COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 432
LOS ANGELES, CA 90012
TELEPHONE: (213) 974-2101 FAX: (213) 626-1812

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

November 24, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

The Board of Directors of the Los Angeles
County Public Works Financing Authority
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

ISSUANCE OF GAP LOAN RECEIVABLE NOTES
SERIES 2005A AND SERIES 2005B
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
(ALL DISTRICTS) (3-VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the attached Resolution authorizing the issuance of not to exceed $205,000,000 in Gap Loan Receivable Notes and authorizing the execution and delivery of related documents required to issue the Notes and complete the financing transaction.

ACTING AS THE BOARD OF DIRECTORS, IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the attached Resolution authorizing the issuance of not to exceed $205,000,000 in Gap Loan Receivable Notes and authorizing the execution and delivery of related documents required to issue the Notes and complete the financing transaction.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

This action will authorize the issuance of Gap Loan Receivable Notes Series 2005A and Series 2005B by the Los Angeles County Public Works Financing Authority (Authority). In FY 2003-04, the California State Legislature took a series of actions that reduced the amount of Vehicle License Fees received by local governments. Pursuant to State law, the County of Los Angeles is entitled to the payment of $204,710,447.28

to replace the Vehicle License Fees that were diverted from the County by the State (the Gap Loan Receivable). The State is now required to repay the Gap Loan Receivable no later than August 15, 2006.

The County has the legal authority to securitize this Gap Loan Receivable through the issuance of Gap Loan Receivable Notes (Notes) by the Public Works Financing Authority and will use the proceeds to finance capital expenditures. After the Notes are issued, the County will not be obligated to make debt service payments from any source other than the Gap Loan Receivable.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal of Fiscal Responsibility by expediting collection of the receivable, and by developing and investing in public infrastructure in the County.

FISCAL IMPACT/FINANCING

The Resolution provides for issuance of Notes at an interest rate not to exceed a true interest cost of three percent (3%). The final structure will be determined at the time of pricing to achieve the lowest cost of financing.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

AB 2115, adopted in the 2003-04 Regular Session, directs the State Controller to transfer into the Gap Repayment Fund on August 15, 2006, those amounts attributable to vehicle license fees withheld from counties and cities from June 20, 2003 through September 30, 2003. The State Controller has determined that the Gap Loan Receivable amount due to Los Angeles County is $204,710,447.28.

Cities and counties in the State are authorized to sell their Gap Loan Receivables to the California Statewide Communities Development Authority (CSCDA) pursuant to provisions of Chapter 211 (SB 1096). Under AB 2115, the County of Los Angeles is authorized to sell *its* Gap Loan Receivable to the Authority. The Notes will be issued by the Authority and secured solely by the Gap Loan Receivables. Under no circumstances will the Authority or the County be obligated to pay the principal of and interest on the Notes except from amounts received from the Gap Loan Receivable. Additionally, the Notes will be issued using the State's credit and will not be charged against the general credit of the Authority or the County.

The County has secured a bank letter of credit to enhance the Notes because of issues the rating agencies have with the State's credit and to provide additional assurances of

repayment to investors. Citibank N.A. and BNP Paribas were selected as the letter of credit banks and will guarantee the timely payment of principal and interest on the Notes through a direct-pay letter of credit. Under this arrangement, the banks assume the risks associated with the State's repayment of the Gap Loan Receivable. The letter of credit banks were selected through a competitive bid process based on pricing and value added to the financing.

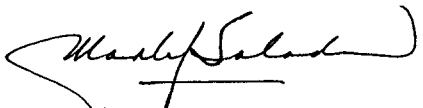
To produce the lowest cost of financing, it is recommended that the Notes be issued in two series, each series supported by one letter of credit bank. The two series will utilize a single offering document with the same financing team. The maximum issue size for the combined issues shall not exceed $205,000,000.

In accordance with the County's Bond Sale Policies, the Treasurer is recommending a negotiated sale. Based on the results of a modified bid to our approved pool of short-term senior underwriters, it is recommended that Citigroup Global Markets be appointed lead manager. In addition, RBC Dain Rauscher, Piper Jaffray and Great Pacific have been selected as co-managers from the approved underwriting pools and in compliance with your Board's adopted policies regarding emerging firm participation. Furthermore, the law firm of O'Melveny & Myers LLP has been selected to serve as Bond Counsel, and Montague DeRose and Associates LLC has been selected from the Board's approved pool of financial advisors to act in that capacity for this transaction.

CONCLUSION

Please return two adopted copies of this letter to the Treasurer and Tax Collector.

Respectfully submitted,



MARK J. SALADINO
Treasurer and Tax Collector

MJS:GB:svg
Z04:Board:GapLoan Bd Ltr
Attachments
c: Chief Administrative Officer
Auditor-Controller
County Counsel
O'Melveny & Myers LLP
Montague DeRose & Associates LLC
Citigroup Global Markets

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES, CALIFORNIA AUTHORIZING THE EXECUTION AND DELIVERY OF LEGAL DOCUMENTS RELATING TO THE SALE OF THE GAP LOAN RECEIVABLE TO THE LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY, THE ISSUANCE AND SALE BY THE AUTHORITY OF ITS GAP LOAN RECEIVABLE NOTES, SERIES 2005A AND SERIES 2005B AND OTHER ACTIONS RELATED THERETO

WHEREAS, pursuant to the Joint Exercise of Powers Act constituting Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code (commencing with Section 6500) (the "Act"), the County of Los Angeles (the "County"), the Los Angeles County Flood Control District (the "District"), the Los Angeles County Regional Park and Open Space District (the "Park District") and Community Facilities District No. 2 (Rowland Heights Area) of the County of Los Angeles ("CFD No. 2") have executed a Joint Exercise of Powers Agreement, dated May 18, 1993 (as amended by a Certificate of Amendment dated April 26, 1994, and a Certificate of Amendment dated October 22, 1996, and as further amended from time to time, "the JPA Agreement") establishing the Los Angeles County Public Works Financing Authority (the "Authority");

WHEREAS, the Authority is authorized under the JPA Agreement, among other things, to issue notes in order to provide financial assistance to the County, the District, the Park District, CFD No. 2, and any entity that becomes a party to such JPA Agreement in accordance with its terms;

WHEREAS, Section 10754.11 of the California Revenue and Taxation Code provides for the payment by the State of California (the "State") of amounts determined pursuant thereto to the County (the "Gap Loan Receivable");

WHEREAS, the Authority and the County propose to enter into a Gap Loan Receivable Purchase Agreement (the "Receivable Purchase Agreement") pursuant to which the County will sell to the Authority, and the Authority will purchase from the County, the County's interest in the Gap Loan Receivable, the proceeds thereof and a nonexclusive right to enforce the payment of the Gap Loan Receivable;

WHEREAS, the Authority is authorized under the JPA Agreement and the Marks-Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code, the "Marks-Roos Act") to purchase the Gap Loan Receivable from the County;

WHEREAS, the Authority proposes to issue its Gap Loan Receivable Notes, Series 2005A (the "Series 2005A Notes") and its Gap Loan Receivable Notes, Series 2005B (the "Series 2005B Notes," and together with the Series 2005A Notes, the "Notes"), in an aggregate principal amount not to exceed $205,000,000, the proceeds of which will be applied to finance the purchase of the Gap Loan Receivable from the County and to pay interest on the Notes, other expenses of the Authority incident to the issuance of the Notes, and amounts payable by the

Authority and the County pursuant to the Reimbursement Agreement (as defined below), all of such Notes to be limited obligations of the Authority;

WHEREAS, the Notes are to be issued pursuant to the Marks-Roos Act and pursuant to an Indenture (the "Indenture"), by and between the Authority and the trustee named therein (the "Trustee");

WHEREAS, the County will use the proceeds received from the sale of the Gap Loan Receivable for any lawful purpose as permitted under the applicable laws of the State;

WHEREAS, in connection with the issuance and sale of the Notes, the Authority and the County propose to prepare and distribute a Preliminary Official Statement (the "Preliminary Official Statement") and a final Official Statement (the "Final Official Statement");

WHEREAS, the Authority and the County propose to enter into a Contract of Purchase (the "Note Purchase Agreement"), by and among the Authority, the County and Citigroup Global Markets Inc., as representative of the several underwriters named therein (collectively, the "Underwriters"), with respect to the Notes;

WHEREAS, the Authority and the County propose to enter into a Letter of Credit and Reimbursement Agreement (the "Reimbursement Agreement") with Citibank, N.A. ("Citibank"), BNP Paribas, acting through its San Francisco Branch ("BNP" and together with Citibank, the "Banks"), and Citibank, as administrative agent for the Banks, pursuant to which Citibank will issue an irrevocable direct-pay letter of credit to support the payment of principal and interest on the Series 2005A Notes (the "Series 2005A Letter of Credit") and BNP will issue an irrevocable direct-pay letter of credit to support the payment of principal and interest on the Series 2005B Notes (the "Series 2005B Letter of Credit," and together with the Series 2005A Letter of Credit, the "Letters of Credit");

WHEREAS, the County is authorized to undertake all of the above pursuant to the JPA Agreement, the Act, the Marks-Roos Act and other applicable laws of the State of California; and

WHEREAS, there have been presented to this meeting the following documents and agreements:

(1) A proposed form of the Receivable Purchase Agreement;

(2) A proposed form of the Preliminary Official Statement;

(3) A proposed form of the Note Purchase Agreement; and

(4) A proposed form of the Reimbursement Agreement, which includes the Letters of Credit;

NOW, THEREFORE, this Board does find, resolve, determine and order as follows:

Section 1. The Board hereby finds and determines that the issuance of the Notes by the Authority and the sale of the Gap Loan Receivable to the Authority will result in significant public benefits within the contemplation of Section 6586 of the Marks-Roos Act.

Section 2. The sale of the Gap Loan Receivable to the Authority is hereby authorized and approved. The Treasurer and Tax Collector of the County (the "Treasurer") or his authorized representatives, and each of them acting individually, are hereby authorized and directed for and in the name of, and on behalf of the County, to execute by manual or facsimile signature and to deliver the Receivable Purchase Agreement, substantially in the proposed form presented to this meeting, with such changes therein as may be necessary or as they may approve, in their discretion, as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof; and to execute and deliver any additional documents, certificates or instruments related thereto; and to take such other actions as may be deemed necessary or desirable in order to effect the purposes of this resolution.

Section 3. The issuance and sale of the Notes pursuant to the Marks-Roos Act in an aggregate principal amount not to exceed $205,000,000 is hereby approved. The Notes shall be special limited obligations of the Authority payable solely from Revenues (as defined in the Indenture), including payments of the Gap Loan Receivable, and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The proceeds from the sale of the Notes shall be applied as provided in the Indenture and used by the Authority, in part, to purchase from the County the Gap Loan Receivable, the proceeds thereof and a nonexclusive right to enforce the payment of the Gap Loan Receivable.

Section 4. The proposed form of the Preliminary Official Statement, as presented to this meeting, is hereby authorized and approved. The Treasurer or his authorized representatives, and each of them acting individually, are hereby authorized and directed for and in the name of, and on behalf of the County, to deliver the Preliminary Official Statement, with such changes therein as may be necessary or as they may approve, in their discretion, as being in the best interests of the County. The Treasurer or his authorized representatives, and each of them acting individually, are hereby authorized and directed for and in the name of, and on behalf of the County, to execute and deliver a certificate or certificates to the Underwriters to the effect that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (except for the omission of certain information as permitted by said Rule). Further, the Treasurer or his authorized representatives, and each of them acting individually, are hereby authorized and directed for and in the name of, and on behalf of the County, to deliver the Final Official Statement, with such changes therein as may be necessary or as they may approve, in their discretion, as being in the best interests of the County; and to execute and deliver any additional documents, certificates or instruments related thereto; and to take such other actions as may be deemed necessary or desirable in order to effect the purposes of this resolution. The Underwriters are hereby authorized to distribute copies of said Preliminary Official Statement and said Final Official Statement in the form delivered by the Treasurer or his authorized representatives to persons who may be interested in purchasing the Notes. The Underwriters are further directed to deliver copies of the Final Official Statement in the form delivered by the Treasurer or his authorized representatives to all actual purchasers of the Notes.

Section 5. The proposed form of the Note Purchase Agreement, as presented to this meeting, is hereby authorized and approved. The Treasurer or his authorized representatives, and each of them acting individually, are hereby authorized and directed for and in the name of, and on behalf of the County, to execute by manual or facsimile signature and to deliver the Note Purchase Agreement, with such changes therein as may be necessary or as they may approve, in their discretion, as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof. In connection with the negotiation, execution and delivery of the Note Purchase Agreement, the Treasurer and his authorized representatives, and each of them acting individually, are further authorized and directed to negotiate the price, interest rates, discount and/or premium provisions, dates, maturity dates, principal amounts and prepayment provisions with respect to the Notes, and are authorized to negotiate any and all other terms and agreements related to the issuance of the Notes, as the Treasurer or his authorized representatives may determine to be in the best interests of the County, all to be conclusively evidenced by the execution and delivery of the Note Purchase Agreement; provided, however, that the true interest cost of the Notes to the Authority with respect to the aggregate principal amount of the Notes shall not exceed three percent (3%).

Section 6. The Treasurer or his authorized representatives, and each of them acting individually, are hereby authorized and directed to send, or to cause to be sent, pursuant to Section 6588.5(c) of the California Government Code, an irrevocable written instruction to the Controller of the State notifying the State of the sale of the Gap Loan Receivable and instructing the disbursement of payment of the Gap Loan Receivable to the Trustee.

Section 7. The proposed forms of the Reimbursement Agreement and the Letters of Credit, as presented to this meeting, are hereby authorized and approved. The Treasurer or his authorized representatives, and each of them acting individually, are hereby authorized and directed for and in the name of, and on behalf of the County, to execute by manual or facsimile signature and to deliver the Reimbursement Agreement, with such changes therein as may be necessary or as they may approve, in their discretion, as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof; and to execute and deliver any additional documents, certificates or instruments related thereto, and to take such other actions as may be deemed necessary or desirable in order to effect the purposes of this resolution.

Section 8. All actions heretofore taken by the Treasurer or his authorized representatives in connection with or related to the issuance and sale of the Notes or the sale of the Gap Loan Receivable are hereby approved, confirmed and ratified.

Section 9. The Treasurer and his authorized representatives, and each of them acting individually, are hereby authorized and directed to take any and all actions and to execute any and all documents as may be necessary or desirable to effectuate the purposes of this resolution.

Section 10. This Resolution shall take effect immediately upon its passage.

The foregoing Resolution was on the ____ day of _____, 2004, adopted by the Board of Supervisors of the County of Los Angeles and *ex-officio* the governing body of all other special assessment and taking districts, agencies and authorities for which said Board so acts.

VIOLET VARONA-LUKENS
Executive Officer-Clerk of the
Board of Supervisors

By _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By Sheilah Curtis
Principal Deputy County Counsel

OMM DRAFT 11/22/04

COUNTY OF LOS ANGELES, CALIFORNIA

Seller

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

Buyer

GAP LOAN RECEIVABLE PURCHASE AGREEMENT

Dated as of January 1, 2005

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This GAP LOAN RECEIVABLE PURCHASE AGREEMENT, dated as of January 1, 2005 (as modified, supplemented, amended or restated from time to time, this "Agreement"), by and between the COUNTY OF LOS ANGELES, CALIFORNIA (the "Seller"), a political subdivision of the State of California, as Seller, and the LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY (the "Buyer"), a joint powers authority organized under the laws of the State of California, as Buyer.

RECITALS

A. Buyer was formed pursuant to a Joint Exercise of Powers Agreement, dated May 18, 1993 (as amended by a Certificate of Amendment dated April 26, 1994 and a Certificate of Amendment dated October 22, 1996, and as further amended from time to time, the "JPA Agreement"), in order to provide financial assistance from time to time to the Seller, the Los Angeles County Flood Control District, the Los Angeles County Regional Park and Open Space District, the Community Facilities District No. 2 (Rowland Heights Area) of the County of Los Angeles and any entity that becomes a party to such JPA Agreement in accordance with its terms;

B. Section 10754.11 of the California Revenue and Taxation Code provides for the payment by the State of California (the "State") of amounts determined pursuant thereto to the Seller (the "Gap Loan Receivable");

C. The Seller desires to sell its interest in the Gap Loan Receivable to the Buyer, and the Buyer desires to purchase the Gap Loan Receivable from the Seller;

D. Pursuant to that certain Indenture dated as of January 1, 2005 (the "Indenture"), between the Buyer and _____, as trustee (the "Trustee"), the Buyer will issue its Gap Loan Receivable Notes, Series 2005A (the "Series 2005A Notes") and its Gap Loan Receivable Notes, Series 2005B (the "Series 2005B Notes," and together with the Series 2005A Notes, the "Notes"), secured by and payable from the Gap Loan Receivable;

E. Pursuant to that certain Letter of Credit and Reimbursement Agreement dated as of January 1, 2005 (the "Reimbursement Agreement"), among the Buyer, the Seller, Citibank, N.A. (the "Series 2005A Bank"), BNP Paribas, acting through its San Francisco Branch (the "Series 2005B Bank" and together with the Series 2005A Bank, the "Banks"), and Citibank, N.A. as administrative agent, the Series 2005B Bank will issue an irrevocable direct-pay letter of credit to support the payment of principal and interest on the Series 2005A Notes and the Series 2005B Bank will issue an irrevocable direct-pay letter of credit to support the payment of principal and interest on the Series 2005B Notes;

F. The Buyer is authorized pursuant to the JPA Agreement and the Marks Roos Local Bond Pooling Act of 1985 (as amended through the date hereof) to purchase the Gap Loan Receivable and to issue the Notes; and

G. The Buyer and Seller have duly authorized the execution and delivery of this Agreement.

In consideration of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows.

STATEMENT OF AGREEMENT

ARTICLE I
DEFINITIONS; INTERPRETATION

Section 1.01 **Definitions.** All terms used herein and not otherwise defined herein have the meanings ascribed to them in the Indenture. Whenever used herein, unless the context otherwise requires, the following words and phrases shall have the following respective meanings:

"Closing Date" means January [5], 2005.

"Governmental Authority" means the United States of America, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Requirements of Law" for any Person means the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation, or determination of an arbitrator or Governmental Authority, in each case applicable to or binding upon such Person or to which such Person is subject, whether federal, state or local.

Section 1.02 **Interpretation.**

(a) All terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, have the respective meanings given to them under generally accepted accounting principles applicable to governmental entities and as in effect on the date of this Agreement. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under generally accepted accounting principles or regulatory accounting principles in the United States, the definitions contained in this Agreement or in any such certificate or other document will control.

(c) Unless otherwise specified, references to any dollar amount on any particular date mean such amount at the close of business on such day.

(d) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. References to any subsection, Section or Schedule are references to subsections,

Sections and Schedules in or to this Agreement, unless otherwise specified. The term "including" means "including without limitation."

(e) Whenever used in this Agreement, such terms are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

ARTICLE II
SALE OF GAP LOAN RECEIVABLE

Section 2.01 **Sale of Gap Loan Receivable.**

(a) By execution of this Agreement, the Seller does hereby, on the Closing Date, without any representation or warranty with respect thereto except as expressly set forth herein, (i) sell, transfer, grant, bargain, assign, convey, set over and deliver to the Buyer, absolutely and not as collateral, without recourse, and the Buyer does hereby purchase, accept and receive, all of the Seller's right, title and interest in, to and under the Gap Loan Receivable and the proceeds of the foregoing, and (ii) assign to the Buyer, to the extent permitted by law, a nonexclusive right to enforce payment of the Gap Loan Receivable.

(b) The Seller and the Buyer intend that the transfer of the Gap Loan Receivable under this Agreement constitutes a sale of the Gap Loan Receivable and not a transfer as security for a loan. However, if the transfer of the Gap Loan Receivable hereunder were to be characterized as a transfer for security and not as a sale, then (i) the Seller will have granted, and hereby grants, to the Buyer a security interest in the Gap Loan Receivable and all monies due or to become due and all amounts received with respect thereto and all proceeds (including "proceeds," as defined in the UCC as in effect in the applicable jurisdiction) thereof and (ii) this Agreement will constitute a security agreement.

(c) In consideration for the sale of the Gap Loan Receivable, the proceeds thereof and the enforcement rights described in clause (a) above on the Closing Date, the Buyer will (i) pay to the Seller on the Closing Date, an amount equal to $_____ in the form of cash, and (ii) direct the Trustee to remit to the Seller, after payment in full of the Notes and any amounts payable under the Reimbursement Agreement from payments of the Gap Loan Receivable, any amounts held in funds and accounts established pursuant to the Indenture, the sum of which amounts is reasonably equivalent to the value of the assets so conveyed on the Closing Date. Buyer and Seller agree that the purchase price represents reasonably equivalent value for the Gap Loan Receivable.

Section 2.02 **Representations and Warranties of Buyer.**

(a) The Buyer hereby represents and warrants to the Seller as of the Closing Date that:

(i)Organization. The Buyer is a joint exercise of powers authority duly organized and existing under and pursuant to the laws of the State.

(ii) Due Authorization. The Buyer has the power and authority to enter into this Agreement and has duly authorized by all necessary action on its part the execution and delivery of this Agreement and the consummation of the transactions provided for or contemplated by this Agreement.

(iii) No Conflict. The Buyer's execution and delivery of this Agreement, its performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof applicable to it, will not conflict with, result in any breach of any of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under, any material indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Buyer is a party or by which it or its properties are bound.

(iv) No Violation. The Buyer's execution and delivery of this Agreement, its performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof applicable to it, will not conflict with or violate any material Requirements of Law applicable to it.

(v) No Proceedings. To the best of Buyer's knowledge, there are no proceedings pending or threatened against the Buyer before or by any Governmental Authority (A) asserting the invalidity of this Agreement or the Indenture or the Notes, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement, the Indenture or the Notes, (C) seeking any determination or ruling that would materially and adversely affect the performance of its obligations under this Agreement, (D) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, the Indenture and the Notes or (E) seeking to direct or restrict the use of the Gap Loan Receivable or the purchase price hereunder in a manner that would materially and adversely affect the Notes.

(vi) All Consents Required. All material authorizations, consents, orders, approvals or other actions of any Governmental Authority required to be obtained or effected by the Buyer in connection with its execution and delivery of this Agreement, its performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof applicable to it, have been obtained or effected.

(vii) Enforceability. This Agreement constitutes a legal, valid and binding obligation of the Buyer, enforceable against it in accordance with the terms hereof, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

Section 2.03 **Representations and Warranties of Seller.**

(a) Representations and Warranties. The Seller hereby represents and warrants to the Buyer as of the Closing Date that:

(i) Organization. The Seller is a political subdivision of the State duly organized and existing pursuant to the Constitution and laws of the State and has the authority to execute, deliver and perform its obligations under this Agreement and perform all of its obligations hereunder.

(ii) Due Authorization. The Seller has the power and authority to enter into this Agreement and has duly authorized by all necessary action on its part the execution and delivery of this Agreement and the consummation of the transactions provided for or contemplated by this Agreement.

(iii) No Conflict. The Seller's execution and delivery of this Agreement, its performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof applicable to it, will not conflict with, result in any breach of any of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under, any material indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Seller is a party or by which it or its properties are bound.

(iv) No Violation. The Seller's execution and delivery of this Agreement, its performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof applicable to it, will not conflict with or violate any material Requirements of Law applicable to it.

(v) No Proceedings. To the best of Seller's knowledge, there are no proceedings pending or threatened against the Seller before or by any Governmental Authority (A) asserting the invalidity of this Agreement, the Indenture or the Notes, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement, the Indenture or the Notes, (C) seeking any determination or ruling that would materially and adversely affect the performance of its obligations under this Agreement, (D) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, the Indenture and the Notes or (E) seeking to direct or restrict the use of the Gap Loan Receivable or the purchase price hereunder in a manner that would materially and adversely affect the Notes.

(vi) All Consents Required. All material authorizations, consents, orders, approvals or other actions of any Governmental Authority required to be obtained or effected by the Seller in connection with its execution and delivery of this Agreement, its performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof applicable to it, have been obtained or effected.

(vii) Enforceability. This Agreement constitutes a legal, valid and binding obligation of the Seller, enforceable against it in accordance with the terms hereof, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(viii) Valid Sale. This Agreement constitutes a valid sale, transfer and assignment to the Buyer of all right, title and interest of the Seller in the Gap Loan Receivable and the proceeds thereof and the Buyer will have a first priority perfected ownership interest in the Gap Loan Receivable and the proceeds thereof.

(ix) No Prior Sale; No Prior Liens; No Warranty of Validity. The Seller has not sold its interest in the Gap Loan Receivable to any other Person, nor has the Seller created any Lien in favor of any Person (other than the Lien created by the Indenture and the Reimbursement Agreement), and all consents, licenses, approvals or authorizations of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by the Seller in connection with the sale of such Gap Loan Receivable on such date have been duly obtained, effected or given and are in full force and effect. The Seller makes no representation regarding the enforceability against the State of the Gap Loan Receivable or the validity of the Gap Loan Receivable or that the Seller is entitled to or will ever receive any amounts in respect of the Gap Loan Receivable.

(x) Books and Records. The Seller maintains records and books of account separate from the Buyer.

(xi) Separate Assets. The Seller maintains its respective assets separately from the assets of the Buyer (including through the maintenance of separate bank accounts) and the Seller's funds and assets, and records relating thereto, have not been and are not commingled with those of the Buyer.

(xii) Treatment of Sale. The Seller shall treat the sale of the Gap Loan Receivable as a sale for accounting purposes, and title to the Gap Loan Receivable shall not be a part of the Seller's estate in the event of the filing of a bankruptcy petition by the Seller under any bankruptcy law.

(xiii) Separate Entity. The Seller is an entity separate from the Buyer and presents itself to the public as such.

(xiv) No Guaranty. The Seller has not guaranteed and shall not guarantee the obligations of the Buyer, nor shall it hold itself out or permit itself to be held out as having agreed to pay or as being liable for the debts of the Buyer.

Section 2.04 **Covenants of Seller.** The Seller hereby covenants that:

(i) Liens. Except for the conveyances hereunder or as provided in the Indenture and the Reimbursement Agreement, the Seller will not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien (other than the Liens created by the Indenture and the Reimbursement Agreement) on, the Gap Loan Receivable, and the Seller will defend the right, title and interests of the Buyer, the Trustee and the Banks in, to and under the Gap Loan Receivable, and such rights, remedies, powers and privileges, against all claims of third parties claiming through or under the Seller. The Seller will notify the Buyer, the Trustee and the Banks promptly after becoming aware of any Lien on the Gap Loan Receivable other than the Liens created by the Indenture and the Reimbursement Agreement.

(ii) Preservation of Rights. The Seller shall take all actions as may be required by law to fully preserve, maintain, defend, protect and confirm the interests of the Buyer, the Trustee and the Banks in the Gap Loan Receivable, to cooperate with the Buyer, the Trustee and the Banks in enforcing any rights they have with respect to the Gap Loan Receivable or the proceeds thereof, and upon request of the Buyer, the Trustee, or the Banks execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes and intent of this Agreement. The Seller shall not take any action or omit to take any action that shall adversely affect the Buyer's, the Trustee's or the Banks' ability to receive Gap Loan Repayments.

(iii) Delivery of Collections. If the Seller or any Affiliate thereof receives payments in respect of the Gap Loan Receivable, the Seller will hold the same in trust for the benefit of the Buyer, the Trustee, the Holders and the Banks and will pay or cause to be paid to the Trustee all such payments as soon as practicable after receipt, but in no event later than two Business Days after receipt.

(iv) Compliance with Law. The Seller will comply with all Requirements of Law applicable to it to the extent that noncompliance would reasonably be expected to have a material adverse impact on the Gap Loan Receivable or the interest of the holders of the Notes or the Banks therein.

(v) Covenants Related to Tax Exemption. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Notes, the Seller covenants and agrees to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the Seller agrees to enter into and comply with the Tax and Nonarbitrage Certificate, which by this reference is incorporated herein.

Notwithstanding any provision of this Section 2.04(v), if the Seller shall provide to the Buyer and the Trustee an opinion of Bond Counsel to the effect that any action required under this Section or the Tax and Nonarbitrage Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross

income of the interest on the Notes pursuant to Section 103 of the Code, the Buyer and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed modified in accordance therewith. For purposes of this Section 2.04(v), "Bond Counsel" means Independent counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the Seller and acceptable to the Buyer.

To the extent any such terms of the Tax and Nonarbitrage Certificate contradict any provision contained in this Section 2.04(v), such terms of the Tax and Nonarbitrage Certificate shall prevail.

(vi) On or before the Closing Date, the Seller will notify the Controller of the State in accordance with Section 6588(c) of the Government Code of the State that the Gap Loan Receivable has been sold to the Buyer pursuant to this Agreement and assigned and pledged by the Buyer to the Trustee for the benefit of the Noteholders and the Banks pursuant to the Indenture and the Reimbursement Agreement, and that payment of the Gap Loan Receivable is to be made to the Trustee. The Seller shall not take any action to revoke or which would have the effect of revoking, in whole or in part, such instructions to the Controller. The Seller herby relinquishes and waives any control over the Gap Loan Receivable, any authority to collect the Gap Loan Receivable, and any power to revoke or amend the instructions to the Controller contemplated by this paragraph. The Seller shall cooperate with the Buyer or its assignee in giving instructions to the Controller if the Buyer or its assignee transfers the Gap Loan Receivable pursuant to Section 5.06 hereof.

(vii) The Seller shall not, without the prior written consent of the Buyer or its assignee and the Banks, agree to any amendment, modification, termination, waiver or surrender of, the terms of Section 10754.11 of the California Revenue and Taxation Code (the "Gap Loan Act"), or waive timely performance or observance thereof, in each case if the effect thereof would be materially adverse to the Noteholders and the Banks as assignees of the Buyer. [Nothing in this agreement shall impose a duty on the Seller to seek to enforce the Gap Loan Act or to seek enforcement thereof by others, or to prevent others from modifying, terminating, discharging or impairing the validity or effectiveness of the Gap Loan Act.]

(viii) The financial statements and books and records of the Seller prepared after the Closing Date shall continue to reflect the separate existence of the Buyer.

ARTICLE III
RESERVED

ARTICLE IV
EVENTS OF DEFAULT AND REMEDIES

Section 4.01 **Events of Default**. Each of the following events shall constitute and be referred to herein as a "Purchase Agreement Default Event":

(a) If the Seller fails to pay in full any payment required under Section 2.04(iii) hereof when due;

(b) If any material representation or warranty made by the Seller herein or in any document, instrument or certificate furnished to the Trustee or the Buyer in connection with the issuance of the Notes shall at any time prove to have been incorrect in any respect as of the time made;

(c) If the Seller shall fail to observe or perform any covenant, condition, agreement or provision in this Agreement on its part to be observed or performed, other than as referred to in subsection (a) or (b) of this Section, or shall breach any warranty by the Seller herein contained, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Seller by the Buyer, the Trustee or, subject to the limitations in the Indenture, the Banks; except that, if such failure or breach can be remedied but not within such sixty (60) day period and if the Seller has taken all action reasonably possible to remedy such failure or breach within such sixty (60) day period, such failure or breach shall not become a Purchase Agreement Default Event for so long as the Seller shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Trustee.

Upon having actual notice of the existence of a Purchase Agreement Default Event, the Trustee shall serve written notice thereof upon the Seller and the Banks (unless the Seller has expressly acknowledged the existence of such Purchase Agreement Default Event in a writing delivered by the Seller to the Trustee and the Banks or filed by the Seller in any court).

Section 4.02 **Remedies on Default**. If a Purchase Agreement Default Event shall occur, then, and in each and every such case during the continuance of such Purchase Agreement Default Event, the Trustee on behalf of the Buyer or the Banks, subject to the rights and limitations in the Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect any amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Seller hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder; and

(b) Take any action at law or in equity to collect the payment required hereunder then due, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Seller hereunder.

Notwithstanding anything herein to the contrary, no money shall be recoverable hereunder from the County except from amounts received by the County in respect of the Gap Loan Receivable.

Section 4.03 **Discontinuance or Abandonment of Default Proceedings**. If any proceeding taken by the Trustee or the Banks on account of any Purchase Agreement Default Event shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every case the Buyer, the Trustee, the Seller and the Banks shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the Seller, the Buyer, the Banks and the Trustee shall continue as though no such proceeding had taken place.

Section 4.04 **Remedies Cumulative**. No remedy conferred upon or reserved to the Buyer, the Trustee or the Banks hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Purchase Agreement Default Event shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the Buyer, the Trustee or the Banks, as provided in the Indenture. In the event of any waiver of a Purchase Agreement Default Event hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Purchase Agreement Default Event or impair any right arising as a result thereof. In order to entitle the Trustee or the Banks to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein.

Section 4.05 **Application of Moneys Collected**. Any amounts collected pursuant to action taken under this Article shall be applied in accordance with the provisions of Article VII of the Indenture.

Section 4.06 **Attorney's Fees and Other Expenses**. If, as a result of the occurrence of a Purchase Agreement Default Event, the Buyer, the Trustee or the Banks employ attorneys or incurs other expenses for the collection of payments due hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Seller, the Seller will, on demand, promptly reimburse the Buyer, the Trustee or the Banks as the case may be, for the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred.

Section 4.07 **Notice of Default**. The Seller agrees that, as soon as is practicable, and in any event within five (5) days after the occurrence of any event which is a Purchase Agreement Default Event, the Seller will furnish the Trustee and the Banks notice of such Purchase Agreement Default Event which notice shall set forth the nature of such event and the action which the Seller proposes to take with respect thereto.

ARTICLE V
MISCELLANEOUS PROVISIONS

Section 5.01 **Amendments and Supplements**. This Agreement may be amended, changed or modified only as provided in Section 6.07 of the Indenture.

Section 5.02 **Protection of Right, Title and Interest to Gap Loan Receivable**. The Seller will cause this Agreement, all amendments hereto and/or all financing statements and continuation statements and any other necessary documents covering the Buyer's right, title and interest to the Gap Loan Receivable and the proceeds thereof to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed, all in such manner and in such places as may be required by law fully to preserve and protect the right, title and interest of the Buyer hereunder. The Seller will deliver to the Buyer, the Trustee and the Banks file-stamped copies of, or filing receipts for, any document recorded, registered or filed as provided above, as soon as available following such recording, registration or filing. The Buyer will cooperate fully with the Seller in connection with the obligations set forth above and will execute any and all documents reasonably required to fulfill the intent of this Section.

Section 5.03 **Governing Law.** This Agreement shall be construed in accordance with the laws of the State of California, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 5.04 **Notices.** All notices, demands, instructions and other communications required or permitted under this Agreement must be in writing and will be deemed to have duly given if personally delivered or sent by first class or express mail (postage prepaid), national overnight courier service or by facsimile transmission or other electronic communication device capable of transmitting or creating a written record and followed by first class mail. Unless otherwise specified in a notice sent in accordance with the provisions of this Section, notices, demands, instructions and other communications in writing will be given to the respective parties at their respective addresses set forth on the signature pages hereto. All notices are effective on receipt.

Section 5.05 **Severability of Provisions.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 5.06 **Assignment.** Notwithstanding anything to the contrary contained herein, this Agreement may not be assigned by the Seller or the Buyer without the prior written consent of the other party hereto, the Trustee and the Banks; provided however that the Seller hereby consents to the pledge and assignment by the Buyer of its assigned rights, remedies, powers and privileges under this Agreement to the Trustee and the Banks pursuant to the Indenture and the Reimbursement Agreement.

Section 5.07 **Further Assurances.** The Seller agrees to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the Buyer more fully to effect the purposes of this Agreement, including the execution of any financing statements or continuation statements relating to the Gap Loan Receivable for filing under the provisions of the Uniform Commercial Code of any applicable jurisdiction.

Section 5.08 **No Waiver; Cumulative Remedies.** No failure to exercise and no delay in exercising, on the part of the Buyer, any right, remedy, power or privilege under this Agreement will operate as a waiver thereof; nor will any single or partial exercise of any right, remedy, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

Section 5.09 **Counterparts.** This Agreement may be executed in two or more counterparts (and by different parties on separate counterparts), each of which will be an original, but all of which together will constitute one and the same instrument.

Section 5.10 **Third-Party Beneficiaries.** This Agreement will be binding upon and inure to the benefit of the parties hereto, the Trustee, the Noteholders, the Banks and their respective successors and permitted assigns. Except as otherwise provided in this Agreement, no other Person will have any right or obligation hereunder.

Section 5.11 **Merger and Integration.** Except as specifically stated otherwise herein, this Agreement sets forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Agreement. This Agreement may not be modified, amended, waived, or supplemented except as provided herein.

Section 5.12 **Headings.** The headings herein are for purposes of reference only and are not intended to otherwise affect the meaning or interpretation of any provision hereof.

Section 5.13 **No Liability for Notes.** The Seller shall not be liable for the payment of any principal of or interest (or redemption price) on the Notes.

Section 5.14 **Waiver of Personal Liability**. No supervisor, director, officer, agent or employee of the Seller or the Buyer shall be individually or personally liable for the payment of any principal of or interest (or redemption price) on the Notes or any sum payable hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Agreement; but nothing herein contained shall relieve any such supervisor, director, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

Section 5.15 **The Seller's Acknowledgement**. The Seller agrees and acknowledges that the Trustee, the holders of the Notes and the Banks have relied and shall continue to rely

upon each of the representations, warranties and covenants of the Seller contained herein, and further agrees that such Persons are entitled so to rely thereon. Each of Seller's representations, warranties and covenants shall survive any assignment by the Buyer pursuant to Section 5.06 hereof, and shall continue in full force and effect, notwithstanding any subsequent termination of this Agreement. The Seller's representations, warranties and covenants contained herein shall inure to the benefit of the Trustee and the Banks.

[signatures on following page]

IN WITNESS WHEREOF, the Seller and the Buyer have caused this Gap Loan Receivable Purchase Agreement to be duly executed by their respective duly authorized officers as of the day and year first above written.

COUNTY OF LOS ANGELES, CALIFORNIA,

as Seller

By:_____
Chair

Notice Address:

Attest:

VIOLET VARONA-LUKENS
Executive Officer-Clerk of the Board

By: _____
Deputy

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY, as Buyer

By:_____
Chair

Notice Address:

Attest:

Secretary

By: _____
Deputy Secretary

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

HD&W - Fourth Draft - 11/23/04

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER [10] 2004

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS:

Series 2005A Notes	Series 2005B Notes
Fitch: "___"	Fitch: "___"
Moody's: "___"	Moody's: "___"
Standard & Poor's: "___"	Standard & Poor's: "___"

See "Ratings" herein.

In the opinion of O'Melveny & Myers LLP, Bond Counsel, assuming the accuracy of certain representations and compliance by the County with certain tax covenants described herein, the interest on the Notes is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions and, in the opinion of Bond Counsel, the interest on the Notes is exempt from personal income taxes of the State of California under present State law. In addition, Bond Counsel is of the opinion that the Notes are not "private activity bonds" and, therefore, the interest on the Notes will not be treated as a specific item of tax preference for purpose of the federal alternative minimum tax on individuals and corporations. However, the interest on the Notes is included in the computation of certain federal taxes on corporations. See "Tax Matters" herein.

$_____*
LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY
GAP LOAN RECEIVABLE NOTES
SERIES 2005A
__% Priced to Yield __%
CUSIP No. _____

$_____*
LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY
GAP LOAN RECEIVABLE NOTES
SERIES 2005B
__% Priced to Yield __%
CUSIP No. _____

Dated: Date of Delivery

Due: December 1, 2006

The Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005A (the "Series 2005A Notes") and the Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005B (the "Series 2005B Notes" and, together with the Series 2005A Notes, the "Notes") are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) (the "Act") and an Indenture, dated as of January 1, 2005 (the "Indenture"), by and between the Los Angeles County Public Works Financing Authority (the "Authority") and _____, as trustee (the "Trustee"). The proceeds of the Notes will be used to purchase the Gap Loan Receivable (as defined below) from the County of Los Angeles, California (the "County") pursuant to a Gap Loan Receivable Purchase Agreement, dated as of January 1, 2005 (the "Purchase Agreement"), by and between the County and the Authority, fund interest through December 1, 2006, pay trustee and bank fees due and payable under the Indenture and the Reimbursement Agreement (as defined below) and pay costs of issuance incurred in connection with the Notes.

The Notes will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Individual purchases will be made in book-entry form in denominations of $5,000 principal amount or any integral multiple thereof. Purchasers of the Notes will not receive physical delivery of certificates representing their ownership interest in the Notes. See Appendix B – "Book Entry Only System" attached hereto.

Principal of and interest on the Notes will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its Participants for subsequent disbursement to the beneficial owners of interests in the Notes. The Notes will bear interest at the rates set forth above and mature on December 1, 2006. Interest on the Notes is payable on June 1 and December 1, commencing on December 1, 2005. The Notes are not subject to redemption prior to their maturity. See "The Notes" herein.

The Notes are secured by a pledge under the Indenture of all of the Revenues (as defined herein) and any other amounts held in any Fund or Account (each as defined in the Indenture) established pursuant to the Indenture (other than the Rebate Fund (as defined in the Indenture)); provided that proceeds of draws under the Series 2005A Letter of Credit (as defined below) and amounts in the Series 2005A Letter of Credit Fund (as defined in the Indenture)

* Preliminary, subject to change.

secure only the Series 2005A Notes and proceeds of draws under the Series 2005B Letter of Credit (as defined below) and amounts in the Series 2005B Letter of Credit Fund secure only the Series 2005B Notes.

Revenues are comprised primarily of all amounts received by the Authority, as purchaser of the County's rights to receive from the State amounts to be transferred by the Controller (the "Controller") of the State of California (the "State") from the General Fund of the State (the "State General Fund") to the Gap Repayment Fund created in the State Treasury (the "Gap Repayment Fund") and allocated by the Controller to the County (the "Gap Loan Receivable") and each such county and city in the State, in lieu of Offsets (as defined herein) from the State pursuant to Section 10754.11 of the California Revenue and Taxation Code (the "VLF Law"). The VLF Law provides that such amount is payable on August 15, 2006. See "Security and Sources of Payment for the Notes – General" herein. [The obligation of the Controller to transfer funds from the State General Fund to the Gap Repayment Fund is subject to future appropriation and there is no assurance that the Governor will recommend such appropriation or that the State Legislature will make such an appropriation. See "Security and Sources of Payment for the Notes", "State Financial Information" and "Risk Factors – Appropriation Required; Future State Budget; Impairment" herein. Payment of principal of and interest on the Notes by the Banks (as defined below) under the Letters of Credit (as defined below) is not subject to and is not dependent upon any such appropriation.]

[Whether the State makes a timely payment with respect to the Gap Loan Receivable depends on a number of factors, including whether there are sufficient amounts in the State General Fund at the time of the transfer provided for under the VLF Law, and whether the State determines to use State General Fund moneys for other purposes. In addition, the State may not make the transfer provided for under the VLF Law if it determines that the payment of the Gap Loan Receivable is subject to appropriation and elects not to appropriate moneys for payment of the Gap Loan Receivable. No assurances can be given that the State will make the payment with respect to the Gap Loan Receivable on or before August 15, 2006. Payment of principal of and interest on the Notes by the Banks (as defined below) under the Letters of Credit (as defined below) is not subject to and is not dependent upon any such appropriation.]

Payment of principal of and interest on the Series 2005A Notes is supported by an irrevocable direct-pay letter of credit (the "Series 2005A Letter of Credit") to be issued by Citibank, N.A. (the "Series 2005A Bank") and payment of principal of and interest on the Series 2005B Notes is supported by an irrevocable direct-pay letter of credit (the "Series 2005B Letter of Credit" and, together with the Series 2005A Letter of Credit, the "Letters of Credit") to be issued by BNP Paribas, acting through its San Francisco Branch (the "Series 2005B Bank" and, together with the Series 2005A Bank, the "Banks"), under a Letter of Credit and Reimbursement Agreement, dated as of January 1, 2005 (the "Reimbursement Agreement"), by and among the County, the Authority, the Banks, and Citibank, N.A., as administrative agent for the Banks. Only the Series 2005A Notes are supported by the Series 2005A Letter of Credit and any moneys in the Series 2005A Letter of Credit Fund and only the Series 2005B Notes are supported by the Series 2005B Letter of Credit and moneys in the Series 2005B Letter of Credit Fund.

[BANK LOGOS]

The Notes are special obligations of the Authority and principal thereof and interest thereon are payable solely from Revenues, including amounts paid with respect to the Gap Loan Receivable, and from amounts held by the Trustee in certain Funds and Accounts established by the Indenture. The Notes do not constitute a charge against the general credit of the Authority or the County, and under no circumstances shall the Authority or the County be obligated to pay the principal of or interest on the Notes except from Revenues and from amounts paid with respect to the Gap Loan Receivable. Neither the faith and credit nor the taxing power of the State, the County or any political subdivision thereof is pledged to the payment of the principal of or interest on the Notes. The Notes are not a debt of the State or the County. The County is not liable for payment of the Notes. The Authority has no taxing power.

This cover page contains information for quick reference only. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Notes are offered when, as and if issued, subject to the approving opinion of O'Melveny & Myers LLP, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, for the Authority and the County by County Counsel and for the Banks by their counsel, Sidley Austin Brown & Wood LLP, Los Angeles, California. It is anticipated that the Notes will be available for delivery through the facilities of DTC in New York, New York on or about January 5, 2005.

Citigroup

RBC Dain Rauscher **Piper Jaffray** **Great Pacific Securities**

Dated: December __, 2004

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Gap Loan Receivable Notes, Series 2005

Board of Supervisors

Gloria Molina
First District, Chair

Yvonne B. Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Violet Varona-Lukens
Executive Officer-Clerk
Board of Supervisors

County Officials

David E. Janssen
Chief Administrative Officer

Raymond G. Fortner, Jr.
County Counsel

J. Tyler McCauley
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

Montague DeRose and Associates, LLC
Financial Advisor

Trustee

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

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

The information set forth in this Official Statement has been obtained from the Authority, the County and the Banks, and other sources that are believed by the Authority and the County to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the Authority, the County or the Banks since the date hereof. All summaries of the Notes, the Indenture, the Purchase Agreement, the Letters of Credit, the Reimbursement Agreement and other documents summarized herein, are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions.

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

This Official Statement is submitted in connection with the execution and delivery of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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$_____*
LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY
GAP LOAN RECEIVABLE NOTES
SERIES 2005A

$_____*
LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY
GAP LOAN RECEIVABLE NOTES
SERIES 2005B

INTRODUCTION

General

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

This Official Statement, including the cover page and attached appendices (the "Official Statement"), provides certain information concerning the issuance of $_____* aggregate principal amount of Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005A (the "Series 2005A Notes") and $_____* aggregate principal amount of Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005B (the "Series 2005B Notes" and, together with the Series 2005A Notes, the "Notes"). The Notes are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) (the "Act") and an Indenture, dated as of January 1, 2005 (the "Indenture"), by and between the Los Angeles County Public Works Financing Authority (the "Authority") and _____, as trustee (the "Trustee"). The proceeds of the Notes will be used to purchase the Gap Loan Receivable (as defined below) from the County of Los Angeles, California (the "County") pursuant to a Gap Loan Receivable Purchase Agreement, dated as of January 1, 2005 (the "Purchase Agreement"), by and between the County and the Authority, to fund interest through December 1, 2006, pay trustee and bank fees due and payable under the Indenture and the Reimbursement Agreement (as defined below) and pay costs of issuance incurred in connection with the Notes.

The Notes

The Notes will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Individual purchases will be made in book-entry form in denominations of $5,000 principal amount or any integral multiple thereof. Purchasers of the Notes will not receive physical delivery of certificates representing their ownership interest in the Notes. Principal of and interest on the Notes will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its Participants for subsequent disbursement to the beneficial owners of interests in the Notes. See Appendix B – "Book Entry Only System" attached hereto.

The Notes will bear interest at the rates set forth on the cover page hereof and mature on December 1, 2006. Interest on the Notes is payable on June 1 and December 1, commencing on

* Preliminary, subject to change.

December 1, 2005. The Notes are not subject to redemption prior to their maturity. See "The Notes" herein.

Security and Sources of Payment for the Notes; Letters of Credit

The Notes are secured by a pledge under the Indenture of all of the Revenues (as defined herein) and any other amounts (including proceeds of the sale of the Notes) held in any Fund or Account (each as defined in the Indenture) established pursuant to the Indenture or any supplemental indenture (other than the Rebate Fund (as defined in the Indenture)); provided that proceeds of draws under the Series 2005A Letter of Credit (as defined below) and amounts in the Series 2005A Letter of Credit Fund (as defined in the Indenture) secure only the Series 2005A Notes and proceeds of draws under the Series 2005B Letter of Credit (as defined below) and amounts in the Series 2005B Letter of Credit Fund (as defined in the Indenture) secure only the Series 2005B Notes.

Revenues are comprised primarily of all amounts received by the Authority, as purchaser of the County's rights to receive from the State of California (the "State") certain payments in lieu of Offsets (as defined herein) from the State to the County (the "Gap Loan Receivable") and each such county and city in the State (collectively, the "Local Agencies"), as provided under Section 10754.11 of the California Revenue and Taxation Code (the "VLF Law"). The VLF Law provides that on August 15, 2006, the Controller (the "Controller") of the State shall transfer from the General Fund of the State (the "State General Fund") to the Gap Repayment Fund created in the State Treasury (the "Gap Repayment Fund"), an amount equal to the total amount of offsets that were applied to new vehicle registrations before October 1, 2003 and that were applied to vehicle license fees with a due date before October 1, 2003 that were not transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund and the Local Revenue Fund (collectively, the "Offsets"). The Controller has determined that the County's portion of the Offsets is $204,710,447.28. See "Security and Sources of Payment for the Notes" herein.

Payment of principal of and interest on the Series 2005A Notes is supported by an irrevocable direct-pay letter of credit (the "Series 2005A Letter of Credit") to be issued by Citibank, N.A.(the "Series 2005A Bank") and payment of principal of and interest on the Series 2005B Notes is supported by an irrevocable direct-pay letter of credit (the "Series 2005B Letter of Credit" and, together with the Series 2005A Letter of Credit, the "Letters of Credit") to be issued by BNP Paribas, acting through its San Francisco Branch (the "Series 2005B Bank" and together with the Series 2005A Bank, the "Banks"), under a Letter of Credit and Reimbursement Agreement, dated as of January 1, 2005 (the "Reimbursement Agreement"), by and among the County, the Authority, the Banks, and Citibank, N.A., as administrative agent for the Banks. Only the Series 2005A Notes are supported by the Series 2005A Letter of Credit and any moneys in the Series 2005A Letter of Credit Fund and only the Series 2005B Notes are supported by the Series 2005B Letter of Credit and moneys in the Series 2005B Letter of Credit Fund.

[The obligation of the State to transfer funds from the State General Fund to the Gap Repayment Fund is subject to future appropriation and there is no assurance that the Governor will recommend such appropriation or that the State Legislature will make such an appropriation. None of the Authority, the County, the Trustee or the Holders of the Notes has a right to compel any such appropriation. Payment of principal of and interest on the Notes by the Banks under the Letters of Credit (as defined herein) is not subject to and is not dependent upon any such appropriation. See "Security and Sources of Payment for the Notes", "State Financial Information" and "Risk Factors – Future State Budgets; Appropriation Required; Impairment" herein.]

[Whether the State makes a timely payment with respect to the Gap Loan Receivable depends on a number of factors, including whether there are sufficient amounts in the State General Fund at the time

of the transfer provided for under the VLF Law, and whether the State determines to use State General Fund moneys for other purposes. In addition, the State may not make the transfer provided for under the VLF Law if it determines that the payment of the Gap Loan Receivable is subject to appropriation and elects not to appropriate moneys for payment of the Gap Loan Receivable. No assurances can be given that the State will make the payment with respect to the Gap Loan Receivable on or before August 15, 2006. Payment of principal of and interest on the Notes by the Banks (as defined below) under the Letters of Credit (as defined below) is not subject to and is not dependent upon any such appropriation.]

Limited Obligation

The Notes are special obligations of the Authority and principal thereof and interest thereon are payable solely from Revenues, including amounts paid with respect to the Gap Loan Receivable, and from amounts held by the Trustee in certain Funds and Accounts established by the Indenture. The Notes do not constitute a charge against the general credit of the Authority or the County, and under no circumstances shall the Authority or the County be obligated to pay the principal of or interest on the Notes except from Revenues and from amounts paid with respect to the Gap Loan Receivable. **Neither the faith and credit nor the taxing power of the State, the County or any political subdivision thereof is pledged to the payment of the principal of or interest on the Notes. The Notes are not a debt of the State or the County. The County is not liable for payment of the Notes. The Authority has no taxing power.**

The Authority

The Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated May 18, 1993 (as amended by a Certificate of Amendment dated April 26, 1994 and a Certificate of Amendment dated October 22, 1996, and as further amended from time to time, the "JPA Agreement"), to provide financial assistance from time to time to the County, the Los Angeles County Flood Control District, the Los Angeles County Regional Park and Open Space District, the Community Facilities District No. 2 (Rowland Heights Area) of the County of Los Angeles and any entity that becomes a party to the JPA Agreement in accordance with its terms. The Authority has previously issued obligations secured by revenues of certain member districts, which obligations are outstanding in the approximate principal amount of $1,350,000,000 as of June 30, 2004, and may issue additional obligations in the future. See "The Authority" herein.

The State of California

The Notes are payable only from Revenues, which are all amounts received by the Authority, as purchaser of the County's rights to receive from the State the Gap Loan Receivable, and from amounts held by the Trustee in certain Funds and Accounts established by the Indenture. The Notes are special obligations of the Authority. The County is not liable for payment of the principal of or interest on the Notes. [**The payment of the Gap Loan Receivable by the State is subject to future appropriation by the State Legislature and there is no assurance that the Governor will recommend such an appropriation or that the State Legislature will make such an appropriation.**] The State has experienced several budget shortfalls for recent fiscal years. The most recent official statement of the State relating to its _____ is available from the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"); such information is not incorporated herein by reference. The official statement referenced in this paragraph was prepared by the State and not by the Authority or the County. The Authority, the County and the Underwriters (as defined herein) take no responsibility for the accuracy of the information relating to the State set forth in such official statement. See "Security and Sources of Payment for the Notes" and "State Financial Information" herein.

Continuing Disclosure

The Authority has covenanted to provide, or cause to be provided to each nationally recognized municipal securities information repository or the Municipal Securities Rulemaking Board and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) (the "Rule") promulgated by the U.S. Securities and Exchange Commission (the "SEC"), reference to the most recent information relating to the State General Fund, including references to official statements and annual reports filed by the State as provided under the Rule and notice of certain material events. These covenants have been made in order to assist the Underwriters of the Notes in complying with the Rule. See "Continuing Disclosure" herein for a description of the specific nature of the annual report and notices of material events and a summary description of the terms of the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") pursuant to which such reports will be made. See Appendix C – "Form of Continuing Disclosure Certificate" attached hereto.

ESTIMATED APPLICATION OF FUNDS

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

Purchase of Gap Loan Receivable	$
Deposit in the Interest Fund[1]	
Costs of Issuance[2]	_____
TOTAL	$

(1) Includes capitalized interest on the Notes for the period from their date of delivery through December 1, 2006 and certain Bank fees due and payable under the Reimbursement Agreement.

(2) Includes legal, financial advisor, trustee fees due and payable under the Indenture, certain bank fees due and payable under the Reimbursement Agreement upon issuance of the Notes, rating agency fees, printing costs, underwriters' discount and other costs of issuance.

THE NOTES

The Notes will be issued in fully registered form in denominations of $5,000 principal amount or any integral multiple thereof. The Notes will bear interest at the rates set forth on the front cover page and mature on December 1, 2006. Interest on the Notes is payable on ___ and ___, commencing on ____, 2005. Interest on the Notes shall be calculated on the basis of a 360-day year of twelve 30-day months. The Notes are not subject to redemption prior to their maturity.

The Notes will be delivered in book-entry form only and when issued and authenticated, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry form only. Purchasers of the Notes will not receive physical delivery of certificates representing their ownership interests in the Notes purchased. Principal of and interest on the Notes will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its Participants for subsequent disbursement to the beneficial owners of interests in the Notes. See Appendix B – "Book Entry Only System" attached hereto.

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

Pledge of Revenues

The Notes are secured by a pledge under the Indenture of all of the Revenues and any other amounts (including proceeds of the sale of Notes) held in any Fund or Account established pursuant to the Indenture or any supplemental indenture (other than the Rebate Fund); provided that proceeds of draws under the Series 2005A Letter of Credit and amounts in the Series 2005A Letter of Credit Fund secure only the Series 2005A Notes and proceeds of draws under the Series 2005B Letter of Credit and amounts in the Series 2005B Letter of Credit Fund secure only the Series 2005B Notes.

"Revenues" means all amounts received by the Authority or the Trustee for the account of the Authority pursuant to the Purchase Agreement or from amounts paid with respect to the Gap Loan Receivable including, without limiting the generality of the foregoing, the Gap Loan Repayments (as defined herein), all moneys drawn by the Trustee under a Letter of Credit and all interest, profits or other income derived from the investment of amounts in any Fund or Account established pursuant to the Indenture, but not including any moneys required to be deposited in the Rebate Fund. "Gap Loan Repayments" means payments made by the State with respect to the Gap Loan Receivable. Pursuant to the Purchase Agreement, the County will sell to the Authority its right to receive payments with respect to the Gap Loan Receivable.

Gap Loan Receivable

The Gap Loan Receivable is determined by the Controller based on the portion of vehicle license fee (the "VLF") revenues not allocated to the County due to the operation of the State Budget Act of 2003 (the "State Budget Act of 2003"). The VLF is a tax levied annually on owners of vehicles registered in the State, approximately one-quarter of which has historically funded health and social services programs administered by counties and three-quarters of which has historically been transferred to Local Agencies as general purpose moneys. Prior to 1999, the VLF levied upon owners of registered vehicles in the State was two percent (2%) of the value of such vehicles. In 1999, the State Legislature began to reduce the portion of the VLF paid by owners of registered vehicles and offset the resulting loss of revenues to Local Agencies by transferring to each Local Agency an amount equal to the difference between the amount such Local Agency would have received under the two percent (2%) rate and the amount such Local Agency would receive under the then-effective lower VLF rate paid by owners of registered vehicles (the "Offset Amount"). In 2003, the State Legislature suspended the payment of the Offset Amount to the Local Agencies for the period beginning on June 20, 2003 and ending prior to October 1, 2003. In September 2004, the State Legislature amended the VLF Law to provide for the payment to Local Agencies of amounts in lieu of Offsets on or before August 15, 2006.

The VLF Law provides that on August 15, 2006, the Controller of the State shall transfer from the State General Fund to the Gap Repayment Fund in the State Treasury, an amount equal to the total amount of offsets that were applied to new vehicle registrations before October 1, 2003 and that were applied to vehicle license fees with a due date before October 1, 2003 that were not transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund and the Local Revenue Fund due to the operation of the State Budget Act of 2003, which replaced the appropriations for the same purpose then existing in the VLF Law. The VLF Law also provides that moneys in the Gap Repayment Fund are appropriated to the Controller for allocation by the Controller to each Local Agency, including the County, in an amount equal to the amount that was not allocated to each Local Agency due to the operation of certain state legislative action in fiscal year 2003-04, less any amount previously advanced to such Local Agency. The Controller has determined that the County's portion of the Offsets is $204,710,447.28. [**The obligation of the Controller to transfer funds from the State General Fund to**

the Gap Repayment Fund is subject to future appropriation and there is no assurance that the Governor will recommend such appropriation or that the State Legislature will make such an appropriation. None of the Authority, the County, the Trustee or the Holders of the Notes has a right to compel any such appropriation. The VLF Law provides that the Controller may make the transfer of the amount with respect to the Offset from the State General Fund to the Gap Repayment Fund prior to August 15, 2006 if such transfer is authorized by the Legislature; however, such early transfer is not required or anticipated.]

[The State has not included in its budget for fiscal years 2003-04 and 2004-05 any funds that are to be transferred to the Gap Repayment Fund pursuant to the VLF Law. There is no assurance that the State will adopt a budget in fiscal years 2005-06 or 2006-07 that includes all or a portion of such funds. Whether the State makes a timely payment with respect to the Gap Loan Receivable depends on a number of factors, including whether there are sufficient amounts in the State General Fund at the time of the transfer provided for under the VLF Law, and whether the State determines to use State General Fund moneys for other purposes. In addition, the State may not make the transfer provided for under the VLF Law if it determines that the payment of the Gap Loan Receivable is subject to appropriation and elects not to appropriate moneys for payment of the Gap Loan Receivable. Alternatively, even if there has been an appropriation of moneys for payment of the Gap Loan Receivable, the State may elect to challenge the validity of such appropriation. No assurances can be given that the State will make the payment with respect to the Gap Loan Receivable on or before August 15, 2006.]

On or before the effective date of the sale of the Gap Loan Receivable by the County to the Authority, the County shall, pursuant to Section 6588.5(c) of the Act, notify the Controller that the Gap Loan Receivable will be sold to the Authority and irrevocably instruct the [payor] that, as of the effective date, payments on the Gap Loan Receivable so sold are to be made directly to the Authority or the Trustee. Section 6588.5(b) of the Act provides that the sale and transfer of the Gap Loan Receivable by the County to the Authority pursuant to the Purchase Agreement is an absolute sale and transfer of the Gap Loan Receivable to the Authority by the County rather than a pledge or grant of a security interest by the County. Section 6588.5(c) of the Act provides that no portion of the Gap Loan Receivable sold by the County shall be subject to garnishment, levy, execution, attachment, or other process or writ, including, but not limited to, a writ of mandate or remedy in connection with the assertion or enforcement of any debt, claim, settlement or judgment against the County.

Assignment

Under the Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Notes and the Banks, all of the Revenues and any other amounts (including proceeds of the sale of Notes) held in any Fund or Account established pursuant to the Indenture or any supplemental indenture (other than the Rebate Fund); provided that proceeds of draws under the Series 2005A Letter of Credit and amounts in the Series 2005A Letter of Credit Fund secure only the Series 2005A Notes and thereafter, to the payment of obligations due to the Series 2005A Bank, and proceeds of draws under the Series 2005B Letter of Credit and amounts in the Series 2005B Letter of Credit Fund secure only the Series 2005B Notes and thereafter, to the payment of obligations due to the Series 2005B Bank. The Authority also transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Notes and the Banks, all of the right, title and interest of the Authority in the Purchase Agreement and to the Gap Loan Receivable (except for (i) any rights of the Authority to indemnification and (ii) the obligation of the County to make deposits pursuant to the Tax and Nonarbitrage Certificate). The Trustee shall be entitled to and shall collect and receive all of the Revenues (including the Gap Loan Receivable), and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or

received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Letters of Credit

Payment of principal of and interest on the Series 2005A Notes is supported by the Series 2005A Letter of Credit to be issued by the Series 2005A Bank and payment of principal of and interest on the Series 2005B Notes is supported by the Series 2005B Letter of Credit to be issued by the Series 2005B Bank under a Reimbursement Agreement. Only the Series 2005A Notes are supported by the Series 2005A Letter of Credit and any moneys in the Series 2005A Letter of Credit Fund and only the Series 2005B Notes are supported by the Series 2005B Letter of Credit and moneys in the Series 2005B Letter of Credit Fund. See "The Letters of Credit and the Reimbursement Agreement" herein.

State Covenant Not to Impair

Under Section 6588.5(d) of the Act, the State has covenanted for the benefit of the holders of any bonds (as set forth in the Act), including the Notes, issued by an authority pursuant to the Act secured by payment of the Offsets that it will not take any action that would materially adversely affect the interest of such holders or otherwise impair the security of the bonds, so long as any of the bonds remain outstanding. See "Risk Factors – Future State Budgets; Appropriation Required; Impairment" herein.

Limited Obligation

THE NOTES ARE SPECIAL OBLIGATIONS OF THE AUTHORITY AND PRINCIPAL THEREOF AND INTEREST THEREON ARE PAYABLE SOLELY FROM REVENUES, INCLUDING AMOUNTS PAID WITH RESPECT TO THE GAP LOAN RECEIVABLE, AND FROM AMOUNTS HELD BY THE TRUSTEE IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE INDENTURE. THE NOTES DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR THE COUNTY, AND UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY OR THE COUNTY BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE NOTES EXCEPT FROM REVENUES AND FROM AMOUNTS PAID WITH RESPECT TO THE GAP LOAN RECEIVABLE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE COUNTY OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE NOTES. THE NOTES ARE NOT A DEBT OF THE STATE OR THE COUNTY. THE COUNTY IS NOT LIABLE FOR PAYMENT OF THE NOTES. THE AUTHORITY HAS NO TAXING POWER.

STATE FINANCIAL INFORMATION

The Notes are payable only from Revenues, which are principally amounts to be paid by the State to the County in satisfaction of payment of the Gap Loan Receivable. The County is not liable to pay the principal of or interest on the Notes. [**The payment of the Gap Loan Receivable by the State is subject to future appropriation by the State Legislature and there is no assurance that the Governor will recommend such an appropriation or that the State Legislature will make such an appropriation.**] See "Risk Factors – Appropriation Required; Future State Budget; Impairment" herein. The most recent Official Statement of the State relating to its _____ is available from the NRMSIRs; such information is not incorporated herein by reference. The NRMSIRs currently approved by the SEC are listed in the SEC website at http://www.sec.gov/info/municipal/nrmsir.htm. In addition, information about the State budget (the "State Budget") and finances is regularly available at various State-maintained websites. Text of the State Budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget". An analysis of the State Budget by the Office of

the Legislative Analyst is available at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State Budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to in this paragraph is prepared by the State or the State agency referenced and not by the Authority or the County. The Authority, the County and the Underwriters take no responsibility for the accuracy of information relating to the State in any official statement referenced herein or the continued accuracy of the internet addresses referenced in this paragraph or for the accuracy or timeliness of information posted on such websites, and such information is not incorporated herein by reference.

THE LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The Letters of Credit

At the request and for the account of the County and the Authority, the Series 2005A Bank will establish in favor of the Trustee for the benefit of the Holders of the Series 2005A Notes an irrevocable direct-pay letter of credit (the "Series 2005A Letter of Credit") in the aggregate stated amount of $[_____] (the "Series 2005A Stated Amount"), of which $[_____] (the "Series 2005A Principal Portion") will be available to pay the principal of, and $[_____] (the "Series 2005A Interest Portion") will be available to pay the interest on the Series 2005A Notes. The Series 2005A Interest Portion was calculated at the rate of [_____] percent ([_____]%) per annum for [_____] days on the basis of a 360-day year of twelve 30-day months. The Series 2005A Stated Amount is comprised of the Series 2005A Principal Portion and the Series 2005A Interest Portion, as they may vary from time to time. The Trustee will draw moneys under the Series 2005A Letter of Credit to make payments of such amounts on the Series 2005A Notes. Drawings by the Trustee under the Series 2005A Letter of Credit will reduce the amounts available for subsequent drawings under the Series 2005A Letter of Credit, subject to reinstatement as provided in the Series 2005A Letter of Credit. Drawings on the Series 2005A Letter of Credit will be paid from the funds of the Series 2005A Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Series 2005A Bank by the Authority.

At the request and for the account of the County and the Authority, the Series 2005B Bank will establish in favor of the Trustee for the benefit of the Holders of the Series 2005B Notes an irrevocable direct-pay letter of credit (the "Series 2005B Letter of Credit" and together with the Series 2005A Letter of Credit, the "Letters of Credit" and each, a "Letter of Credit") in the aggregate stated amount of $[_____] (the "Series 2005B Stated Amount"), of which $[_____] (the "Series 2005B Principal Portion") will be available to pay the principal of, and $[_____] (the "Series 2005B Interest Portion") will be available to pay the interest on the Series 2005B Notes. The Series 2005B Interest Portion was calculated at the rate of [_____] percent ([_____]%) per annum for [_____] days on the basis of a 360-day year of twelve 30-day months. The Series 2005B Stated Amount is comprised of the Series 2005B Principal Portion and the Series 2005B Interest Portion, as they may vary from time to time. The Trustee will draw moneys under the Series 2005B Letter of Credit to make payments of such amounts on the Series 2005B Notes. Drawings by the Trustee under the Series 2005B Letter of Credit will reduce the amounts available for subsequent drawings under the Series 2005B Letter of Credit, subject to reinstatement as provided in the Series 2005B Letter of Credit. Drawings on the Series 2005B Letter of Credit will be paid from the funds of the Series 2005B Bankand not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Series 2005B Bank by the Authority.

Each Letter of Credit shall expire at the close of business of such Bank's New York office on the date which is the earliest of (a) December [1], 2006 (the "Stated Termination Date"), (b) the date indicated by the Trustee in a specified notice as being the date that all outstanding Notes of the applicable

series have been paid or will be paid with funds deposited with the Trustee, or (c) the date upon which such Letter of Credit is drawn in full.

The Reimbursement Agreement

The County, the Authority, the Banks and the Administrative Agent will enter into the Reimbursement Agreement pursuant to which the Letters of Credit will be issued. Among other things, the Reimbursement Agreement provides for (a) the repayment to each Bank of all drawings made under the related Letter of Credit, together with specified interest on those draws; (b) the payment or reimbursement to each Bank of certain specified fees, costs and expenses; (c) affirmative and negative covenants to be observed on the part of the County and the Authority; and (d) certain indemnification obligations on the part of the County and the Authority.

Events of Default under the Reimbursement Agreement

It shall be an Event of Default under the Reimbursement Agreement if any of the following events shall occur and be continuing; provided, however, that upon payment in full of the Gap Loan Receivable by the State and the deposit of the proceeds thereof in the Principal Fund held by the Trustee pursuant to the Indenture, the occurrence of the events described in paragraphs (i), (j) and (k) below shall no longer constitute an Event of Default under the Reimbursement Agreement:

(a) The Authority (i) shall fail to pay, or cause to be paid, when due, the principal of or interest on the Notes, or (ii) shall fail to pay or cause to be paid any amount due to the Banks or the Administrative Agent under the Reimbursement Agreement; or

(b) (i) A court of competent jurisdiction shall enter a final, nonappealable order or judgment that the Notes, the Reimbursement Agreement or any of the Indenture, the Purchase Agreement and the Notes (collectively with the Reimbursement Agreement, the "Documents") are invalid, illegal or unenforceable, or (ii) the issuance of the Notes, the execution, delivery or performance of the Reimbursement Agreement or any of the other Documents shall result in a violation by the County or the Authority of any material law, rule or regulation, or any order of any court, governmental agency or regulatory body, or any indenture or loan or credit agreement (including the Reimbursement Agreement) applicable to the County or the Authority or to such issuance; or

(c) A breach of the provisions of, or an event of default shall occur and be continuing under, any Document and the expiration of any applicable grace period shall have occurred; or

(d) The County or the Authority shall default in the performance of certain of the covenants in the Reimbursement Agreement; or

(e) The County or the Authority shall default in the performance of any other covenant or agreement contained in the Reimbursement Agreement and such default shall continue for thirty days after written notice of such default shall have been given to the County and the Authority by the Banks; or

(f) Any representation or warranty on the part of the County or the Authority contained in the Reimbursement Agreement or in any other Document shall at any time prove to have been untrue in any material respect when made or when reaffirmed, as the case may be; or

(g) (i) Any provision of the Reimbursement Agreement or the other Documents relating to or otherwise affecting the Authority's obligation to pay the principal of or interest on the Notes or to reimburse the Banks for amounts paid by the Banks under the Letters of Credit, together with interest

thereon as provided in the Reimbursement Agreement, or any other material provision of the Reimbursement Agreement or the other Documents, shall be declared to be unenforceable or null and void by any court of competent jurisdiction in a final and nonappealable judgment; (ii) any pledge or security interest created under the Reimbursement Agreement or under the other Documents to secure any portion of the County and the Authority's obligations thereunder fails to be fully enforceable with the priority required thereunder; or (iii)(A) the County or the Authority repudiates or otherwise denies that it has any further liability or obligation under or with respect to the Reimbursement Agreement or the other Documents, (B) the County or the Authority shall have taken or permitted to be taken any action, or has duly enacted any statute, that would materially adversely affect the enforceability of the Reimbursement Agreement or the other Documents or (C) the County or the Authority contests in a judicial or administrative proceeding the validity or enforceability of any material provision of the Reimbursement Agreement or the other Documents;

(h) (i) Any of the County, the Authority or the State shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of its property, or the County, the Authority or the State shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any of the County, the Authority or the State any case, proceeding or other action of a nature referred to in clause (i) and the same shall remain undismissed; or (iii) there shall be commenced against the County, the Authority or the State any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within sixty (60) days from the entry thereof; or (iv) the County, the Authority or the State shall, with respect to itself, take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the County, the Authority or the State shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(i) The State shall fail to (i) make any payment pursuant to the VLF Law to any city, county or other governmental entity other than the Authority when due (each, an "Other Gap Loan Receivable"); (ii) make any payment in respect of any of its publicly-issued general fund securities when due (whether by as a result of non-appropriation or otherwise but excluding any failure to pay any publicly-issued general fund securities payable from lease obligations of the State as a result of abatement) and such failure shall continue after any applicable grace period; or (iii) pay the Gap Loan Receivable to the Authority in full on or before December 1, 2006;

(j) [The (i) commencement of any action that could impair the ability of the State to pay the Gap Loan Receivable as and when contemplated by the Reimbursement Agreement or that contests the authority of the State to pay the Gap Loan Receivable or any Other Gap Loan Receivable or (ii) the occurrence of a material adverse change with respect to the Gap Loan Receivable or in the business, financial condition or operations of the State which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by the Reimbursement Agreement;]

(k) [a moratorium shall have been declared with respect to the Gap Loan Receivable or any Other Gap Loan Receivable;]

(l) any funds on deposit in, or otherwise to the credit of, any of the funds or accounts established under the Indenture shall become subject to any writ, judgment, warrant or attachment, execution or similar process; or

(m) [any change in the Code is made which results, or would result, in interest on any Notes being included in gross income to the holders thereof for purposes of Federal income taxation or the not being exempt from State personal income taxes or treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.]

Remedies Upon an Event of Default under the Reimbursement Agreement

Upon the occurrence of an Event of Default, the Administrative Agent may with the consent of all of the Banks, and shall at the request of all of the Banks, so long as such Event of Default shall not have been remedied to the sole satisfaction of the Banks, be entitled to proceed to enforce all remedies available under the Reimbursement Agreement and the other Documents and under applicable law and in equity, including, but not limited to, the right to seek mandamus.

THE BANKS

The following information relates to and has been furnished by the Banks for inclusion herein. The Authority, the County and the Underwriters cannot and do not make any representation as to the accuracy or completeness of such information or the absence of material adverse changes in such information subsequent to the date hereof. The delivery of this Official Statement will not create any implication that there has been no change in the affairs of the Banks since the date hereof or that the information contained or referred to under this caption "The Banks" is correct as of any time subsequent to its date. For purposes of the information contained under this caption "The Banks", the Series 2005B Bank shall mean BNP Paribas and not the San Francisco Branch thereof.

The Series 2005A Bank

[Third-Quarter numbers to be added in December when available]

The Series 2005A Bank was originally organized on June 16, 1812, and now is a national banking association organized under the National Bank Act of 1864. The Series 2005A Bank is a wholly-owned subsidiary of Citicorp, a Delaware corporation, and is Citicorp's principal subsidiary. Citicorp is an indirect wholly-owned subsidiary of Citigroup Inc. ("Citigroup"), a Delaware holding company. The obligations of the Series 2005A Bank under the Series 2005A Letter of Credit will not be guaranteed by Citicorp or Citigroup. As of June 30, 2004, the total assets of the Series 2005A Bank and its consolidated subsidiaries represented approximately 73% of the total assets of Citicorp and its consolidated subsidiaries.

The Series 2005A Bank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

As a national bank, the Series 2005A Bank is a regulated entity permitted to engage only in banking and activities incidental to banking. The Series 2005A Bank's earnings may be affected by certain monetary policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). The Series 2005A Bank is primarily regulated by the Office of the Comptroller of the Currency (the "Comptroller"), which also examines its loan portfolios and reviews the sufficiency of its allowance for credit losses.

The Series 2005A Bank's deposits at its U.S. branches are insured by the Federal Deposit Insurance Corporation (the "FDIC") and are subject to FDIC insurance assessments. The Series 2005A Letter of Credit is not insured by the FDIC or any other regulatory agency of the United States or any other jurisdiction. The Series 2005A Bank may, under certain circumstances, be obligated for the liabilities of its affiliates that are FDIC-insured depository institutions. The Series 2005A Bank's FDIC-insured depository affiliates include: Citibank Delaware; Citibank, Federal Savings Bank; Citibank (Nevada), National Association; Citibank (South Dakota), National Association; Citibank (West), fsb; Citicorp Trust Bank, FSB; Universal Financial Corp.; Associates Capital Bank, Inc.; California Commerce Bank; and Citibank USA, National Association.

Legislation enacted as part of the Omnibus Budget Reconciliation Act of 1993 provides that deposits in U.S. offices and certain claims for administrative expenses and employee compensation against a U.S. insured depository institution which has failed will be afforded a priority over other general unsecured claims, including deposits in non-U.S. offices and claims under non-depository contracts in all offices, against such an institution in the "liquidation or other resolution" of such an institution by any receiver. Such priority creditors (including the FDIC, as the subrogee of insured depositors) of such FDIC-insured depository institution will be entitled to priority over unsecured creditors in the event of a "liquidation or other resolution" of such institution.

As conservator or receiver for an insured depository institution, the FDIC also may disaffirm or repudiate any burdensome contract to which such institution is a party. The FDIC has not taken the position that such repudiation would impair the right of a holder of an unsecured obligation, such as the Series 2005A Letter of Credit, to claim amounts due thereunder through the date of appointment of a conservator or receiver. (The amount paid on such a claim would depend on the amount of assets in the receivership and the relative priority of the claim.) Disaffirmance or repudiation could, at a minimum, expose beneficiaries of the Series 2005A Letter of Credit to reinvestment risk.

As conservator or receiver, the FDIC is also empowered to enforce most types of contracts, including the Series 2005A Letter of Credit, pursuant to their terms notwithstanding any acceleration provisions therein, and may transfer to a new obligor any of the Series 2005A Bank's assets or liabilities, including the Series 2005A Letter of Credit, without the approval or consent of the Series 2005A Bank's creditors.

The FDIC is authorized to settle all uninsured and unsecured claims in the insolvency of an insured bank by making a final settlement payment at a percentage rate reflecting an average of the FDIC's receivership recovery experience and constituting full payment and disposition of the FDIC's obligation to uninsured and unsecured creditors.

The Basel Committee on Banking Supervision (the Basel Committee), consisting of central banks and bank supervisors from 13 countries, has developed a new set of risk-based capital standards (the New Accord), on which it has received significant input from the Series 2005A Bank and other major banking organizations. The Basel Committee published the text of the New Accord on June 26, 2004. The Basel Committee has added an additional year of impact analysis and parallel testing for banks adopting the advanced approaches, with implementation extended until year-end 2007. The Basel Committee intends to publish the text of the New Accord at the end of June 2004. The U.S. banking regulators issued an advance notice of proposed rulemaking in August 2003 to address issues in advance of publishing their proposed rules incorporating the new Basel standards. The final version of these rules will apply to the Series 2005A Bank and other large U.S. banks and bank holding companies. The Series 2005A Bank is assessing the impact of the proposed new capital standards, while continuing to participate in efforts to refine the standards and monitor the progress of the Basel initiative.

In January 2003, FASB issued accounting guidance in FIN 46 (which was subsequently revised in December 2003) which requires the consolidation of certain types of special-purpose vehicles that previously were recorded as off-balance sheet exposures. Although FASB deferred the effective date of FIN 46 until periods ending after December 15, 2003, the Series 2005A Bank elected to implement the provisions of FIN 46 as of July 1, 2003, with the exception of the deferral related to certain investment company subsidiaries. FIN 46-R was adopted in the 2004 first quarter. The impact of both these implementations was not material to the capital ratios of the Series 2005A Bank. On September 12, 2003, the federal bank regulatory agencies issued an interim final rule and a notice of proposed rulemaking concerning how this new requirement will be incorporated into the risk-based capital framework. The interim final rule was effective for the reporting periods September 30, 2003 through June 30, 2004.

On July 20, 2004, the federal banking and thrift regulatory agencies issued the final rule on capital requirements for asset-backed commercial paper (ABCP) programs. The final rule, which becomes effective September 30, 2004, increases the capital requirement on most short-term liquidity facilities that provide support to ABCP by imposing a 10% conversion factor on such facilities. Additionally, the final rule permanently excludes ABCP program assets consolidated under FIN 46-R and any minority interests from the calculation of risk-weighted assets and Tier 1 Capital, respectively. The denominator of the Tier 1 leverage ratio calculation will remain unaffected by the final rule, as the risk-based capital treatment does not alter the reporting of the on-balance sheet assets under GAAP guidelines. The Series 2005A Bank is assessing the impact of adopting the final rule. [Update, if any, to come from the Series 2005A Bank]

The Annual Report on Form 10-K of Citicorp and its subsidiaries for the year ended December 31, 2003 (the "2003 10-K"), and the Quarterly Report on Form 10-Q of Citicorp and its subsidiaries for the quarter ended June 30, 2004 (the "June 2004 10-Q") sets forth certain data relative to the consolidated financial position of the Series 2005A Bank and its subsidiaries as of June 30, 2004 and December 31, 2003.

The Consolidated Balance Sheets of the Series 2005A Bank as of December 31, 2003 and as of December 31, 2002 are set forth on page 53 of the 2003 10-K and as of June 30, 2004 and December 31, 2003 are set forth on page 52 of the June 2004 10-Q. Consolidated Balance Sheets of the Series 2005A Bank subsequent to March 31, 2004 will be included in the Form 10-Q's (quarterly) and Form 10-K's (annually) subsequently filed by Citicorp with the Securities and Exchange Commission (the "SEC"), which will be filed not later than 45 days after the end of the calendar quarter or 90 days after the end of the calendar year to which the report relates, or on Form 8-K with respect to certain interim events. For further information regarding the Series 2005A Bank, reference is made to the June 2004 10-Q and to any subsequent reports on Forms 10-K, 10-Q or 8-K filed by Citicorp with the SEC, which are incorporated herein by reference. Copies of such material may be obtained, upon payment of a duplicating fee, by writing to the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the operation of the public reference rooms. In addition, such reports are available at the SEC's web site (http://www.sec.gov). [Update, if any, to come from the Series 2005A Bank]

In addition, the Series 2005A Bank submits quarterly to the Comptroller certain reports called "Consolidated Reports of Condition and Income for Citibank With Domestic and Foreign Offices" ("Call Reports"). The Call Reports are on file with and publicly available at the Comptroller's offices at 250 E Street, S.W., Washington, D.C. 20219 and are also available on the web site of the FDIC (http://www.fdic.gov). Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules at the end of and for the period to which the report relates. The Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. While the Call Reports are supervisory and regulatory documents, not

primarily accounting documents, and do not provide a complete range of financial disclosure about the Series 2005A Bank, the reports nevertheless provide important information concerning the financial condition and results of operations of the Series 2005A Bank. The Series 2005A Bank's Call Report as of the close of business on June 30, 2004 is incorporated herein by reference. Any subsequent Call Reports filed by the Series 2005A Bank with the Comptroller are incorporated herein by reference.

Any of the above reports incorporated herein by reference are available upon request, without charge, by writing or calling Citigroup Document Services, 140 58th Street, Brooklyn, New York 11220, (718) 765-6541.

The Series 2005B Bank

As of 30 June, 2004, the Series 2005B Bank was the Euro zone's largest banking group in terms of market capitalization. The Series 2005B Bank is a provider of financial services, conducting retail, corporate and investment banking, private banking, asset management, insurance and specialized and other financial activities throughout the world. According to rankings published in July 2004 by The Banker (based on 2002 figures):

1. based on total assets, the Series 2005B Bank was the second largest banking group in France, the fifth largest in Europe, and the seventh largest in the world; and

2. based on Tier 1 capital, the Series 2005B Bank was the second, fourth and tenth largest banking group in France, Europe and the world, respectively.

The Series 2005B Bank is a leading European provider of corporate and investment banking products and services and a leading provider of private banking and asset management products and services throughout the world. It provides retail banking and financial services to over 20 million individual customers throughout the world and in particular in Europe and in the Western area of the United States.

The Series 2005B Bank has offices in more than 85 countries. At 31 December, 2003, the Series 2005B Bank had consolidated assets of €783.1 billion (€903.4 billion as at 30 June, 2004), consolidated gross total customer items of €231.5 billion (€255.0 billion as at 30 June, 2004), consolidated customer deposits (including retail and negotiable certificates of deposit) of €282.6 billion (€316.5 billion as at 30 June, 2004,) and stockholders' equity (including income of the period) of €28.3 billion (€28.4 billion as at 30 June, 2004). Net income, before taxes, non-recurring items and amortization of goodwill, for the year ended 31 December, 2003 was €6.3 billion (€4.0 billion for the first half of the year 2004). Net income, for the year ended 31 December, 2003 was €3.8 billion (€2.6 billion for the first half of the year 2004).

The Series 2005B Bank currently has long-term senior debt ratings of "Aa2" with stable outlook from Moody's, "AA" with stable outlook from Standard & Poor's and "AA" with stable outlook from Fitch Ratings. Moody's has also assigned the Series 2005B Bank a Bank Financial Strength rating of "B+" and Fitch Ratings has assigned the Bank an individual rating of "B."

The Series 2005B Bank has three core businesses: Retail Banking; Corporate and Investment Banking; and Asset Management and Services. Operationally, the Series 2005B Bank's businesses are organized into five main divisions (French Retail Banking, International Retail Banking and Financial Services, Corporate and Investment Banking, Asset Management and Services and BNP Paribas Capital).

THE AUTHORITY

The Authority is a joint exercise of powers authority duly organized and existing pursuant to the JPA Agreement. The Authority is authorized by Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the "Joint Exercise of Powers Act") and the JPA Agreement to issue the Notes and purchase the Gap Loan Receivable. The Authority has previously issued obligations secured by revenues of certain member districts, which obligations are outstanding in the approximate principal amount of $1,350,000,000 as of June 30, 2004, and may issue additional obligations in the future. These other obligations of the Authority are not secured by any Revenues under the Indenture and the Notes are not secured by any other assets or property of the Authority other than Revenues, as provided in the Indenture. The Authority is administered by a governing board of directors comprised of the members of the Board of Supervisors of the County.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Notes.

Future State Budgets; Appropriation Required; Impairment

The State has experienced several budget shortfalls for recent fiscal years. In November 2004, the Office of the Legislative Analyst projected that State expenditures will exceed State revenues by approximately $10 billion in fiscal year 2006-07, when the State is scheduled to pay the Gap Loan Receivable to the County. No prediction can be made by the Authority or the County as to what measures would be taken by the State to balance its budget, as required by law, including whether all, a portion or none of the Offsets would be appropriated by the State Legislature and allocated by the Controller to pay all or a portion, if any, of the Gap Loan Receivable. The obligation of the State to transfer funds from the General Fund to the Gap Repayment Fund is subject to future appropriation and there is no assurance that the Governor will recommend such appropriation or that the State Legislature will make such an appropriation. None of the Authority, the County, the Trustee or the Holders of the Notes has a right to compel any such appropriation.

Under Section 6588.5(d) of the Act, the State has covenanted for the benefit of the holders of any bonds (as set forth in the Act), including the Notes, issued by an authority pursuant to the Act secured by Offsets that it will not take any action that would materially adversely affect the interest of such holders or otherwise impair the security of the bonds, so long as any of the bonds remain outstanding. However, no assurance can be given that the State will not take action that materially impairs the security for the Notes, repeals or revises the Act or the VLF Law or interferes, delays or foregoes the appropriation or transfer of funds into the Gap Repayment Fund as required pursuant to the VLF Law. Furthermore, the State could alter the financing arrangements provided by the Act and the VLF Law in a manner that, though adverse to the interest of the Holders of the Notes, may not violate the provisions of the Act or otherwise impair the contractual rights of the Holders of the Notes. Generally, State legislation in contravention of the State's covenant not to impair the rights of the Holders will be upheld by a court if the State demonstrates a significant and legitimate public purpose for such legislation and that the impairment of the Holder's rights are based upon reasonable conditions and are of a character appropriate to the public purpose justifying the legislation's adoption. Accordingly, it is uncertain whether any particular State action would constitute an impermissible impairment of the security of the Notes of the nature provided for by the State's covenant. See "Security and Sources of Payment for the Notes" herein.

State Financial Information

The Notes are payable only from Revenues, which are all amounts received by the Authority, as purchaser of the County's rights to receive from the State the Gap Loan Receivable, and from amounts held by the Trustee in certain Funds and Accounts established by the Indenture. The Notes are special obligations of the Authority. The County is not liable for payment of the principal of or interest on the Notes. [**The payment of the Gap Loan Receivable by the State is subject to future appropriation by the State Legislature.**] The official statement of the State referenced herein was prepared by the State and not by the Authority or the County. The Authority, the County and the Underwriters have no independent knowledge of any facts indicating that the information is inaccurate in any material respect, but they have not independently verified this information and cannot and do not warrant the accuracy or completeness of such information.

Limited Obligations of the Authority

The Notes are special obligations of the Authority and principal of and interest thereon are payable solely from Revenues, including amounts paid with respect to the Gap Loan Receivable, and from amounts held by the Trustee in certain Funds and Accounts established by the Indenture. Holders of the Notes have no recourse to other assets of the Authority, including, but not limited to, any assets pledged to secure payment of any other debt obligations of the Authority. The Notes do not constitute a charge against the general credit of the Authority or the County, and under no circumstances shall the Authority or the County be obligated to pay the principal of or interest on the Notes except from Revenues and from amounts paid with respect to the Gap Loan Receivable. Neither the faith and credit nor the taxing power of the State, the County or any political subdivision thereof is pledged to the payment of the principal of or interest on the Notes. The Notes are not a debt of the State or the County. The County is not liable for payment of the Notes. The Authority has no taxing power.

Effect of Bankruptcy of the County and the Authority

The sale and transfer of the Gap Loan Receivable by the County to the Authority pursuant to the Purchase Agreement under Section 6588.5(b) of the Act is an absolute sale and transfer of the Gap Loan Receivable to the Authority by the County rather than a pledge or grant of a security interest by the County, such that the right to be paid the Gap Loan Receivable would be property of the Authority under the United States Bankruptcy Code (the "Bankruptcy Code").

The Authority has pledged under the Indenture to the Trustee, for the benefit of the Holders from time to time of the Notes and the Banks, all of the Revenues and any other amounts (including proceeds of the sale of Notes) held in any Fund or Account established pursuant to the Indenture or any supplemental indenture (other than the Rebate Fund), subject to certain conditions with respect to proceeds of draws under the Letters of Credit. [Should the Authority become a debtor in a case under the Bankruptcy Code, a court will likely characterize the pledge of Revenues, including amounts paid with respect to the Gap Loan Receivable, by the Authority to the Trustee in the form and manner set forth in the Indenture as a borrowing by the Authority secured by the amounts received with respect to the Gap Loan Receivable, and not an absolute assignment of the amounts received with respect to the Gap Loan Receivable.] Because the Notes do not constitute a charge against the general credit of the Authority or the County, and under no circumstances shall the Authority or the County be obligated to pay the principal of or interest on the Notes except from Revenues and from amounts paid with respect to the Gap Loan Receivable, there could be delays or reductions in the payments on the Notes under the circumstances described in the previous sentence. There may be other possible effects of a bankruptcy of the Authority that could result in delays or reductions in payments to the holders of the Notes. Regardless of any specific adverse determinations in an Authority bankruptcy proceeding, a bankruptcy proceeding

involving the Authority could have an adverse effect on the liquidity and value of the Notes. [No prediction can be made as to how a court of competent jurisdiction would adjudicate such matters.]

Limited Remedies

The Purchase Agreement provides that if a Purchase Agreement Default Event occurs, then, and in each and every such case during the continuance of such Purchase Agreement Default Event, the Trustee on behalf of the Authority, subject to the limitations in the Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect any amounts due thereunder, to enforce performance and observance of any obligation or agreement of the County under the Purchase Agreement or to protect the interests securing the same, and may, without limiting the generality of the foregoing (i) exercise any or all rights and remedies given hereby or available under the Purchase Agreement or the Indenture, and (ii) take any action at law or in equity to collect the payment required under the Purchase Agreement or the Indenture then due, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the County under the Purchase Agreement. There is no remedy of acceleration under the Indenture or the Purchase Agreement.

TAX MATTERS

In the opinion of O'Melveny & Myers LLP, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, Bond Counsel is of the opinion that the Notes are not "private activity bonds" within the meaning of Section 141(a) of the Code and, therefore, interest on the Notes is not a specific item of tax preference for purposes of the Code's alternative minimum tax provisions. However, interest on the Notes received by a corporation will be included in adjusted current earnings for purposes of computing such corporation's alternative minimum tax liability.

Bond Counsel is further of the opinion that interest on the Notes is exempt from personal income taxes of the State of California under present State law.

In rendering such opinions, Bond Counsel has relied upon representations and covenants of the County in the Purchase Agreement, the Authority in the Indenture, and the County and the Authority in the Tax and Nonarbitrage Certificate concerning the investment and use of Note proceeds and the rebate to the federal government of certain earnings thereon, to the extent required, from legally available moneys. In addition, Bond Counsel has assumed that all such representations are true and correct and that the County and the Authority will comply with such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made). Bond Counsel has expressed no opinion with respect to the exclusion of interest on the Notes from gross income under Section 103(a) of the Code in the event that any such representations are untrue or the County or the Authority should fail to comply with any of such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made), unless such failure to comply is based on the advice or opinion of Bond Counsel. Bond Counsel has expressed no opinion regarding the effect, if any, of legislation enacted after the date hereof, on the exclusion of interest on the Notes from gross income for federal income tax purposes. In addition, no assurance can be given that such legislation could not directly or indirectly reduce the benefits of the receipt of interest which is otherwise excluded from gross income for federal income tax purposes.

Bond Counsel has expressed no opinion regarding the impact of ownership of, receipt of interest on, or disposition of the Notes other than as expressly described above. Prospective purchasers of the

Notes should be aware that, in addition to other possible tax consequences, ownership of, receipt of interest on, or disposition of the Notes may be affected by the following federal income tax provisions: (i) Section 265 of the Code denies a deduction for interest on the indebtedness incurred or continued to purchase or carry the Notes or, in the case of a financial institution, that portion of a beneficial owner's interest expense allocable to interest on the Notes; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Notes; (iii) interest on the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) passive investment income, including interest on the Notes, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (v) Section 86 of the Code requires recipients of certain social security and certain railroad retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Notes. The presence of any such effect, as well as the magnitude thereof, depends on the specific factual situation with respect to each particular beneficial owner.

The form of opinion of approving opinion of Bond Counsel is attached hereto as Appendix C.

CERTAIN LEGAL MATTERS

Legal matters related to the authorization, issuance, sale and delivery of the Notes are subject to the approving opinion of O'Melveny & Myers LLP, Bond Counsel. The proposed form of the opinion of Bond Counsel is set forth in Appendix C attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, for the Authority and the County by County Counsel and for the Banks by their counsel, Sidley Austin Brown & Wood LLP, Los Angeles, California.

NO LITIGATION

To the best knowledge of the Authority and the County, there is no litigation pending or threatened concerning the validity of the Notes or challenging any action taken by the Authority or the County in connection with the authorization of any document relating to the Notes to which the Authority or the County is or is to become a party or the performance by the Authority or the County of any of their respective obligations under any of the foregoing.

RATINGS

[Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's")] have assigned the Notes ratings of "___,""____" and "____", respectively, based on the understanding that upon the delivery of the Notes the Letters of Credit will be issued by the respective Banks. Such ratings reflect only the views of [Fitch, Moody's and Standard & Poor's], and do not constitute a recommendation to buy, sell or hold the Notes. Explanation of the significance of such ratings may be obtained only from the respective organizations at: [Fitch Ratings, 33 Whitehall Street, 27th Floor, New York, New York 10004; Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007-2796 and Standard & Poor's, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041.] There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes.

UNDERWRITING

The Notes are being purchased by Citigroup Global Markets Inc., as representative of the underwriters listed on the cover of this Official Statement (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the Notes from the Authority at a price of $_____ (which represents the aggregate principal amount of the Notes, [plus excess net premium of $_____ and less an underwriters' discount of $_____]). The Note Purchase Agreement provides that the Underwriters will purchase all of the Notes if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Note Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Notes to certain dealers and others at prices lower than the offering price. The offering prices may be changed from time to time by the Underwriters.

CERTAIN RELATIONSHIPS

Citigroup Global Markets Inc. ("Citigroup") and Citibank, N.A. are both wholly-owned subsidiaries of Citigroup Inc. (a publicly-traded corporation).

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), the Authority has agreed to provide, or cause to be provided, not later than February 1 in each year, commencing with the report for the fiscal year ended June 30, 2004, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of the Rule (each, a "Repository") reference to the most recent information relating to the State General Fund, including references to official statements and/or annual reports filed by the State as provided under the Rule, and to provide, or cause to be provided, to each Repository in a timely manner notice of the following "Listed Events" with respect to the Notes if determined by the Authority to be material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on the debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) optional, contingent or unscheduled bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. These covenants have been made in order to assist the Underwriters in complying with the Rule. The Authority has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

The County and the Authority have determined that no financial or operating data concerning the County or the Authority is material to any decision to purchase, hold or sell the Notes and neither the County nor the Authority will provide any such information. The Authority, the County and the Underwriters take no responsibility for the accuracy of information relating to the State in any official statement or other document referenced in any such annual report filed by the State and such information will not be incorporated in any other information that may be provided by the Authority under the Continuing Disclosure Certificate.

ADDITIONAL INFORMATION

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Purchase Agreement, the Letters of Credit and the Reimbursement Agreement may be obtained upon request from the Trustee at:_____. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority, the County and the purchasers or Holders of any of the Notes.

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

APPENDIX A

SUMMARY OF THE LEGAL DOCUMENTS

APPENDIX B

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix B concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Authority, the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The Authority, the County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of principal of and interest on the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix B. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes 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 security certificate will be issued for the Series 2005A Notes and for the Series 2005B Notes, each in the aggregate principal amount of such Series of Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC," "GSCC," "MBSCC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Notes called for redemption or of any other action premised on such notice. Redemption of portions of the Notes by the Authority will reduce the outstanding principal amount of Notes held by DTC. In such event, DTC will implement, through its book-entry system, redemption by lot of interests in the Notes held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement redemption of the Notes for the Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest evidenced by the Notes 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 Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or

registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NONE OF THE AUTHORITY, THE COUNTY, THE UNDERWRITERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR PREPAYMENT.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX D

FORM OF APPROVING OPINION

$_____

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
GAP LOAN RECEIVABLE NOTES
SERIES 2005A AND SERIES 2005B

NOTE PURCHASE AGREEMENT

December 16, 2004

Los Angeles County
Public Works Financing Authority
Los Angeles, California

Board of Supervisors
County of Los Angeles
Los Angeles, California

The undersigned, as representative (the "Representative") of the underwriters listed in Exhibit A hereto (the "Underwriters"), hereby offers to enter into this Note Purchase Agreement (this "Agreement") with the Los Angles County Public Works Financing Authority (the "Authority") and the County of Los Angeles, California (the "County") for the purchase by the Underwriters of $_____ aggregate principal amount of Gap Loan Receivable Notes, Series 2005A (the "Series 2005A Notes") and $_____ aggregate principal amount of Gap Loan Receivable Notes, Series 2005B (the "Series 2005B Notes" and, together with the Series 2005A Notes, the "Notes"). The Notes will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) (the "Act") and a Bond Indenture, dated as of January 1, 2005 (the "Indenture"), by and between the Los Angeles County Public Works Financing Authority (the "Authority") and _____, as trustee (the "Trustee"). The Authority will enter into a Gap Loan Receivable Purchase Agreement, dated as of January 1, 2005 (the "Purchase Agreement"), with the County whereby the County will sell its rights to receive from the State of California (the "State") certain payments provided for in Section 10754.11(1) of the California Revenue and Taxation Code (the "Code"), and the Authority will purchase the Gap Loan Receivable from the County. This offer is made subject to acceptance by the Authority and the County prior to 5:00 p.m., Los Angeles time, on the date hereof, and upon such acceptance, this Note Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon both you and the Underwriters.

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriters hereby jointly and severally agree to purchase from the Authority, and the Authority hereby agrees to sell to the Underwriters all (but not less than all) of the $_____aggregate principal amount of the Series 2005A Notes and the $_____aggregate principal amount of the Series 2005B Notes.

The aggregate purchase price of the Series 2005A Notes shall be $_____ (representing the aggregate principal amount of the Series 2005A Notes of $_____, [plus a net original issue premium of $_____,] and less an Underwriters' discount of $_____). The Series 2005A Notes shall bear interest at the rate of __% per annum. The Series 2005A Notes shall be as described in the Official Statement and shall be payable from Revenues (as set forth in the Indenture).

The aggregate purchase price of the Series 2005B Notes shall be $_____ (representing the aggregate principal amount of the Series 2005B Notes of $_____, [plus a net original issue premium of $_____,] and less an Underwriters' discount of $_____). The Series 2005B Notes shall bear interest at the rate of __% per annum. The Series 2005B Notes shall be as described in the Official Statement and shall be payable from Revenues (as set forth in the Indenture).

Payment of principal of and interest on the Series 2005A Notes will be secured by an irrevocable direct-pay letter of credit (the "Series 2005A Bank Letter of Credit") to be issued by Citibank, N.A. ("Series 2005A Bank") and payment of principal of and interest on the Series 2005B Notes will be secured by an irrevocable direct-pay letter of credit (the "Series 2005B Bank Letter of Credit" and, together with the Series 2005A Bank Letter of Credit, the "Letters of Credit") to be issued by BNP Paribas, acting through its San Francisco Branch ("Series 2005B Bank" and, together with Series 2005A Bank, the "Banks") under a Reimbursement Agreement, dated as of January 1, 2005 (the "Reimbursement Agreement"), by and among the County, the Authority, the Banks and Citibank, N.A., as administrative agent for the Banks.

The delivery of the Official Statement dated December 16, 2004 regarding the Notes (the "Official Statement"), together with the execution and delivery of the Indenture, the Purchase Agreement, the Reimbursement Agreement, this Note Purchase Agreement, the Continuing Disclosure Certificate, dated as of January 1, 2005 (the "Continuing Disclosure Certificate") and the Notes have been authorized by a resolution adopted by the Board of Directors of the Authority on December 7, 2004 (the "Authority Resolution"). The delivery of the Official Statement, together with the execution and delivery of the Purchase Agreement, the Reimbursement Agreement, this Note Purchase Agreement and the Notes have been authorized by a resolution adopted by the Board of Supervisors of the County on December 7, 2004 (the "County Resolution" and, together with the Authority Resolution, the "Resolutions"). The Notes shall be payable as provided in the Indenture.

For purposes of this Note Purchase Agreement, the Indenture, the Purchase Agreement, the Reimbursement Agreement, the Continuing Disclosure Certificate and this Note Purchase Agreement, are referred to collectively herein as the "Legal Documents." In each case, the form of such documents have been previously submitted to the Underwriters and shall be executed and delivered in such form with only such changes therein as shall be mutually agreed upon by the Authority, the County, the Trustee and the Representative. Capitalized terms not otherwise defined herein shall have the meanings as defined in the Indenture.

The Underwriters agree to make a bona fide public offering of all the Notes initially at the prices or yields set forth on the inside cover page of the Official Statement. After

such initial public offering, the Underwriters reserve the right to change such prices or yields as they deem necessary in connection with the marketing of the Notes.

2. Upon the Authority's and the County's acceptance of this offer, the Authority and the County shall be deemed to have ratified, approved and confirmed the Preliminary Official Statement with respect to the Notes, dated December 10, 2004 (together with any appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement"), in connection with the public offering and sale of the Notes by the Underwriters and the Authority and the County shall have deemed final the Preliminary Official Statement (excluding the statements and information regarding the Banks) under subsection (b)(1) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"). The Authority shall deliver to the Underwriters copies of the Official Statement in such quantities as the Underwriters shall reasonably request, dated the date hereof substantially in the form of the Preliminary Official Statement, with only such changes as shall have been accepted by the Underwriters (said document, including its cover page, inside cover page and appendices, as the same may be amended and supplemented in accordance with this Note Purchase Agreement and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Official Statement"). The Authority shall, as soon as practicable, but not later than seven (7) business days from the date hereof, deliver to the Underwriters such copies of the Official Statement.

3. The Authority represents and warrants to, and convenants with, each of the Underwriters that:

(a) the Authority is a joint exercise of powers authority duly organized and operating pursuant to Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "State");

(b) the Authority has full legal power and authority to issue the Notes, enter into the Indenture, the Purchase Agreement, the Reimbursement Agreement, the Continuing Disclosure Certificate and this Note Purchase Agreement (collectively, the "Authority Legal Documents"), to own its properties and to carry on its business as presently conducted;

(c) the Authority Legal Documents have been duly authorized, executed and delivered by the Authority and constitute legal, valid and binding agreements of the Authority, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

(d) except as may be required under blue sky or other securities laws of any state, no consent, approval, authorization or order of any State court or governmental body is required for the consummation by the Authority of the transactions contemplated by the Official Statement, except such as have been obtained and except

such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Notes by the Underwriters;

(e) to the best knowledge of the Authority, and except as disclosed in the Official Statement, there are no legal or governmental proceedings pending or threatened against the Authority which, if determined adversely to the Authority, would materially adversely affect the Authority's ability to issue the Notes, or enter into or perform its obligations under the Authority Legal Documents;

(f) the execution and delivery of the Authority Legal Documents by the Authority, and performance by the Authority of its obligations thereunder, will not, in any material respect, conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Authority is a party or by which it is bound or constitute a material default thereunder;

(g) the Authority is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject which breach or default would materially adversely affect the Authority's ability to issue the Notes or enter into or perform its obligations under the Authority Legal Documents, and, to the best knowledge of the Authority, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default;

(h) to the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority in any material respect affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the purchase or sale of the Gap Loan Receivable or in any way contesting or affecting the validity or enforceability of the Notes or the Authority Legal Documents or contesting the existence or powers of the Authority or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Notes or the Authority Legal Documents or that could have a material adverse impact upon the ability of the Authority to perform its obligations under such documents;

(i) the Authority agrees to cooperate with the Underwriters in endeavoring to qualify the Notes for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriters may request, except that the Authority shall not be required to qualify to do business or consent to service of process in any jurisdiction without its approval;

(j) by official action of the Authority prior to or concurrently with the execution hereof, the Authority has duly authorized the distribution of the Preliminary

Official Statement and the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the Authority Legal Documents and the consummation by it or all other transactions contemplated by the Authority Legal Documents;

(k) the information (excluding the statements and information regarding the Banks, the Reimbursement Agreement, The Depository Trust Company, New York, New York ("DTC") and its book-entry only system, any financial information relating to the State or any information relating to the Underwriters provided by the Underwriters in writing for inclusion in the Official Statement) contained in the Preliminary Official Statement was, as of the date thereof, and in the Final Official Statement is, as of the date hereof, and will be, as of the Closing Date, true and correct in all material respects and such information does not and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(l) if between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Notes, an event occurs which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Authority will notify the Underwriters, and, if in the reasonable opinion of the Underwriters, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority shall cooperate with the County in preparing and furnishing to the Underwriters (at the expense of the County) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters) that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading (except this representation does not include information relating to the Banks, the Reimbursement Agreement, the Underwriters, any financial information relating to the State or DTC and its book-entry only system). For the purposes of this subsection, between the date hereof and the date that is 25 days after the End of the Underwriting Period for the Notes, the Authority will furnish such information with respect to itself as the Underwriters may from time to time reasonably request. As used herein, the term "End of the Underwriting Period" for the Notes shall mean the earlier of (i) the Closing Date (as defined herein) unless the Authority and the County shall have been notified in writing to the contrary by the Underwriters on or prior to the said date or (ii) the date on which the End of the Underwriting Period for the Notes has occurred under Rule 15c2-12(b)(5), provided, however, that the Authority and the County may treat as the End of the Underwriting Period for the Notes as the date specified as such in a notice from the Underwriters stating the date that is the End of the Underwriting Period;

(m) if the information contained in the Official Statement is amended or supplemented pursuant to the terms hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Notes, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(n) after the Closing, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriters shall reasonably object in writing or which shall be disapproved by counsel for the Underwriters; and

(o) any certificate signed by an Authority representative and delivered to the Underwriters pursuant to this Note Purchase Agreement shall be deemed a representation and warranty by the Authority to each of the Underwriters as to the truth of the statements therein made.

4. The County represents and warrants to, and covenants with, each of the Underwriters that:

(a) the County is a political subdivision under the laws of the State;

(b) the County has full legal power and authority to enter into the Purchase Agreement, the Reimbursement Agreement and this Note Purchase Agreement (collectively, the "County Legal Documents"), to own its properties and to carry on its business as presently conducted;

(c) the County Legal Documents have been duly authorized, executed and delivered by the County and constitute legal, valid and binding agreement of the County, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

(d) except as may be required under blue sky or other securities laws of any state, no consent, approval, authorization or order of any State court or governmental body is required for the consummation by the County of the transactions contemplated by the Official Statement, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Notes by the Underwriters;

(e) to the best knowledge of the County, and except as disclosed in the Official Statement, there are no legal or governmental proceedings pending or threatened against the County which, if determined adversely to the County, would materially

adversely affect the County's ability to enter into or perform its obligations under the County Legal Documents;

(f) the execution and delivery of the County Legal Documents by the County, and performance by the County of its obligations thereunder, will not, in any material respect, conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the County is a party or by which it is bound or constitute a material default thereunder;

(g) the County is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which breach or default would materially adversely affect the County's ability to enter into or perform its obligations under the County Legal Documents, and, to the best knowledge of the County, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default;

(h) to the best knowledge of the County, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the County in any material respect affecting the existence of the County or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the purchase or sale of the Gap Loan Receivable or in any way contesting or affecting the validity or enforceability of the Notes, the County Legal Documents or contesting the powers of the County or its authority to enter into, adopt or perform its obligations under the County Legal Documents, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Notes or the County Legal Documents or that could have a material adverse impact upon the ability of the County to perform its obligations under such documents;

(i) the County agrees to cooperate with the Underwriters in endeavoring to qualify the Notes for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriters may request, except that the County shall not be required to qualify to do business or consent to service of process in any jurisdiction without its approval;

(j) by official action of the County prior to or concurrently with the execution hereof, the County has duly authorized the distribution of the Preliminary Official Statement and the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the County of the obligations on its part contained in the County Legal Documents and the consummation by it of all other transactions contemplated by the County Legal Documents;

(k) the information (excluding the statements and information regarding the Banks, the Reimbursement Agreement, DTC and its book-entry only

system, any financial information relating to the State or any information relating to the Underwriters provided by the Underwriters in writing for inclusion in the Official Statement) contained in the Preliminary Official Statement was, as of the date thereof, and in the Final Official Statement is, as of the date hereof, and will be, as of the Closing Date, true and correct in all material respects and such information does not and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(l) if between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Notes, an event occurs which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the County will notify the Underwriters, and, if in the reasonable opinion of the Underwriters, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the County shall cooperate with the Authority in preparing and furnishing to the Underwriters (at the expense of the County) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters) that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading (except this representation does not include information relating to the Banks, the Reimbursement Agreement, the Underwriters, any financial information relating to the State or DTC and its book-entry only system). For the purposes of this subsection, between the date hereof and the date that is 25 days after the End of the Underwriting Period for the Notes, the County will furnish such information with respect to itself as the Underwriters may from time to time reasonably request;

(m) if the information contained in the Official Statement is amended or supplemented pursuant to the terms hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Notes, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(n) after the Closing, the County will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriters shall reasonably object in writing or which shall be disapproved by counsel for the Underwriters; and

(o) any certificate signed by a County representative and delivered to the Underwriters pursuant to this Note Purchase Agreement shall be deemed a representation and warranty by the County to each of the Underwriters as to the truth of the statements therein made.

5. At 8:00 a.m., California time, on January 5, 2005, or at such other date and time as shall have been mutually agreed upon by the Authority, the County and the Representative, the Authority will issue or cause to be issued to the Representative the Notes duly executed and in book-entry form through the facilities of DTC, or at such other place upon which the Representative, the Authority and the County may mutually agree, and the other documents hereinafter mentioned shall be delivered at the offices of O'Melveny & Myers LLP, Los Angeles, California ("Bond Counsel"), or at such other place as shall have been mutually agreed upon by the Authority, the County and the Representative. Subject to the terms and conditions hereof, the Representative will accept delivery of the Notes and pay the purchase price thereof as set forth herein in federal or other immediately available funds (such delivery of and payment for the Notes is herein called the "Closing"). The Notes shall be prepared and delivered to the Representative at least one business day prior to the date of Closing in the form of one certificate for each series, fully registered in the name of Cede & Co., as nominee of DTC.

6. The obligations of each of the Underwriters under this Note Purchase Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the Authority and the County of their covenants and agreements to be observed and performed hereunder and to the accuracy of the representations and warranties of the Authority and the County contained herein, the performance by the Trustee of its obligations under the Indenture and the receipt of the opinions required hereby, and the certificates and documents required hereby, in each case on and as of the date hereof and on and as of the date of Closing. The Underwriters' obligations under this Note Purchase Agreement are and shall be subject, at the option of the Underwriters, to the following further conditions as of the Closing;

(a) at the time of the Closing, the Legal Documents shall be in full force and effect as valid and binding agreements between the various parties thereto, and the Legal Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Representative, and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby and by the Legal Documents;

(b) at the Closing, the Representative shall receive the following documents, in each case satisfactory in form and substance to it and counsel to the Underwriters:

(1) the unqualified approving opinion of Bond Counsel in substantially the form included as Appendix D to the Official Statement, dated the date of Closing, addressed to the Authority, the County and the Underwriters (or with a separate reliance letter delivered to the Underwriters);

(2) a supplemental opinion of Bond Counsel, dated the date of the Closing, addressed to the Authority, the County and the Underwriters, to the effect that:

(i) the statements contained in the Official Statement under the captions "THE NOTES," "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" and "TAX MATTERS" and in APPENDIX A – "SUMMARY OF LEGAL DOCUMENTS," insofar as such statements expressly summarize certain provisions of the Act, the Code, the Notes, the Indenture, the Purchase Agreement, the Reimbursement Agreement and the Continuing Disclosure Certificate, certain tax matters relating to the Notes and the final approving legal opinion of Bond Counsel relating to the Notes, are accurate in all material respects; and

(ii) the Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(3) an opinion of County Counsel, as counsel to the County, dated the date of the Closing, in form and substance satisfactory to the Representative, addressed to the County, the Authority and the Underwriters, solely with respect to State law, to the effect that:

(i) the County is a political subdivision under the laws of the State;

(ii) the resolution of the County approving and authorizing the execution and delivery of the County Legal Documents has been duly adopted at a meeting of the Board of Supervisors of the County, as the governing body of the County, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption;

(iii) to the best knowledge of such counsel, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body, pending or threatened against the County, to restrain or enjoin the delivery of the Notes or in any way contesting or affecting the validity of the County Legal Documents or the Notes or contesting the powers of the County to enter into or perform its obligations under any of the County Legal Documents;

(iv) the execution and delivery of the County Legal Documents and the authorization of the Official Statement and

compliance with the provisions of the County Legal Documents under the circumstances contemplated thereby do not and will not in any material respect conflict with or constitute on the part of the County a breach or default under any agreement or other instrument to which the County is a party or by which it is bound or any existing State law, regulation, court order or consent decree to which the County is subject;

(v) the County Legal Documents have been duly authorized, executed and delivered by the County and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute legal, valid and binding agreements of the County, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies imposed on actions against public entities in the State;

(vi) no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the County of the County Legal Documents and the authorization of the Official Statement or the consummation by the County of the other transactions contemplated by the County Legal Documents (provided that no opinion need be expressed as to any action required under securities or blue sky laws of any jurisdiction in connection with the purchase or distribution of the Notes by the Underwriters);

(vii) The County is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject which breach or default would materially adversely affect the County's ability to enter into or perform its obligations under the County Legal Documents and, to the best knowledge of the County, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default; and

(viii) the preparation and distribution of the Official Statement has been duly authorized by the governing body of the County;

(4) the opinion of County Counsel, as counsel to the Authority, dated the date of the Closing, in form and substance satisfactory to the Representative, addressed to the Authority, the County and the Underwriters, solely with respect to State law, to the effect that:

(i) the Authority is a joint exercise of powers authority duly organized and operating pursuant to Chapter 5, Division 7, Title 1 of the Government Code of the State;

(ii) the Authority has full legal power and corporate authority to enter into the Authority Legal Documents, to own its properties and to carry on its business as then conducted;

(iii) the Authority Legal Documents have been duly authorized, executed and delivered by the Authority and constitute legal, valid and binding agreements of the Authority, enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

(iv) no consent, approval, authorization or order of any State court or governmental body is required for the consummation by the Authority of the transactions contemplated by the Official Statement, except such as have been obtained and except such as may be required under securities or blue sky laws of any jurisdiction in connection with the purchase and distribution of the Notes by the Underwriters;

(v) to the best knowledge of such counsel, there are no legal or governmental proceedings pending or threatened against the Authority which, if determined adversely to the Authority, would materially adversely affect the Authority's ability to enter into or perform its obligations under the Authority Legal Documents;

(vi) the execution and delivery of the Authority Legal Documents by the Authority, and performance by the Authority of its obligation thereunder, will not, in any material respect, conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Authority is a party or by which it is bound or constitute a material default thereunder; and

(vii) the Authority is not in breach of or default under any applicable law or administrative regulation of the State of any applicable judgment or decree or any loan agreement, indenture,

bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject which breach or default would, materially adversely affect the Authority's ability to enter into or perform its obligations under the Authority Legal Documents, and, to the best knowledge of the Authority, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default.

(5) the opinion of counsel to the Trustee, dated the date of the Closing, addressed to the Underwriters, to the effect that:

(i) the Trustee is a banking corporation, duly organized and validly existing under the laws of the State, having full power and being qualified to enter into and perform the Indenture; and

(ii) the Indenture has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

(6) an opinion of Hawkins Delafield & Wood LLP, counsel to the Underwriters, dated the date of the Closing, addressed to the Underwriters, in form and substance satisfactory to the Underwriters;

(7) a certificate of an Authority Representative dated the date of Closing to the effect that:

(i) the representations and warranties of the Authority contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the Official Statement;

(ii) to the best of his or her knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority in any material respect affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the purchase or sale of the Gap Loan Receivable or in any way contesting or affecting the validity or enforceability of the Notes or the Authority Legal Documents or contesting the

powers of the Authority or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Notes or the Authority Legal Documents or that could have a material adverse impact upon the ability of the Authority to perform its obligations under such documents;

(iii) to the best of his or her knowledge, no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement, as the same may be supplemented or amended, in order that the Official Statement not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading;

(iv) to the best of his or her knowledge, there does not exist any action, suit, proceeding or investigation pending or threatened which if adversely determined, could materially adversely affect the ability of the Authority to perform its obligations under the Authority Legal Documents, the security for the Notes, or the transactions contemplated by the Authority Legal Documents; and

(v) the Authority has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied pursuant to the Authority Legal Documents at or prior to the Closing;

(8) a certificate of a County Representative dated the date of Closing to the effect that:

(i) the representations and warranties of the County contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the Official Statement;

(ii) to the best of his or her knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the County in any material respect affecting the existence of the County or the titles of its officers to their respective offices or seeking to prohibit, restrain or

enjoin the purchase or sale of the Gap Loan Receivable or in any way contesting or affecting the validity or enforceability of the Notes or the County Legal Documents or contesting the powers of the County or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Notes or the County Legal Documents or that could have a material adverse impact upon the ability of the County to perform its obligations under such documents;

(iii) to the best of his or her knowledge, no event affecting the County has occurred since the date of the Official Statement which should be disclosed in the Official Statement, as the same may be supplemented or amended, in order that the Official Statement not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading; and

(iv) to the best of his or her knowledge, there does not exist any action, suit, proceeding or investigation pending or threatened which if adversely determined, could materially adversely affect the ability of the County to perform its obligations under the County Legal Documents, or the transactions contemplated by the County Legal Documents; and

(v) County has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied pursuant to the County Legal Documents at or prior to the Closing;

(9) a certificate of the Trustee dated the date of Closing to the effect that:

(i) the Trustee is duly organized and existing as a banking corporation duly organized and existing under the laws of [the State of California], having the full power and authority to enter into and perform its duties under the Indenture and to deliver the Notes;

(ii) the Trustee is duly authorized to enter into the Indenture, and, when the Indenture is duly authorized, executed and delivered by the other respective parties thereto, to deliver the Notes to the Underwriters pursuant to the terms of the Indenture;

(iii) the execution and delivery by the Trustee of the Indenture and the Notes, and compliance with the terms thereof, will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or, to its best knowledge, any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any federal or state securities or blue sky laws or regulations);

(iv) no authorization, approval, consent or order of any governmental agency or any other person is required for the valid authorization, execution and delivery of the Indenture or the Notes by the Trustee;

(v) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, that has been served on, or, to the best of the knowledge of the Trustee, threatened against or affecting the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Notes or the Indenture, or contesting the powers of the Trustee or its authority to enter into and perform its obligations under any of the foregoing, or wherein an unfavorable decision, ruling or finding would adversely affect the Trustee or the transactions contemplated in connection with the delivery of the Notes, or which, in any way, would adversely affect the validity of the Notes or the Indenture or any agreement or instrument to which the Trustee is a party and which is used or contemplated for use in the Indenture or the Notes; and

(vi) subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Notes to the purposes specified in the Indenture;

(10) a specimen copy of the Series 2005A Bank Letter of Credit, duly executed by the Series 2005A Bank;

(11) a specimen copy of the Series 2005B Bank Letter of Credit, duly executed by the Series 2005B Bank;

(12) a certificate of an authorized officer of the Series 2005A Bank in form and substance satisfactory to the County, the Authority, Bond Counsel, the Underwriters and Underwriters' Counsel, dated the date of closing, to the effect that:

(i) the officers who signed the Series 2005A Bank Letter of Credit on behalf of the Series 2005A Bank are duly authorized to execute the Series 2005A Bank Letter of Credit;

(ii) [Series 2005A Bank has duly taken all corporate actions necessary to assume the duties and obligations under the Series 2005A Bank Letter of Credit;] and

(iii) Series 2005A Bank has furnished the information concerning itself included in the Official Statement set forth under the heading "THE BANKS – The Series 2005A Bank" for inclusion therein, has consented to the use of such information therein and such information is true and correct in all material respects as of the date thereof and hereof;

(13) a certificate of an authorized officer of the Series 2005B Bank in form and substance satisfactory to the County, the Authority, Bond Counsel, the Underwriters and Underwriters' Counsel, dated the date of closing, to the effect that:

(i) the officers who signed the Series 2005B Bank Letter of Credit on behalf of the Series 2005B Bank are duly authorized to execute the Series 2005B Bank Letter of Credit;

(ii) [Series 2005B Bank has duly taken all corporate actions necessary to assume the duties and obligations under the Series 2005B Bank Letter of Credit;] and

(iii) Series 2005B Bank has furnished the information concerning itself included in the Official Statement set forth under the heading "THE BANKS – The Series 2005B Bank" for inclusion therein, has consented to the use of such information therein and such information is true and correct in all material respects as of the date thereof and hereof;

(14) an opinion of counsel to the Banks addressed to the County, the Authority and the Underwriters in form and substance satisfactory to Bond Counsel, the Underwriters and Underwriters' Counsel, dated the date of Closing, to the effect that:

(i) the Series 2005A Bank has the power and authority to execute, deliver and perform its obligations under the Series 2005A Bank Letter of Credit;

(ii) the Series 2005B Bank has been licensed by the Department of Financial Institutions of the State of California and has the power and authority to execute, deliver [and perform its obligations under] the Series 2005B Bank Letter of Credit;

(iii) [each of the Series 2005A Bank Letter of Credit and the Series 2005B Bank Letter of Credit is an obligation which Series 2005A Bank or Series 2005B Bank, as applicable, is authorized to undertake under the laws applicable to each; each of the Series 2005A Bank Letter of Credit and the Series 2005B Bank Letter of Credit has been duly authorized, executed and delivered by an authorized representative of Series 2005A Bank or Series 2005B Bank, as applicable; and] each of the Series 2005A Bank Letter of Credit and the Series 2005B Bank Letter of Credit constitutes the legal, valid and binding obligation of Series 2005A Bank or Series 2005B Bank, as applicable, enforceable against Series 2005A Bank or Series 2005B Bank, as applicable, in accordance with its terms, except as such enforcement may be subject to (i) insolvency, liquidation, reorganization, moratorium and other similar laws applicable to Series 2005A Bank or Series 2005B Bank, as applicable, as a debtor, affecting the enforcement of the rights of creditors of Series 2005A Bank or Series 2005B Bank, as applicable, in general, (ii) general principles of equity, including (A) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (B) concepts of materiality, reasonableness, conscionability, good faith and fair dealing, and (iii) judicial action giving effect to foreign governmental actions or foreign laws, in either case, affecting creditors' rights;

(iv) the Series 2005A Bank Letter of Credit and the Series 2005B Bank Letter of Credit are exempt from the registration requirements of the Securities Act of 1933, as amended; and

(v) the statements in the Official Statement relating to the Notes under the caption "THE LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENT", insofar as such statements purport to summarize certain provisions of the Series 2005A Bank Letter of Credit, the Series 2005B Bank Letter of Credit and the Reimbursement Agreement, are accurate in all material respects;

(15) an opinion of foreign counsel to Series 2005B Bank addressed to the County, the Authority and the Underwriters in form and substance satisfactory to Bond Counsel, the Underwriters and Underwriters' Counsel;

(16) executed or certified copies of each of the Legal Documents;

(17) certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture;

(18) copies of the Authority Resolution certified by the Clerk of the Board of Directors of the Authority authorizing the execution and delivery of the Authority Legal Documents;

(19) copies of the County Resolution certified by the Clerk of the Board of Supervisors of the County authorizing the execution and delivery of the County Legal Documents;

(20) an executed copy of the Tax and Nonarbitrage Certificate in form and substance acceptable to Bond Counsel;

(21) evidence from Standard & Poor's, Moody's Investors Service, Inc. and Fitch Ratings that the Notes have been rated "___," "___" and "___," respectively; and

(22) such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel or Counsel to the Underwriters may reasonably request to evidence compliance by the Trustee, the County and the Authority with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein and in the Official Statement, the lack of any material adverse litigation or proceeding and the due performance or satisfaction by the Trustee, the Authority and the County, at or prior to such time of all agreements the to be performed and all conditions then to be satisfied.

(c) All matters relating to the Legal Documents, the Official Statement and the Notes and the sale thereof, and the consummation of the transaction contemplated by this Note Purchase Agreement, shall have been approved by the Underwriters and Counsel to the Underwriters, such approval not to be unreasonably withheld.

7. The Underwriters may terminate this Note Purchase Agreement, without liability therefor, by notification to the Authority and the County if at any time subsequent to the date of this Note Purchase Agreement and at or prior to the Closing:

(a) legislation enacted or recommended for passage by the President of the United States, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Chairman or ranking minority member of the Committee of Ways and Means of the House of Representatives or the Chairman or ranking minority member of the Committee on Finance of the Senate, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or press release issued or made by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of

imposing federal income taxation upon moneys that would be received by County or moneys for the payment of debt service that would be received by the Trustee under the Indenture or upon such interest as would be received by the Note Holders; or

(b) any event occurring, or information becoming known that, in the judgment of the Representative, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(c) there shall have occurred after the date of this Note Purchase Agreement any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the sole judgment of the Representative, impractical or inadvisable to proceed with the offering or delivery of the Notes as contemplated in the Final Official Statement (exclusive of any amendment or supplement thereto);

(d) there shall be in force a general suspension of trading on the New York Stock Exchange or other national securities exchange, or the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Notes or obligations of the general character of the Notes, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriters; or

(e) trading of any publicly-issued general fund securities of the State shall have been suspended on any exchange or in any over-the-counter market; or

(f) the declaration of a general banking moratorium by federal, New York or California authorities; or

(g) legislation enacted or recommended for passage by the President of the United States, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed) or press release issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Notes, or the Notes, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or that the execution, offering or sale of obligations of the general character of the Notes, or of the Notes, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, otherwise is or would be in violation of the federal securities laws as amended and then in effect; or

(h) the withdrawal or downgrading of any rating of any publicly-issued general fund securities of the State by a national rating agency (excluding any

withdrawal or downgrading resulting from a withdrawal or downgrading of any rating of any insurer or credit enhancement facility provider securing the payment of principal of or interest on such securities).

8. If the conditions to the Underwriters' obligations contained in this Note Purchase Agreement are not satisfied or if the Underwriters' obligations shall be terminated for any reason permitted by this Note Purchase Agreement, this Note Purchase Agreement and all obligations of the Underwriters hereunder may be cancelled by the Underwriters.

The performance by the Authority and the County of their obligations under this Note Purchase Agreement are conditioned upon (i) the performance by the Underwriters of their respective obligations hereunder, and (ii) receipt by the County, the Authority and the Representative of all opinions and certificates being delivered at the Closing by persons and entities other than the County or the Authority.

9. The Underwriters shall be under no obligation to pay and County shall pay or cause to be paid the expenses incident to the performance of their obligations hereunder including, but not limited to, (i) the cost of preparation, printing and delivery of the Indenture; (ii) the costs of preparation, printing and delivery of the Preliminary Official Statement and the Official Statement and any supplements and amendments thereto; (iii) the cost of preparation and printing of the Notes; (iv) the fees and disbursements of Note Counsel and the County Counsel; (v) the fees and disbursements of the financial advisor; (vi) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Authority or the County; (vii) the fees, if any, for ratings of the Notes; (viii) the fees and disbursements of independent certified public accountants and any other independent auditor of the County or the County; (ix) any expenses incurred on behalf of the County's employees which are incidental to implementing this Note Purchase Agreement, including, but not limited to meals, transportation, lodging and entertainment of those employees.

The Underwriters shall pay only (i) the cost of the printing of the Blue Sky Memorandum, if any; (ii) all advertising expenses and Blue Sky filing fees in connection with the public offering of the Notes; (iii) the fees and disbursements of Hawkins Delafield & Wood LLP, as counsel to the Underwriters; (iv) all California Debt and Investment Advisory Commission fees, and (v) all other expenses incurred by the Underwriters in connection with the public offering of the Notes, including the fees and disbursements of any other counsel retained by them.

10. Any notice or other communication to be given to the Underwriters may be given by delivering the same to:

Citigroup Global Markets Inc.
444 South Flower Street, 27th Floor
Los Angeles, California 90071
Attention: _____

Any notice or other communication to be given to the Authority under this Note Purchase Agreement may be given by delivering the same to:

Los Angeles County Public Works Financing Authority
500 West Temple Street, Room 383
Los Angeles, California 90012
Attention: Executive Officer - Clerk of the Board of Supervisors

Any notice to be given to the County under this Note Purchase Agreement may be given by delivering the same to:

County of Los Angeles
Treasurer and Tax Collector
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437
Los Angeles, California 90012
Attention: Public Finance

All notices or communications hereunder by any party shall be given and served upon each other party. The approval of the Underwriters when required hereunder or the determination of satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to you.

11. This Note Purchase Agreement, when accepted by the Authority and the County in writing as heretofore specified, shall constitute the entire agreement among Authority, the County and the Underwriters and is made solely for the benefit of Authority, the County and the Underwriters and no other person shall acquire or have any right hereunder or by virtue hereof. All of Authority's and the County's representations, warranties and agreements contained in this Note Purchase Agreement shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriters; (ii) issuance of and payment for the Notes pursuant to this Note Purchase Agreement; and (iii) any termination of this Note Purchase Agreement.

12. This Note Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

13. The laws of the State of California shall govern the validity, interpretation and performance of this Note Purchase Agreement.

Very truly yours,

CITIGROUP GLOBAL MARKETS INC.

By: _____
as Representative

The foregoing is hereby agreed to
and accepted as of the date first
above written.

COUNTY OF LOS ANGELES, CALIFORNIA

By: _____
Treasurer and Tax Collector

LOS ANGELES COUNTY PUBLIC WORKS
FINANCING AUTHORITY

By: _____
Treasurer and Tax Collector

Approved as to form:
RAYMOND G. FORTNER, JR.
County Counsel

By: _____
Deputy County Counsel

EXHIBIT A

List of Underwriters

Citigroup Global Markets Inc.
RBC Dain Rauscher Inc.
Piper Jaffray
Great Pacific Securities Inc.

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

Dated as of January 1, 2005

by and among

COUNTY OF LOS ANGELES, CALIFORNIA,

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY,

CITIBANK, N.A.,
as the Series 2005A Bank,

BNP PARIBAS, acting through its San Francisco Branch,
as the Series 2005B Bank,

and

CITIBANK, N.A.,
as Administrative Agent

Relating to

Los Angeles County Public Works Financing Authority
Gap Loan Receivable Notes
Series 2005A and Series 2005B

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Exhibit A - Form of Series 2005A Irrevocable Direct-Pay Letter of Credit A-1
Exhibit B - Form of Series 2005B Irrevocable Direct-Pay Letter of Credit B-1

This Agreement is entered into as of January 1, 2005, by and among the COUNTY OF LOS ANGELES, CALIFORNIA (the "County"), the LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY (the "Authority"), CITIBANK, N.A., as issuer of the Series 2005A Letter of Credit (defined below) (the "Series 2005A Bank"), BNP PARIBAS, acting through its San Francisco Branch, as issuer of the Series 2005B Letter of Credit (defined below) (the "Series 2005B Bank" and together with the Series 2005A Bank, the "Banks"), and CITIBANK, N.A., as administrative agent for the Banks (the "Administrative Agent").

W I T N E S S E T H

WHEREAS, the Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated May 18, 1993 (as amended by a Certificate of Amendment dated April 26, 1994 and a Certificate of Amendment dated October 22, 1996, and as further amended from time to time, the "JPA Agreement"), in order to provide financial assistance from time to time to the County, the Los Angeles County Flood Control District, the Los Angeles County Regional Park and Open Space District, the Community Facilities District No. 2 (Rowland Heights Area) of the County of Los Angeles and any entity that becomes a party to such JPA Agreement in accordance with its terms;

WHEREAS, Section 10754.11 of the California Revenue and Taxation Code provides for the payment by the State of California (the "State") of amounts determined pursuant thereto to the County (the "Gap Loan Receivable");

WHEREAS, the County desires to sell its interest in the Gap Loan Receivable to the Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) (the "Act") for any lawful purpose as permitted under the applicable laws of the State;

WHEREAS, pursuant to the Act, the Authority may issue its notes for the purpose of financing the purchase of the Gap Loan Receivable from the County and paying interest on the notes and other expenses of the Authority incident to the issuance of the notes, and amounts payable by the Authority and the County pursuant hereto, all of such notes to be limited obligations of the Authority;

WHEREAS, the Authority and the County have duly entered into a Gap Loan Receivable Purchase Agreement, dated as of January 1, 2005 (the "Receivable Purchase Agreement"), by and between the Authority and the County, specifying the terms and conditions pursuant to which the County will sell to the Authority, and the Authority will purchase from the County, the Gap Loan Receivable, the proceeds thereof and a nonexclusive right to enforce the payment of the Gap Loan Receivable;

WHEREAS, pursuant to an Indenture, dated as of January 1, 2005 (the "Indenture"), by and between the Authority and [Name of Trustee], as trustee (the "Trustee"), the Authority will issue its Gap Loan Receivable Notes, Series 2005A (the "Series 2005A Notes"), in an aggregate principal amount of $[_____] and its Gap Loan Receivable Notes, Series 2005B (the "Series 2005B Notes" and together with the Series 2005A Notes, the "Notes"), in an aggregate

principal amount of $[_____], secured by and payable from the Gap Loan Receivable, to provide funds for the purposes set forth above;

WHEREAS, the County, the Authority, the Banks and the Administrative Agent desire to enter into this Agreement to provide for issuance by the Series 2005A Bank of an irrevocable direct pay letter of credit to support the payment of principal of and interest on Series 2005A Notes on the terms and conditions set forth herein (as more particularly defined herein, the "Series 2005A Letter of Credit") and to provide for issuance by the Series 2005B Bank of an irrevocable direct pay letter of credit to support the payment of principal of and interest on Series 2005B Notes on the terms and conditions set forth herein (as more particularly defined herein, the "Series 2005B Letter of Credit");

NOW, THEREFORE, it is agreed as follows:

1. DEFINITIONS

Terms defined in the Indenture (as hereinafter defined) and not otherwise defined herein have herein the respective meanings assigned therein. The following additional definitions apply herein.

"Account" has the meaning set forth in the Indenture.

"Administrative Agent" means Citibank, N.A., in its capacity as administrative agent for the Banks and its successors and assigns in such capacity.

"Aggregate Letter of Credit Commitment" means, on any day, an amount equal to the sum of the Letter of Credit Commitments of the Banks on such date.

"Agreement" means this Letter of Credit and Reimbursement Agreement dated as of January 1, 2005, among the County, the Authority, the Banks and the Administrative Agent, as amended, modified, waived, supplemented and restated from time to time in accordance with its terms.

"Authority" means the Los Angeles County Public Works Financing Authority, and its successors and assigns.

"Authority Resolution" means the resolution of the Authority adopted on [_____], 2004, authorizing the execution, delivery and performance of this Agreement, the other Documents and the Note Purchase Agreement by the Authority and the transactions contemplated thereby, as amended, modified, waived, supplemented and restated from time to time in accordance with its terms.

"Availability Period" means the period commencing at 4:30 p.m. New York City time on the Closing Date and ending on the Expiration Date.

"Bank" and "Banks" means, individually, the Series 2005A Bank or the Series 2005B Bank, and collectively, the Series 2005A Bank and the Series 2005B Bank.

"Bank Rate" means, for any day, a rate of interest per annum (computed on the basis of a 360 day year and actual days elapsed) equal to: (A) prior to the Expiration Date, the Base Rate; (B) from and including the Expiration Date, to and including the date thirty (30) days from the Expiration Date, the Base Rate plus 2.00%; (C) from and including the date thirty-one (31) days from the Expiration Date, to and including the date sixty (60) days from the Expiration Date, the Base Rate plus 3.00%; (D) from and including the date sixty-one (61) days from the Expiration Date and thereafter, the Base Rate plus 4.00%; and provided that from and after the occurrence of an Event of Default, the Bank Rate shall equal the Default Rate.

"Base Rate" means, for any day, a rate of interest per annum equal to the higher of (a) the Federal Funds Rate plus 1.00% per annum or (b) the Prime Rate.

"Business Day" has the meaning specified in the Indenture.

"Closing Date" means January 5, 2005, or such earlier or later date as may be agreed to by the County, the Authority and the Administrative Agent.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and all promulgated (including temporary) regulations thereunder.

"Collateral" has the meaning specified in Section 2.9 hereof.

"Commitment Fee" has the meaning specified in Section 2.4 hereof.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated January [__], 2005, executed by the Authority, as amended, modified, waived, supplemented and restated from time to time in accordance with its terms.

"County" means the County of Los Angeles, California, and its successors and assigns.

"County Resolution" means the resolution of the County adopted on [_____], 2004, authorizing the execution, delivery and performance of this Agreement, the Receivable Purchase Agreement, the Note Purchase Agreement and the Continuing Disclosure Certificate by the County and the transactions contemplated thereby, as amended, modified, waived, supplemented and restated from time to time in accordance with its terms.

"Default Rate" means the sum of the Base Rate from time to time in effect plus four percent (4.0%) per annum.

"Documents" means, collectively, this Agreement, the Indenture, the Receivable Purchase Agreement, the Notes and the Official Statement.

"Drawing" means any drawing made or permitted to be made pursuant to the terms of a Letter of Credit.

"DTC" means The Depository Trust Company, New York, New York.

"Event of Default" means an event specified in Section 7.2 hereof.

"Expiration Date" means the latest of the Stated Termination Date or such earlier date on which the undertaking of the Banks under the Letters of Credit shall have expired or terminated in accordance with their respective terms.

"Federal Funds Rate" means for any day the rate of interest per annum as determined by the Administrative Agent at which overnight federal funds are offered to the Administrative Agent from time to time in the interbank market. Each determination of the Federal Funds Rate by the Administrative Agent shall be conclusive and binding on the County, the Authority and the Banks except in the case of manifest error.

"Fund" has the meaning set forth in the Indenture.

"Gap Loan Receivable" has the meaning set forth in the recitals hereto.

"Indemnified Party" and "Indemnified Parties" have the meanings set forth in Section 9.6 hereof.

"Indenture" means the Indenture, dated as of January 1, 2005, by and between the Authority and the Trustee, as amended, modified, waived, supplemented and restated from time to time in accordance with its terms.

"Interest Payment Date" has the meaning set forth in the Indenture.

"Letter of Credit" and "Letters of Credit" means, individually, the Series 2005A Letter of Credit or the Series 2005B Letter of Credit, and collectively, the Series 2005A Letter of Credit and the Series 2005B Letter of Credit.

"Letter of Credit Commitment" means, with respect to the Series 2005A Bank, the Stated Amount of the Series 2005A Letter of Credit and with respect to the Series 2005B Bank, the Stated Amount of the Series 2005B Letter of Credit.

"Maturity Date" means [December 1], 2006.

"Note Purchase Agreement" means the Note Purchase Agreement, dated December 16, 2004, by and among the Authority, the County and Citigroup Global Markets Inc., as representative of the several underwriters named therein, with respect to the Notes, as amended, modified, waived, supplemented and restated from time to time in accordance with its terms.

"Notes" means, collectively, the Series 2005A Notes and the Series 2005B Notes.

"Official Statement" means the Official Statement of the Authority, dated December [__], 2004, relating to the Notes, as amended, modified, waived, supplemented and restated from time to time in accordance with its terms.

"Other Gap Loan Receivable Obligation" has the meaning set forth in Section 7.2(i) hereof.

"Participant" means any bank or any Person to which a Bank or any Participant has granted, directly or indirectly, a participation in either or both of the Letters of Credit; provided that any such Participant shall take such participation subject to the terms of this Agreement.

"Payment Account" means, with respect to (a) the Administrative Agent, the account set forth beneath the name of the Administrative Agent on the signature pages hereof as its Payment Account, (b) the Trustee, its account as set forth in the Indenture and (c) each Bank, the account set forth beneath the name of such Bank on the signature pages hereof as its Payment Account, or in each case, such other account(s) as may be designated by the Administrative Agent, the Trustee or such Bank in a written notice to the Authority, the Administrative Agent and the other Bank in accordance with Section 9.2.

"Person" means any individual, partnership, firm, corporation, association, joint venture, trust or other entity, or any government (or political subdivision or agency, department or instrumentality thereof).

"Prime Rate" means the rate of interest publicly announced from time to time by the Administrative Agent as its prime rate. It is a rate set by the Administrative Agent based upon various factors including the Administrative Agent's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the Prime Rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change.

"Receivable Purchase Agreement" means the Gap Loan Receivable Purchase Agreement, dated as of January 1, 2005, by and between the County, as seller and the Authority, as buyer, as amended, modified, waived, supplemented and restated from time to time in accordance with its terms.

"Revenues" has the meaning set forth in the Indenture.

"Series 2005A Bank" means Citibank, N.A., as issuer of the Series 2005A Letter of Credit, and its successors and assigns.

"Series 2005A Notes" means the Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005A.

"Series 2005A Letter of Credit" means the irrevocable direct-pay letter of credit issued by the Series 2005A Bank in support of the Series 2005A Notes in the form of Exhibit A hereto, as amended, modified, waived, supplemented and restated from time to time in accordance with its terms.

"Series 2005B Bank" means BNP Paribas, acting through its San Francisco Branch, as issuer of the Series 2005B Letter of Credit, and its successors and assigns.

"Series 2005B Notes" means the Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005B.

"Series 2005B Letter of Credit" means the irrevocable direct-pay letter of credit issued by the Series 2005B Bank in support of the Series 2005B Notes in the form of Exhibit B hereto, as amended, modified, waived, supplemented and restated from time to time in accordance with its terms.

"State" means the State of California.

"Stated Amount" with respect to a Letter of Credit, has the meaning set forth in such Letter of Credit.

"Stated Termination Date" means 4:30 p.m. New York City time on December [1], 2006.

"Trustee" means [Name of Trustee] in its capacity as trustee for the Notes, and its successors in such capacity.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

2. AMOUNT AND TERMS OF LETTERS OF CREDIT; REIMBURSEMENT

2.1. Letters of Credit.

(a) Each of the Banks agrees, upon fulfillment of the conditions precedent set forth in Section 5.1 and on the terms and conditions specified herein, to issue its respective Letter of Credit to the Trustee on the Closing Date, each in the applicable Stated Amount, to provide for the payment of the principal amount of each related Note issued by the Authority, plus up to [_____] days' interest thereon at a rate not in excess of [_____] percent per annum, calculated on the basis of a 360-day year of twelve 30-day months. The aggregate principal amount of Series 2005A Notes outstanding at any time may not exceed $[_____] and the aggregate principal amount of Series 2005B Notes outstanding at any time may not exceed $[_____]. The Letters of Credit shall each have a Stated Termination Date of December [1], 2006.

(b) The Trustee shall draw upon the Letters of Credit to pay the principal of and interest on the Notes on each Interest Payment Date and the Maturity Date in accordance with the Indenture. The amounts drawn shall be remitted by the Trustee by wire transfer on the dates of such draws to DTC for and on behalf of the Authority (unless and until the Trustee is given different instructions by notice from the Authority) to pay principal of and interest on the Notes.

(c) The Stated Amounts of the Letters of Credit and the amounts available to be drawn thereunder shall be reduced and reinstated as set forth in the Letters of Credit.

2.2. Reimbursement. The Authority agrees to pay or cause to be paid to each Bank (a) on the date on which such Bank shall honor a Drawing under its respective Letter of Credit a sum equal to the amount so paid by such Bank under such Letter of Credit as described in Section 2.1(b) plus (b) interest on any amount remaining unpaid by the Authority under clause (a), payable on demand and on the date of payment in full on any amount remaining unpaid by the Authority under clause (a) above, calculated from the date on which such amount is paid by such Bank under such Letter of Credit until payment in full at the following rates:

(i) for amounts drawn to pay interest on any Interest Payment Date, the Default Rate; and (ii) for amounts drawn to pay the principal of the Notes on the Maturity Date, the Bank Rate.

2.3. Notice about Drawings. Not later than 11:00 a.m. New York City time on the Business Day preceding each Interest Payment Date and the Maturity Date during the Availability Period, the Authority will cause the Trustee to give to the applicable Bank telephonic notice, confirmed by facsimile transmission within four hours following the telephonic notice, of each Interest Payment Date and the Maturity Date and the amounts payable as principal of and interest on the respective series of Notes on those dates (and thus the amounts to be drawn under the respective Letter of Credit pursuant to Section 2.1(b)).

2.4. Commitment Fee. The Authority shall pay or cause to be paid to the Administrative Agent for the account of the Banks an annual commitment fee (the "Commitment Fee") during the Availability Period. The Commitment Fee shall be [0.48]% per annum on the daily average undrawn Stated Amounts of the Letters of Credit during the Availability Period, payable quarterly in arrears on the first Business Day of each January, April, July and October occurring after the Closing Date until the last day of the Availability Period and on the last day of the Availability Period.

2.5. Additional Fees.

(a) The Authority shall pay or cause to be paid to the applicable Bank a draw fee of $300, payable upon each Drawing on the related Letter of Credit.

(b) The Authority shall pay or cause to be paid to the Administrative Agent an annual agent fee of $25,000, payable annually in advance, with the first such payment due on or before the Closing Date for the period from the Closing Date through and including January 4, 2006, and each subsequent payment due on each anniversary of the Closing Date.

(c) The Authority shall pay to the applicable Bank a transfer fee of $1,000, payable upon each transfer of the related Letter of Credit to any successor Trustee.

(d) The Authority shall also pay to the Banks when due all amounts payable by the Authority to the Banks pursuant to Sections 2.6, 9.6 and 9.8 hereof, together with interest thereon at the Default Rate for each day from the date when due until paid.

2.6. Increased Costs.

(a) If on or after the date hereof, the adoption of any law, rule or regulation, or any change therein, or in the interpretation or administration thereof by any court, governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank or any of its affiliates, subsidiaries or Participants with any request or directive made on or after the date hereof (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject such Bank or any of its affiliates, subsidiaries or Participants to any tax, duty or other charge with respect to this Agreement or the Letters of Credit, or shall change the basis of taxation of payments to such Bank or any of its affiliates,

subsidiaries or Participants of any amounts due under this Agreement or the Letters of Credit (except for changes in the rate of tax on the overall net income of such Bank or such affiliate, subsidiary or Participant); or

(ii) shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), or similar requirement against the assets of, deposits with or for the account of, or credit extended by, such Bank or any of its affiliates, subsidiaries or Participants or shall impose on such Bank or any of its affiliates, subsidiaries or Participants any other condition affecting its obligations under this Agreement or the Letters of Credit;

and the result of any of the foregoing is to increase the cost to such Bank or such affiliate, subsidiary or Participant of performing its obligations under this Agreement or the Letters of Credit, or to reduce the amount of any sum received or receivable by such Bank or such affiliate, subsidiary or Participant under this Agreement or the Letters of Credit, by an amount deemed by such Bank or such affiliate, subsidiary or Participant to be material, then, within 30 days after demand by such Bank or such affiliate, subsidiary or Participant (or, if such increased costs will continue to be incurred by such Bank or such affiliate, subsidiary or Participant, in arrears on a monthly basis as agreed between the Authority and such Bank or such affiliate, subsidiary or Participant), the Authority shall pay to such Bank or such affiliate, subsidiary or Participant such additional amount or amounts as will compensate such Bank or such affiliate, subsidiary or Participant for such increased cost or reduction.

(b) If any Bank or any of its affiliates, subsidiaries or Participants shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank or such affiliate, subsidiary or Participant (or of any Person controlling such Bank or such affiliate, subsidiary or Participant (a "Parent")) relating to such Bank's or such affiliate's, subsidiary's or Participant's obligations hereunder, and such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) will reduce such Bank's or such affiliate's, subsidiary's or Participant's or Parent's rate of return on capital by a material amount, then from time to time, within 30 days after demand by such Bank or such affiliate, subsidiary or Participant (or if such additional costs of such Bank or such affiliate, subsidiary or Participant will continue to be suffered by such Bank or such affiliate, subsidiary or Participant, in arrears on a monthly basis as agreed between the Authority and such Bank or such affiliate, subsidiary or Participant), the Authority shall pay to such Bank or such affiliate, subsidiary or Participant such additional amount or amounts as will compensate such Bank or such affiliate, subsidiary or Participant for such additional costs.

(c) Each Bank or any of its affiliates, subsidiaries or Participants will use its commercially reasonable efforts to notify the Authority within 30 days of such Bank's or such affiliate's, subsidiary's or Participant's determination that such event will entitle such Bank or

such affiliate, subsidiary or Participant to compensation pursuant to this Section; provided that the failure of any Bank or any of its affiliates, subsidiaries or Participants to notify the Authority within such 30 day period shall not relieve the Authority from any liability for payment of such compensation. A certificate of any Bank or any of its affiliates, subsidiaries or Participants claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder and attaching such information in reasonable detail as may be reasonably requested by the Authority shall be conclusive in the absence of manifest error. In determining such amount, such Banks or such affiliate, subsidiary or Participant may use any reasonable average and attribution methods.

(d) No affiliate, subsidiary or Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under this Section than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the County's and the Authority's prior written consent.

(e) Notwithstanding the foregoing, the provisions of this Section 2.6 shall not apply to Citigroup Global Markets Inc., in the capacity of underwriter of the Notes.

2.7. Manner and Place of Payments; Interest Calculation.

(a) Unless otherwise specified herein, all payments by the Authority under this Agreement shall be effective only if made to the respective Bank in lawful money of the United States and in immediately available funds by wire transfer to its Payment Account.

(b) All payments by or on behalf of the Authority hereunder shall be made to the respective Bank not later than 4:30 p.m., New York City time, to its Payment Account. If any payment hereunder becomes due and payable on a day other than a Business Day, the due date for such payment shall be extended to the next succeeding Business Day. If the date for the payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time. All payments not received by 4:30 p.m. New York City time on the date due shall bear interest for each day from the due date until payment in full at the Default Rate for such day.

(c) Interest and fees payable hereunder shall be calculated on the basis of a year of 360 days based on the actual number of days elapsed.

(d) Whenever a payment is due to a Bank or the Administrative Agent under this Agreement, the Authority shall be deemed to have made such payment at the time such payment is received by such Bank or the Administrative Agent, as applicable.

2.8. Obligations Absolute. Subject to Section 2.9 hereof, the obligation of the Authority to reimburse each Bank for amounts paid by such Bank under its respective Letter of Credit, together with interest thereon as provided herein, shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation the following circumstances:

(a) any lack of validity or enforceability of either Letter of Credit or any of the Documents;

(b) any amendment to, waiver of or consent to departure from any provision of, either Letter of Credit or the Documents;

(c) the existence of any claim, set-off, defense or other right which the Authority may have at any time against the Trustee, any beneficiaries of either Letter of Credit (or any Persons for whom the Trustee, any such beneficiary or any such transferee may be acting), any Bank, any Participant or any other Person, whether in connection with either Letter of Credit, the Documents or any unrelated transaction, provided that nothing herein shall prevent the assertion of any such claim, defense or other right by separate suit or compulsory counterclaim in accordance with Section 9.13 hereof;

(d) any statement or any other document presented under either Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; provided, that this paragraph (d) shall not apply to any statement or document which the related Bank knew to be forged or fraudulent on the date of the presentation thereof;

(e) payment by a Bank to the Trustee under its respective Letter of Credit against presentation of a draft or certificate which does not strictly comply with the terms of such Letter of Credit; or

(f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

2.9. Security. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, the obligations of the County and the Authority hereunder are payable solely from and secured solely by (a) the Gap Loan Receivable; (b) to the extent not included in clause (a) above, the Revenues and any other amounts (including proceeds of the sale of Notes) held in any Fund or Account established pursuant to the Indenture (other than the Rebate Fund); and (c) all other funds and accounts with any of the foregoing or proceeds of any of the foregoing on deposit therein (the "Collateral"); provided that proceeds of draws under the Series 2005A Letter of Credit and amounts in the Series 2005A Letter of Credit Fund secure only the Series 2005A Bank and the proceeds of draws under the Series 2005B Letter of Credit and amounts in the Series 2005B Letter of Credit Fund secure only the Series 2005B Bank. To the extent of their respective interests, each of the County and the Authority hereby pledge and grant a security interest in and to the Collateral in favor of the Banks to secure the obligations of the County and the Authority hereunder. Said pledge shall constitute a lien on a security interest in the Collateral and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the Notes, without any physical delivery thereof or further act.

3. REPRESENTATIONS AND WARRANTIES OF THE COUNTY

The County by its acceptance hereof represents, warrants and agrees with the Banks, as of the Closing Date, as follows:

3.1. Due Organization; Power and Authority. The County is a political subdivision of the State duly organized and validly existing pursuant to the Constitution and laws of the State.

The County has all requisite power and authority to adopt the County Resolution and to execute, deliver and perform all of its obligations under this Agreement and the Receivable Purchase Agreement, and to execute and deliver any and all instruments and documents required to be executed or delivered pursuant to or in connection herewith or therewith and to perform each and all of the matters and things provided for herein and therein.

3.2. No Violation. The adoption of the County Resolution and the execution and delivery and performance by the County of this Agreement and the Receivable Purchase Agreement and any and all instruments or documents required to be executed in connection therewith have been or will by the Closing Date be duly authorized and do not and will not, in any respect material to this transaction, (i) violate any provision of the Constitution of the State or any laws or regulations or any court order, writ, judgment, injunction, decree, determination or award in effect having applicability to the County or (ii) result in a breach of or constitute a default under any indenture, loan, credit agreement, financing lease, financing document or similar instrument to which the County is a party or by which the County is bound.

3.3. Governmental Consent or Approval. No authorization, consent, approval, license, exemption from or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, other than those that have been or will by the Closing Date be obtained, will be necessary for the valid execution, delivery and performance by the County of this Agreement and the Receivable Purchase Agreement and any and all instruments or documents required to be executed in connection therewith.

3.4. Binding Agreements. This Agreement and the Receivable Purchase Agreement have been duly authorized, executed and delivered by the County and constitute the valid and binding obligations of the County, enforceable against the County in accordance with their respective terms, except as such enforceability may be limited by insolvency, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

3.5. No Litigation. To the knowledge of the County, there is no material pending or threatened, investigation, litigation or judicial or quasi-judicial proceeding of any nature against or affecting the County or to the knowledge of the County against or affecting the State that (i) challenges the validity or enforceability of this Agreement or any of the other Documents or the sale of the Gap Loan Receivable thereunder; (ii) contests the authority of any elected official of the State to pay the Gap Loan Receivable; (iii) contests the existence, organization or powers of the County or the authority of any elected official thereof to adopt the County Resolution, or to execute and deliver this Agreement or the Receivable Purchase Agreement or perform its obligations hereunder or thereunder or as contemplated hereby or thereby; or (iv) could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement.

3.6. Disclosure; No Material Adverse Change. Except as disclosed to the Administrative Agent in writing, the Official Statement, was accurate in all material respects as of its date and to the knowledge of the County, no material adverse change has occurred with respect to the Gap Loan Receivable which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement.

All information submitted to the Banks and the Administrative Agent by or on behalf of the County in connection with the transactions contemplated hereunder did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made.

3.7. No Sovereign Immunity. Under State law, the County is not immune, by virtue of the fact that it is a governmental entity, from actions brought in contract.

3.8. Compliance. The County is in compliance with the terms and conditions of this Agreement and the Receivable Purchase Agreement, and no breach of the terms hereof or thereof by the County nor any Event of Default on the part of the County has occurred and is continuing, and no event, act or omission has occurred and is continuing that, with the lapse of time, the giving of notice, or both, would constitute an Event of Default on the part of the County or a breach of the terms hereof or thereof by the County. The County is not aware of any other breach of the terms hereof or thereof nor any other Event of Default that has occurred and is continuing or any other event, act or omission that has occurred and is continuing that, with the lapse of time, the giving of notice, or both, would constitute an Event of Default or breach of the terms hereof or thereof.

3.9. Nature of Obligations. The obligations of the County and the Authority hereunder are payable from and secured solely by the Collateral. No filings, recordings, registrations or other actions are necessary to create and perfect the pledges provided for herein or in the other Documents; all obligations of the County and the Authority hereunder are secured by the lien and pledge provided for herein and in the other Documents; and the lien and pledge provided for herein and in the other Documents constitute a valid first and prior lien on the Collateral, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3.10. Compliance with Laws; No Maximum Rate. The County is in compliance with the requirements of all applicable laws, rules, regulations and orders of any governmental authority and all material agreements and obligations binding thereon, noncompliance with which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement. The obligations of the County under this Agreement are not in violation of any applicable laws, rules, regulations or orders of any governmental authority prescribing a maximum rate of interest or usury limitations.

3.11. Other Documents. In addition to the representations and warranties contained herein, the County makes each of the representations, warranties, covenants, agreements and indemnities contained in the other Documents and the Note Purchase Agreement for the benefit of the Banks as if the same were by this reference set forth at length herein.

3.12. No Proposed Legal Changes. There is no amendment, or, to the knowledge of the County, no proposed amendment certified for placement on a statewide ballot, to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any legislation that has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which could

reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement.

3.13. Gap Loan Receivable. The Receivable Purchase Agreement constitutes a valid sale, transfer and assignment to the Authority of all right, title and interest of the County in the Gap Loan Receivable and the proceeds thereof and the Authority will have a first priority perfected ownership interest in the Gap Loan Receivable and the proceeds thereof. The County has not sold its interest in the Gap Loan Receivable to any other Person, nor has the County created any lien in favor of any Person (other than the lien created by the Indenture and this Agreement), and all consents, licenses, approvals or authorizations of or registrations or declarations with any governmental authority required to be obtained, effected or given by the County in connection with the sale of such Gap Loan Receivable on such date have been duly obtained, effected or given and are in full force and effect. The County makes no representation regarding the enforceability against the State of the Gap Loan Receivable or the validity of the Gap Loan Receivable or that the County is entitled to or will ever receive any amounts in respect of the Gap Loan Receivable.

4. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY

The Authority by acceptance hereof represents and warrants to the Banks, as of the Closing Date, as follows:

4.1. Due Organization; Power and Authority. The Authority is a joint powers authority duly organized and validly existing pursuant to the Constitution and laws of the State. The Authority has all requisite power and authority to adopt the Authority Resolution and to execute, deliver and perform all of its obligations under this Agreement and the other Documents and to incur the indebtedness evidenced by the Notes, and to execute and deliver any and all instruments and documents required to be executed or delivered pursuant to or in connection herewith or therewith and to perform each and all of the matters and things provided for herein and therein.

4.2. No Violation. The adoption of the Authority Resolution and the execution and delivery and performance by the Authority of this Agreement and the other Documents and any and all instruments or documents required to be executed in connection therewith have been or will by the Closing Date be duly authorized and do not and will not, in any respect material to this transaction, (i) violate any provision of the Constitution of the State or any laws or regulations or any court order, writ, judgment, injunction, decree, determination or award in effect having applicability to the Authority or (ii) result in a breach of or constitute a default under any indenture, loan, credit agreement, financing lease, financing document or similar instrument to which the Authority is a party or by which the Authority is bound.

4.3. Governmental Consent or Approval. No authorization, consent, approval, license, exemption from or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, other than those that have been or will by the Closing Date be obtained, will be necessary for the valid execution, delivery and performance by the Authority of this Agreement and the other Documents and any and all instruments or documents required to be executed in connection therewith.

4.4. Binding Agreements. This Agreement and the other Documents have been duly authorized, executed and delivered by the Authority and constitute the valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms, except as such enforceability may be limited by insolvency, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

4.5. No Litigation. To the knowledge of the Authority, there is no material pending or threatened, investigation, litigation or judicial or quasi-judicial proceeding of any nature against or affecting the Authority that (i) challenges the validity or enforceability of this Agreement or any of the other Documents or the sale of the Gap Loan Receivable thereunder; (ii) contests the existence, organization or powers of the Authority or the authority of any official thereof to adopt the Authority Resolution, or to execute and deliver this Agreement or any of the other Documents or perform its obligations hereunder or thereunder or as contemplated hereby or thereby; or (iii) could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement.

4.6. Disclosure; No Material Adverse Change. Except as disclosed to the Administrative Agent in writing, the Official Statement was accurate in all material respects as of its date and to the knowledge of the Authority, no material adverse change has occurred with respect to the Gap Loan Receivable or which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement. All information submitted to the Banks and the Administrative Agent by or on behalf of the Authority in connection with the transactions contemplated hereunder did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made.

4.7. No Sovereign Immunity. Under State law, the Authority is not immune, by virtue of the fact that it is a governmental entity, from actions brought in contract.

4.8. Compliance. The Authority is in compliance with the terms and conditions of this Agreement and each of the other Documents, and no breach of the terms hereof or thereof by the Authority nor any Event of Default on the part of the Authority has occurred and is continuing, and no event, act or omission has occurred and is continuing that, with the lapse of time, the giving of notice, or both, would constitute an Event of Default on the part of the Authority or a breach of the terms hereof or thereof by the Authority. The Authority is not aware of any other breach of the terms hereof or thereof nor any other Event of Default that has occurred and is continuing or any other event, act or omission that has occurred and is continuing that, with the lapse of time, the giving of notice, or both, would constitute an Event of Default or breach of the terms hereof or thereof.

4.9. Nature of Obligations. The obligations of the County and the Authority hereunder are payable from and secured solely by the Collateral. No filings, recordings, registrations or other actions are necessary to create and perfect the pledges provided for herein or in the other Documents; all obligations of the County and the Authority hereunder are secured by the lien and pledge provided for herein and in the other Documents; and the lien and pledge

provided for herein and in the other Documents constitute a valid first and prior lien on the Collateral, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4.10. Compliance with Laws; No Maximum Rate. The Authority is in compliance with the requirements of all applicable laws, rules, regulations and orders of any governmental authority and all material agreements and obligations binding thereon, noncompliance with which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement. The obligations of the Authority under this Agreement are not in violation of any applicable laws, rules, regulations or orders of any governmental authority prescribing a maximum rate of interest or usury limitations.

4.11. Other Documents. In addition to the representations and warranties contained herein, the Authority makes each of the representations, warranties, covenants, agreements and indemnities contained in the other Documents and the Note Purchase Agreement for the benefit of the Banks as if the same were by this reference set forth at length herein.

4.12. No Proposed Legal Changes. There is no amendment, or, to the knowledge of the Authority, no proposed amendment certified for placement on a statewide ballot, to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any legislation that has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement.

4.13. Gap Loan Receivable. The Receivable Purchase Agreement constitutes a valid sale, transfer and assignment to the Authority of all right, title and interest of the County in the Gap Loan Receivable and the proceeds thereof and the Authority has validly accepted a first priority perfected ownership interest in the Gap Loan Receivable and the proceeds thereof. The Authority has not sold its interest in the Gap Loan Receivable to any other Person, nor has the Authority created any lien in favor of any Person (other than the lien created by the Indenture and this Agreement), and all consents, licenses, approvals or authorizations of or registrations or declarations with any governmental authority required to be obtained, effected or given by the Authority in connection with the sale of such Gap Loan Receivable on such date have been duly obtained, effected or given and are in full force and effect. The Authority makes no representation regarding the enforceability against the State of the Gap Loan Receivable or the validity of the Gap Loan Receivable or that the Authority is entitled to or will ever receive any amounts in respect of the Gap Loan Receivable.

5. CONDITIONS PRECEDENT

5.1. Conditions To Banks' Obligations Under this Agreement. The issuance of the Letters of Credit by the Banks has been undertaken in reliance upon the due performance by the County and the Authority of their respective obligations and agreements to be performed hereunder and under the other Documents and the accuracy of and compliance with the representations, warranties, covenants, agreements and duties of the County and the Authority contained herein, in each case on and as of the Closing Date. The obligations of the Banks

hereunder are also subject to the fulfillment of the following conditions precedent on or before the Closing Date, in a manner satisfactory to the Banks:

(a) The Banks shall have received executed originals of this Agreement and true and correct copies of the other Documents (except for the Notes), a specimen copy of the Notes and certified copies of all other documents (including, without limitation, opinions of counsel, that shall be addressed to the Banks either directly or through a reliance letter) and certificates delivered in connection therewith, in each case for each Bank with respect to the applicable series of the Notes;

(b) The Banks shall have received (i) opinions, each dated the Closing Date and addressed to the Banks, of (w) County Counsel; (x) counsel to the Authority; (y) counsel to the Trustee; and (z) counsel to the Banks, [and (ii) a letter from the Department of Finance], each in form and substance satisfactory to the Banks;

(c) The Banks shall have received an opinion or reliance letter, dated the Closing Date, of O'Melveny & Myers LLP, note counsel, as to the validity of the Notes, this Agreement and the other Documents, and the tax-exempt status of interest on the Notes, and with respect to such other matters incident to the transactions contemplated by this Agreement or any other Document as the Banks may reasonably request, in form and substance satisfactory to the Banks;

(d) The Banks shall have received evidence satisfactory to the Banks that each series of the Notes has not been rated lower than the ratings of the applicable Bank and such ratings are in full force and effect on the Closing Date;

(e) The Banks shall have received certificates of the County and the Authority signed by duly authorized officers thereof, dated the Closing Date, certifying the names and true signatures of the officers of the County and the Authority authorized to execute this Agreement and the other Documents;

(f) The Banks shall have received certificates of the County and the Authority signed by duly authorized officers thereof, with respect to the matters set forth in Sections 5.1(i) and (k) and with respect to such other matters incident to the transactions contemplated by this Agreement or any other Document as the Banks may reasonably request;

(g) The Banks shall have received a certified copy of the joint exercise of powers agreement with respect to the Authority and a notice of the joint exercise of powers authority filing and roster filing of the Authority certified as of a date within ten (10) days of the Closing Date;

(h) The Banks shall have received evidence that the capitalized interest in the amount of $[_____] has been deposited in the Interest Account pursuant to the Indenture, which amount shall be sufficient to pay all interest on the Notes through the Maturity Date plus (i) an amount sufficient to pay interest on the Notes for an additional 90 days after the Maturity Date at the Bank Rate, assuming the Bank Rate during such period equals the Default Rate, and (ii) an amount sufficient to pay the Commitment Fee due to the Banks due and payable through the Maturity Date.

(i) The representations and warranties set forth in Sections 3 and 4 of this Agreement and in all other Documents are true and correct in all material respects as of the Closing Date and no Event of Default or any event that, upon a lapse of time or notice or both, would become an Event of Default has occurred and is continuing as of the Closing Date.

(j) The County and the Authority shall have provided to the Banks a copy of Appendix A to the final Official Statement of the State dated [_____], 2004, relating to the [_____], and all supplements thereto, including the financial statements included or incorporated by reference therein, which, to the knowledge of the County and the Authority, is the most recent disclosure of the State publicly disseminated on or before the Closing Date.

(k) To the knowledge of the County and the Authority, no material adverse change has occurred with respect to the Gap Loan Receivable which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement.

(l) All other legal matters pertaining to the execution and delivery of this Agreement, the other Documents and the issuance of the Notes shall be reasonably satisfactory to the Banks and their counsel, Sidley Austin Brown & Wood LLP.

(m) The Authority shall have made payment of all amounts due under Sections 2.5 and 9.8 hereof on the Closing Date.

(n) The Banks shall have received such other documents, certificates, opinions, approvals and filings with respect to this Agreement and the other Documents as the Banks may reasonably request.

The delivery of executed counterparts of this Agreement by the Banks shall constitute an acknowledgement by the Banks that the conditions precedent set forth above have been satisfied or waived.

6. COVENANTS

So long as this Agreement is outstanding and until all Notes shall have been paid in full, the County and the Authority shall comply with the following covenants:

6.1. Notice of Default. The County and the Authority shall promptly give written notice to the Administrative Agent of the occurrence of any Event of Default known to the County or the Authority or any event known to the County or the Authority that, upon a lapse of time or notice or both, would become an Event of Default.

6.2. Proper Books and Records. The County and the Authority shall maintain adequate books, accounts and records with respect to the Gap Loan Receivable.

6.3. Maintenance of Tax-Exempt Status. Neither the County nor the Authority shall take any action or fail to take any action with respect to investment of proceeds of the Notes or in any other respect that will result in the Notes being considered "arbitrage bonds" within the

meaning of the Code or otherwise adversely affect the exclusion of interest on any Note from gross income for federal income tax purposes.

6.4. Access to Books and Records. To the extent permitted by law and with reasonable notice, the County and the Authority shall permit any person designated by the Banks to visit any of the offices of the County or the Authority to examine the books and financial records, including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or extracts therefrom, in each case insofar as they relate to the Gap Loan Receivable, and to discuss the Gap Loan Receivable with the principal officials of the County and the Authority, all at such reasonable times and as often as the Banks may reasonably request. The Banks agree to maintain the confidentiality of all such books, records and information that is not otherwise publicly available; provided, however, that the Banks shall not be precluded from disclosing such information or the contents of such books and records (i) to their respective officers, directors, employees, agents, attorneys and accountants who have a need to know such books, records or information in accordance with customary banking practices and who receive such books, records or information having been made aware of the restrictions set forth in this Section 6.4, (ii) to any actual or proposed Participant that has agreed in writing to be bound by the provisions of this Section 6.4, (iii) to the extent disclosure is required by law, statute, rule, regulation or judicial process or (iv) upon the lawful demand of any court or agency having jurisdiction over either Bank or any Participant.

6.5. Compliance with Documents; No Change in Documents. The County and the Authority shall each take all necessary steps to assure that all Notes have been issued in compliance with the Indenture and that the Gap Loan Receivable has been sold pursuant to the Receivable Purchase Agreement. The County and the Authority each agrees that it shall perform and comply with each and every covenant and agreement required to be performed or observed by it in the Documents. The County and the Authority each agree that it shall not cancel, terminate, amend, supplement, modify or waive or consent to any cancellation, termination, amendment, supplement, modification or waiver of the Documents without the consent of all of the Banks.

6.6. Waiver of Immunity. The County and the Authority each agrees that it shall not assert any immunity it may have as a governmental entity against lawsuits brought in contract under State law under this Agreement or any other Document or in connection herewith or therewith.

6.7. Compliance with Laws, Etc. The County and the Authority shall comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority and all material agreements and obligations binding thereon, noncompliance with which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement.

6.8. Notice of Litigation. The County and the Authority shall give prompt written notice to the Banks after the County or the Authority obtains knowledge thereof, of any material pending or threatened investigation, litigation or judicial or quasi-judicial proceeding of any nature against or affecting the County, the Authority or the State that (i) challenges the validity or enforceability of this Agreement or any of the other Documents or the sale of the Gap Loan

Receivable thereunder; (ii) contests the existence, organization or powers of the State or the authority of any elected official thereof to pay the Gap Loan Receivable as and when contemplated by this Agreement or could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement; or (iii) contests the existence, organization or powers of the County or the Authority or the authority of any elected official thereof to adopt the County Resolution or the Authority Resolution, as applicable, or to execute and deliver this Agreement or any of the other Documents or perform its respective obligations hereunder or thereunder or as contemplated hereby or thereby.

6.9. Information. The County and the Authority, as applicable, shall deliver to the Banks:

(a) within ten days after publicly available, but in no event later than each February 1, a copy of the annual report containing the audited financial statements of the County (or notice as to where on the County's website such financials can be retrieved) and the audited financial statements of the Authority, each prepared in accordance with principles of the Government Accounting Standards Board applied on a consistent basis and audited by independent certified public accountants of recognized standing, including a balance sheet of the County and the Authority as of the end of such Fiscal Year and related statements of revenues, expenditures and fund balance for the Fiscal Year then ended;

(b) upon request of the Administrative Agent and to the extent available to the County and the Authority as a result of their commercially reasonable efforts to obtain such, a copy of the annual report containing the audited financial statements of the State for each Fiscal Year of the State (or notice as to where on the State's website such financials can be retrieved), prepared in accordance with principles of the Government Accounting Standards Board applied on a consistent basis and audited by independent certified public accountants of recognized standing, including a balance sheet of the State as of the end of such Fiscal Year and related statements of revenues, expenditures and fund balance for the Fiscal Year then ended, and a copy of the State's budget for such Fiscal Year;

(c) at the time of delivery of the annual report of the County and the Authority pursuant to clause (a) above, a certificate of authorized officers of the County and the Authority (i) certifying that no Event of Default on the part of the County or the Authority or any event that, upon a lapse of time or notice or both, would become an Event of Default on the part of the County or the Authority has occurred and is continuing and that the County and the Authority are not aware of any other Event of Default or any other event that, upon a lapse of time or notice or both, would become an Event of Default that has occurred and is continuing, or (ii) if they are aware of such an Event of Default or other event, describing such Event of Default or other event and the surrounding circumstances, and the steps the County and/or the Authority are taking or proposing to take with respect thereto; and

(d) such other information of the County or the Authority respecting the Gap Loan Receivable as the Banks or the Administrative Agent may from time to time reasonably request.

6.10. Trustee and Other Agents. The Authority shall immediately notify the Banks of any resignation of the Trustee and shall not substitute or replace the Trustee, without the prior written consent of the Banks.

6.11. Reference to Banks or Administrative Agent. Neither the County nor the Authority shall refer to the Banks or the Administrative Agent in any official statement, offering memorandum, or private placement memorandum or make any changes in reference to the Banks or the Administrative Agent in any revision of the Official Statement, without the prior written consent of the applicable Bank or the Administrative Agent, as applicable.

6.12. Maintenance of Existence. Each of the County and the Authority shall at all times preserve and maintain its existence, rights and privileges in the State.

6.13. Notice of Material Adverse Change. [The County shall promptly give written notice to the Banks of the occurrence of a material adverse change with respect to the Gap Loan Receivable which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement, and the County shall promptly give written notice to the Banks if it becomes aware of the occurrence of a material adverse change in the business, financial condition or operations of the State which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement.] [To be revised]

6.14. No Additional Indebtedness. Neither the County nor the Authority shall incur, assume or permit any additional indebtedness (other than the Notes) payable from or secured by any portion of the Collateral.

6.15. No Liens. Neither the County nor the Authority shall grant any lien on or security interest in and to any portion of the Collateral (other than pursuant to this Agreement or the other Documents) that is superior to, on a parity with, or subordinate to the lien on and security interest in and to the Collateral granted pursuant to Section 2.9 hereof and pursuant to the other Documents.

6.16. No Impairment. Neither the County nor the Authority shall take any action inconsistent with the rights of the Banks under this Agreement and the other Documents, including any action which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement.

6.17. Further Assurances. The County and the Authority shall execute and deliver to the Banks and the Administrative Agent all such documents, consents and instruments and do all such other acts and things as may be reasonably necessary or required by the Banks and the Administrative Agent in order to enable the Banks and the Administrative Agents to determine whether the covenants, terms and provisions of this Agreement and the other Documents have been complied with by the County and the Authority and to enable the Banks and the Administrative Agent to exercise and enforce the Banks' rights hereunder and under the other Documents and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all

as may be necessary or required by the Banks and the Administrative Agent to validate, preserve and protect the position of the Banks hereunder and under the other Documents.

6.18. Termination of Agreement. So long as any obligations of the County or the Authority hereunder remain unpaid or unperformed, neither the County nor the Authority shall terminate this Agreement or replace either Letter of Credit.

6.19. Payment of Gap Loan Receivable. The County and the Authority shall each take all commercially reasonable action to ensure the payment of the Gap Loan Receivable by the State.

7. TERM AND TERMINATION OF AGREEMENT

7.1. Termination of Agreement. This Agreement shall become effective upon execution by the County, the Authority, the Banks and the Administrative Agent, and shall continue in full force and effect until the Expiration Date; provided that no such termination of this Agreement will occur prior to the date on which the Authority has paid to the Banks and the Administrative Agent all amounts to which they may be entitled pursuant to the terms of this Agreement, including without limitation, any amounts due then or thereafter under Section 2.2 on account of payment by the Banks under the Letters of Credit. The occurrence of any Event of Default shall not affect the Banks' obligations to honor Drawings under the Letters of Credit made in accordance with their respective terms.

7.2. Events of Default. It shall be an Event of Default hereunder if any of the following events shall occur and be continuing; provided, however, that upon payment in full of the Gap Loan Receivable by the State and the deposit of the proceeds thereof in the Principal Fund held by the Trustee pursuant to the Indenture, the occurrence of the events described in paragraphs (i), (j) and (k) below shall no longer constitute an Event of Default hereunder:

(a) The Authority (i) shall fail to pay, or cause to be paid, when due, the principal of or interest on the Notes, or (ii) shall fail to pay or cause to be paid any amount due to the Banks or the Administrative Agent under this Agreement; or

(b) (i) A court of competent jurisdiction shall enter a final, nonappealable order or judgment that the Notes, this Agreement or any of the other Documents are invalid, illegal or unenforceable, or (ii) the issuance of the Notes, the execution, delivery or performance of this Agreement or any of the other Documents shall result in a violation by the County or the Authority of any material law, rule or regulation, or any order of any court, governmental agency or regulatory body, or any indenture or loan or credit agreement (including this Agreement) applicable to the County or the Authority or to such issuance; or

(c) A breach of the provisions of, or an event of default shall occur and be continuing under, any Document and the expiration of any applicable grace period shall have occurred; or

(d) The County or the Authority shall default in the performance of the covenants in Section 6.3, 6.5, 6.6, 6.10, 6.11, 6.12, 6.14, 6.15, 6.16 or 6.18; or

(e) The County or the Authority shall default in the performance of any other covenant or agreement contained in this Agreement and such default shall continue for thirty days after written notice of such default shall have been given to the County and the Authority by the Banks; or

(f) Any representation or warranty on the part of the County or the Authority contained in this Agreement or in any other Document shall at any time prove to have been untrue in any material respect when made; or

(g) (i) Any provision of this Agreement or the other Documents relating to or otherwise affecting the Authority's obligation to pay the principal of or interest on the Notes or to reimburse the Banks for amounts paid by the Banks under the Letters of Credit, together with interest thereon as provided herein, or any other material provision of this Agreement or the other Documents, shall be declared to be unenforceable or null and void by any court of competent jurisdiction in a final and nonappealable judgment; (ii) any pledge or security interest created hereunder or under the other Documents to secure any portion of the County and the Authority's obligations hereunder or thereunder fails to be fully enforceable with the priority required hereunder or thereunder; or (iii)(A) the County or the Authority repudiates or otherwise denies that it has any further liability or obligation hereunder or with respect to this Agreement or the other Documents, (B) the County or the Authority shall have taken or permitted to be taken any action, or has duly enacted any statute, that would materially adversely affect the enforceability of this Agreement or the other Documents or (C) the County or the Authority contests in a judicial or administrative proceeding the validity or enforceability of any material provision of this Agreement or the other Documents;

(h) (i) Any of the County, the Authority or the State shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of its property, or the County, the Authority or the State shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any of the County, the Authority or the State any case, proceeding or other action of a nature referred to in clause (i) and the same shall remain undismissed; or (iii) there shall be commenced against the County, the Authority or the State any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within sixty (60) days from the entry thereof; or (iv) the County, the Authority or the State shall, with respect to itself, take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the County, the Authority or the State shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(i) The State shall fail to (i) make any payment pursuant to Section 10754.11 of the California Revenue and Taxation Code to any city, county or other governmental entity other

than the Authority when due (each, an "Other Gap Loan Receivable"); (ii) make any payment in respect of any of its publicly-issued general fund securities when due (whether by as a result of non-appropriation or otherwise but excluding any failure to pay any publicly-issued general fund securities payable from lease obligations of the State as a result of abatement) and such failure shall continue after any applicable grace period; or (iii) pay the Gap Loan Receivable to the Authority in full on or before December 1, 2006;

(j) The (i) commencement of any action that could impair the ability of the State to pay the Gap Loan Receivable as and when contemplated by this Agreement or that contests the authority of the State to pay the Gap Loan Receivable or any Other Gap Loan Receivable or (ii) the occurrence of a material adverse change with respect to the Gap Loan Receivable or in the business, financial condition or operations of the State which could reasonably be expected to have an adverse effect on the payment of the Gap Loan Receivable as and when contemplated by this Agreement;

(k) a moratorium shall have been declared with respect to the Gap Loan Receivable or any Other Gap Loan Receivable;

(l) any funds on deposit in, or otherwise to the credit of, any of the Funds or Accounts established under the Indenture shall become subject to any writ, judgment, warrant or attachment, execution or similar process; or

(m) any change in the Code is made which results, or would result, in interest on any Notes being included in gross income to the holders thereof for purposes of Federal income taxation or the not being exempt from State personal income taxes or treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.

7.3. Remedies. Upon the occurrence of an Event of Default, the Administrative Agent may with the consent of all of the Banks, and shall at the request of all of the Banks, so long as such Event of Default shall not have been remedied to the sole satisfaction of the Banks, be entitled to proceed to enforce all remedies available under this Agreement and the other Documents and under applicable law and in equity, including, but not limited to, the right to seek mandamus.

8. THE ADMINISTRATIVE AGENT AND THE BANKS

8.1. Banks. The Banks hereby appoint Citibank, N.A. as Administrative Agent to act as herein specified.

8.2. Assignments. The Banks' obligations under the Letters of Credit shall not be assigned or otherwise transferred without the prior written consent of the Administrative Agent (which may be given or withheld without the consent or agreement of any other Bank) and the Authority; provided, however, that any Bank may at its option and without any such consent assign its rights hereunder as collateral to any Federal Reserve Bank or enter into participations of its rights and duties hereunder; provided, further, however, that such participation shall not affect the obligations of the Banks under the Letters of Credit.

8.3. Authorization. The Banks hereby irrevocably authorize the Administrative Agent to take such action on its behalf under the provisions of the Documents and to exercise such powers hereunder and thereunder as are specifically delegated to the Administrative Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. In the absence of a request by the Banks, the Administrative Agent shall have the authority pursuant to Section 8.4 hereof, in its sole discretion, to take or not to take any such action, unless this Agreement specifically requires the consent of all of the Banks. The Administrative Agent may perform any of its duties hereunder, or under the Documents, by or through its agents or employees. Any action taken or failure to act pursuant to such instructions or discretion shall be binding on the Banks and the Administrative Agent and on all Participants. No Bank shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder or under any other Document in accordance with the instructions of all of the Banks, or in the absence of such instructions, in the discretion of the Administrative Agent, subject to the provisions of Section 8.5, or if the Administrative Agent shall have acted or refrained from acting in good faith. The Authority shall have no obligation to investigate or inquire into the authority of the Administrative Agent and shall incur no liability in relying upon the Administrative Agent's requests or instructions.

8.4. Nature of Duties. The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement. Except as otherwise provided herein, the Administrative Agent shall not have by reason of this Agreement or otherwise a fiduciary relationship in respect of any Bank or any Participant. Nothing in this Agreement or any of the Documents, expressed or implied, is intended to or shall be construed as to impose upon the Administrative Agent any obligations in respect of this Agreement or any of the other Documents except as expressly set forth herein. Each Bank shall make its own independent investigation of the financial condition and affairs of the State and the Gap Loan Receivable in connection with this Agreement and the other Documents and shall continue to make its own appraisal of the creditworthiness of the State and the Gap Loan Receivable; and the Administrative Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide the Banks with any credit or other information with respect thereto, whether coming into its possession before the making of any payment under this Agreement or at any time or times thereafter, except such information provided to the Administrative Agent by the County or the Authority pursuant to Section 6 or otherwise under this Agreement and any Notice the Administrative Agent receives of an Event of Default hereunder, which information or Notice the Administrative Agent will provide to the Banks as soon as practicable.

8.5. Rights, Exculpation, Etc. Neither the Administrative Agent nor any of its officers, directors, employees or agents shall be liable to the Banks for any action taken or omitted by it hereunder or under any of the Documents, or in connection herewith or therewith, unless caused by its or their gross negligence or willful misconduct. The Administrative Agent shall not be responsible to the Banks for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, enforceability, collectability or sufficiency of this Agreement or any of the other Documents or the financial condition and affairs of the State or the Gap Loan Receivable. The Administrative Agent shall not be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any of the other Documents or the financial

condition and affairs of the State or the Gap Loan Receivable, or the existence or possible existence of any Event of Default.

8.6. Reliance. The Administrative Agent shall be entitled to rely upon any written notice, statement, certificate, telecopy or other electronic communication, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper person and, with respect to all legal matters pertaining to this Agreement or any of the other Documents and its duties hereunder or thereunder, upon advice of counsel selected by it.

8.7. Indemnification of the Administrative Agent. To the extent that the Administrative Agent is not reimbursed by the Authority, the Banks will reimburse and indemnify the Administrative Agent for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against the Administrative Agent, acting pursuant hereto or to any other Document, in any way relating to or arising out of this Agreement or any of the other Documents or any action taken or omitted by the Administrative Agent under this Agreement or any of the other Documents, in proportion to its Letter of Credit Commitment; provided, however, that the Banks shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. The obligation of the Banks under this Section 8.7 shall survive the termination of this Agreement.

8.8. The Administrative Agent, Individually. With respect to the Series 2005A Letter of Credit, Citibank, N.A. shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for the Banks. The term "Banks" or any similar term shall, unless the context clearly otherwise indicates, include Citibank, N.A., in its individual capacity as the Series 2005A Bank. Citibank, N.A. and its affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, trust, securities or other business with the County or the Authority as if it were not acting as Administrative Agent.

8.9. Resignation by the Administrative Agent.

(a) The Administrative Agent may, and if the Authority so requests in writing the Administrative Agent will, resign from the performance of all of its functions and duties hereunder by giving at least thirty calendar days' prior written notice to the Authority and the Banks.

(b) Upon any such notice of resignation, the Authority shall appoint and authorize a Bank satisfactory to the Banks as the successor Administrative Agent under this Agreement.

(c) If a successor Administrative Agent shall not have been so appointed within said thirty calendar day period, the Administrative Agent shall then appoint a successor Administrative Agent designated by the Authority, which successor shall serve as Administrative Agent until such time, if any, as the Banks appoint a successor Administrative Agent as provided above.

8.10. Excess Payments. If any Bank obtains any payment or other recovery (whether voluntary, involuntary, by application of set-off, or otherwise) on account of principal of, interest on, or fees and commissions in respect of, any of the Authority's obligations hereunder or under any other Document in excess of that to which such Bank is entitled, such Bank agrees to pay to the other Bank all or a portion of such excess payment or recovery as will be necessary to cause such Bank to share such payment or other recovery ratably with the other Bank; provided, however, that if all or any portion of such excess payment of or other recovery is thereafter recovered from such Bank by or on behalf of the Authority, the other Bank shall refund such excess payment to such Bank, in each case to the extent of such recovery, together with its pro rata share of any interest, cost or penalties with respect thereto.

8.11. Obligations Several. The obligations of the Banks hereunder and under its respective Letters of Credit are several, and neither the Administrative Agent nor any Bank shall be responsible for the obligation of any other Bank hereunder or under its respective Letter of Credit, nor will the failure of any Bank to perform any of its obligations hereunder or under its respective Letter of Credit relieve the Administrative Agent or any other Bank from the performance of its obligations hereunder or under its respective Letter of Credit. Nothing contained in this Agreement, and no action taken by the Banks or the Administrative Agent pursuant hereto or in connection with the Documents shall be deemed to constitute the Banks, together or with the Administrative Agent, a partnership, association, joint venture or other entity.

8.12. Consent of the Banks.

(a) The Administrative Agent may not consent to any amendment or supplement to or modification or waiver of any provision of any Document that would have the effect of (i) increasing or decreasing the Aggregate Letter of Credit Commitment or any Bank's Letter of Credit Commitment, (ii) extending the Stated Termination Date, (iii) decreasing the Commitment Fee, (iv) decreasing or extending the time for payment of any amounts owing or to be owing to the Banks under this Agreement, or (v) releasing all or substantially all of the Collateral pledged under Section 2.9 of this Agreement and under the other Documents, without the prior written consent of all of the Banks.

(b) Subject to paragraph (a) above, the Administrative Agent may not consent to any other amendment or supplement to or modification or waiver of any provision of any Document without the prior written consent of all of the Banks.

9. MISCELLANEOUS

9.1. Method of Payment. Despite any provisions to the contrary contained in the Notes, the Authority will pay or cause to be paid to the Banks and the Administrative Agent all amounts payable to the Banks or the Administrative Agent hereunder, as applicable, by wire transfer to the respective Payment Account of each.

9.2. Addresses for Notices, Etc. Except as otherwise expressly provided herein, all notices and requests to, and consents by, any party hereunder shall be in writing and shall be personally served on an officer of the receiving party or delivered by United States mail,

registered or certified, return receipt requested, or delivered by prepaid delivery service, with recipient's signature required, and shall be deemed to have been given upon receipt by the party notified. For the purposes hereof, the addresses of the County, the Authority, the Banks and the Administrative Agent (until notice of a change thereof is delivered as provided in this Section 9.2) for such purpose shall be as specified on the signature pages hereof as the notice address for each such party.

9.3. No Waiver; Cumulative Remedies. No failure or delay on the part of the Administrative Agent or the Banks or any of them in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof; the remedies herein provided are cumulative and not exclusive of any remedies provided by law.

9.4. Severability. If any provision of this Agreement shall be held to be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

9.5. Amendments, Etc. Any provision of this Agreement may be amended or waived, but only if such amendment or waiver is in writing and is signed by the County, the Authority, the Banks and the Administrative Agent.

9.6. Indemnification. None of the Banks nor the Administrative Agent shall have any liability to the County or the Authority, and the County and the Authority assume all risk and responsibility for (i) the form, sufficiency, correctness, validity, genuineness, falsification and legal effect of any demands and other documents, instruments and other papers relating to either Letter of Credit and delivered or purported to be delivered by any of the Authority or the Trustee, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged, (ii) general and particular conditions stipulated therein, (iii) the good faith acts of any Person whosoever in connection therewith, (iv) failure of any Person (other than the applicable Bank, subject to the terms and conditions hereof) to comply with the terms of either Letter of Credit, (v) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telex, telegraph, wireless or otherwise, whether or not they be in code, (vi) errors in translation or errors in interpretation of technical terms, (vii) for any other consequences arising from causes beyond a Bank's control, (viii) any use of which may be made of either Letter of Credit or any acts or omissions of the Trustee and any other beneficiary or transferee in connection therewith, (ix) payment by a Bank against presentation of documents which do not comply with the terms of its respective Letter of Credit, including failure of any document to bear any reference or adequate reference to such Letter of Credit; or (x) any other circumstances whatsoever in making or failing to make payment under a Letter of Credit, except that the County and the Authority shall have a claim against each Bank individually, and such Bank individually shall be liable to the Authority, to the extent of any direct damages suffered by the Authority (as opposed to special, indirect, consequential, exemplary or punitive damages suffered by the Authority, which are hereby waived), which the Authority proves were caused by

(i) such Bank's willful misconduct or gross negligence in determining whether documents presented under the related Letter of Credit comply with the terms of such Letter of Credit or (ii) such Bank's willful or grossly negligent failure to make lawful payment under the related Letter of Credit after the presentation to it by the Trustee of a demand for payment strictly complying with the terms and conditions of such Letter of Credit.

To the extent permitted by law and subject to the provisions of Section 2.9 hereof, the County and the Authority hereby agree to indemnify the Administrative Agent and each of the Banks and each of their affiliates, directors, officers and employees (the "Indemnified Parties" and each, an "Indemnified Party") upon demand, and to hold harmless the Indemnified Parties from and against, any and all claims, damages, losses, liabilities and reasonable costs and expenses that the Indemnified Parties may incur in connection with (a) the offering and sale of the Notes, including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained in the Official Statement or caused by any omission or alleged omission to state therein a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading (except as to information provided in writing by the Indemnified Parties for inclusion in the Official Statement), (b) by reason of or in connection with the execution, delivery or performance of this Agreement or any other Document, or any transaction contemplated thereby or hereby, (c) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to make payment under, either Letter of Credit, or (d) by reason of or in connection with any claim, litigation or other matter involving the County, the Authority or the Gap Loan Receivable; provided, however, that neither the County nor the Authority shall be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent caused by the willful misconduct or gross negligence of such Indemnified Party. Nothing in this Section 9.6 is intended to limit any other obligation of the County or the Authority contained in this Agreement or in any other Document.

Each Indemnified Party shall, promptly after the receipt of notice of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against the County or the Authority, notify the County and the Authority in writing of the commencement thereof. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the County and the Authority of the commencement thereof, the County or the Authority may, or if so requested by such Indemnified Party shall, participate therein or assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Party, and after notice from the County or the Authority to the Indemnified Party of an election to so assume the defense thereof, the County or the Authority, as applicable, will not be liable to such Indemnified Party under this paragraph for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that unless and until the County or the Authority assumes the defense of any such action at the request of such Indemnified Party, the County or the Authority, as applicable, shall have the right to participate at its own expense in the defense of any such action. If the County or the Authority, as applicable, shall not have employed counsel to have charge of the defense of any such action or if such Indemnified Party shall have reasonably concluded that there may be defenses available to it that are different from or additional to those available to the County or the Authority, as applicable (in which case the County or the Authority, as applicable, shall not have the right to direct the defense of such

action on behalf of such Indemnified Party), legal and other expenses incurred by such Indemnified Party shall be borne by the County or the Authority, as applicable. The County or the Authority, as applicable, shall not be liable for any settlement of any such action effected without the consent of the County or the Authority but if settled with the consent of the County or the Authority, as applicable, or if there is a final judgment for the plaintiff in any such action, the County and the Authority will indemnify and hold harmless such Indemnified Party from and against any loss or liability by reason of such settlement or judgment insofar as such settlement or judgment shall relate to any liability in respect of which such Indemnified Party is entitled to indemnity hereunder.

All rights and responsibilities under this Section 9.6 shall survive the termination of this Agreement and apply to claims, damages, losses, liabilities and costs and expenses incurred or claimed thereafter.

9.7. Successors and Assigns. This Agreement shall (a) be binding upon the County and the Authority, and (b) inure to the benefit of and be enforceable by the Banks and the Administrative Agent and their successors, transferees and assigns. Except as provided herein, the obligations of the Banks under the Letters of Credit may not be assigned except with the prior written consent of the Authority.

9.8. Fees and Expenses. The Authority shall pay upon receipt of an invoice, the amount of the Banks' and the Administrative Agent's reasonable legal costs, fees and expenses (including the allocated cost of any in-house counsel) in connection with the preparation, execution and delivery of this Agreement and the other Documents and the issuance of the Letters of Credit. The Authority shall pay within 30 days of receipt of an invoice, the amount of the Banks' and the Administrative Agent's reasonable legal costs, fees and expenses (including the allocated cost of any in-house counsel) in connection with the filing, recording, administration (other than normal, routine administration), enforcement, transfer, amendment, maintenance, renewal or cancellation of the Letters of Credit or this Agreement and all amendments or modifications thereto (or supplements hereto), including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Banks and the allocated cost of in-house counsel and legal staff and independent public accountants and other outside experts retained by the Banks in connection with any of the foregoing. In addition, the Authority shall pay upon receipt of an invoice, the amount of the Banks' or the Administrative Agent's reasonable legal costs, fees and expenses (including the allocated cost of any in-house counsel) in connection with (i) the Banks' curing of any Event of Default under this Agreement or any of the Documents, (ii) enforcement of this Agreement or any of the other Documents, or (iii) action or proceeding relating to a court order, injunction, or other process or decree restraining or seeking to restrain the Banks from paying any amount under the Letters of Credit.

9.9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

9.10. Governing Law; Jury Trial.

(a) Pursuant to Section 5-1401 of the New York General Obligations Law (or any successor statute thereto), this Agreement shall be deemed to be a contract under, and shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York and applicable Federal law; provided that the duties and obligations of the County and the Authority under this Agreement shall be governed by and construed in accordance with the internal laws of the State, without giving effect to conflict of law principles.

(b) Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The County and the Authority further agree that, in the event of litigation, it will not personally or through its agents or attorneys seek to repudiate the validity of this Section 9.10(d) and each acknowledges that it freely and voluntarily entered into this Agreement to waive trial by jury in order to induce the Banks to issue the Letters of Credit.

9.11. Complete Statement of Agreement. This Agreement, together with the documents referred to in this Agreement, is the complete and exclusive statement of the terms of the agreement among the parties hereto.

9.12. Heading. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

9.13. Waiver of Suretyship. The County, the Authority and the Banks intend that the respective obligations of the County and the Authority under this Agreement constitute the respective direct obligations of each and not obligations in the nature of a guaranty or a surety. Nevertheless, should it ever be deemed that the County's or the Authority's respective obligations hereunder are in the nature of a guarantor or surety, then the County and the Authority expressly waive all principles or provisions of law that conflict with the terms with this Agreement, including, without limitation, the provisions of Sections 2787-2855 of the California Civil Code. The County and the Authority agree that the Banks may enforce this Agreement without the necessity of resorting to or exhausting any security or collateral, and the County and the Authority waive the right to require the Banks to proceed against the County or the Authority, to exercise any right or remedy under this Agreement or to pursue any other remedy, or to enforce any other right.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their officers thereunto duly authorized as of the day and year first written above.

COUNTY OF LOS ANGELES, CALIFORNIA

By: _____
Name: _____
Title: _____

Address for Notices:

County of Los Angeles
Treasurer and Tax Collector
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437
Los Angeles, California 90012
Attention: Public Finance
Telephone: (213) [___]-[____]
Facsimile: (213) [___]-[____]

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

By: _____
Name: _____
Title: _____

Address for Notices:

Los Angeles County Public Works
Financing Authority
Treasurer and Tax Collector
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437
Los Angeles, California 90012
Attention: Public Finance
Telephone: (213) [___]-[____]
Facsimile: (213) [___]-[____]

CITIBANK, N.A., as the Series 2005A Bank

By: _____
Name: _____
Title: _____

Payment Account:

[insert wire instructions]

Address for Notices:

Citibank, N.A.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: [_____]
Telephone: (212) [___]-[____]
Facsimile: (212) [___]-[____]

BNP PARIBAS, acting through its San Francisco Branch, as the Series 2005B Bank

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Payment Account:

[insert wire instructions]

Address for Notices:

with respect to credit matters:

BNP Paribas,
Los Angeles Representative Office
725 South Figueroa Street, Suite 2090
Los Angeles, California 90017
Attention: Public Finance Department
Telephone: (213) 488-9120
Facsimile: (213) 488-9602

with a copy to:

BNP Paribas,
San Francisco Branch
One Front Street, Suite 2300
San Francisco, California 94111
Attention: Public Finance Department
Telephone: (415) 772-1300
Facsimile: (415) 296-8954

with respect to draws under the Series 2005B Letter of Credit:

BNP Paribas, San Francisco Branch
c/o BNP Paribas, New York Branch
919 3rd Avenue
New York, New York 10022
Attention: Trade Financial Services Department
Telephone: (212) 471-6906 or (212) 471-6638
Facsimile: (212) 471-6996

with a copy to:

BNP Paribas,
Los Angeles Representative Office
725 South Figueroa Street, Suite 2090
Los Angeles, California 90017
Attention: Public Finance Department
Telephone: (213) 488-9120
Facsimile: (213) 488-9602

CITIBANK, N.A., as Administrative Agent for the Banks

By: _____
Name: _____
Title: _____

Payment Account:

[insert wire instructions]

Address for Notices:

390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: Jeff Heckman
Telephone: (212) 723-8942
Facsimile: (212) 723-5007

EXHIBIT A

FORM OF SERIES 2005A IRREVOCABLE DIRECT-PAY LETTER OF CREDIT

Irrevocable Direct-Pay Letter of Credit No. [_____]

January 5, 2005

[Name of Trustee], as Trustee
[_____]
[_____]
Attention: [_____]

Ladies and Gentlemen:

At the request and for the account of the County of Los Angeles, California (the "County") and the Los Angeles County Public Works Financing Authority (the "Authority"), we hereby establish in favor of [Name of Trustee], as trustee (the "Trustee") under that certain Indenture, dated as of January 1, 2005 (the "Indenture"), by and between the Authority and you, relating to the Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005A (the "Series 2005A Notes"), for the benefit of the owners of the Series 2005A Notes this irrevocable direct-pay letter of credit (this "Letter of Credit") in the aggregate stated amount of $[Stated Amount] (the "Stated Amount"), of which $[Par Amount] (the "Principal Portion") is available to pay the principal of, and $[Interest Portion] (the "Interest Portion") is available to pay the interest on the Series 2005A Notes. The Interest Portion was calculated at the rate of [_____] percent ([_____]%) per annum for [_____] days on the basis of a 360-day year of twelve 30-day months. The Stated Amount is comprised of the Principal Portion and the Interest Portion, as they may vary from time to time.

This Letter of Credit is established pursuant to a Letter of Credit Reimbursement Agreement (the "Reimbursement Agreement") dated as of January 1, 2005 by and among the County, the Authority, the Series 2005A Bank, BNP Paribas, acting through its San Francisco Branch (the "Series 2005B Bank" and together with us, the "Banks") and Citibank, N.A., as administrative agent for the Banks (the "Administrative Agent").

Funds shall be available hereunder to make any payment of principal of, or interest on, the Series 2005A Notes upon presentation of one or more facsimile demands (with original executed drafts and certificates to follow immediately thereafter) by you to us at Citibank, N.A., 390 Greenwich Street, 2nd Floor, New York, New York 10013, Attention: [_____], Telephone: (212) [___]-[____], Facsimile: (212) [___]-[____] in the form of Annex 1 or 2 hereto, as appropriate, in compliance with all instructions therein.

Each such presentation must be made on or before the close of business on a Business Day (defined below) prior to the expiration of this Letter of Credit. "Business Day"

means any day other than a Saturday, Sunday, or a day on which banking institutions in the city or cities in which the principal corporate trust office of the Trustee or our New York office is located are authorized or obligated by law or executive order to be closed or a day on which the Federal Reserve System is closed.

This Letter of Credit shall expire at the close of business of our New York office set forth above on the date (the "Expiration Date") which is the earliest of (a) December [1], 2006 (the "Stated Termination Date"), (b) the date specified by the Trustee in a notice in the form of Annex 3 hereto as being the date that all outstanding Series 2005A Notes have been paid or will be paid with funds deposited with the Trustee, or (c) the date upon which this Letter of Credit is drawn in full.

Drawings on this Letter of Credit will be paid from our funds and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, us by the Authority.

The amount of each facsimile demand presented hereunder will be the amount inserted in numbered paragraph (3) of said facsimile demand.

We hereby agree with the Trustee that each facsimile demand presented hereunder in the form of Annex 1 or Annex 2 hereto will be honored by payment to the Trustee in immediately available funds (a) no later than 1:00 P.M. New York City time on the Business Day next succeeding the day on which demand is presented as aforesaid if such presentation is made to us at or before 4:00 P.M. New York City time or (b) no later than 1:00 P.M. New York City time on the second Business Day next succeeding the day such demand is presented as aforesaid, if such presentation is made to us after 4:00 P.M. New York City time.

Upon each payment hereunder with respect to principal of the Series 2005A Notes, the Principal Portion shall be decreased by the amount of the payment and immediately thereafter the Interest Portion shall be decreased proportionally.

The Interest Portion shall be decreased upon, and to the extent of, each payment hereunder with respect to interest pursuant to a demand in the form of Annex 1 hereto. Upon payment hereunder pursuant to a demand in the form of Annex 1 hereto, the Interest Portion shall be automatically and immediately reinstated on the date of payment of such demand by the amount by which it was decreased upon such payment.

Only the Trustee or a successor Trustee may make a drawing under this Letter of Credit. Upon the payment to the Trustee of the amount demanded pursuant to presentation of drawing certifications, we shall be fully discharged of our obligation under this Letter of Credit in respect of such demand for payment to the Trustee or any holder of Series 2005A Notes or any person on behalf of any holder of Series 2005A Notes who may have made to you or makes to you a demand for payment of principal of, or interest on, any Series 2005A Note. By paying to the Trustee an amount demanded in accordance herewith, we make no representation as to the correctness of the amount demanded or the Trustee's calculations and representations on the drawing certificates required of the Trustee by this Letter of Credit.

If a drawing demand is not, in any instance, in strict conformance with the terms and conditions of this Letter of Credit, we shall give the Trustee prompt notice, with notice to the Authority to follow, that the purported drawing was not effected in accordance with this Letter of Credit, stating the reason therefor and that we are holding any documents at the Trustee's disposal or is returning them to the Trustee, as we may elect. Upon being notified that the purported drawing was not effected in conformity with this Letter of Credit, the Trustee may attempt to correct any such nonconforming drawing certificate if, and to the extent that, the Trustee is entitled (without regard to the provisions of this sentence) and is able to do so prior to the Expiration Date.

To the extent not inconsistent with the express provisions hereof, this Letter of Credit shall be governed by and construed in accordance with the Uniform Customs and Practice for Documentary Credits -- 1993 Revision, ICC Publication No. 500 (the "UCP") as interpreted by the courts of the State of New York; provided, however, that: (a) notwithstanding the provisions of Article 17 of the UCP, if this Letter of Credit expires during an interruption of business (as described in Article 17 of the UCP), we agree to effect payment under this Letter of Credit if a drawing which strictly conforms to the terms and conditions of this Letter of Credit is made within fifteen (15) days after our resumption of business; and (b) this Letter of Credit will not terminate because of a failure to make any permitted drawings hereunder as provided in Article 41 of the UCP. As to matters not covered by the UCP, this Letter of Credit shall be governed by the laws of the State of New York, including, to the extent not inconsistent with the UCP, the Uniform Commercial Code as in effect in the State of New York.

This Letter of Credit may be transferred more than once but only in the amount of the full Stated Amount then in effect to any single transferee who has succeeded the Trustee as Trustee under the Indenture; provided, however, that under no circumstances shall this Letter of Credit be transferred to any person or entity with which U.S. persons or entities are prohibited from conducting business under U.S. Foreign Assets Control Regulations or any other applicable U.S. laws and regulations. Transfers may be effected only through our New York office set forth above and only upon presentation to it of a duly executed instrument of transfer in the form attached hereto as Annex 4 and payment by the Authority of our transfer fees. Any transfer of this Letter of Credit as aforesaid must be endorsed by us on the reverse hereof and may not change the time or date of expiration specified above or any other term hereof.

[The remainder of this page intentionally left blank]

Communications and notices with respect to this Letter of Credit shall be in writing and shall be addressed to us at our office specified above, specifically referring to the number of this Letter of Credit, and shall be addressed to you at your address specified above.

Faithfully yours,

CITIBANK, N.A.

By:_____
Name:_____
Title:_____

ANNEX 1

[TO DRAW ACCRUED INTEREST ONLY]

Citibank, N.A.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: [_____]

Re: Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005A

[Name of Trustee] (the "Trustee") hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. [_____] issued by Citibank, N.A. (the "Letter of Credit"; terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Series 2005A Notes and is authorized to make this demand under the terms of the Letter of Credit.

(2) The Trustee is making demand for payment under the Letter of Credit for interest whether or not paid or due with respect to one or more of the Series 2005A Notes on [insert the relevant date].

(3) The aggregate amount of interest owing on the Series 2005A Notes on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The amount requested does not exceed the Interest Portion of the Stated Amount.

(4) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing with respect to the Series 2005A Notes referred to in numbered paragraph (3) above as provided in the Indenture, and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Authority or applied by the Trustee for any purpose other than to pay the amount of interest owing on such Series 2005A Notes.

(5) Upon your honoring the drawing requested hereunder the Interest Portion of the Stated Amount shall be reduced to $[insert amount], subject to automatic reinstatement as provided in the Letter of Credit.

[NAME OF TRUSTEE], as Trustee

By:_____
Name:_____
Title:_____

ANNEX 2

[TO DRAW PRINCIPAL AND INTEREST DUE AT SCHEDULED MATURITY]

Citibank, N.A.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: [_____]

Re: Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005A

[Name of Trustee] (the "Trustee") hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. [_____] issued by Citibank, N.A. (the "Letter of Credit"; terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Series 2005A Notes and is authorized to make this demand under the terms of the Letter of Credit.

(2) The Trustee is making demand for payment under the Letter of Credit for principal and interest due and payable on one or more of the Series 2005A Notes on [insert the relevant date].

(3) The aggregate amount of principal and interest owing on said Series 2005A Notes on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The Trustee has not heretofore made demand under the Letter of Credit for such amount or any portion thereof.

(4) Of said total amount, $[insert amount] is demanded with respect to principal of said Series 2005A Notes.

(5) Of said total amount, $[insert amount] is demanded with respect to interest on said Series 2005A Notes.

(6) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing in respect of the Series 2005A Notes referred to in numbered paragraph (3) above as provided in the Indenture, and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Authority or applied by the Trustee for any purpose other than to pay the amount of principal of or interest owing on such Series 2005A Notes.

(7) Upon your honoring the drawing requested hereunder the Principal Portion of the Stated Amount shall be reduced to $0 and the Interest Portion of the Stated Amount shall be reduced to $0. Such amounts shall not be subject to reinstatement.

[NAME OF TRUSTEE], as Trustee

By:_____
Name:_____
Title:_____

ANNEX 3

[FOR TRUSTEE TO TERMINATE LETTER OF CREDIT]

Citibank, N.A.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: [_____]

Re: Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005A

[Name of Trustee] (the "Trustee") hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. [_____] issued by Citibank, N.A. (the "Letter of Credit"; terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Series 2005A Notes.

(2) All outstanding Series 2005A Notes have been paid or will be paid with funds deposited with the Trustee on [insert relevant date].

(3) The Trustee requests that the Series 2005A Bank terminate the Letter of Credit effective as of the close of business on [insert relevant date], the date [that all outstanding Series 2005A Notes have been paid or will be paid with funds deposited with the Trustee].

[NAME OF TRUSTEE], as Trustee

By:_____
Name:_____
Title:_____

ANNEX 4

[TO TRANSFER LETTER OF CREDIT]

Citibank, N.A.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: [_____]

Subject: Irrevocable Direct-Pay Letter of Credit No. [_____] issued by Citibank, N.A.

Ladies and Gentlemen:

For value received, we hereby transfer all of our rights under the above-captioned letter of credit (the "Letter of Credit"), as heretofore and hereafter amended, extended or increased to:

_____
[Name of Transferee]

_____
[Address of Transferee]

By this transfer, all of our rights in the Letter of Credit are transferred to the transferee, and the transferee shall have sole rights as beneficiary under the Letter of Credit, including sole rights relating to any amendments, and whether now existing or hereafter made. The Letter of Credit may hereafter be amended, extended or increased without our consent or notice to us and you will give notice thereof directly to the transferee.

By its signature below the undersigned transferee (i) acknowledges that it has duly succeeded to _____, as Trustee under the Indenture, dated as of January 1, 2005 (the "Indenture"), by and between the Los Angeles County Public Works Financing Authority and [Name of Trustee], as trustee (the "Trustee"), relating to the Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005A (the "Series 2005A Notes"), as amended or supplemented from time to time, and (ii) consents and agrees to perform and comply with all the terms, covenants and conditions on its part to be performed or complied with under the Indenture.

The original Letter of Credit is returned with all amendments to this date. Please notify the transferee in such form as you deem advisable to this transfer and of the terms and conditions of the Letter of Credit, including amendments, as transferred. A copy of this instrument of transfer has been furnished to the Authority for its information.

Very truly yours,

[Insert Name of Transferor]

By:_____
[Insert Name and Title]

Acknowledged:

[Insert Name of Transferee]

By:_____
[Insert Name and Title]
as Trustee

EXHIBIT B

FORM OF SERIES 2005B IRREVOCABLE DIRECT-PAY LETTER OF CREDIT

Irrevocable Direct-Pay Letter of Credit No. [_____]

January 5, 2005

[Name of Trustee], as Trustee
[_____]
[_____]
Attention: [_____]

Ladies and Gentlemen:

At the request and for the account of the County of Los Angeles, California (the "County") and the Los Angeles County Public Works Financing Authority (the "Authority"), we hereby establish in favor of [Name of Trustee], as trustee (the "Trustee") under that certain Indenture, dated as of January 1, 2005 (the "Indenture"), by and between the Authority and you, relating to the Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005B (the "Series 2005B Notes"), for the benefit of the owners of the Series 2005B Notes this irrevocable direct-pay letter of credit (this "Letter of Credit") in the aggregate stated amount of $[Stated Amount] (the "Stated Amount"), of which $[Par Amount] (the "Principal Portion") is available to pay the principal of, and $[Interest Portion] (the "Interest Portion") is available to pay the interest on the Series 2005B Notes. The Interest Portion was calculated at the rate of [_____] percent ([_____]%) per annum for [_____] days on the basis of a 360-day year of twelve 30-day months. The Stated Amount is comprised of the Principal Portion and the Interest Portion, as they may vary from time to time.

This Letter of Credit is established pursuant to a Letter of Credit Reimbursement Agreement (the "Reimbursement Agreement") dated as of January 1, 2005 by and among the County, the Authority, Citibank, N.A. (the "Series 2005A Bank" and together with us, the "Banks"), the Series 2005B Bank, and Citibank, N.A., as administrative agent for the Banks (the "Administrative Agent").

Funds shall be available hereunder to make any payment of principal of, or interest on, the Series 2005B Notes upon presentation of one or more facsimile demands (with original executed drafts and certificates to follow immediately thereafter) by you to us at BNP Paribas, San Francisco Branch, c/o BNP Paribas, New York Branch, 919 3rd Avenue, New York, New York 10022, Attention: Trade Financial Services Department, Telephone: (212) 471-6906 or (212) 471-6638, Facsimile: (212) 471-6996 in the form of Annex 1 or 2 hereto, as appropriate, in compliance with all instructions therein.

Each such presentation must be made on or before the close of business on a Business Day (defined below) prior to the expiration of this Letter of Credit. "Business Day" means any day other than a Saturday, Sunday, or a day on which banking institutions in the city or cities in which the principal corporate trust office of the Trustee or our New York office is located are authorized or obligated by law or executive order to be closed or a day on which the Federal Reserve System is closed.

This Letter of Credit shall expire at the close of business of our New York office set forth above on the date (the "Expiration Date") which is the earliest of (a) December [1], 2006 (the "Stated Termination Date"), (b) the date specified by the Trustee in a notice in the form of Annex 3 hereto as being the date that all outstanding Series 2005B Notes have been paid or will be paid with funds deposited with the Trustee, or (c) the date upon which this Letter of Credit is drawn in full.

Drawings on this Letter of Credit will be paid from our funds and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, us by the Authority.

The amount of each facsimile demand presented hereunder will be the amount inserted in numbered paragraph (3) of said facsimile demand.

We hereby agree with the Trustee that each facsimile demand presented hereunder in the form of Annex 1 or Annex 2 hereto will be honored by payment to the Trustee in immediately available funds (a) no later than 1:00 P.M. New York City time on the Business Day next succeeding the day on which demand is presented as aforesaid if such presentation is made to us at or before 4:00 P.M. New York City time or (b) no later than 1:00 P.M. New York City time on the second Business Day next succeeding the day such demand is presented as aforesaid, if such presentation is made to us after 4:00 P.M. New York City time.

Upon each payment hereunder with respect to principal of the Series 2005B Notes, the Principal Portion shall be decreased by the amount of the payment and immediately thereafter the Interest Portion shall be decreased proportionally.

The Interest Portion shall be decreased upon, and to the extent of, each payment hereunder with respect to interest pursuant to a demand in the form of Annex 1 hereto. Upon payment hereunder pursuant to a demand in the form of Annex 1 hereto, the Interest Portion shall be automatically and immediately reinstated on the date of payment of such demand by the amount by which it was decreased upon such payment.

Only the Trustee or a successor Trustee may make a drawing under this Letter of Credit. Upon the payment to the Trustee of the amount demanded pursuant to presentation of drawing certifications, we shall be fully discharged of our obligation under this Letter of Credit in respect of such demand for payment to the Trustee or any holder of Series 2005B Notes or any person on behalf of any holder of Series 2005B Notes who may have made to you or makes to you a demand for payment of principal of, or interest on, any Series 2005B Note. By paying to the Trustee an amount demanded in accordance herewith, we make no representation as to the

correctness of the amount demanded or the Trustee's calculations and representations on the drawing certificates required of the Trustee by this Letter of Credit.

If a drawing demand is not, in any instance, in strict conformance with the terms and conditions of this Letter of Credit, we shall give the Trustee prompt notice, with notice to the Authority to follow, that the purported drawing was not effected in accordance with this Letter of Credit, stating the reason therefor and that we are holding any documents at the Trustee's disposal or is returning them to the Trustee, as we may elect. Upon being notified that the purported drawing was not effected in conformity with this Letter of Credit, the Trustee may attempt to correct any such nonconforming drawing certificate if, and to the extent that, the Trustee is entitled (without regard to the provisions of this sentence) and is able to do so prior to the Expiration Date.

To the extent not inconsistent with the express provisions hereof, this Letter of Credit shall be governed by and construed in accordance with the Uniform Customs and Practice for Documentary Credits -- 1993 Revision, ICC Publication No. 500 (the "UCP") as interpreted by the courts of the State of New York; provided, however, that: (a) notwithstanding the provisions of Article 17 of the UCP, if this Letter of Credit expires during an interruption of business (as described in Article 17 of the UCP), we agree to effect payment under this Letter of Credit if a drawing which strictly conforms to the terms and conditions of this Letter of Credit is made within fifteen (15) days after our resumption of business; and (b) this Letter of Credit will not terminate because of a failure to make any permitted drawings hereunder as provided in Article 41 of the UCP. As to matters not covered by the UCP, this Letter of Credit shall be governed by the laws of the State of New York, including, to the extent not inconsistent with the UCP, the Uniform Commercial Code as in effect in the State of New York.

This Letter of Credit may be transferred more than once but only in the amount of the full Stated Amount then in effect to any single transferee who has succeeded the Trustee as Trustee under the Indenture; provided, however, that under no circumstances shall this Letter of Credit be transferred to any person or entity with which U.S. persons or entities are prohibited from conducting business under U.S. Foreign Assets Control Regulations or any other applicable U.S. laws and regulations. Transfers may be effected only through our New York office set forth above and only upon presentation to it of a duly executed instrument of transfer in the form attached hereto as Annex 4 and payment by the Authority of our transfer fees. Any transfer of this Letter of Credit as aforesaid must be endorsed by us on the reverse hereof and may not change the time or date of expiration specified above or any other term hereof.

[The remainder of this page intentionally left blank]

Communications and notices with respect to this Letter of Credit shall be in writing and shall be addressed to us at our office specified above, specifically referring to the number of this Letter of Credit, and shall be addressed to you at your address specified above.

Faithfully yours,

BNP PARIBAS, acting through its San Francisco Branch

By:_____
Name:_____
Title:_____

By:_____
Name:_____
Title:_____

ANNEX 1

[TO DRAW ACCRUED INTEREST ONLY]

BNP Paribas, San Francisco Branch
c/o BNP Paribas, New York Branch
919 3rd Avenue
New York, New York 10022
Attention: Trade Financial Services Department

Re: Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005B

[Name of Trustee] (the "Trustee") hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. [_____] issued by BNP Paribas, acting through its San Francisco Branch (the "Letter of Credit"; terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Series 2005B Notes and is authorized to make this demand under the terms of the Letter of Credit.

(2) The Trustee is making demand for payment under the Letter of Credit for interest whether or not paid or due with respect to one or more of the Series 2005B Notes on [insert the relevant date].

(3) The aggregate amount of interest owing on the Series 2005B Notes on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The amount requested does not exceed the Interest Portion of the Stated Amount.

(4) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing with respect to the Series 2005B Notes referred to in numbered paragraph (3) above as provided in the Indenture, and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Authority or applied by the Trustee for any purpose other than to pay the amount of interest owing on such Series 2005B Notes.

(5) Upon your honoring the drawing requested hereunder the Interest Portion of the Stated Amount shall be reduced to $[insert amount], subject to automatic reinstatement as provided in the Letter of Credit.

[NAME OF TRUSTEE], as Trustee

By:_____
Name:_____
Title:_____

ANNEX 2

[TO DRAW PRINCIPAL AND INTEREST DUE AT SCHEDULED MATURITY]

BNP Paribas, San Francisco Branch
c/o BNP Paribas, New York Branch
919 3rd Avenue
New York, New York 10022
Attention: Trade Financial Services Department

Re: Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005B

[Name of Trustee] (the "Trustee") hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. [_____] issued by BNP Paribas, acting through its San Francisco Branch (the "Letter of Credit"; terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Series 2005B Notes and is authorized to make this demand under the terms of the Letter of Credit.

(2) The Trustee is making demand for payment under the Letter of Credit for principal and interest due and payable on one or more of the Series 2005B Notes on [insert the relevant date].

(3) The aggregate amount of principal and interest owing on said Series 2005B Notes on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The Trustee has not heretofore made demand under the Letter of Credit for such amount or any portion thereof.

(4) Of said total amount, $[insert amount] is demanded with respect to principal of said Series 2005B Notes.

(5) Of said total amount, $[insert amount] is demanded with respect to interest on said Series 2005B Notes.

(6) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing in respect of the Series 2005B Notes referred to in numbered paragraph (3) above as provided in the Indenture, and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Authority or applied by the Trustee for any purpose other than to pay the amount of principal of or interest owing on such Series 2005B Notes.

(7) Upon your honoring the drawing requested hereunder the Principal Portion of the Stated Amount shall be reduced to $0 and the Interest Portion of the Stated Amount shall be reduced to $0. Such amounts shall not be subject to reinstatement.

[NAME OF TRUSTEE], as Trustee

By:_____
Name:_____
Title:_____

ANNEX 3

[FOR TRUSTEE TO TERMINATE LETTER OF CREDIT]

BNP Paribas, San Francisco Branch
c/o BNP Paribas, New York Branch
919 3rd Avenue
New York, New York 10022
Attention: Trade Financial Services Department

Re: Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005B

[Name of Trustee] (the "Trustee") hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. [_____] issued by BNP Paribas, acting through its San Francisco Branch (the "Letter of Credit"; terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Series 2005B Notes.

(2) All outstanding Series 2005B Notes have been paid or will be paid with funds deposited with the Trustee on [insert relevant date].

(3) The Trustee requests that the Series 2005B Bank terminate the Letter of Credit effective as of the close of business on [insert relevant date], the date [that all outstanding Series 2005B Notes have been paid or will be paid with funds deposited with the Trustee].

[NAME OF TRUSTEE], as Trustee

By:_____
Name:_____
Title:_____

ANNEX 4

[TO TRANSFER LETTER OF CREDIT]

BNP Paribas, San Francisco Branch
c/o BNP Paribas, New York Branch
919 3rd Avenue
New York, New York 10022
Attention: Trade Financial Services Department

Subject: Irrevocable Direct-Pay Letter of Credit No. [_____] issued by BNP Paribas, acting through its San Francisco Branch

Ladies and Gentlemen:

For value received, we hereby transfer all of our rights under the above-captioned letter of credit (the "Letter of Credit"), as heretofore and hereafter amended, extended or increased to:

_____
[Name of Transferee]

_____
[Address of Transferee]

By this transfer, all of our rights in the Letter of Credit are transferred to the transferee, and the transferee shall have sole rights as beneficiary under the Letter of Credit, including sole rights relating to any amendments, and whether now existing or hereafter made. The Letter of Credit may hereafter be amended, extended or increased without our consent or notice to us and you will give notice thereof directly to the transferee.

By its signature below the undersigned transferee (i) acknowledges that it has duly succeeded to _____, as Trustee under the Indenture, dated as of January 1, 2005 (the "Indenture"), by and between the Los Angeles County Public Works Financing Authority and [Name of Trustee], as trustee (the "Trustee"), relating to the Los Angeles County Public Works Financing Authority Gap Loan Receivable Notes, Series 2005B (the "Series 2005B Notes"), as amended or supplemented from time to time, and (ii) consents and agrees to perform and comply with all the terms, covenants and conditions on its part to be performed or complied with under the Indenture.

The original Letter of Credit is returned with all amendments to this date. Please notify the transferee in such form as you deem advisable to this transfer and of the terms and conditions of the Letter of Credit, including amendments, as transferred. A copy of this instrument of transfer has been furnished to the Authority for its information.

Very truly yours,

[Insert Name of Transferor]

By:_____
[Insert Name and Title]

Acknowledged:

[Insert Name of Transferee]

By:_____
[Insert Name and Title]
as Trustee