In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

# \$419,755,000 ORANGE COUNTY PUBLIC FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS SERIES 2005

**Dated: Date of Delivery** 

Due: July 1, as shown on inside cover

The above-captioned bonds (the "Bonds") will be issued by the Orange County Public Financing Authority (the "Authority") pursuant to an Indenture, dated as of August 1, 2005 (the "Indenture"), between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), and together with certain funds contributed by the County and other funds available to the Trustee will (i) defease and refund the outstanding 1996 Recovery Certificates of Participation, Series A evidencing and representing the interests in the rights of the registered owners thereof in base rental payments to be made by the County of Orange, California (the "County") under a Master Lease between the County and the Orange County Public Facilities Corporation, (ii) fund the debt service reserve fund for the Bonds, and (iii) pay costs related to the issuance of the Bonds, including premium for bond insurance. See "PLAN OF FINANCE" herein.

Interest on the Bonds will be payable by the Trustee on January 1 and July 1 of each year, commencing January 1, 2006. The Bonds will be delivered in fully registered book-entry form only and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Upon receipt of payments of the principal of and premium, if any, and interest on the Bonds, DTC will remit such principal, premium, if any, and interest to its participants (as described herein) for subsequent disbursement to the beneficial owners of the Bonds. Purchasers of the Bonds will not receive physical bonds representing their interests in the Bonds purchased. See APPENDIX C – "BOOK-ENTRY SYSTEM." The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

The Bonds are subject to extraordinary redemption prior to maturity as described herein. See "THE BONDS-Redemption."

Payment of scheduled principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy (the "Policy") issued by MBIA Insurance Corporation (the "Bond Insurer"). See "BOND INSURANCE" herein.

# MBIA

The Bonds are limited obligations of the Authority payable solely from base rental payments (the "Base Rental Payments") to be made by the County pursuant to a Lease, dated as of August 1, 2005, between the Authority and the County (the "Lease"), and other amounts held by the Trustee in the funds and accounts established under the Indienture (other than the Rebate Fund), except as otherwise provided in the Indenture. The Base Rental Payments are expected to be paid by the County in such amounts and on such dates as will enable the Authority to pay the principal of and interest on the Bonds when due and payable. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS ONLY FROM THE FUNDS DESCRIBED IN THE INDENTURE, AND THE AUTHORITY SHALL NOT INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE BONDS. THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making an investment decision. Attention is directed to the section of this Official Statement entitled "CERTAIN RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

The Bonds will be offered when, as and if delivered and received by the underwriters listed below (the "Underwriters"), subject to approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. Sidley Austin Brown & Wood LLP served as Disclosure Counsel to the County. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, San Francisco, California, and for the Authority and the County by the Office of County Counsel. It is expected that the Bonds will be available or delivery through the facilities of DTC in New York, New York, on or about August 16, 2005.

Goldman, Sachs & Co.

Citigroup

Banc of America Securities LLC

Morgan Stanley & Co. Incorporated

Stone & Youngberg LLC

Dated: August 3, 2005

enable the Authority to pay the principal of and interest on the Bonds when due and payable. The Lease requires the County to make Base Rental Payments on the fifteenth day of each month, commencing September, 2005, in payment for the use and possession of the Leased Facilities during the term of the Lease.

The County has covenanted in the Lease to take such action as may be necessary to include the Base Rental Payments in its annual budgets and to make the necessary annual appropriations for such payments. See APPENDIX A – "THE COUNTY—COUNTY FINANCIAL INFORMATION—County

All Base Rental Payments will be paid directly by the County to the Trustee and will be held in General Fund Budget." trust by the Trustee in the Revenue Fund under the terms of the Indenture. Pursuant to the Indenture, on or before each Interest Payment Date the Trustee will apply such amounts in the Revenue Fund as are necessary to make principal and interest payments with respect to the Bonds as the same shall become due and payable. Base Rental Payments are expected to be used, first, for payment of interest on the Bonds; second, for payment of the principal of the Bonds as it becomes payable; and third, for replenishment of the Reserve Fund as provided in the Indenture. After making any deposits necessary for the foregoing purposes, the Trustee will transfer any amounts remaining in the Revenue Fund to or upon the direction of the County to be used for any lawful County purpose.

The Base Rental Payments will be abated proportionately during any period in which, by reason of any damage to or destruction of the Leased Facilities, there is substantial interference with the use and occupancy of the Leased Facilities by the County. The abatement will continue for the period commencing on the date of such damage or destruction and ending on the date of completion of the work to repair or of the replacement of the damaged or destroyed Leased Facilities. Any abatement of Base Rental Payments could affect the Authority's ability to pay debt service on the Bonds, even though the Lease requires the County to maintain rental interruption insurance and the Indenture establishes a Reserve Fund. See "CERTAIN RISK FACTORS—Abatement."

THE BASE RENTAL PAYMENTS DO NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY IS OBLIGATED TO LEVY ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

If the County defaults on its covenants in the Lease to include Base Rental Payments in the applicable annual budgets, the Trustee, to the extent set forth in the Lease, may either (i) terminate the Lease and relet the Leased Facilities or (ii) retain the Lease and hold the County liable for all Base Rental Payments on an annual basis. Only the remedy described in clause (ii) is available with respect to the Restricted Properties (except in the event changes in law or other changes occur in the future as more fully described in APPENDIX D - "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Defaults and Remedies"). In no event, however, may Base Rental Payments be accelerated. See "CERTAIN RISK FACTORS—Limitations on Remedies."

In connection with the issuance of the Bonds, the County will lease the Leased Facilities to the The Leased Facilities Authority under the terms of the Site Lease. Under the Lease, the Authority will lease back the Leased Facilities to the County. Upon expiration of the Lease, title to the Leased Facilities will vest in the County. The properties comprising the Leased Facilities are described in APPENDIX H hereto.

In accordance with the Lease, the Leased Facilities are comprised of Leased Facilities Group I and Leased Facilities Group II. Upon the occurrence of the respective Expiry Date under the Lease, currently July 1, 2011 for Leased Facilities Group I and July 1, 2017 for Leased Facilities Group II, and provided that none of the County's Rental Payments with respect to such Leased Facilities have been abated or not fully paid, the Leased Facilities contained in the respective Leased Facilities Group will be withdrawn from the Lease without any action by the Authority, County, Trustee or Bond Insurer. See APPENDIX D— "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Term; Use" and APPENDIX H—"THE LEASED FACILITIES."

The County may substitute other property for the Leased Facilities or, under certain circumstances, withdraw portions of the Leased Facilities, in each case subject to the terms and conditions of the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Substitution or Release of Leased Facilities."

Certain deed, legal and other restrictions and limitations exist with respect to the use of certain of the Leased Facilities identified by an asterisk above (the "Restricted Properties") that affect the enforcement of certain remedies with respect to such Restricted Properties, which are otherwise available with respect to the balance of the Leased Facilities. See "CERTAIN RISK FACTORS—Limitations on Remedies."

#### Reserve Fund

The Indenture establishes a Reserve Fund, the moneys in which will be held in trust as a reserve for the payment when due of all debt service payments on the Bonds or to make the final payment on the Conds at maturity. Under the Indenture, the Reserve Fund Requirement means an amount equal to omealf of the least of (i) ten percent of the original proceeds of the Bonds; (ii) maximum annual debt service on all Bonds Outstanding; or (iii) 125% of average annual debt service on all Bonds Outstanding. Any amounts on deposit in the Reserve Fund in excess of the Reserve Fund Requirement on any Interest Payment Date will be transferred to the Interest Account of the Revenue Fund. In lieu of funding the Reserve Fund with cash or investment securities, the Authority at its option may fund all or any portion of the Reserve Fund Requirement by providing to the Trustee a surety bond, an insurance policy or a letter of credit issued by a financial institution or municipal bond insurance company or similar entity meeting the requirements of the Indenture in an amount sufficient, together with other available funds on deprosit in the Reserve Fund, so that the sum on deposit in the Reserve Fund shall equal the Reserve Fund Requirement. Upon the issuance of the Bonds, the Reserve Fund will be cash funded in an amount equal to the Reserve Requirement. See APPENDIX D - "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS-THE INDENTURE-Creation and Application of Funds and Accounts."

### **Action on Default**

The County expects to lease the Leased Facilities for the term described under "The Leased Facilities" and to make all scheduled Base Rental Payments under the Lease. Should the County desault under the Lease, however, the Trustee, as the Authority's assignee, may, except with respect to the Restricted Properties, to the extent provided in the Lease and permitted under State law, (i) terminate the Lease and relet the Leased Facilities (without any right to damages with respect to any period following termination), (ii) retaining the Lease and hold the County liable for each installment of Base Rental Payments as it becomes due, or (iii) retain the Lease, relet the Leased Facilities and sue the County for the difference between the rental received on reletting and the Base Rental Payments. With respect to the Leastricted Properties, only the remedy described in clause (ii) is available. See APPENDIX D—

## APPENDIX H

# THE LEASED FACILITIES

The following is a listing of the Leased Facilities.

Name of Property

# Group I

Theo Lacy Men's Branch Jail* Juvenile Hall* Los Alamitos-Rossmoor Branch Library Stanton Branch Library Sheriff-Coroner Administration Headquarters	501 The City Drive, Orange, CA 92868 331 The City Drive, Orange, CA 92868 12700 Montecito Drive, Los Alamitos, CA 90740 7850 Katella Avenue, Stanton, CA 90680 550 N. Flower Street (40 Civic Center Plaza) Santa Ana, CA 92703
Hall of Administration Manchester Office Building Finance and Records South County Sheriff Substation Lake Forcet El Toro Branch Library	10 Civic Center Plaza, Santa Ana, CA 92701 301 The City Drive, Orange, CA 92868 12 Civic Center Plaza, Santa Ana, CA 92701 11 Journey, Aliso Viejo, CA 92656 24672 Raymond Way, Lake Forest, CA 92630

Group II

# Name of Property

# Aliso and Wood Canyons Regional Park\*

Lake Forest-El Toro Branch Library

Thomas F. Riley Branch Library

Rancho Santa Margarita Branch Library

Caspers Regional Park\* Resources and Development Management Department Brad Gates Forensic Science Center Public Defender Office Building

SSA/Central Regional Office Resources and Development Management Department Transportation Garage Intake Release Center\* Men's Central Jail\* Women's Central Jail\*

Restricted Property.

#### Address

30921 La Promesa, Rancho Santa Margarita, CA 92688

1 Journey, Aliso Viejo, CA 92656

Address

Alicia Parkway/Aliso Creek Road, Aliso Viejo, CA 92656/92677 33401 Ortega Highway (Unincorporated Area), CA 92675 300 N. Flower Street, Santa Ana, CA 92703 320 N. Flower Street, Santa Ana, CA 92703 645 N. Ross Street (14 Civic Center Plaza) Santa Ana, CA 92701 2000/2020 W. Walnut Avenue, Santa Ana, CA 92703 445 Civic Center Drive, Santa Ana, CA 92701

550 N. Flower Street, Santa Ana, CA 92703 550 N. Flower Street, Santa Ana, CA 92703 44 Civic Center Plaza, Santa Ana, CA 92703