issued to finance such Facilities are not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Indenture and that the financing of such Special Purpose Facilities will not conflict with or constitute on the part of the County a breach of or default under any of the covenants or provisions of the Indenture and (b) such Special Purpose Facilities will not be constructed and leased for use or occupation at the Airport under contracts which would provide services, facilities, or supplies whenever such services, facilities, or supplies may be adequately and efficiently made available to the users of the Airport through the then existing improvements at the Airport, the Revenues from which improvements are required under the Indenture to be deposited in the Revenue Fund; and the County will not construct and lease any such Special Purpose Facilities, the use and occupation of which would, in the opinion of the Airport Consultant, result in a reduction of Revenues or Net Revenues below the minimum required to be maintained as provided in the rate covenant as described in the Indenture.

Subject to the provisions described under the subheading "—Additional Facilities; Additions to the Airport" above, any such Facility so financed or otherwise acquired by the County and not constituting a part of the Airport may be added to the Airport by resolution of the County Board of Supervisors provided that at the date of inclusion of such Facility in the Airport the County will deliver to the Trustee:

- (a) a certificate of the County Representative stating that no Default has occurred and is continuing or, if any Default then exists, that action taken pursuant to this section will cure the same, and
- (b) a report of the Airport Consultant stating that based upon its knowledge and analysis of the financial performance and operations of the Airport, the requirements described in paragraph (a)(1)(ii) under the subheading "—Issuance of Additional Bonds" below with respect to any indebtedness would be satisfied.

Issuance of Additional Bonds. Subject to the conditions provided in the Indenture relating to the issuance of Additional Bonds, the County will have the right to issue the following Bonds for Additional Facilities or to refund Outstanding Bonds or other indebtedness:

(a) Long-Term Bonds if prior to issuance one of the following conditions is met:

(i) there is delivered to the Trustee a Certificate of the County Representative certifying that, taking into account all outstanding Long-Term Bonds (excluding any Long-Term Bonds to be refunded by the Long-Term Bonds to be issued) and the Long-Term Bonds then to be issued as if they had been issued, at the beginning of the most recent Fiscal Year for which audited financial statements are available preceding the date of delivery of such Certificate, the Net Revenues for such Fiscal Year were not less than 1.25 times the Long-Term Debt Service Requirement with respect to all outstanding Long-Term Bonds and the Long-Term Bonds to be issued for such period;

or

(ii) (A) there is delivered to the Trustee a Certificate of the County Representative certifying that, taking into account all outstanding Long-Term Bonds, but not the Long-Term Bonds then to be issued, for the most recent Fiscal Year for which audited financial statements are available preceding the date of delivery of such Certificate, the requirements of the Indenture relating to the rate covenant have been satisfied; and (B) there is delivered to the Trustee a report of an Airport Consultant to the effect that the requirements of the Indenture relating to the rate covenant taking the proposed Long-Term Bonds into account, for (I) in the case of Long-Term Bonds to finance Additional Facilities, (a) the later to conclude of (i) each of the first three full Fiscal Years succeeding the date on which such Additional Facilities are expected to be completed and in operation, or (b) each of the first five Fiscal Years succeeding the date on which such Long-Term Bonds are to be issued, whichever period is concluded later or (II) in the case of Long-Term Bonds not financing Additional Facilities, each of the first five Fiscal Years succeeding the date on which such Long-Term Bonds are issued, will be projected to be satisfied; or

(iii) without compliance with either of the tests mentioned in (i) and (ii) above, additional Long-Term Bonds in an amount not to exceed 10% of Total Operating Revenues for the most recent Fiscal Year for which audited financial statements are available. The total amount of Long-Term Bonds incurred by the County under this clause (iii) and outstanding without compliance with one of the tests mentioned in (i) and (ii) above may not in the aggregate exceed (calculated at the time of issuance of such Long-Term Bonds) the amount calculated in accordance with the provisions of this clause (iii).

(b) Notwithstanding the provisions of paragraph (a) above, Completion Bonds may be issued without satisfaction of an earnings test if the principal amount thereof does not exceed 15% of the principal amount of the Series 1987 Bonds, and may be issued in excess of 15% of such principal amount, but only if any of the tests set forth in paragraph (a) above are met.

(c) Notwithstanding the provisions of paragraph (a) above, Additional Bonds may also be issued without satisfaction of an earnings test in a principal amount not exceeding \$30 million for the purpose of funding the cost of mitigation measures described in the environmental impact report related to the Project.

(d) Bonds may be issued for the purpose of refunding all or any part of any Outstanding Bonds or other indebtedness of the County issued for Airport purposes so as to render it no longer Outstanding if prior to issuance thereof.

(i) the proceeds of such Long-Term Bonds, together with interest earnings on the Government Obligations to be acquired and other available funds, will be sufficient to pay the principal of and interest and any premium on the Bonds to be refunded to the redemption or maturity date and the expenses incident to the refunding, and

(ii) (A) the issuance of such Long-Term Bonds will satisfy the requirements of paragraph (a)(ii)(B) above or (B) the maximum annual principal of and interest on such Long-Term Bonds will be less than the maximum annual principal of and interest on the Outstanding Bonds refunded with the proceeds of such Long-Term Bonds.

(e) Short-Term Bonds may be issued in the ordinary course of business if, immediately after the issuance of such Short-Term Bonds, the outstanding principal amount of all Short-Term Bonds does not exceed 10% of Total Operating Revenues for the most recent Fiscal Year preceding the date of issuance of such Short-Term Bonds for which audited financial statements are available; provided, however, that for a period of 20 consecutive calendar days in each Fiscal Year no such Short-Term Bonds will be outstanding.

(f) Subordinated Bonds may be issued by the County without limitation.

Competing Airport Facilities. The County may acquire or construct or operate, or participate with others through a joint exercise of powers agreement or otherwise in the acquisition or construction or operation of, one or more Additional Airports separate and apart from the Airport; provided, that if acquisition or construction or operation of any such Additional Airport (and any contemplated additions or improvement to such Additional Airport) separate and apart from the Airport would result in a reduction of Revenues or Net Revenues below the minimum required to be maintained pursuant to the Indenture in any future Fiscal Year, the County will cause such Additional Airport to become part of the Airport, and in each instance the County will execute an amendment to the Indenture incorporating such Additional Airport into the definition of Airport (and, if necessary, by making any joint exercise of powers agency a co-obligor under the Indenture) and thereafter such Additional Airport and the revenues therefrom will be subject to the terms of the Indenture; and provided further, no Bonds will be issued or incurred in connection with such acquisition or construction except as permitted by the Indenture. Notwithstanding the foregoing, the County may, at its option, cause any such Additional Airport to become part of the Airport.

In the event that an Additional Airport is acquired or constructed or operated and not made a part of the Airport, and the scope of operations of such Additional Airport is materially changed from that originally contemplated at the time of such acquisition or construction, the County will cause such Additional Airport to become a part of the Airport if required to comply with the foregoing provision.

Available Revenues. Pursuant to a Supplemental Indenture or a resolution of the County, the County, from time to time, in its sole discretion, may irrevocably agree to deposit into the Revenue Fund or an Available Revenue Account (as defined below) and pledge Grant Revenues, CFCs and/or PFCs, to the extent received by the County, in such amounts and during such periods as specified in a Supplemental Indenture or a resolution for the purpose of paying Principal of and interest on the Bonds. Grant Revenues, CFCs and/or PFCs so irrevocably committed and pledged will constitute Available Revenues under the Indenture. Available Revenues will be deposited to the Revenue Fund or to one or more separate and segregated accounts (each an "Available Revenue Account"). If not deposited directly into the Revenue Fund, the County will transfer or cause to be transferred, on a monthly basis, Available Revenues on deposit

in the respective Available Revenue Account(s) to the Revenue Fund, so that such moneys are available for transfer to the respective subaccounts established to pay debt service on the Bonds for such periods as provided in the Supplemental Indenture and any resolution of the County.

Use of Available PFC Revenues. The County covenants and agrees under the Indenture that it will comply in all respects with the laws and regulations governing the use of PFCs.

Events of Default and Remedies

Events of Default. Each of the following events is an “Event of Default” under the Indenture:

(a) payment of the principal of and the redemption premium, if any, on any of the Bonds is not made by the County when the same are due and payable, either at maturity or by redemption or otherwise;

(b) payment of the interest on any of the Bonds is not made by the County when the same is due and payable;

(c) final judgment for the payment of money in excess of \$1,000,000 is rendered against the County as a result of the ownership, control or operation of the Airport, and any such judgment (including any structured judgment) is not discharged (or provision made therefor) within 60 days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment will have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof;

(d) the County: (i) becomes insolvent or the subject of insolvency proceedings; or (ii) is unable, or admits in writing its inability, to pay its debts as they mature; or (iii) makes a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; or (iv) files a petition or other pleading seeking reorganization, composition, readjustment, or liquidation of assets, or requesting similar relief; or (v) applies to a court for the appointment of a receiver for it or for the whole or any part of the Airport other than Special Purpose Facilities; or (vi) has a receiver or liquidator appointed for it or for the whole or any part of the Airport other than Special Facilities (with or without the consent of the County) and such receiver is not discharged within 90 consecutive days after his appointment; or (vii) becomes the subject of an “order for relief” within the meaning of the United States Bankruptcy Code; or (viii) files an answer to a creditor’s petition admitting the material allegations thereof for liquidation, reorganization, readjustment or composition or to effect a plan or other arrangement with creditors or fail to have such petition dismissed within 60 consecutive days after the same is filed against the County; and

(e) the County defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, and such default continues for 30 days after receipt by the County of a written notice from the Trustee specifying such default and requesting that it be corrected, provided that if prior to the expiration of such 30-day period the County institutes action reasonably designed to cure such default, no “Event of Default” will be deemed to have occurred upon the expiration of such 30-day period for so long as the County pursues such curative action with reasonable diligence.

Non-Acceleration of Maturities. Nothing in the Indenture will be construed as permitting the Trustee or any Owner to accelerate the maturity of any Bond upon the happening and continuance of any Event of Default.

Remedies. In addition to any remedies then available to the Trustee under the Indenture and under State and federal law, upon the occurrence of an Event of Default the Trustee may:

- (a) Require the County to endorse all checks and other negotiable instruments representing Revenues to the order of the Trustee immediately upon the receipt thereof and to deliver such endorsed instruments daily to the Trustee.
- (b) Notify any or all account debtors of the County to pay any amounts representing Revenues, when due and owing, directly to the Trustee.
- (c) Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under the Indenture, the Trustee will be entitled, as a matter of right, to the extent permitted by law, to the appointment of a receiver or receivers of the Airport and of the Revenues pending such proceedings, with such powers as the court making such appointments confers, whether or not the Revenues are deemed sufficient ultimately to satisfy the Bonds then Outstanding.
- (d) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due or to enforce observance or performance of any covenant, condition or agreement of the County under the Indenture.

Enforcement of Remedies. Upon the happening and continuance of any Event of Default specified in the Indenture, then and in every such case, the Trustee may, and upon the written request of the Owners of not less than 20% in aggregate principal amount of the Bonds then Outstanding will, proceed to protect and enforce the rights of the Owners under federal or State law or under the Indenture by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power granted in the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee will deem most effectual to protect and enforce such rights.

Pro Rata Application of Funds. Anything in the Indenture to the contrary notwithstanding, if at any time the money in the applicable subaccounts in the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account is not sufficient to pay the interest on or the principal of the related Series of Bonds as the same become due and payable after provision for the payment of the fees, costs and expenses of the Trustee, including the reasonable compensation of its agents, attorneys and counsel, such money, together with any money then available or thereafter becoming available for such purposes, whether through the exercise of the remedies provided for in the Indenture or otherwise, will be applied as follows:

first: if the principal of the Series of Bonds has not become due and payable, to the payment of all installments of interest then due, in the order of the maturity of the installments of such interest;

second: if the principal of less than all of the Series of Bonds has become due and payable, first to the payment of all installments of interest then due on such Bonds of which the principal is not overdue, in the order of the maturity of the installments thereof, and next to the payment of

interest at the respective rates specified in the Series of Bonds on overdue principal, and next to the payment of the principal of such Bonds then due in order of their due dates;

third: if the principal of all Series of Bonds has become due and payable by redemption or otherwise, first to the payment of all interest due on such Bonds of which the principal is not overdue, and next to the payment of interest at the respective rates specified in the Series of Bonds on overdue principal, and next to the payment of the principal of the Series of Bonds in order of their due dates; and

fourth: if the principal of all Series of Bonds has become due and payable, and all of the Series of Bonds have been fully paid, together with all interest and premium, if any, thereon, any surplus then remaining will be paid to the County as provided in the Indenture.

All payments to be made to the Owners as described above will be made ratably to the persons entitled thereto, without discrimination or preference, except that if there are insufficient funds to make any payment of interest or principal then due, the amount to be paid in respect of principal or interest, as the case may be, on each Bond will be determined by multiplying the aggregate amount of the funds available for such payment by a fraction, the numerator of which is the amount then due as principal or interest, as the case may be, on each Bond and the denominator of which is the aggregate amount due in respect of all interest or all principal, as the case may be, on all Bonds.

Control of Proceedings by Owners. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds at any time Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided that such direction will be in accordance with law and the provisions of the Indenture.

Restrictions Upon Actions by Individual Owners. Except as described under “—Right to Enforce Payment of Bonds Unimpaired” below, no Owner will have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the Indenture or for any other remedy under the Indenture unless such Owner previously will (a) have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) have requested the Trustee to take action after the right to exercise such powers or right of action, as the case may be, will have accrued, (c) have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceedings in its or their name, and (d) have offered to the Trustee reasonable security and satisfactory indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will have refused or neglected to comply with such request within a reasonable time. Notwithstanding the foregoing provisions, the Owners of not less than 20% in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Owners under the Indenture.

Right to Enforce Payment of Bonds Unimpaired. Nothing in the Indenture will affect or impair the right of any Owner to enforce the payment of the principal of and interest on such Owner’s Bonds or the obligation of the County to pay the principal of and interest on each Bond to the Owner thereof at the time and place specified in said Bond.

The Trustee

Resignation and Removal of Trustee Subject to Appointment of Successor. No resignation or removal of the Trustee and no appointment of a successor Trustee will become effective until the acceptance of appointment by the successor Trustee under the Indenture.

Resignation of Trustee. The Trustee may resign and thereby become discharged from the trusts created by the Indenture by notice in writing given to the County and the Owners of all Bonds not less than 30 days before such resignation is to take effect.

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, executed by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding, filed with the County and the Trustee, and mailed to all Owners of Bonds, not less than 30 days before such removal is to take effect as stated in said instrument or instruments. So long as the County is not in Default under the Indenture, the Trustee may also be removed by the County at any time upon not less than 30 days written notice to the Trustee, which notice will be mailed to the Owners of all Bonds.

The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the Indenture with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the County or the Owners of not less than 20% in aggregate principal amount of Bonds then Outstanding.

Appointment of Successor Trustee. If the position of Trustee becomes vacant for any reason, the County will appoint a Trustee to fill such vacancy.

At any time within one year after any vacancy in the office of the Trustee has occurred, the Owners of 20% in principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Owners and filed with the County, may appoint a successor Trustee, which will supersede any Trustee theretofore appointed by the County.

If no appointment of successor Trustee is made pursuant to the foregoing provisions, any Owner or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee.

Any successor Trustee appointed will be a bank or trust company within the State that is in good standing and duly authorized to exercise corporate trust powers in the State, that is subject to examination by federal or State authority, and that has a combined capital, surplus and undivided profits aggregating not less than \$50,000,000.

Removal and Resignation of Bond Registrar. The Bond Registrar may be removed at any time, with or without cause, by the County, upon one month's written notice by the County to the Bond Registrar. Upon receipt of notice from the County the Trustee will cause notice of such removal to be mailed to the Owners not less than 30 days before such removal is to take effect.

The Bond Registrar may resign and thereby become discharged from the duties, obligations and responsibilities of Bond Registrar under the Indenture, by written notice delivered to the County and the Trustee. Upon receipt of such notice the Trustee will cause notice of such resignation to be mailed to the Owners not less than 30 days before such resignation is to take effect. If the position of Bond Registrar becomes vacant for any reason, the County will appoint a Bond Registrar to fill such vacancy within 30 days after the County receives notice of such vacancy, provided that if the County fails to appoint such Bond Registrar within such period, the Trustee will act as Bond Registrar.

Supplemental Indentures

Supplemental Indenture Without Owners' Consent. The County, with the consent of the Trustee, may adopt supplemental indentures which do not adversely affect the interest of the Owners:

(a) to cure any ambiguity or formal defect or omission or to correct or supplement any provision in the Indenture that may be inconsistent with any other provision in the Indenture; or

(b) to grant to or confer upon the Trustee for the benefit of the Owners, any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee; or

(c) to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the Indenture or other conditions, limitations and restrictions thereafter to be observed, provided that such conditions, limitations, and restrictions do not impair the security for the Outstanding Bonds; or

(d) to provide for the issuance of a Series of Additional Bonds or bonds secured by a subordinate lien on Net Revenues, and to provide the terms and conditions under which such bonds may be issued, subject to and in accordance with the provisions described under the subheading “—Issuance of Additional Bonds” above; or

(e) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect of to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America or to permit the registration of Additional Bonds under the Securities Act of 1933; or

(f) to permit the Bonds to be issued as book-entry bonds if the Trustee is provided with an opinion of nationally recognized bond counsel stating that such supplemental indenture is permitted by the Act; or

(g) to add to the covenants and agreements of the County in the Indenture other covenants and agreements thereafter to be observed by the County or to surrender any right or power reserved to or conferred upon the County in the Indenture, provided that such covenants and agreements and the surrendering of any such right or power do not impair the security for the Outstanding Bonds; and

(h) to amend provisions relating to compliance with the Internal Revenue Code of 1986, as amended, in any manner which in the opinion of nationally recognized bond counsel will not adversely affect the exemption of interest on the Bonds from federal income taxation.

Supplemental Indenture with Owner's Consent. Subject to the terms and provisions contained in this section, and not otherwise, the Owners of not less than 51% in aggregate principal amount of the Bonds then Outstanding that will be affected by a proposed supplemental order will have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the adoption of such supplemental indenture or indentures as are deemed necessary or desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture, provided that the Indenture does not permit (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of Net Revenues other than the lien and pledge created by the Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

Notice of the proposed adoption of a supplemental indenture requiring the consent of Owners will be mailed to all Owners at their addresses as they appear on the registration books maintained by the Trustee. The County will not, however, be subject to any liability to any Owner by reason of its failure to cause such notice to be mailed and any such failure will not affect the validity of such supplemental order when consented to and approved as described above.

Exclusion of Bonds. Bonds owned or held by or for the account of the County will not be deemed Outstanding Bonds for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and County as Owner of such Bonds will not be entitled to consent or take any other action provided for in the Indenture.

Defeasance

Cessation of Interest of Owners. When (a)(i) the Bonds have become due and payable in accordance with their terms or otherwise as provided in the Indenture, and the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds have been paid or (ii) if the Trustee holds money or non-callable Government Obligations, or a combination of both, that are sufficient in the aggregate to pay the principal of, and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof, and if the Bonds are due and payable by reason of a call for redemption, irrevocable instructions to call the Bonds for redemption will have been given by the County to the Trustee, and (b) sufficient funds will also have been provided or provision made for paying all other obligations payable under the Indenture by the County, then and in that case the right, title and interest of the Trustee and Owners in the funds, accounts and subaccounts created by the Indenture will thereupon cease, determine and become void, the County Board of Supervisors will repeal and cancel the Indenture, and the Trustee will apply any surplus in the funds or accounts, other than money held for the redemption or payment of Bonds, as provided in the Indenture.

Notwithstanding the foregoing, if money, non-callable Government Obligations, or a combination of both, are deposited with and held by the Trustee as described above, and within 30 days after such money, Government Obligations, or a combination of both, have been deposited with such Trustee, the County, in addition to observing the requirements of the Indenture relating to redemption, causes a notice signed by the Trustee to be mailed to all Owners affected, setting forth

- (a) the date designated for the redemption of the Bonds,
- (b) a description of the money and Government Obligations so held by such escrow agent, and
- (c) that the Indenture has been repealed and cancelled in accordance with the foregoing provisions,

the Trustee will retain such rights, powers and privileges under the Indenture as may be necessary and convenient in respect of the Bonds for the payment of the principal, interest and any premium on which such money and Government Obligations have been deposited.

All money and Government Obligations held by the Trustee as described above will be held in trust and applied to the payment, when due, of the Bonds and obligations payable therewith.

For purposes of the Indenture, Government Obligations will be deemed to be sufficient to pay or redeem Bonds on a specified date if the Trustee receives a verification report of a nationally recognized

independent certified public accountant determining that the principal of and the interest on such Government Obligations, when due, will be sufficient to pay on such date the principal of, and the premium, if any, and interest due on such Bonds on such date.

[This Page Intentionally Left Blank]

APPENDIX D
PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

County of Orange
Santa Ana, California

<p>\$34,530,000 County of Orange, California Airport Revenue Refunding Bonds Series 2019A (Governmental/Non-AMT)</p>	<p>\$50,500,000 County of Orange, California Airport Revenue Refunding Bonds Series 2019B (Private Activity/Non-AMT)</p>
--	--

Ladies and Gentlemen:

We have acted as Bond Counsel to the County of Orange, California (the “County”) in connection with the County’s issuance and sale of (a) \$34,530,000 aggregate principal amount of its County of Orange, California Airport Revenue Refunding Bonds, Series 2019A (the “Series 2019A Bonds”), and (b) \$50,500,000 aggregate principal amount of its County of Orange, California, Airport Revenue Refunding Bonds, Series 2019B (the “Series 2019B Bonds,” and together with the Series 2019A Bonds, the “Series 2019 Bonds”). The Series 2019 Bonds are being issued by the County pursuant to Chapter 14 of Division 2 of Title 3 (Sections 26301 to 26400.53, inclusive), as amended, of the Government Code of the State of California, as supplemented by Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (Sections 53580 to 53589.5, inclusive) (the “Act”); the Indenture, dated as of July 1, 1987, as amended (the “Original Indenture”), by and between the County and U.S. Bank National Association, as successor trustee (the “Trustee”), and the Sixth Supplemental Indenture, dated as of May 1, 2019 (the “Sixth Supplemental Indenture,” and together with the “Original Indenture,” the “Indenture”), by and between the County and the Trustee. Issuance of the Series 2019 Bonds has been authorized by a resolution adopted by the Board of the Supervisors of the County on April 23, 2019 (the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

In connection with the issuance of the Series 2019 Bonds, we have examined: (a) the Act; (b) a certified copy of the Resolution; (c) executed copies of the Original Indenture and the Sixth Supplemental Indenture; (d) an executed copy of the Escrow Agreement, dated the date hereof, between the County and U.S. Bank National Association, as trustee and escrow agent; (e) an executed copy of the Tax Compliance Certificate, dated the date hereof, relating to the Series 2019 Bonds and other matters (the “Tax Certificate”); (f) certifications of the County, U.S. Bank National Association, as trustee and escrow agent, Morgan Stanley & Co. LLC, the underwriter of the Series 2019 Bonds (the “Underwriter”), Frasca & Associates, LLC, as municipal advisor to the County, and others; (g) opinions of the Office of County Counsel, counsel to U.S. Bank National Association, and counsel to the Underwriter; (h) a copy of the verification report, dated the date hereof, by Robert Thomas CPA, LLC; and (i) such other documents as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due

and legal execution and delivery thereof by, and the validity against, any parties, other than the County, thereto. 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 this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the County, the security provided therefor, as contained in the Series 2019 Bonds and the Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2019 Bonds or the Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated April 30, 2019, or any other offering material relating to the Series 2019 Bonds and express no opinion relating thereto.

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

1. The Series 2019 Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Series 2019 Bonds have been fulfilled.

2. The Series 2019 Bonds constitute the valid and binding limited obligations of the County payable solely from the Net Revenues.

3. The Original Indenture and the Sixth Supplemental Indenture have been duly authorized, executed and delivered by the County and, assuming the due authorization, execution and delivery by the Trustee, constitute the valid and binding obligations of the County, enforceable against the County in accordance with their terms. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2019 Bonds, of the Net Revenues and certain funds and accounts held by the Trustee under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2019A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2019B Bonds is excluded from gross income for federal income tax purposes, except that such exclusion does not apply with respect to interest on any Series 2019B Bond for any period during which such Series 2019B Bond is held by a person who is a "substantial user" of the facilities refinanced by the Series 2019B Bonds or a "related person" to such substantial user within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Interest on the Series 2019B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

6. Under existing laws, interest on the Series 2019 Bonds is exempt from present State of California personal income taxes.

The opinions set forth in numbered paragraphs 4 and 5 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the County with covenants regarding federal tax law contained in the Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2019 Bonds to be included in gross income retroactive to the date of issue of the Series 2019 Bonds. Although we are of the opinion that interest on the Series 2019 Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2019 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Series 2019 Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

[This Page Intentionally Left Blank]

APPENDIX E
FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “***Disclosure Certificate***”) is executed and delivered by the County of Orange, California (the “***County***”), in connection with the issuance of the County of Orange, California, Airport Revenue Refunding Bonds, Series 2019A and Series 2019B (the “***Series 2019 Bonds***”). The Series 2019 Bonds are being issued pursuant to an Indenture, dated as of July 1, 1987, as amended, by and between the County and U.S. Bank National Association, as successor trustee (the “***Trustee***”), as amended and supplemented by the Sixth Supplemental Indenture, dated as of May 1, 2019 (collectively, the “***Indenture***”), by and between the County and the Trustee. The County covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Series 2019 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The definitions set forth in the Indenture shall apply to any capitalized term used in this Disclosure Certificate. Otherwise 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 hereof.

“*Beneficial Owner*” shall mean any person that (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Series 2019 Bonds (including persons holding Series 2019 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2019 Bonds for federal income tax purposes..

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

“*EMMA System*” shall mean the MSRB’s Electronic Municipal Market Access system, currently located at <http://emma.msrb.org>, or such other electronic system designated by the MSRB.

“*Financial Obligation*” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “*Financial Obligation*” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“*Fiscal Year*” shall mean the one-year period ending on June 30 of each year or such other period of twelve (12) months designated by the County as its Fiscal Year.

“*Holders*” shall mean either the registered owners of the Series 2019 Bonds, or if the Series 2019 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

“*Listed Events*” shall mean any of the events listed in Sections 5(a) and 5(b) hereof.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

“Official Statement” shall mean the final official statement of the County relating to the Series 2019 Bonds.

“Participating Underwriter” shall mean the original underwriter of the Series 2019 Bonds required to comply with the Rule in connection with offering of the Series 2019 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, if the Dissemination Agent is other than the County, to, not later than seven (7) months after the end of each Fiscal Year (which shall be February 1 of each year, so long as the County’s Fiscal Year ends on June 30), commencing with the Fiscal Year ending June 30, 2019, provide or cause to be provided, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report that is consistent with the requirements of Section 4 hereof. The County’s first Annual Report shall be due February 1, 2020. Not later than fifteen (15) Business Days prior to the date of filing of the Annual Report, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that the audited financial statements of the Airport required hereunder 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 the same manner as for a Listed Event under Section 5(e) hereof. The County shall provide a written certification with each Annual Report to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a), the Dissemination Agent (if other than the County) has not received a copy of the Annual Report, the Dissemination Agent shall contact the County to determine if the County is in compliance with subsection (a).

(c) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the County (if the Dissemination Agent is other than the County) certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

SECTION 4. Content of Annual Reports.

(a) The Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Airport for the prior 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. If such

audited financial statements are not available at the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement, in the following charts and tables:

- (a) Table 7, entitled “Historical Passenger Activity, Million Annual Passenger (MAP) Cap”;
- (b) Table 8, entitled “Airline Enplanements Market Share”;
- (c) Table 9, entitled “Airline Carrier Landed Weight Market Share”;
- (d) Table 11, entitled “Scheduled Departures”;
- (e) Table 14, entitled “Revenue Sources”; and
- (f) Table 15, entitled “Statements of Revenues and Expenses” (excluding any projections contained therein).

(b) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the County shall provide such further material information, if any, as may be necessary to make the specifically required statements, in light of the circumstances in which they are made, not misleading.

The County is solely responsible for the content and format of the Annual Report.

The County has not undertaken in this Disclosure Certificate to provide all information an investor may want to have in making decisions to hold, sell or buy Series 2019 Bonds but only to provide the specific information listed above.

(c) Any or all of the items listed above 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 submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so included by reference.

(d) Information contained in an Annual Report for any Fiscal Year containing any modified operating data or financial information for such Fiscal Year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such Fiscal Year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

SECTION 5. Reporting of Listed 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 Series 2019 Bonds not later than ten (10) 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 with respect to the tax status of the Series 2019 Bonds or the 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 Series 2019 Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the County; or
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.

Note: For the purposes of the event identified in subsection (9) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County 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 County, 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 County.

(b) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2019 Bonds, if material, not later than ten (10) business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax

status of the Series 2019 Bonds or other material events affecting the tax status of the Series 2019 Bonds;

2. Modifications to rights of the Beneficial Owners or Holders of the Series 2019 Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Series 2019 Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, 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.

(c) The County shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the County obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(e) If the County learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the County shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Sections 5(a)(7) and 5(b)(3) hereof need not be given under this subsection any earlier than the notice of such event is given to Beneficial Owners and Holders of the Series 2019 Bonds pursuant to the Indenture.

(f) The County intends to comply with the Listed Events described in Sections 5(a)(10) and 5(b)(8) hereof, and the definition of "Financial Obligation", with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885, dated August 20, 2018 (the "*2018 Release*"), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the maturity, legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Series 2019 Bonds, or upon delivery to the Dissemination Agent (if other than the County) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity date of the Series 2019 Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

SECTION 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the County) 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 Dissemination Agent (if other than the County) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to, attorney's fees). The initial Dissemination Agent shall be the County.

SECTION 8. 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 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of the County with respect to the Series 2019 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 Series 2019 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 either (i) is approved by the Beneficial Owners of the Series 2019 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Series 2019 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 the same manner as for a Listed Event under Section 5(e) hereof, 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 9. 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 of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. 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 Series 2019 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Dissemination Agent (if other than the County), as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County or Dissemination Agent (if other than the County) to comply with this Disclosure Certificate shall be an action to compel performance. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of the County to comply with this Disclosure Certificate.

No Holder or Beneficial Owner of the Series 2019 Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the County satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the County shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expense and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Indenture. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2019 Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent (if other than the County), the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Series 2019 Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

SECTION 13. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the County shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Beneficial Owners of the Series 2019 Bonds shall retain all the benefits afforded to them hereunder. The County hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 14. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of California, provided that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed in accordance with such federal securities laws, and official interpretations thereof.

IN WITNESS WHEREOF, the County has executed this Continuing Disclosure Certificate this 14th day of May, 2019.

COUNTY OF ORANGE, CALIFORNIA

By: _____
Airport Director

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: County of Orange, California

Name of Bond Issue: County of Orange, California, Airport Revenue Refunding Bonds Series 2019A and Series 2019B

Date of Issuance: May 14, 2019

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Series 2019 Bonds as required by Section 1820 of the Indenture, dated as of July 1, 1987, between the County and Security Pacific National Bank, as predecessor to U.S. Bank National Association, as successor trustee (the "Trustee"), as supplemented by the Sixth Supplemental Indenture, dated as of May 1, 2019, by and between the County and the Trustee. The County anticipates that the Annual Report will be filed by _____.

Date: _____

COUNTY OF ORANGE, CALIFORNIA

By _____

[This Page Intentionally Left Blank]

APPENDIX F

BOOK-ENTRY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The County makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2019 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2019 BONDS UNDER THE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2019 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SERIES 2019 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2019 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2019 Bond certificate will be issued for each maturity of each Series of the Series 2019 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, as amended. 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 Participants are on file with the Securities and Exchange County. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 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 Series 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2019 Bond documents. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 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 the notices be provided directly to them.

While the Series 2019 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2019 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee on the 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 County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2019 Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2019 Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but neither the County nor the Underwriter take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2019 BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

[This Page Intentionally Left Blank]



Printed by: ImageMaster, LLC
www.imagemaster.com