COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 437
LOS ANGELES, CA 90012
TELEPHONE: (213) 974-2101 FAX: (213) 626-1812

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

May 24, 2006

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

Dear Supervisors:

ISSUANCE OF LEASE REVENUE BONDS
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
(ALL DISTRICTS - 3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Adopt the Resolution of the Board of Supervisors of the County of Los Angeles authorizing the leasing of certain equipment from the Los Angeles County Capital Asset Leasing Corporation and the execution of a Lease Agreement and Continuing Disclosure Certificate in connection with the issuance of not to exceed $35,000,000 aggregate principal amount of lease revenue bonds.

2. Approve the publication of the Official Notice Inviting Bids in the Daily Commerce or such other newspaper of general circulation within the County.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Adoption of the attached Resolution will authorize the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (the "Bonds"), in an aggregate principal amount of not to exceed $35,000,000.

The proceeds generated from the sale of the Bonds will be applied towards the redemption of $45 million in outstanding Bond Anticipation Notes ("BANs"), which were issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") to provide interim financing for equipment purchases made by various County departments. The issuance of the BANS, as well as the related equipment purchases, was previously approved by your Board in connection with the annual budget process.

It has been your Board's policy to redeem outstanding BANs through the sale of lease revenue bonds or certificates of participation. Such practice serves to reduce the overall costs of the LAC-CAL Equipment Program to the County.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goals of Fiscal Responsibility and Service Excellence by providing cost-effective financing for the purchase of equipment essential to multiple County departments. It supports the Strategic Plan Goal of Organizational Effectiveness through collaborative actions among County departments and other governmental jurisdictions.

FISCAL IMPACT/FINANCING

Funding for the payment of debt service on the Bonds is included in the County's 2006-07 Proposed Budget.

FACTS AND PROVISIONS/ LEGAL REQUIREMENTS

The recommended structure for the Bonds, as with prior LAC-CAL equipment financings, is a fixed-rated issuance with a maximum true interest cost of 6.0% and a final maturity of not to exceed 5 years. In no event will the principal amount of the Bonds exceed the maximum authorization of $35,000,000.

Pursuant to the County's policies for the issuance of bonds, the Treasurer is recommending that the sale be conducted through a competitive bid process. The size of the financing, the source of repayment, and the market's familiarity with the financing structure support this recommendation. The Treasurer intends to conduct the bid electronically through PARITY, an internet bidding platform.

Montague DeRose and Associates, LLC has been selected from your Board's approved pool of financial advisors to provide financial advisory services for this transaction. Hawkins Delafield & Wood will serve as bond counsel for the financing.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services or projects.

CONCLUSION

Upon adoption, please return two (2) original executed copies of this letter and the Resolution to the Treasurer and Tax Collector's Office.

Respectfully submitted,

MARK J. SALADINO
Treasurer and Tax Collector

MJS:GB:DB
pb/brdltr/2006 equipbond

Attachments (5)

c: Chief Administrative Officer
County Counsel
Auditor-Controller

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES AUTHORIZING THE LEASING OF CERTAIN PROPERTY AND THE EXECUTION AND DELIVERY OF A LEASE AGREEMENT AND A CONTINUING DISCLOSURE CERTIFICATE IN CONNECTION WITH THE ISSUANCE OF NOT TO EXCEED $35,000,000 AGGREGATE PRINCIPAL AMOUNT OF LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION LEASE REVENUE BONDS, 2006 SERIES A (LAC-CAL EQUIPMENT PROGRAM) AND OTHER MATTERS RELATED THERETO

WHEREAS, the Los Angeles County Capital Asset Leasing Corporation, a California nonprofit public benefit corporation (the "Corporation"), issued and sold its bond anticipation notes on January 16, 2004, August 24, 2004, December 15, 2004, February 18, 2005, July 21, 2005, September 2, 2005, December 6, 2005, and March 7, 2006, all of which are presently outstanding in the aggregate principal amount of $45,000,000 (the "BANs") and used the proceeds to purchase certain equipment (the "Equipment"); and

WHEREAS, the County of Los Angeles (the "County") and the Corporation propose to enter into a lease agreement pursuant to which the County will lease the Equipment from the Corporation (the "Lease"); and

WHEREAS, pursuant to the Lease, the County will make payments of base rental (the "Base Rental") in consideration for the use and possession of the Equipment; and

WHEREAS, the Corporation and a trustee, to be selected, (the "Trustee") will enter into an Indenture of Trust (the "Indenture") pursuant to which the Corporation will issue its lease revenue bonds (the "Bonds") secured by Base Rental payments to be made under the Lease; and

WHEREAS, the Corporation is authorized to issue the Bonds pursuant to Chapter 10 (commencing with Section 5800) of Division 6 of Title 1 of the Government Code; and

WHEREAS, pursuant to the terms of the Indenture, the Corporation will assign and transfer to the Trustee certain of its rights, title and interest in and to the Lease, including its right to receive payments of Base Rental; and

WHEREAS, the proceeds of the Bonds will be applied to redeem the BANs, fund a reserve fund, and pay costs of issuance in connection with issuance of the Bonds; and

WHEREAS, the County is authorized to undertake all of the above applicable actions pursuant to the Government Code and other applicable laws of the State of California; and

WHEREAS, there have been presented at this meeting proposed forms of the following documents:

a. the Indenture;

b. the Lease;

c. a Preliminary Official Statement (the "Preliminary Official Statement") for the Bonds;

d. an Official Notice Inviting Bids (the "Official Notice Inviting Bids") relating to the Bonds; and

e. a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") to be executed and delivered by the County relating to the Bonds.

NOW THEREFORE, IT IS RESOLVED AND ORDERED by the Board of Supervisors of the County (the "Board") as follows:

SECTION 1. The form of the Indenture by and between the Corporation and the Trustee providing for the issuance of and security for the Bonds on file with this Board is hereby approved, including with such changes therein as may be approved as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof by the Corporation.

SECTION 2. The form of the Lease by and between the County and the Corporation on file with this Board is approved. The officers of the County and their authorized representatives (each an "Authorized Representative") are, and each of them acting alone is, 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 Lease, substantially in the form on file with this Board, 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.

SECTION 3. Pursuant to Section 4.3(d) of the Lease, consent is hereby given to the Corporation to assign its right to receive and collect Base Rental and prepayments thereof and certain other of its rights to the Trustee as provided in the Indenture. The Authorized Representatives are, and each of them acting alone is, 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 evidence in writing of such consent, with such changes therein 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.

SECTION 4. The officers of the County are hereby authorized to prepare and distribute a Preliminary Official Statement and an Official Statement in connection with the offering and sale of the Bonds. The officers of the County are authorized to provide information regarding the County in connection with the preparation of such document or documents. The

successful bidder on the Bonds and the officers of the County are hereby authorized to distribute to persons who may be interested in the purchase of the Bonds a Preliminary Official Statement in substantially said form with such changes therein, deletions therefrom and additions thereto as may be approved by the County or by Hawkins Delafield & Wood LLP or such other counsel as the Board may determine ("Bond Counsel"). Upon approval of such changes by the Authorized Representative, as evidenced by execution of a certificate of the Corporation, the Preliminary Official Statement shall be deemed final as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934, as amended. The Authorized Representatives are, and each of them acting alone is, authorized, for and in the name of and on behalf of the County, to approve a final Official Statement for the Bonds authorized hereby, in substantially the form of said Preliminary Official Statement, with such insertions and changes therein as the Authorized Representative or Bond Counsel may require or approve, such approval to be conclusively evidenced by the distribution and delivery thereof. The successful bidder on the Bonds and the officers of the County are hereby authorized and directed to deliver copies of the final Official Statement to all actual purchasers of the Bonds.

SECTION 5. The execution, publication and dissemination of the Official Notice Inviting Bids by the Corporation, including any changes therein from the form of the Official Notice Inviting Bids on file with this Board, are hereby ratified and approved. The Authorized Representatives are, and each of them acting alone is, authorized and directed for and in the name of, and on behalf of, the County to accept the final terms of the Bonds based on the lowest responsible bid received by PARITY®, the approved electronic bidding service, provided that the true interest cost of the Bonds shall not exceed 6%.

SECTION 6. The form of the Continuing Disclosure Certificate, to be executed and delivered by the County, on file with this Board is approved. The Authorized Representatives are, and each of them acting alone is, 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 Continuing Disclosure Certificate, substantially in the form on file with this Board, with such changes therein 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.

The County hereby authorizes the execution of the Bonds by an authorized signatory of the Corporation by manual or facsimile signature, the countersigning of the Bonds by an authorized signatory of the Corporation by manual or facsimile signature, and the authentication and issuance of the Bonds by the Trustee all in accordance with the terms and provisions of the Indenture (as executed and delivered).

SECTION 7. Each Authorized Representative is authorized to take any and all actions they deem necessary to carry out the purposes of this Resolution and all actions previously taken by any of them, and any other County representative, with respect to the issuance and sale of the Bonds or in connection with or related to any of the agreements referenced in this Resolution or the financing of the Equipment are approved, confirmed and ratified. Without limiting the foregoing, each Authorized Representative is further authorized to execute and deliver, for and in the name of and on behalf of the County, such amendments or supplements to the Lease and the Continuing Disclosure Certificate as may be necessary or

desirable, in the judgment of such officers, to effectuate the issuance and sale of the Bonds in more than one series.

SECTION 8. Any Authorized Representative and the Executive Officer - Clerk of the Board is hereby authorized and directed to attest to the signature of any other Authorized Representative, whenever required or advisable for the transactions contemplated by this Resolution. Any Authorized Representative, acting individually, is hereby authorized and directed to execute and attest such further documents, instruments, deeds of trust and certificates as may be deemed necessary or advisable by Bond Counsel, in order to accomplish the purposes of this Resolution.

SECTION 9. This Resolution shall take effect immediately upon its passage.

The foregoing resolution was on the ___ day of June, 2006, duly adopted by the Board of Supervisors of the County of Los Angeles and *ex officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

SACHI A. HAMAI
Executive Officer - Clerk of the Board of
Supervisors of the County of Los Angeles

By_____
Deputy

Approved as to form:

RAYMOND G. FORTNER, JR.
County Counsel

By:_____
Principal Deputy County Counsel

INDENTURE OF TRUST

Dated as of June 1, 2006

by and between

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION,
as Lessor

and

[TRUSTEE]
as Trustee

Relating to the

$_____
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2006 SERIES A
(LAC-CAL EQUIPMENT PROGRAM)

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; ASSIGNMENT

Section 1.01. Definitions 2
Section 1.02. Rules of Construction 8
Section 1.03. Assignment 9

ARTICLE II

THE BONDS

Section 2.01. Designation 9
Section 2.02. Description of Bonds 9
Section 2.03. Form 10
Section 2.04. Authentication 10
Section 2.05. Transfer and Exchange 10
Section 2.06. Bonds Mutilated, Lost, Destroyed or Stolen 11
Section 2.07. Execution of Documents and Proof of Ownership 11
Section 2.08. Bond Register 12
Section 2.09. Nonpresentment of Bonds 12
Section 2.10. Unclaimed Money 12
Section 2.11. Book-Entry System; Limited Obligation 12
Section 2.12. Temporary Bonds 14

ARTICLE III

FUNDS AND ACCOUNTS

Section 3.01. Application of Proceeds of Sale of the Bonds 14
Section 3.02. Establishment and Application of Acquisition Fund 14
Section 3.03. Establishment and Application of Bond Fund 15
Section 3.04. Establishment and Application of Reserve Fund 16
Section 3.05. Establishment and Application of Earnings Fund 17
Section 3.06. Security of Funds 17
Section 3.07. Surplus 17
Section 3.08. Additional Rental 18
Section 3.09. Repair or Replacement; Application of Insurance Proceeds 18
Section 3.10. Moneys Held in Trust 18
Section 3.11. Investments Authorized 18
Section 3.12. Reports 19
Section 3.13. Valuation and Disposition of Investments 19
Section 3.14. Application of Investment Earnings 19
Section 3.15. Amounts Held for Payments then Due 20

ARTICLE IV

REDEMPTION

Section 4.01. Redemption. 20
Section 4.02. Selection of Bonds for Redemption 20
Section 4.03. Notice of Redemption 20
Section 4.04. Partial Redemption of Bonds 21
Section 4.05. Effect of Notice of Redemption 21

ARTICLE V

THE TRUSTEE

Section 5.01. Appointment of Trustee 21
Section 5.02. Compensation of Trustee 22
Section 5.03. Removal of Trustee 22
Section 5.04. Resignation of Trustee 22
Section 5.05. Merger or Consolidation 22
Section 5.06. Protection and Rights of the Trustee 23
Section 5.07. Trustee to Act as Set Forth Herein 24
Section 5.08. Paying Agents 24

ARTICLE VI

AMENDMENTS

Section 6.01. Amendments to Indenture 24
Section 6.02. Amendments to Lease 24
Section 6.03. Consent of Bondowners 25

ARTICLE VII

COVENANTS

Section 7.01. Lessor to Perform Pursuant to Lease 26
Section 7.02. Extension of Payment of Bonds 26
Section 7.03. Offices for Servicing Bonds 26
Section 7.04. Access to Books and Records; Notices 26
Section 7.05. General 26
Section 7.06. Tax Matters 26
Section 7.07. Prosecution and Defense of Suits 27
Section 7.08. Lessor Representations 27
Section 7.09. Further Assurances 27
Section 7.10. Continuing Disclosure 27
Section 7.11. Notices to Rating Agencies 27

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.01. Events of Default Defined 27
Section 8.02. Notice of Events of Default 27
Section 8.03. Remedies on Default 28
Section 8.04. No Remedy Exclusive 28
Section 8.05. No Additional Waiver Implied by One Waiver 28
Section 8.06. Action by Bondowners 28
Section 8.07. Application of Proceeds in Event of Default 28

ARTICLE IX

LIMITATION OF LIABILITY

Section 9.01. No Liability of Lessee or Lessor for Trustee Performance 29
Section 9.02. No Liability of Trustee or Lessor for Base Rental by Lessee 29
Section 9.03. No Liability of Lessee Except as Stated 29
Section 9.04. Limited Liability of Trustee and Lessor 29
Section 9.05. Indemnification 30
Section 9.06. Limitation of Rights 30

ARTICLE X

MISCELLANEOUS

Section 10.01. Defeasance 30
Section 10.02. Records 31
Section 10.03. Notices 31
Section 10.04. Governing Law 31
Section 10.05. Partial Invalidity 31
Section 10.06. Execution in Counterparts 31

EXHIBIT A – FORM OF BOND
EXHIBIT B – FORM OF REQUISITION

INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture"), dated as of June 1, 2006, is made and entered into by and between the LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION, a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California (the "Lessor") and [TRUSTEE], a national banking association organized and existing under the laws of the United States of America (the "Trustee"):

WITNESSETH:

WHEREAS, the Lessor issued certain bond anticipation notes on January 16, 2004, August 24, 2004, December 15, 2004, February 18, 2005, July 21, 2005, September 2, 2005, December 6, 2005, and March 7, 2006, all of which are presently outstanding in the aggregate principal amount of $45,000,000 (the "BANs"), the proceeds of which were applied towards the acquisition and delivery of certain equipment (the "Equipment") which is described in Exhibit B to the Lease (as defined below);

WHEREAS, the County of Los Angeles, a political subdivision of the State of California (the "Lessee"), and the Lessor have entered into a Lease Agreement, dated as of the date hereof (the "Lease"), whereby the Lessor has agreed to lease to the Lessee, and the Lessee has agreed to lease from the Lessor, the Equipment;

WHEREAS, the Lessor wishes to authorize under this Indenture the issuance and sale of certain bonds (the "Bonds"), which are secured by Base Rental payments to be made under the Lease;

WHEREAS, a portion of the proceeds from the sale of the Bonds will be deposited with the Trustee under this Indenture and used by the Lessor to retire the BANs;

WHEREAS, the Lessor under the terms of this Indenture has agreed to assign and transfer to the Trustee certain of the Lessor's rights under the Lease, including its right to receive Base Rental payments due under the Lease;

WHEREAS, the Lessor pursuant to this Indenture will grant a security interest in the moneys under this Indenture to the Trustee for the benefit of the Bondowners to secure the performance of the Lessor's obligations under the terms of this Indenture; and

WHEREAS, the Lessor pursuant to this Indenture agrees to execute the Bonds and the Trustee pursuant to this Indenture agrees to authenticate and deliver the Bonds, secured by Base Rental payments to be made by the Lessee under the Lease;

NOW, THEREFORE, in consideration of the premises, the acceptance by the Trustee of its duties imposed by this Indenture, and of the purchase and acceptance of the Bonds by the Bondowners thereof, and to fix and declare the terms and conditions upon which the Bonds are to be issued, authenticated, sold, secured and accepted by all persons who shall from time to time be or become the Bondowners thereof, and to secure the payment of the Base Rental to the Bondowners from time to time of the Bonds and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Bonds, this Indenture and the Lease, the Lessor grants, bargains, sells, releases, conveys, assigns, transfers and pledges to the Trustee for the benefit of the Bondowners, but subject to application as provided in this Indenture, all of its rights, title and interest in and to all amounts from time to time in the funds and accounts established pursuant to this Indenture (excepting the Excess Earnings Account of the Earnings Fund) and any additional property that may from time to time, by delivery or writing of any

kind, be subjected to the security interest or lien created by this Indenture by the Lessor or by anyone acting on its behalf, subject only to the provisions of this Indenture and the Lease;

To have and hold all of the above unto the Trustee and its successors and assigns forever for the equal and ratable benefit of the Bondowners from time to time of all the Bonds executed by the Lessor and authenticated and delivered by the Trustee under this Indenture and Outstanding, without any priority of any one Bond over any other Bond;

NOW, THEREFORE, in consideration of the foregoing premises and other valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Trustee and the Lessor further agree as follows:

ARTICLE I

DEFINITIONS; ASSIGNMENT

Section 1.01. Definitions. For all purposes of this Indenture, unless the context requires otherwise, the following terms shall have the following meanings:

"Acquisition Cost" means all the necessary and reasonable costs in connection with the acquisition of any Equipment Component, including, but not limited to, legal fees and expenses of counsel with respect to the financing of the Equipment and the leasing of the Equipment, to the extent such fees and expenses are approved by a Lessee Representative.

"Acquisition Fund" means the fund established pursuant to Section 3.02 of this Indenture.

"Additional Rental" means the amounts specified as such in Section 4.6 of the Lease.

"Base Rental" means the amount referred to as such in Section 4.3 of the Lease, as such amounts may be adjusted from time to time in accordance with the terms thereof, but does not include Additional Rental.

"Base Rental Account" means the Base Rental Account within the Bond Fund established pursuant to Section 3.03 of this Indenture.

"Book-Entry Bonds" means the Bonds registered in the name of the Nominee, as the Bondowner thereof, pursuant to Section 2.11 of this Indenture.

"Bond Counsel" means Hawkins Delafield & Wood LLP, or another attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the Lessee or the Lessor.

"Bond Fund" means the fund established pursuant to Section 3.03 of this Indenture.

"Bond Register" means the books for the registration of the ownership of the Bonds referred to in Section 2.08 of this Indenture.

"Bondowner" means the registered Bondowner, as indicated in the Bond Register, of any Bond, including DTC or its Nominee, or any successor Depository or its Nominee for the Bonds, as the sole registered Bondowner of Book-Entry Bonds.

"Bonds" means the bonds executed by the Lessor and authenticated and delivered by the Trustee pursuant to this Indenture.

"Business Day" means any day other than a Saturday, Sunday or a day on which banks in both New York, New York and the city in which the principal corporate trust office of the Trustee is located are authorized or required by law to be closed.

"Cede & Co." means Cede & Co., the initial Nominee of DTC.

"Closing Date" means the date on which the Bonds are first executed by the Lessor and authenticated and delivered by the Trustee to the initial purchasers thereof.

"Code" means the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate to be executed and delivered by the Lessee relating to the Bonds.

"Cost of Issuance" means all the costs of preparation, sale and issuance of the Bonds and other costs related to such financing including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Lease, the Bonds and the preliminary and final official statements; rating agency fees; CUSIP Service Bureau charges; legal fees and expenses of counsel with respect to the financing of and leasing of the Equipment; the initial fees and expenses of the Trustee and its counsel and of any paying agent and its counsel; and other fees and expenses incurred in connection with the issuance of the Bonds and the payment of the BANs or the implementation of the financing, to the extent such fees and expenses are approved by a Lessee Representative or a Lessor Representative.

"Costs of Issuance Account" means the Costs of Issuance Account established in the Acquisition Fund pursuant to Section 3.02 of this Indenture.

"County Contribution" means the sum of $_____ contributed by the Lessee on the Closing Date.

"Depository" means DTC and its successors and assigns or if (a) the then depository resigns from its functions as securities depository of the Bonds, or (b) the Lessee discontinues use of the Depository pursuant to Section 2.11 of this Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Lessor.

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

"Earnings Fund" means the fund of that name established pursuant to Section 3.05 of this Indenture.

"Equipment" has the meaning set forth in the Lease.

"Equipment Component" has the meaning set forth in the Lease.

"Escrow Obligations" has the meaning given to such term within the definition of Government Obligations of this Indenture.

"Event of Default" means any one or more of the events described in subsection (a) or (b) of Section 8.01 of this Indenture.

"Excess Earnings Account" means the account of that name established in the Earnings Fund pursuant to Section 3.05 of this Indenture.

"Fiscal Year" means the fiscal year of the Lessee, which at the date of this Indenture is the period from July 1 to and including the following June 30.

"Fitch" means Fitch Ratings, New York, New York, its successors and assigns.

"General Account" means the General Account established in the Acquisition Fund pursuant to Section 3.02 of this Indenture.

"Government Obligations" means (1) noncallable direct obligations of, or noncallable obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America including State and Local Government Series obligations, including such obligations which do not bear interest, (2) U.S. Treasury STRIPS or REFCORP STRIPS (STRIPS by the Federal Reserve Bank of New York), and (3) prerefunded municipal obligations, rated in the highest rating category (without giving effect to pluses or minuses) by the Rating Agencies meeting the following conditions: (a) the municipal obligations are not to be redeemable prior to maturity, or the trustee with respect to such obligations has been given irrevocable instructions concerning their calling and redemption; (b) the municipal obligations are secured by securities described in subdivision (1) or (2) of this definition ("Escrow Obligations"), which Escrow Obligations, except for provisions relating to surplus moneys not required for the payment of the municipal obligations and the substitution of such Escrow Obligations for other Escrow Obligations satisfying all criteria for Escrow Obligations in this definition, may be applied only to interest, principal and premium payments of such municipal obligations; (c) the principal of and interest on the Escrow Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; and (d) the Escrow Obligations serving as security for the municipal obligations are held by an escrow agent or trustee.

"Information Services" means, in accordance with then-current guidelines of the Securities and Exchange Commission, one or more services selected by the County which are then providing information with respect to the Bonds.

"Insurance Proceeds Fund" means the fund established pursuant to Section 3.09 of this Indenture.

"Interest Account" means the Interest Account established in the Bond Fund pursuant to Section 3.03 of this Indenture.

"Interest Payment Date" means June 1 and December 1 in each year, commencing [December 1, 2006], except that if such date is on a date which is not a Business Day then payment will be made on the next succeeding Business Day without incurring additional interest.

"Investment Earnings" means interest and income received in respect of the investment of money on deposit in any fund or account maintained under this Indenture.

"Investment Earnings Account" means the Investment Earnings Account established in the Earnings Fund pursuant to Section 3.05 of this Indenture.

"Lease" means the Lease Agreement, dated as of the date hereof, by and between the Lessee and the Lessor, pursuant to which the Lessor has leased the Equipment to the Lessee, as it may from time to time be amended or supplemented in accordance with its terms.

"Lease Payment Date" has the meaning set forth in the Lease.

"Lease Year" means the period to be selected by the Lessee in accordance with regulations promulgated under the Code.

"Lessee" means the County of Los Angeles.

"Lessee Representative" means the Treasurer and Tax Collector of the Lessee or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessee with respect to this Indenture and all other related agreements, including but not limited to the Lease.

"Lessor" means the Los Angeles County Capital Asset Leasing Corporation, a California nonprofit public benefit corporation.

"Lessor Representative" means the Treasurer and Tax Collector of the Lessee as *ex officio* officer of the Lessor or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessor with respect to this Indenture and all other related agreements, including but not limited to the Lease.

"Moody's" means Moody's Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.11 of this Indenture.

"Outstanding" when used as of any particular time with respect to any Bond, means any Bonds previously executed by the Lessor and authenticated and delivered by the Trustee under this Indenture, except:

(1) any Bond previously canceled by the Trustee or surrendered to the Trustee for cancellation;

(2) any Bond for the payment or redemption of which funds and/or Government Obligations in the necessary amount shall have been deposited with the Trustee (whether on or prior to the maturity or redemption date of such Bond (as provided in Section 10.01 of this Indenture));

(3) any Bond purchased by the Lessor and surrendered to the Trustee for cancellation;

(4) any Bond in lieu of or in exchange for which another Bond or other Bonds shall have been executed by the Lessor and authenticated and delivered by the Trustee pursuant to Section 2.05 or 2.06 of this Indenture;

(5) any Bond described in Section 2.09 of this Indenture; and

(6) any Bond for which a notice of redemption shall have been given and for which money for its redemption shall have been set aside as provided in Section 4.05 of this Indenture.

"Participant" means a broker-dealer, bank or other financial institution for which the Depository holds Bonds as a securities depository.

"Principal Account" means the Principal Account established in the Bond Fund pursuant to Section 3.03 of this Indenture.

"Principal Corporate Trust Office" means the office of the Trustee at the address set forth in Section 10.03 of this Indenture, except for transfer, exchange, payment, surrender of Bonds means in care of the corporate trust office of the Trustee in St. Paul, Minnesota or such other office or agency identified by the Trustee in writing from time to time.

"Qualified Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the Lessee:

(1) United States Treasury notes, bonds, bills or certificates of indebtedness for which the faith and credit of the United States are pledged for the payment of principal and interest;

(2) Registered warrants or treasury notes or bonds of the State which are rated "AA" or better by the Rating Agencies, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the State or by a department, board, agency or authority of the State;

(3) Bonds, notes, warrants or other evidences of indebtedness of any local agency within the State which are rated "A" or better by the Rating Agencies, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency or by a department, board, agency or authority of the local agency;

(4) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration Notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise;

(5) Bills of exchange or time drafts which are rated "A" or better by the Rating Agencies drawn on or accepted by a commercial bank, otherwise known as bankers' acceptances, provided that purchases of bankers' acceptances may not exceed 180 days maturity;

(6) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by the Rating Agencies; eligible commercial paper is further limited to issuing corporations that are organized and operating within the United States and have total assets in excess of $500,000,000 and have an "A" or higher rating for the issuer's debt; other than commercial paper, if any, as provided for by the Rating Agencies, purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation;

(7) Negotiable certificates of deposit which are rated "A" or better by the Rating Agencies issued by a nationally or state-chartered bank (including the Trustee or any of its affiliates) or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank;

(8) Investments in repurchase agreements of any securities authorized in this definition of Qualified Investments, if the Trustee shall have received a perfected first security interest in such securities securing such repurchase agreement and the Trustee or its appointed agent shall hold such obligations free and clear of the claims of third parties and the securities securing such repurchase agreement are required to be of such nature, valued at such intervals and maintained at such levels so as to meet the collateralization levels then required by the Rating Agencies for a rating of "A" or better; the term "repurchase agreement" means a purchase of securities pursuant to an agreement by which the seller will repurchase such securities on or before a specified date and for a specified amount and will deliver the underlying securities by physical delivery or third-party custodial agreement; the term "counterparty" means the other party to the transaction; a counterparty bank's trust department or safekeeping department may be used for physical delivery of the underlying security; the term of repurchase agreements shall be for one year or less; such securities, for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity;

(9) Medium-term corporate notes of a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state operating within the United States, which are rated "A" or better by the Rating Agencies;

(10) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.), including funds for which the Trustee or an affiliate provides investment advice or other services. To be eligible for investment under this provision, the company shall have attained the highest ranking or the highest letter and numerical rating provided by the Rating Agencies;

(11) Notes, bonds or other obligations which are rated "A" or better by the Rating Agencies which are at all times secured by a perfected first security interest in securities of the types listed by Section 53651 of the California Government Code as eligible securities for the purpose of securing local agency deposits and which are also listed as a Qualified Investment under any of subdivisions (1) through (10) of this definition and which have a market value at least equal to that required by Section 53652 of the California Government Code for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted;

(12) Interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or state or federal savings and loan association in the State, including the Trustee or any affiliate thereof; which are (i) fully insured by the Federal Deposit Insurance Corporation, or (ii) which are (A) at all times secured by a perfected security interest in securities of the types listed in subdivision (2) or (4) of this definition and (B) maintained with a nationally or state chartered bank or savings and loan association, or (iii) collateralized in the manner required for the deposit of public funds;

(13) The Local Agency Investment Fund of the State of California;

(14) The County Treasurer's Investment Pool; and

(15) Any other investments which are rated "A" or better by the Rating Agencies which the Lessor deems to be prudent investments and in which the Lessor directs the Trustee to invest.

"Rating Agencies" means Fitch, Moody's and S&P; *provided, however,* that if either of Fitch or Moody's does not rate investments or obligations of a type described in any of clauses (1) through (13) of the definition of "Qualified Investments," a rating by such entity shall not be required.

"Record Date" means the close of business on the fifteenth day of the calendar month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

"Redemption Account" means the Redemption Account established in the Bond Fund pursuant to Section 3.03 of this Indenture.

"Representation Letter" means the Letter of Representations from the Lessor and the Trustee to DTC with respect to the Bonds.

"Reserve Fund" means the fund established pursuant to Section 3.04 of this Indenture.

"Reserve Requirement" means $1,000,000.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

"State" means the State of California.

"Tax Certificate" shall have the meaning assigned to such term in Section 7.06 of this Indenture.

"Trustee" means [TRUSTEE] and its successors and assigns.

Section 1.02. Rules of Construction. (a) In this Indenture, unless the context otherwise requires:

(i) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this Indenture;

(ii) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(iii) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons; and

(iv) Any headings preceding the text of the several Articles and Sections of this Indenture, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(b) Whenever in this Indenture the Lessor, the Lessee or the Trustee is named or referred to, it shall include, and shall be deemed to include, its respective successors and assigns whether so

expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Lessor, the Lessee or the Trustee contained in this Indenture shall bind and inure to the benefit of such respective successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Lessee or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Indenture.

(c) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Lessor, the Lessee, the Trustee and the owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof. All of the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Lessee shall be for the sole benefit of the Lessee, the Lessor, the Trustee (including its agents) and the Bondowners.

Section 1.03. Assignment. The Lessor hereby transfers, assigns and sets over to the Trustee, for the benefit of the Bondowners, all of the Lessor's rights under the Lease (excepting only the Lessor's rights under Section 2.2(c), Section 2.2(f), Section 4.6 as to payments due the Lessor, and Section 7.4 of the Lease), including, without limitation, (a) all of the Lessor's rights to receive and collect all of the Base Rental payments and prepayments thereof from the Lessee under the Lease, (b) the right to receive and collect any proceeds of any insurance maintained under the Lease, and (c) the right to exercise the rights and remedies conferred on the Lessor pursuant to the Lease as may be necessary or convenient (i) to enforce payment of the Additional Rental, Base Rental, prepayments and any other amounts required to be deposited in the Bond Fund, the Reserve Fund, the Insurance Proceeds Fund or the Earnings Fund established under this Indenture, or (ii) otherwise to protect the interests of the Lessor in the event of a default by the Lessee under the Lease. All rights assigned by the Lessor shall be administered by the assignee thereof according to the provisions of this Indenture for the equal and proportionate benefit of the Bondowners. The Trustee accepts the foregoing assignment for the benefit of the Bondowners, subject to the conditions and terms of this Indenture, and all the Base Rental payments shall be applied and all the rights so assigned shall be exercised by the Trustee under and pursuant to this Indenture.

ARTICLE II

THE BONDS

Section 2.01. Designation. The Lessor is hereby authorized and directed to execute, and the Trustee is hereby authorized and directed upon written request from any officers of the Lessor or their designees, to authenticate and deliver the Bonds to the original purchaser or purchasers of the Bonds. The Bonds shall be designated "Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program)."

Section 2.02. Description of Bonds. Each Bond shall be executed, authenticated and delivered in fully registered form and shall be numbered as determined by the Trustee. Each Bond shall be dated its date of delivery, and shall be delivered in denominations of $5,000 or integral multiples thereof.

The Bonds shall be executed by the Lessor and authenticated and delivered by the Trustee in the aggregate principal amount of $_____ and shall mature on the dates, in the amounts, and interest with respect thereto shall be computed at the rates as shown below based on a 360-day year comprised of twelve thirty-day months:

Maturity	Principal Amount	Interest Rate
December 1, 2006	$_,___,___	%
June 1, 2007	_,___,___	
December 1, 2007	_,___,___	
June 1, 2008	_,___,___	
December 1, 2008	_,___,___	
June 1, 2009	_,___,___	
December 1, 2009	_,___,___	
June 1, 2010	_,___,___	

The interest payable on each Bond shall accrue and be calculated from the Interest Payment Date next preceding the date of issuance of such Bond, unless such Bond is executed by the Lessor and authenticated and delivered by the Trustee on an Interest Payment Date or after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest on such Bond shall accrue and be calculated from such Interest Payment Date or unless it is executed by the Lessor and authenticated and delivered by the Trustee on or before November 15, 2006, in which event interest on such Bond shall accrue and be calculated from its date of delivery; *provided, however,* that if at the time of execution by the Lessor and authentication and delivery by the Trustee of such Bond interest on such Bond is in default, interest shall accrue and be calculated from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from its date of delivery.

Interest on any Bond shall be payable on each Interest Payment Date to the owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, mailed to the Bondowner by first class mail, postage prepaid, at the Bondowner's address as it appears on the Bond Register; *provided, however,* that interest payable to a Bondowner of $1,000,000 or more aggregate principal amount of Bonds shall be paid by wire transfer to such account in the United States as the Bondowner shall have specified in writing prior to the applicable Record Date to the Trustee for such purpose. Payments of defaulted interest shall be paid to the Bondowners as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Bondowners by first class mail not less than ten days prior to the special record date. Subject to the provisions of the Representation Letter prepared in connection with the Bonds, principal and premium, if any, with respect to any Bond are payable at maturity or earlier redemption upon surrender of the Bond at the Principal Corporate Trust Office of the Trustee, or at the office of any paying agent. The principal of, premium, if any, and interest on the Bonds shall be payable by check of the Trustee in lawful money of the United States of America.

Section 2.03. Form. The Bonds shall be substantially in the form set forth in Exhibit A attached to this Indenture which by this reference is incorporated into this Indenture. The Bonds shall be executed in the name of the Los Angeles County Capital Asset Leasing Corporation by the manual or facsimile signature of its President or such other officer of the Lessor or any other employee of the County designated and authorized in writing by such officer to act on behalf of the Lessor. The Bonds may be printed, lithographed, photocopied or typewritten and shall be in such authorized denominations as may be determined by the Lessor.

Section 2.04. Authentication. The Bonds shall be authenticated by and in the name of the Trustee by the manual signature of an authorized signatory of the Trustee.

Section 2.05. Transfer and Exchange. The registration of any Bond may be transferred upon the Bond Register upon surrender of the Bond to the Trustee. The Bond shall be endorsed or accompanied by delivery of the written instrument of transfer shown on the Bond, duly executed by the

Bondowner or his attorney duly authorized in writing. Upon such registration of transfer, a new Bond or Bonds, in authorized denominations, for the same aggregate principal amount, maturity and interest rate will be executed by the Lessor and authenticated and delivered by the Trustee to the transferee in exchange therefor.

The Lessee and the Trustee shall deem and treat the person in whose name a Bond shall be registered upon the Bond Register as the absolute owner of the Bond, whether the principal of or interest on the Bond shall be overdue or not, for the purpose of receiving payment of principal of and interest on the Bond and for all other purposes, and any payments so made to any such Bondowner or upon his order shall be valid and effective to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid, and neither the Lessee nor the Trustee shall be affected by any notice to the contrary.

Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

All Bonds surrendered to the Trustee for transfer or exchange shall, upon issuance of the new Bonds, thereupon be canceled by the Trustee. The Trustee may charge the Bondowner delivering a Bond for transfer or exchange a reasonable sum for each new Bond executed by the Lessor and authenticated and delivered by the Trustee, and the Trustee may require the payment by the Bondowner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect thereto.

The Trustee shall not be required to register the transfer of, or exchange of, any Bond that has been called for redemption or purchase or any Bond during the period established by the Trustee for selection of Bonds for redemption.

Section 2.06. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Lessor shall execute, and the Trustee, at the expense of such Bondowner, shall authenticate and deliver, a new Bond of like tenor and denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and retained for its then applicable retention period, if any, and then destroyed with a certificate of destruction furnished to the Lessor. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee and the Lessor has been given, the Lessor shall execute, and the Trustee shall, at the expense of the Bondowner, authenticate and deliver a new Bond of like tenor and denomination in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Bond delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out its duties under this Section. Any Bond executed by the Lessor and authenticated and delivered by the Trustee under the provisions of this Section in lieu of any Bond claimed to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for a Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been called for redemption or purchase, the Trustee may make payment of principal of and interest on such Bond upon receipt of the aforementioned indemnity.

Section 2.07. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by the Bondowners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any

instrument appointing any such attorney or agent, shall be sufficient for any purpose of this Indenture (except as otherwise herein provided) if made in the following manner: the fact and date of the execution by any Bondowner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the person signing such instrument acknowledged before such officer or notary public the execution thereof. Where any such instruments are executed by an officer of a corporation or association or a member of a partnership or a limited liability company on behalf of such corporation, association, partnership or limited liability company, such certificate shall also constitute sufficient proof of the officer's or member's authority.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the owner of any Bond shall bind every future Bondowner of the same Bond in respect of any thing done or suffered to be done by the Trustee pursuant to such request or consent.

Section 2.08. Bond Register. The Trustee shall keep or cause to be kept at its office sufficient books for the registration and registration of transfer of the Bonds, which books shall upon reasonable written notice and during regular business hours be open to inspection by the Lessee and the Lessor. Upon presentation for registration of transfer, the Trustee shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions hereof, register or register the transfer of the Bonds, or cause the same to be registered or cause the registration of the same to be transferred, on such books.

Section 2.09. Nonpresentment of Bonds. In the event any Bond shall not be presented for payment, when the principal thereof becomes due, if funds sufficient to pay such principal, and interest thereon to the date principal becomes due, shall be held by the Trustee for the benefit of such Bondowner, all liability of the Lessor to the Bondowner thereof for the payment of such principal and interest shall forthwith cease, terminate and be completely discharged except to the extent provided in Section 2.10 hereof, and thereupon it shall be the duty of the Trustee to hold such funds (subject to Section 2.10 hereof) without liability for interest thereon, for the benefit of such Bondowner who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on, or with respect to, such Bond.

Section 2.10. Unclaimed Money. All money which the Trustee shall have received from any source and set aside for the purpose of paying or purchasing any Bond shall be held in trust for the Bondowner, but any money which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the Bondowner for a period of one year after the date on which any payment with respect to the Bond shall have become due and payable shall be paid to the Lessor; *provided, however,* that the Trustee, before making any payment, shall at the expense of the Lessor cause notice to be mailed to the Bondowner, by first class mail, postage prepaid, and published in a single publication in The Bond Buyer not less than 90 days prior to the date of the payment to the effect that the money has not been claimed and that after a date named therein any unclaimed balance of the money then remaining will be returned to the Lessor. Thereafter, the Bondowner shall look only to the Lessor for payment and then only to the extent of the amount so returned to the Lessor without any interest thereon, and the Trustee shall have no responsibility with respect to the money.

Section 2.11. Book-Entry System; Limited Obligation. (a) Except as provided in paragraph (c) of this Section 2.11, the registered owner of all of the Bonds shall be DTC and all such Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal or interest for any

Bond registered in the name of Cede & Co. shall be made by wire transfer of the New York Clearing House or equivalent next day funds or by wire transfer of same day funds to the bank account of Cede & Co. at the address indicated on the regular Record Date or special record date for Cede & Co. in the registration books of the Trustee.

(b) The Bonds shall be initially issued in the form of a separate single authenticated fully registered Bond for each separate stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books of the Trustee in the name of Cede & Co., as nominee of DTC. The Lessor and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondowners under this Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondowners and for all other purposes whatsoever, and neither the Lessor nor the Trustee shall be affected by any notice to the contrary. Neither the Lessor nor the Trustee shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant or any other person which is not shown on the registration books as being a Bondowner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Bonds; any notice which is permitted or required to be given to Bondowners under this Indenture; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as a Bondowner. The Trustee shall pay, from funds held under the terms of this Indenture or otherwise provided by the Lessor, all principal or redemption price of and interest on the Bonds only to DTC as provided in the Representation Letter and all such payments shall be valid and effective to satisfy and discharge fully the Lessor's obligations with respect to the principal or redemption price of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond evidencing the obligation of the Lessor, to make payments of principal or redemption price and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the name "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) In the event the Lessor determines that it is in the best interest of the Beneficial Owners (as defined in the Representation Letter) that they be able to obtain Bond certificates and notifies DTC and the Trustee of such determination, then DTC will notify the Participants of the availability through DTC of Bond certificates. In such event, the Trustee shall authenticate, transfer and exchange Bond certificates as requested by DTC and such Beneficial Owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Lessor and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Lessor and the Trustee shall be obligated to deliver Bond certificates as described in this Indenture. In the event Bond certificates are issued, the provisions of this Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Lessor and the Trustee to do so, the Lessor and the Trustee will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Bonds to any Participant having Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the

principal, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondowners pursuant to this Indenture by the Lessor or the Trustee with respect to any consent or other action to be taken by Bondowners, the Lessor, or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is a Bondowner.

Section 2.12. Temporary Bonds. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Bond shall be executed by the Lessor and authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Lessor executes and the Trustee authenticates and delivers temporary Bonds, the Lessor shall execute and the Trustee shall authenticate and deliver definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered at the Principal Corporate Trust Office of the Trustee in exchange for such definitive Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefits hereunder as definitive Bonds executed by the Lessor and authenticated and delivered by the Trustee hereunder.

ARTICLE III

FUNDS AND ACCOUNTS

Section 3.01. Application of Proceeds of Sale of the Bonds. Upon the receipt by the Trustee and the Lessor of payment for the Bonds when the Bonds shall be sold to the original purchaser or purchasers of the Bonds, the proceeds of the sale of the Bonds shall be applied as follows:

(a) The Trustee shall deposit into the Reserve Fund the sum of $1,000,000, equal to the Reserve Requirement.

(b) The Trustee shall deposit into the Costs of Issuance Account of the Acquisition Fund the sum of $_____.

(c) The Lessor shall deposit into the General Account of the Acquisition Fund the sum of $_____ (which amount is inclusive of the $150,000 good faith deposit received by the County upon the sale of the Bonds).

Section 3.02. Establishment and Application of Acquisition Fund. There is established in trust a special fund designated as the "Acquisition Fund," which shall consist of a General Account and a Costs of Issuance Account. The General Account shall be held by the Lessor and shall be administered as provided in this Article III. The Costs of Issuance Account shall be held by the Trustee and shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the Costs of Issuance Account as provided in this Article III and shall maintain the Costs of Issuance Account until receipt of a written direction from a Lessor Representative to close the Costs of Issuance Account, as described in subsection (b) of this Section 3.02.

(a) General Account. There shall be deposited into the General Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to Section 3.01(c) hereof, and the amount

of $_____ being the County Contribution. Such amounts (aggregating $_____) shall be transferred to the paying agent for the BANs pursuant to instructions received from the Lessee, to be applied to pay and redeem the $45,000,000 aggregate principal amount of the BANs, plus accrued interest due thereon.

If there shall remain any balance of money in the General Account following the payment in full of the redemption price of the BANs, all money so remaining shall be transferred by the Corporation to the Trustee for deposit, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement, and the excess, if any, of such amount shall be transferred to the Base Rental Account.

(b) Costs of Issuance Account. There shall be deposited in the Costs of Issuance Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to Section 3.01(b) hereof. The Trustee shall disburse money from the Costs of Issuance Account on the dates and in the amounts as are necessary to pay Costs of Issuance, in each case, promptly after receipt of, and in accordance with, a written direction of a Lessee Representative in the form attached to this Indenture as Exhibit B. Any funds remaining in the Costs of Issuance Account on the date on which the Lessee Representative has notified the Trustee in writing that all Costs of Issuance have been paid shall be transferred, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, thereafter, to the Base Rental Account of the Bond Fund.

Section 3.03. Establishment and Application of Bond Fund. There is established in trust a special fund designated the "Bond Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the Bond Fund as provided in this Section. The Bond Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the provisions of the Lease, or until such date as there are no Bonds Outstanding. Within the Bond Fund, the Trustee shall establish the following accounts: (a) Base Rental Account; (b) Interest Account; (c) Principal Account; and (d) Redemption Account.

(a) Base Rental Account. Except as otherwise provided in this paragraph, Base Rental, including amounts paid pursuant to Section 4.8 of the Lease Agreement to purchase Equipment Components, and proceeds of liquidated damages and rental interruption insurance, if any, with respect to the Equipment received by the Trustee shall be deposited into the Base Rental Account. Any delinquent Base Rental payments and any proceeds of liquidated damages or rental interruption insurance deposited in the Base Rental Account shall be applied, first, to the Interest Account for the immediate payment of interest payments on the Bonds, past due and, then, to the Principal Account for immediate payment of principal payments past due and then to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement. Any remaining money representing delinquent Base Rental payments or proceeds of liquidated damages or rental interruption insurance or payments received pursuant to Section 4.8 of the Lease Agreement to purchase Equipment Components shall remain on deposit in the Base Rental Account to be applied in the manner provided in this Indenture.

Any amounts remaining in the Base Rental Account on any Interest Payment Date or redemption date after the transfers referred to in subsection (b) of this Section 3.03 shall have been made, other than money held for Bonds not surrendered and amounts paid pursuant to Section 4.8 of the Lease Agreement to purchase Equipment Components, shall be deposited into the following funds and accounts in the order of priority indicated: (i) the Reserve Fund to the extent that the amount in the Reserve Fund is then less than the Reserve Requirement, and (ii) the Interest Account to the extent necessary to make the total amount on deposit in the Interest Account equal to the amount of interest due on the Bonds on the next succeeding Interest Payment Date or redemption date. Amounts not required to be so deposited shall be

remitted to the Lessee, except that, as provided above, any remaining money representing delinquent Base Rental and any proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account.

(b) Interest Account and Principal Account. The Trustee shall, on or before each Interest Payment Date or redemption date, transfer money from the Base Rental Account and deposit in the Interest Account an amount which, together with money then on deposit in the Interest Account and available to pay interest due on such date, equals the interest then due on the Bonds on the Interest Payment Date or redemption date, as the case may be. Amounts in the Interest Account shall be used to pay interest on the Bonds.

The Trustee shall, on or before each Interest Payment Date or redemption date, transfer money from the Base Rental Account and deposit in the Principal Account an amount which, together with money then on deposit in the Principal Account and available for such purpose, equals the principal then due or required to be redeemed on the Interest Payment Date or redemption date, as the case may be, with respect to the Bonds. Amounts in the Principal Account shall be used to pay principal of the Bonds.

(c) Redemption Account. Any proceeds of insurance (other than rental interruption insurance proceeds) not required to be used for repair, reconstruction or replacement of the Equipment and, under the terms of Section 3.09 hereof, required to be deposited into the Redemption Account, and any other amounts provided for the redemption of Bonds in accordance with Sections 3.09 or 4.01 hereof, shall be deposited by the Trustee in the Redemption Account. The Trustee shall, upon surrender of the Bonds called for redemption, on or after the scheduled redemption date withdraw from the Redemption Account and pay to the Bondowners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed in accordance with Section 4.01 hereof. Amounts in the Redemption Account shall be used to pay the redemption price with respect to the Bonds.

Section 3.04. Establishment and Application of Reserve Fund. There is established in trust a special fund designated the "Reserve Fund," which shall be held by the Trustee and which shall be held separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the Reserve Fund as provided in this Section. The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease or until there are no longer any Bonds Outstanding. There shall be deposited in the Reserve Fund that portion of the proceeds of the Bonds required to be deposited in the Reserve Fund pursuant to Section 3.01(a) hereof and all other amounts required to be deposited in the Reserve Fund pursuant to this Section.

If on any Interest Payment Date, the amount on deposit in the Interest Account and/or the Principal Account is less than the principal and interest payments due with respect to the Bonds on such date, then the Trustee shall transfer from the Reserve Fund for credit to such account or accounts sufficient amounts to make up the deficiencies. In the event of any such transfer, the Trustee shall, within five days thereafter, provide written notice to the Lessor of the amount and the date of such transfer. At least five Business Days prior to each Interest Payment Date, the Trustee shall after giving effect to any Bonds to be paid or redeemed on that Interest Payment Date, notify the Lessor of any amounts on deposit in the Reserve Fund in excess of the Reserve Requirement on that Interest Payment Date. On the Business Day prior to each Interest Payment Date, the Trustee shall transfer any amounts in the Reserve Fund in excess of the Reserve Requirement (other than amounts that constitute Investment Earnings) to the Base Rental Account of the Bond Fund for application in accordance with Section 3.03 hereof. On the Business Day prior to the final Interest Payment Date, upon direction by the County, the Trustee shall transfer any amounts in the Reserve Fund to the Base Rental Account of the Bond Fund for application in accordance with Section 3.03 hereof.

If the amount on deposit in the Reserve Fund five Business Days prior to any Interest Payment Date is less than the Reserve Requirement, the Trustee shall promptly notify the Lessor of such fact. Upon receipt of such notice, the Lessor shall transfer to the Trustee for deposit into the Reserve Fund all funds legally available for such use until the amount on deposit in the Reserve Fund equals the Reserve Requirement.

For purposes of determining the amount on deposit at any time in the Reserve Fund, the Trustee shall value all Qualified Investments in the Reserve Fund at the cost of such investments (exclusive of accrued interest).

Section 3.05. Establishment and Application of Earnings Fund. The Trustee shall establish, maintain and hold in trust a special fund separate from any other fund or account established and maintained under this Indenture designated as the "Earnings Fund." The Trustee shall administer the Earnings Fund as provided in this Article III and in Section 7.06 hereof. The Earnings Fund shall be maintained by the Trustee until the Lessor directs in writing that it be closed.

The Trustee shall establish and maintain in the Earnings Fund a separate account designated as the "Investment Earnings Account," and a separate account designated as the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and money held by the Trustee. Pursuant to Section 3.14 hereof, the Trustee shall deposit, as and when received, all Investment Earnings on the funds and accounts established under this Indenture (other than the Costs of Issuance Account and the Excess Earnings Account) into the Investment Earnings Account. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account pursuant to written instructions from the Lessor Representative in accordance with the provisions of the Tax Certificate. Upon such transfer, any amount remaining in the Investment Earnings Account or any amount on deposit in the Excess Earnings Account which exceeds the amount required to be maintained therein in accordance with the provisions of the Tax Certificate, shall pursuant to written instructions from the Lessor Representative be deposited, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, second, to the Interest Account of the Bond Fund. Except as set forth in the preceding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States in accordance with written instructions of the Lessor Representative.

Section 3.06. Security of Funds. All moneys deposited with the Trustee under this Indenture shall be held in trust and (except for moneys held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds and funds on deposit in the Excess Earnings Account) shall, while held by the Trustee, be and remain entitled to the benefit and shall be subject to the security of this Indenture, for the equal and proportionate benefit of the owners of all Outstanding Bonds.

Section 3.07. Surplus. After (a)(i) payment or redemption or provision for payment or redemption of all amounts due with respect to the Bonds and payment of all fees and expenses to the Trustee, or (ii) satisfactory provision for such payments having been made and receipt of an opinion from Bond Counsel to the effect that such transfer will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, and (b) the transfer of any additional amounts required to be deposited into the Excess Earnings Account pursuant to the written instructions from the Lessor Representative in accordance with the Tax Certificate, any amounts remaining in any of the accounts established under this Indenture (other than the Excess Earnings Account) and not required for such purposes shall after payment of any amounts due to the Trustee, be remitted to the Lessee and used for any lawful purpose thereof.

Section 3.08. Additional Rental. In the event the Trustee receives Additional Rental pursuant to the Lease, the Trustee shall establish a separate fund for the Additional Rental and deposit any Additional Rental amounts in the separate account and the Additional Rental shall be applied by the Trustee solely to the payment of any costs in respect of which the Additional Rental was received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Lease or this Indenture.

Section 3.09. Repair or Replacement; Application of Insurance Proceeds. If any Equipment Component shall be damaged, destroyed or stolen, the Lessee may elect to repair or replace such affected Equipment Component if the conditions set forth in Section 6.2 of the Lease are satisfied. If any Equipment Component shall be damaged, destroyed or stolen and the Lessee exercises its option to repair or replace such affected Equipment Component, the Lessee shall deposit with the Trustee the full amount of any insurance deductible relating to any insurance policy pursuant to which the Lessee will file an insurance claim.

The proceeds of any insurance (other than any rental interruption insurance proceeds), including the proceeds of any self-insurance fund or insurance deductible received on account of any damage or destruction of any Equipment Component or portion thereof and any other amount which the Lessee elects to deposit with the Trustee for purposes of repairing or replacing any Equipment Component, shall be held by the Trustee in a special account to be created by the Trustee, designated as the "Insurance Proceeds Fund," and held under this Indenture and, if the Lessee exercises its option to repair or replace such affected Equipment Component, such proceeds shall be made available for, and to the extent necessary to be applied to, the cost of the repair or replacement upon receipt by the Trustee of a requisition executed by a Lessor Representative, together with invoices for the repair or replacement as provided in Section 6.2 of the Lease. Pending such application, such proceeds may be invested by the Trustee solely at the written direction of the Lessor, in Qualified Investments that mature not later than the times money is expected to be needed to pay the costs of repair or replacement.

If within 60 days following the receipt by the Trustee of any proceeds of any insurance, including the proceeds of any self-insurance fund relating to any Equipment Component, the Lessee does not exercise its option to repair or replace the affected Equipment Component, such proceeds shall be deposited into the Redemption Account and applied to the redemption of Bonds in the manner provided in Section 4.01 hereof.

Any amounts received by the Trustee under this Section 3.09 in excess of the amount needed to either repair or replace a damaged or destroyed Equipment Component or to redeem Bonds shall be transferred to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and the excess, if any, of such amount shall be remitted to the Lessee.

Section 3.10. Moneys Held in Trust. The money and investments held by the Trustee under this Indenture are irrevocably held in trust for the purposes specified in this Indenture, and such money, investments, and any income or interest earned thereon, shall be expended and invested only as provided in this Indenture, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of (i) the Lessor, (ii) the Lessee, (iii) the Trustee, (iv) any Bondowner or (v) any beneficial Bondowner.

Section 3.11. Investments Authorized. Except as otherwise provided herein, money held by the Trustee in any fund or account under this Indenture shall be invested by the Trustee in such Qualified Investments as the Lessor shall direct in writing or shall confirm in writing pending application as provided in this Indenture, provided that amounts in the Reserve Fund shall be invested in Qualified Investments which will mature not more than five years after the date the Trustee acquires the investment.

The Qualified Investments shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee. Absent timely written directions from the Lessor, the Trustee shall invest any funds held under this Indenture by it in securities described in subsection (10) of the Qualified Investments definition set forth in Section 1.01 hereof. The Lessor agrees that it will give direction to invest or confirm investments only in Qualified Investments and the Trustee shall have no obligation to inquire into the accuracy of the Lessor's determination that such investments are Qualified Investments. Absent direction from the Lessor to the contrary, the Trustee may commingle any of the funds held by it pursuant to this Indenture into a separate fund or funds for investment purposes only; *provided, however,* that all funds and accounts held by the Trustee shall be accounted for separately notwithstanding such commingling by the Trustee, including separate accounting of the earnings on such commingled investments. The Trustee may purchase or sell to itself or any affiliate as principal or agent, investments authorized by this Section and shall be entitled to customary fees therefor. Any investments and reinvestment shall be made giving full consideration to the time at which funds are required to be available under this Indenture and, subject to the Tax Certificate, to the highest yield practicably obtainable giving due regard to the safety of the funds and the date upon which the funds will be required for the uses and purposes required by this Indenture. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment or as a sponsor or advisor with respect to any investment. The Lessor acknowledges that to the extent the Comptroller of the Currency or other applicable regulatory entity grant the Lessor the right to receive brokerage confirmations of security transactions as they occur, the Lessor specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Lessor periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Section 3.12. Reports. The Trustee shall furnish monthly to the Lessor a report of all investments made by the Trustee and of all amounts on deposit in each fund and account maintained by the Trustee under this Indenture. Additionally, the Trustee shall furnish to the Lessor the book value and the market value of each investment on or prior to the Computation Date (as defined in the Tax Certificate). The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Article III. In making any valuations under this Indenture, the Trustee may utilize, and conclusively rely upon such securities pricing services that may be available to it.

Section 3.13. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account, except for the Reserve Fund, all Qualified Investments shall be valued annually on or before December 1 of each year at the lower of the cost of such investments (exclusive of accrued interest) or the market value thereof. The Reserve Fund shall be valued as provided in Section 3.04. The Trustee may sell or present for redemption any Qualified Investment purchased by the Trustee whenever it shall be necessary in order to provide money to meet any required payment, transfer, withdrawal or disbursement from any fund or account, and the Trustee shall not be liable or responsible for any loss resulting from such investment or sale except for any loss resulting from its own negligence or willful misconduct.

Section 3.14. Application of Investment Earnings. The Trustee shall deposit, as and when received, all Investment Earnings on all the funds and accounts established under the Indenture (other than the Costs of Issuance Account and the Excess Earnings Account) into the Investment Earnings Account in the Earnings Fund pursuant to Section 3.05 hereof. All Investment Earnings on amounts on deposit in the Excess Earnings Account and the Costs of Issuance Account shall be retained in the Excess Earnings Account and the Costs of Issuance Account, respectively. Investment Earnings on amounts in the Investment Earnings Account shall be retained therein

Section 3.15. Amounts Held for Payments then Due. Any amounts which are segregated within the Principal Account, Interest Account or Redemption Account or which are transferred by the Trustee to a separate fund or account to be held and used to pay principal of, premium, if any, and/or interest on the Bonds which have become due and payable, whether upon maturity or call for redemption, shall be held as provided in Sections 2.09, 2.10, 4.05 or 10.01 hereof for the benefit of the Bondowners.

ARTICLE IV

REDEMPTION

Section 4.01. Redemption.

(a) Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

(b) Mandatory Redemption. The Bonds are subject to mandatory redemption prior to maturity in whole on any date or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued but unpaid interest to the redemption date, without premium, from amounts deposited in the Redemption Account pursuant to Section 3.09 hereof following an event of theft, damage or destruction of the Equipment or a portion thereof. The Bonds shall only be subject to mandatory redemption to the extent that Base Rental with respect to the remaining Outstanding Bonds does not exceed the fair rental value for the use and possession of the portions of the Equipment not damaged or destroyed, as determined by the Lessee. Except as set forth in this Section 4.01, the Bonds are not subject to redemption.

Section 4.02. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Bonds to be redeemed shall be selected proportionately among maturities, and, within a maturity, the Trustee shall select Bonds for redemption by lot.

The portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Section 4.03. Notice of Redemption. When redemption is required pursuant to Section 4.01 hereof, the Trustee shall give notice at the expense of the Lessor, of the redemption of the Bonds to each owner of a Bond to be redeemed. The notice shall specify: (a) that the Bond or a designated portion thereof (in the case of redemption of a Bond in part but not in whole) is to be redeemed, identifying each such Bond by its Bond number unless all Outstanding Bonds or all Outstanding Bonds of the particular maturity or maturities are to be redeemed, in which case the notice need only indicate that all Outstanding Bonds, or all Outstanding Bonds of a particular maturity or maturities (specifying each such maturity) are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the amount of such Bond to be redeemed, and (g) the original date and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified redemption date, the redemption price, together with interest accrued to the redemption date, shall become due and payable and that, from and after such date; interest on the Bonds to be redeemed on the redemption date shall cease to accrue and be payable.

The Trustee shall give notice by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the redemption date to the owners of Bonds designated for redemption at their

addresses appearing on the Bond Register as of the close of business on the day before such notice is given. Neither failure to receive any such notice nor any defect in such notice shall affect the sufficiency of the proceedings for the redemption of any Bond.

In addition to the notice described in the foregoing paragraphs, such redemption notice shall be given at least 30 days before the redemption date, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service, to the following securities depository:

The Depository Trust Company
55 Water Street, 1st Floor
New York, New York 10041-0099
Facsimile transmission: (212) 855-8440

At least 30 days before the redemption date, such redemption notice shall be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services.

Neither failure to give the notice described in the immediately preceding paragraphs nor any defect in the notices shall in any manner affect the redemption of any Bond.

Section 4.04. Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Trustee shall execute and deliver to the owner thereof, at the expense of the Lessor, a new Bond or Bonds of authorized denominations equal in aggregate principal amount, maturity and interest rate to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment or provision of the payment of the amount required to be paid to such Bondowner, and the Lessor and the Trustee shall be released and discharged thereupon from all liability to the extent of such payment.

Section 4.05. Effect of Notice of Redemption. Notice having been given as described in Section 4.03 hereof, and the money for the redemption (including the interest to the applicable date of redemption) having been set aside in the Redemption Account in the Bond Fund or otherwise segregated for such purpose, the Bonds or portions thereof to be redeemed shall become due and payable on the date of redemption.

If on the redemption date, money for the redemption of all Bonds to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor, and if notice of redemption thereof shall have been given as described in Section 4.03 hereof, then, from and after the redemption date, no additional interest shall become due on the Bonds to be redeemed. All money held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Bondowners to be so redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Article IV shall be canceled and destroyed by the Trustee upon surrender thereof.

ARTICLE V

THE TRUSTEE

Section 5.01. Appointment of Trustee. The Trustee is appointed to act solely as set forth in this Indenture, to receive, hold and disburse in accordance with the terms of this Indenture the moneys to be paid to it, to authenticate and deliver Bonds secured by Base Rental to be paid by the Lessee under the

Lease, to apply and disburse payments received pursuant to the Lease to Bondowners, all as provided in this Indenture. By executing and delivering this Indenture, the Trustee accepts the duties and obligations provided in this Indenture.

Section 5.02. Compensation of Trustee. Subject to the provisions of any compensation agreement between the Lessor and the Trustee, the Lessor shall from time to time, on demand, pay to the Trustee reasonable compensation for its services and shall reimburse the Trustee for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by the Trustee in the exercise and performance of its powers and duties under this Indenture. To the extent permitted by law, compensation and reimbursement to the Trustee shall not be limited by any statutory provisions which limit compensation to the trustees of express trusts.

Section 5.03. Removal of Trustee. The Lessor may at any time, so long as no Event of Default has occurred and is continuing, by written request at any time and for any reason, remove the Trustee and any successor thereto, and shall thereupon appoint a successor or successors thereto, but any such successor shall be a commercial bank, national banking association, or trust company having an office in California, which, together with the corporate parent of such Trustee, has a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000 and shall be subject to supervision or examination by federal or state banking authority. Notwithstanding the foregoing, a bank or trust company which does not have a combined capital and surplus of at least $100,000,000 may be appointed as the successor Trustee if its obligations under this Indenture are guaranteed by an affiliate which meets the capitalization requirement set forth in the preceding sentence, which guaranty shall be acceptable as to form and substance to the Lessor. If the bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 5.03 the combined capital and surplus of the bank or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. Any removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Section 5.04. Resignation of Trustee. The Trustee or any successor may at any time resign by giving written notice to the Lessor and by giving notice by first class mail, postage prepaid, to the Bondowners of its intention to resign and of the proposed date of resignation, which shall be a date not less than 45 days after mailing of the notice, unless an earlier appointment of a successor trustee shall have been effected. Upon receiving the notice of resignation, the Lessor shall promptly appoint a successor Trustee by an instrument in writing; *provided, however,* that in the event the Lessor fails to appoint a successor Trustee within 30 days following receipt of the written notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Any successor Trustee approved by the Bondowners, the Lessor or any court shall satisfy the qualifications set forth in Section 5.03 hereof.

Section 5.05. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Trustee shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under Section 5.03 hereof), shall be the successor to the Trustee without the execution or filing of any paper or further action, anything in this Indenture to the contrary notwithstanding.

Section 5.06. Protection and Rights of the Trustee. The Trustee shall be protected and shall incur no liability in acting upon or processing in good faith any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may or may not be counsel to the Lessor, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee in good faith reliance on the opinion of such counsel.

The Trustee shall not be liable for any error in judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or relating to the exercise of any trust or power conferred upon the Trustee under this Indenture.

Whenever in the administration of its duties under this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by a certificate of the Lessor Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Indenture in good faith reliance thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

The Trustee may become a Bondowner with the same rights it would have if it were not Trustee; may acquire and dispose of bonds or other evidences of indebtedness of the Lessor and enforce its rights as Bondowner thereof to the same extent as if it were not Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners, whether or not such committee shall represent the Bondowners of a majority in aggregate principal amount of the Bonds then Outstanding.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it under this Indenture by or through attorneys, agents or receivers, and shall be entitled to advice of counsel concerning all matters of trust and concerning its duties under this Indenture, and the Trustee shall not be answerable for the misconduct or negligence of any such attorney, agent, or receiver selected by it with reasonable care.

No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties under this Indenture if repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

In accepting the trust created by this Indenture, the Trustee acts solely as Trustee for the Bondowners and not in its individual capacity and all persons, including without limitation the Bondowners and the Lessor having any claim against the Trustee arising from this Indenture shall look only to the funds and accounts and collateral held by the Trustee hereunder for payment except as

otherwise provided in this Indenture. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The Trustee shall not be deemed to have knowledge of any Event of Default under this Indenture or the Lease, unless and until it shall have actual knowledge thereof.

The Trustee shall not be accountable (except in the case of negligence or willful misconduct on the part of the Trustee) for the use or application by the Lessor or any other party of any funds which the Trustee has released under this Indenture.

Section 5.07. Trustee to Act as Set Forth Herein. The Trustee has the power to receive and hold in accordance with the provisions hereof, the collateral pledged under this Indenture and to receive, hold and disburse the money to be paid pursuant to the Lease and this Indenture. The Trustee has no power to vary, alter or substitute the Lease or the corpus of any trust created hereby or pursuant to the Lease or this Indenture at any time, except as specifically authorized in this Indenture.

Section 5.08. Paying Agents. The Trustee is appointed as paying agent of the Bonds. The Lessor, and the Trustee upon written consent of the Lessor, may appoint other paying agents with respect to the Bonds as it may deem advisable. Any paying agent appointed shall be a bank with corporate trust powers or trust company, having a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000 and shall be subject to supervision by a federal or state banking authorities.

ARTICLE VI

AMENDMENTS

Section 6.01. Amendments to Indenture. This Indenture may be modified or amended at any time without the consent of any Bondowners, upon the written agreement of the Lessor and the Trustee, but only (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provisions contained in this Indenture, (b) in regard to questions arising under this Indenture which the Trustee may deem necessary or desirable and not inconsistent with this Indenture and which shall not adversely affect the interests of the owners of the Bonds then Outstanding, (c) to qualify this Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (d) for any other reason; *provided* such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and *provided further* that the Lessor and the Trustee may rely in entering into any such amendment or modification hereof upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Bondowner to receive the Bondowner's proportionate share of Base Rental in accordance with the provisions of the Owner's Bond without the prior written consent of the Bondowner so affected, and no amendment shall reduce the percentage of Bondowners whose consent is required for any amendment to this Indenture without the prior written consent of the Owners of all Bonds then Outstanding.

Section 6.02. Amendments to Lease. The Lease may be amended in writing by agreement among the parties to the Indenture. The Lease may be modified or amended at any time, and the Trustee may consent to such modification or amendment without the consent of any Bondowners, if such modification or amendment is (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture; (b) in regard to questions arising under the Lease which the Lessee and the Lessor may deem necessary or desirable and not inconsistent with the Lease and which shall not adversely affect the interests of the Bondowners then

Outstanding; (c) to modify or amend the equipment description set forth in Exhibit B to the Lease to reflect the substitution of Equipment Components; (d) to modify or amend Exhibit A to the Lease to reflect the acquisition of Equipment Components after the Closing Date, if applicable; (e) to modify or amend Exhibit A to the Lease to reflect the prepayment of Base Rental pursuant to Section 4.8 of the Lease; or (f) for any other reason; *provided* such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and *provided further* that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Lease or in giving consent to such amendment or modification upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment to the Lease shall impair the right of a Bondowner to receive such Bondowner's share of Base Rental in accordance with the terms of his Bond or shall decrease the amount of Base Rental payable or postpone the dates upon which such payments are to be made without the prior written consent of the Bondowner so affected.

Section 6.03. Consent of Bondowners. If the consent of the Bondowners is required or requested with respect to any proposed amendment to this Indenture or to the Lease, it shall not be necessary for the consent of the Bondowners to approve the particular form of any such amendment, but it shall be sufficient if such consent shall approve the substance thereof.

If at any time the Lessee or the Lessor shall request the Trustee to enter into any amendment to this Indenture or to consent to an amendment to the Lease and the Trustee determines that the consent of the Bondowners is required for such amendment, then the Trustee shall, at the expense of the Lessor, cause notice of the proposed execution of a document containing such amendment, and requesting their consent thereto, to be mailed, postage prepaid, to the Owners of all Outstanding Bonds at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondowners.

Whenever, at any time after the date of the mailing of such notice, there shall be delivered to the Trustee an instrument or instruments in writing purporting to be executed by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in such notice and specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon; but not otherwise, the Trustee upon having received the consent of the Lessor may execute such amendment or give its consent thereto in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Bondowner shall have consented thereto.

If the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental agreement shall have consented to and approved the execution of such supplemental agreement as provided under this Indenture, no Owner of any Bond shall have any right to object to the execution of such amendment, or to object to any of the terms and provisions contained in such supplemental agreement or the operation thereof or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Lessor from executing the same or from taking any action pursuant to the provisions of such supplemental agreement.

The lack of actual receipt by any Bondowner of such notice and request for consent and any defects in such notice and request for consent shall not affect the validity of the proceedings for the obtaining of such consent. A certificate of the Trustee that the notice and request for consent have been mailed as provided in this Indenture shall be conclusive as against all parties.

Any such written consent shall be binding upon the Bondowner giving such consent and on any subsequent Bondowner (whether or not such subsequent Bondowner has notice thereof) unless such consent is revoked in writing by the Bondowner giving such consent or by the subsequent Bondowner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the Trustee shall have executed the applicable amendment or given its consent to the applicable amendment as provided under this Indenture.

ARTICLE VII

COVENANTS

Section 7.01. Lessor to Perform Pursuant to Lease. The Lessor covenants and agrees with the Bondowners to perform all obligations and duties imposed on the Lessor under the Lease.

Section 7.02. Extension of Payment of Bonds. The Lessor shall not directly or indirectly extend the dates upon which the Base Rental payments are required to be paid or prepaid, or the time of payment of interest with respect thereto. Nothing in this Indenture shall be deemed to limit the right of the Lessor to issue any securities for the purpose of providing funds for the repayment of the Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

Section 7.03. Offices for Servicing Bonds. The Lessor shall at all times maintain one or more offices or agencies in Los Angeles, California, where Bonds may be presented for payment and purchase, and shall at all times maintain one or more agencies, one of which shall be in Los Angeles, California where Bonds may be presented for registration of transfer or exchange, and where notices, demands and other documents may be served upon the Lessor in respect of the Bonds. The Lessor appoints the Trustee as its agent in Los Angeles, California, for purposes of this Section.

Section 7.04. Access to Books and Records; Notices. The Trustee shall at all times have access to those books and records of the Lessor which may be reasonably required by the Trustee to fulfill its duties and obligations under this Indenture.

Section 7.05. General. The Lessor shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Lessor under the provisions of this Indenture. The Treasurer and Tax Collector of the Lessee as *ex officio* officer of the Lessor and all deputies or assistants of such officer are designated agents of the Lessor for the purposes of instructing the Trustee under this Indenture and executing and delivering any documents necessary or advisable for the transactions contemplated by this Indenture or in order to accomplish the purposes of this Indenture, and the Lessor further authorizes such persons to instruct the Trustee as they deem necessary and to execute and deliver such documents.

Section 7.06. Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on all Bonds, the Lessor covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code, in that the Lessor agrees to comply with the covenants contained in, and the instructions given pursuant to the Tax Certificate. The Trustee agrees to comply with any written instructions received from the Lessor which the Lessor indicates must be followed in order to comply with the Tax Certificate.

Notwithstanding any other provision of this Indenture to the contrary, upon the Lessor's failure to observe, or refusal to comply with, the foregoing covenant, no persons other than the Trustee or the Bondowners shall be entitled to exercise any right or remedy provided to the Bondowners under this Indenture on the basis of the Lessor's failure to observe, or refusal to comply with the covenant.

Section 7.07. Prosecution and Defense of Suits. The Lessor shall promptly take such action as may be necessary to cure any defect in the title to the Equipment or any Equipment Component thereof, whether now existing or hereafter occurring, and shall prosecute and defend all suits, actions and all other proceedings as may be appropriate for such purpose.

Section 7.08. Lessor Representations. The Lessor certifies, declares, recites and warrants that (a) upon the date of initial issuance of any of the Bonds, all conditions, acts and things with respect to the Lessor required by law and this Indenture to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the applicable laws of the State, and (b) the Lessor is duly authorized to execute and enter into this Indenture.

Section 7.09. Further Assurances. The Lessor will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming to the Trustee, on behalf of the Bondowners, the rights and benefits provided in this Indenture.

Section 7.10. Continuing Disclosure. The Lessee has covenanted and agreed in the Continuing Disclosure Certificate that the Lessee will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding anything to the contrary contained in this Indenture, failure to comply with the provisions of the Continuing Disclosure Certificate shall not be considered an Event of Default hereunder; *provided, however,* the Trustee at the written request of any Bondowner of at least 25% aggregate principal amount of Bonds, shall, or any Bondowner may, take such actions as may be necessary and appropriate but only to the extent indemnified to its satisfaction from any cost, liability, expense or additional charges, including without limitation fees and expenses of its attorneys, including seeking mandate on specific performance by court order, to cause the Lessee to comply with its obligations under the Continuing Disclosure Certificate.

Section 7.11. Notices to Rating Agencies. The Trustee hereby covenants and agrees that it shall give or cause to be given notice to the Rating Agencies of the occurrence of any amendments to the Indenture or the Lease, to the extent actually known to it, and notice of any redemption, purchase by the Lessor or defeasance of the Bonds.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.01. Events of Default Defined. The following shall be "Events of Default" under this Indenture:

(a) An event of default shall have occurred under Section 9.1 of the Lease.

(b) Breach by the Lessor of any other terms, covenants or conditions contained in this Indenture or the Lease, and failure to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee to the Lessor, or to the Lessor and the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; *provided, however,* if such breach cannot be remedied within the 60-day period, the Lessor shall fail to institute corrective action within such 60-day period and diligently pursue the same to completion.

Section 8.02. Notice of Events of Default. In the event an Event of Default has occurred and is continuing and the Trustee has actual knowledge of such Event of Default, the Trustee shall give notice,

at the expense of the Lessor, of the Event of Default to the Bondowners. The notice shall state that the Lessor is in default and shall provide a brief description of the default. The Trustee in its discretion may withhold notice if it deems it in the best interest of the Bondowners. The notice to Bondowners provided for in this Section shall be given by first class mail, postage prepaid, to the Bondowners within 30 days of the occurrence of the Event of Default, to the extent such Event of Default is actually known to the Trustee.

Section 8.03. Remedies on Default. Upon the occurrence and continuance of any Event of Default specified in Section 8.01(a) of this Indenture, the Trustee may proceed (upon written request of the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction by the Bondowners, shall proceed) to exercise the remedies set forth in Section 9.2 of the Lease or available to the Trustee under this Indenture. The Trustee shall exercise the rights and remedies vested in it by this Section with the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his affairs.

Section 8.04. No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee under this Indenture or the Lease is intended to be exclusive and every remedy shall be cumulative and shall be in addition to every other remedy given under this Indenture and the Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Bondowners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than the notice as may be required in this Article VIII or by law.

Section 8.05. No Additional Waiver Implied by One Waiver. In the event any provision contained in this Indenture should be breached by a party and thereafter waived by another party, the waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach.

Section 8.06. Action by Bondowners. In the event the Trustee fails to take any action to eliminate an Event of Default under Section 9.2 of the Lease or under this Indenture, including the collection of Base Rental when due, the Bondowners of a majority in aggregate principal amount of the Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Lease or this Indenture, but only if such Bondowners, shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Lease or this Indenture or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with the request within a reasonable time.

Notwithstanding any other provisions in this Indenture, the right of any owner of a Bond to receive such owner's share of Base Rental in accordance with the provisions of his Bond or to institute suit for the enforcement of any such payment on or after such payments become due shall not be impaired or affected without the consent of such owner.

Section 8.07. Application of Proceeds in Event of Default. Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses), to the extent necessary to pay all principal and interest then due and unpaid with respect to all Outstanding Bonds and to make the deposit into the Base Rental Account required to be made pursuant to

Section 4.3 of the Lease, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under this Indenture or Section 9.2 of the Lease shall be deposited by the Trustee into the Base Rental Account and transferred, first, to the Interest Account and, then, to the Principal Account to pay the interest and principal due with respect to the Bonds. If the amount deposited into the Interest Account is not sufficient to pay all overdue interest payments, the amounts deposited shall, if paid to the owners of the Bonds, be distributed *pro rata* to such owners on the basis of the amount of interest due and unpaid to the owners. If the amount deposited into the Principal Account is not sufficient to pay all overdue principal payments, the amount deposited shall, if paid to such owners, be distributed *pro rata* to such owners on the basis of the amount of principal due and unpaid to the owners.

To the extent not required to be deposited into the Base Rental Account pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under this Indenture or Section 9.2 of the Lease shall be applied as follows in the order of priority indicated: (a) first, deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; (b) second, to the payment of Additional Rental then due and payable; and (c) thereafter, any remaining amounts shall be deposited into the Base Rental Account.

ARTICLE IX

LIMITATION OF LIABILITY

Section 9.01. No Liability of Lessee or Lessor for Trustee Performance. Neither the Lessee nor the Lessor shall have any obligation or liability to the owners of the Bonds with respect to the performance by the Trustee of any duty imposed upon the Trustee under this Indenture, including the distribution by the Trustee of principal of and interest on the Bonds to the owners of the Bonds.

Section 9.02. No Liability of Trustee or Lessor for Base Rental by Lessee. Except as provided in this Indenture, neither the Trustee nor the Lessor shall have any obligation or liability to the owners of the Bonds with respect to the payment of Base Rental by the Lessee when due, or with respect to the performance by the Lessee of any other covenant made by the Lessee in the Lease.

Section 9.03. No Liability of Lessee Except as Stated. Except for (a) the payment of Base Rental and Additional Rental when due in accordance with the provisions of the Lease, and (b) the performance by the Lessee of its obligations and duties as set forth in the Lease, the Lessee shall have no obligation or liability to the Trustee or the owners of the Bonds.

Section 9.04. Limited Liability of Trustee and Lessor. Neither the Trustee nor the Lessor shall have any obligation or responsibility for providing information to the owners of the Bonds concerning the investment quality of the Bonds, for the sufficiency of any Base Rental or for the actions or representations of the Lessee. Neither the Trustee nor the Lessor (except as provided below) shall have any obligation or liability to the Lessee with respect to the failure or refusal of the Lessee to perform any covenant or agreement made by it under the Lease, but shall be responsible solely for the performance of the duties expressly imposed upon it under this Indenture. Notwithstanding the foregoing, the, Lessor shall be liable to the owners of the Bonds with respect to the failure of the Lessee to perform any covenant or agreement contained in the Lease, but only to the extent of the Lessor's interest in the Equipment. The recitals of facts, covenants, and agreements contained in the Lease shall be taken as statements, covenants and agreements of the Lessee and neither the Trustee nor the Lessor assumes any responsibility for the correctness of the same and makes no representation as to the validity or sufficiency of this Indenture, the Lease or the Bonds, or as to the value of or title to the Equipment and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations assigned to or

imposed upon it under this Indenture. The Trustee shall not be liable except for its own negligence or willful misconduct.

Section 9.05. Indemnification. To the extent permitted by law, the Lessor shall indemnify and save and hold the Trustee harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses, including the costs of defense, and damages suffered by it as a result thereof, where and to the extent such claim, suit or action arises out of the performance of its duties under this Indenture, or the actions of any other party to this Indenture or the Lease, including but not limited to the ownership, operation or use of the Equipment, the defense of any suit or the enforcement of any remedies under this Indenture, the Bonds or any related document. Such indemnification shall not extend to judgments or settlements obtained against the Trustee and expenses of litigation in connection therewith based upon failure of the Trustee to perform and carry out the duties specifically imposed upon and to be performed by the Trustee pursuant to this Indenture, unless the Lessor has agreed in writing that the Trustee not perform such duty. In the event the Lessor is required to indemnify the Trustee as herein provided, the Lessor shall be subrogated to the rights of the Trustee to recover such losses or damages from any person or entity.

Section 9.06. Limitation of Rights. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give any person other than the Lessee, the Lessor, the Trustee and the owners of the Bonds any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision hereof; and all such covenants, conditions, and provisions are and shall be for the sole and exclusive benefit of the Lessee, the Lessor, the Trustee and the owners of the Bonds.

ARTICLE X

MISCELLANEOUS

Section 10.01. Defeasance. All or any of the Bonds may be paid or be deemed to be paid in one of the following ways:

(1) by the deposit by the Lessor with the Trustee, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Bond Fund and the Reserve Fund and dedicated, as evidenced by a certificate of a Lessor Representative, to this purpose, without the need for further investment, is fully sufficient to pay the Bonds, including all principal and interest due with respect thereto, *provided, however,* that this means of defeasance shall be subject to written confirmation by each nationally recognized rating agency, then rating the Bonds, that the defeasance provided for herein, will not cause the then current ratings to be reduced or withdrawn; or

(2) by the deposit with the Trustee in accordance with Section 4.8 of the Lease, at or before maturity of the Bonds, of cash and/or Government Obligations which, in the written opinion of a certified public accountant, is in an amount sufficient, together with the earnings to accrue on the Government Obligations without the need for further investment, to pay when due the debt service on the Bonds, including all principal, redemption premium, if any, and interest payable with the respect thereto.

When any Bond has been paid or is deemed to have been paid as provided in this Section 10.01, the Bond shall no longer be deemed Outstanding under the provisions of this Indenture, and all obligations of the Trustee and the Lessor under this Indenture with respect to the Bond shall cease, except only the obligations of the Trustee under Sections 2.05, 2.06, 2.08 and 2.10 hereof and the obligations to pay or cause to be paid to the owner of a Bond thereof all sums due with respect thereto and to pay to the Trustee any amounts due pursuant to Sections 5.02 and 9.05.

Section 10.02. Records. Prior to the full payment of principal and interest due with respect to the Bonds, the Trustee shall keep complete and accurate records of all moneys received and disbursed by it under this Indenture, which records shall be available for inspection by the Lessor and any owner of the Bonds, or the agent of either of them, at any time during regular business hours and upon reasonable prior notice.

Section 10.03. Notices. All notices under this Indenture by any party shall be in writing (unless otherwise specified herein) and shall be sufficiently given and served upon the parties named below if delivered by hand directly to the offices named below or sent by United States first class mail, postage prepaid, and addressed as follows:

(a) if to the Lessee, to County of Los Angeles, Kenneth Hahn Hall of Administration, 500 West Temple Street, Room 432, Los Angeles, California 90012, Attention: Director of Public Finance;

(b) if to the Trustee, to [TRUSTEE];

(c) if to the Lessor, to Los Angeles County Capital Asset Leasing Corporation, County of Los Angeles, Hall of Administration, 500 West Temple Street, Room 383, Los Angeles, California 90012, Attention: Executive Officer of the Board of Supervisors;

(d) if to any owner of a Bond or Bonds, to the respective address as indicated on the Bond Register;

(e) if to Fitch, to Fitch Ratings, One State Street Plaza, New York, New York 10004, Attention: U.S. Public Finance;

(f) if to Moody's, to Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, Attention: Public Finance Department;

(g) if to S&P, to Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, Attention: Municipal Finance Department;

or to such other address or addresses as any such person shall have designated to the others by notice given, in accordance with the provisions of this Section 10.03.

Section 10.04. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 10.05. Partial Invalidity. Any provision of this Indenture found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Indenture.

Section 10.06. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the parties have executed this Indenture effective the date first above written.

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

By: _____
Michael A. Jimenez
President

[SEAL]

Attest:

By: _____
Assistant Secretary

[TRUSTEE], as Trustee

By: _____
Authorized Officer

Exhibit A

BOND FORM

NO. $

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE DESCRIBED BELOW) TO THE TRUSTEE DESCRIBED BELOW FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND EXECUTED BY THE LESSOR AND AUTHENTICATED AND DELIVERED BY THE TRUSTEE IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2006 SERIES A
(LAC-CAL EQUIPMENT PROGRAM)

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP NO.

REGISTERED BONDOWNER: CEDE & CO.

PRINCIPAL AMOUNT:

THIS IS TO CERTIFY THAT the registered Bondowner identified above or registered assignee, is the registered owner of this Bond (the "Bond") which is secured by Base Rental payments to be made by the County of Los Angeles (the "Lessee"), a political subdivision of the State of California (the "State"), under a Lease Agreement, dated as of June 1, 2006 (the "Lease"), by and between the Lessee and the Los Angeles County Capital Asset Leasing Corporation (the "Lessor"). This Bond is one of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds") in the aggregate principal amount of $_____ executed by the Lessor and authenticated and delivered by [TRUSTEE] (together with any successors thereto, the "Trustee") under the terms of an Indenture, dated as of June 1, 2006 (the "Indenture"), by and between the Lessor and the Trustee.

The registered owner of this Bond is to receive, subject to the terms of the Lease and unless sooner paid in full, on the maturity date identified above, the principal amount identified above, representing such portion of the Base Rental designated as principal coming due on such date, or to be applied to the mandatory redemption of Bonds of this maturity pursuant to the Indenture, and on each June 1 and December 1, commencing [December 1, 2006] (the "Interest Payment Dates"), until the maturity date identified above or earlier redemption hereof, the registered Bondowner's proportionate share of the Base Rental payments designated as interest coming due on such dates. Such proportionate share of the Base Rental payments designated as interest to be paid to the owner of this Bond on each

Interest Payment Date shall be equal to the amount determined by applying the annual interest rate shown above to the principal amount shown above and based upon a 360-day year composed of twelve 30-day months.

The interest payable on this Bond shall accrue and be calculated from the Interest Payment Date next preceding the date of issuance of this Bond, unless this Bond is executed by the Lessor and authenticated and delivered by the Trustee on an Interest Payment Date or after a May 15 or November 15 (each a "Record Date") and before the close of business on the immediately following Interest Payment Date, in which event interest on this Bond shall accrue and be calculated from such Interest Payment Date or unless it is executed by the Lessor and authenticated and delivered by the Trustee on or before [November 15], 2006, in which event interest on this Bond shall accrue and be calculated from its date of delivery; *provided, however,* that if at the time of execution by the Lessor and authentication and delivery by the Trustee of this Bond interest on this Bond is in default, interest shall accrue and be calculated from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from its date of delivery.

Interest on this Bond shall be payable on each Interest Payment Date to the owner of this Bond as of the close of business on the Record Date, such interest to be paid by check of the Trustee, mailed to the owner of this Bond by first class mail, postage prepaid, at the owner's address as it appears on the Bond Register; *provided, however,* that interest payable to the owner of this Bond of $1,000,000 or more aggregate principal amount of Bonds shall be paid by wire transfer to such account in the United States as the owner of the Bonds shall have specified in writing prior to the applicable Record Date to the Trustee for such purpose. Payments of defaulted interest shall be paid to the owner of this Bond as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the owner of this Bond by first class mail not less than ten days prior to the special record date. Subject to the provisions of the Representation Letter prepared in connection with the Bonds, principal and premium, if any, with respect to any Bond are payable at maturity or earlier redemption upon surrender of the Bond at the Principal Corporate Trust Office of the Trustee, or at the office of any paying agent. The principal of, premium, if any, and interest on the Bonds shall be payable by check of the Trustee in lawful money of the United States of America.

The Lessee is authorized to enter into the Lease pursuant to the laws of the State of California. The Lessee has entered into the Lease for the purpose of leasing certain equipment (the "Equipment") in connection with the performance of the Lessee's governmental functions. The Lessor has assigned and transferred certain of its rights under the Lease pursuant to the Indenture. Proceeds of the Bonds will be applied to the payment of the costs of the Equipment, the funding of a reserve fund and the payment of the costs of the financing.

Reference is made to the Lease and the Indenture (copies of each are on file at the aforementioned office of the Trustee) for a description of the terms on which the Bonds are executed by the Lessor and authenticated and delivered by the Trustee and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Lessor under the Lease, to all of the provisions of which the registered owner of this Bond, by acceptance of this Bond, assents and agrees.

Except to the extent such rental is abated as described below, the Lessee is required under the Lease to pay Base Rental from any source of legally available funds. The Lessee has covenanted in the Lease to make the necessary annual appropriations for such purpose. Subject to the provisions of the Lease, the Lessee also has pledged all of its interest in all amounts on deposit from time to time in the funds and accounts established pursuant to the Indenture (except amounts in the Excess Earnings Account

of the Earnings Fund) to secure the payment of the Bonds and the interest on the Bonds and the performance of all the obligations of the Lessee contained in the Bonds, the Indenture and the Lease.

The Bonds are special obligations of the Lessor payable solely from Base Rental payments received pursuant to the Lease and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The obligation of the Lessee to pay Base Rental and Additional Rental under the Lease does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the Lessee to pay Base Rental or Additional Rental under the Lease constitutes an indebtedness of the Lessee, the State of California or any of its political subdivisions within the meaning of the constitution of the State of California. Under certain circumstances, Base Rental may be abated under the Lease.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture and the Lease may be amended by the parties thereto with the written consent of the registered Bondowners of a majority in aggregate principal amount of the Bonds then outstanding under the Indenture. The Indenture, and the Lease also may, under certain circumstances, be amended without such consent. No amendment shall be permitted, however, which would impair the right of any registered Bondowner to receive the registered Bondowner's proportionate share of any Base Rental payment in accordance with the registered owner's Bond without the registered Bondowner's written consent.

The Bonds are deliverable in the denomination of $5,000 and any integral multiple thereof.

Registration of this Bond is transferable by the registered owner of this Bond, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon such registration of transfer a new Bond or Bonds, of an authorized denomination or denominations, for the same aggregate principal amount, maturity, and interest rate will be executed by the Lessor and authenticated and delivered by the Trustee to the transferee in exchange for this Bond. The Lessor and the Trustee may treat the registered owner of this Bond as the absolute owner of this Bond for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary.

This Bond is subject to redemption as provided in the Indenture.

The Trustee has no obligation or liability to the registered owners of the Bonds to make payments of principal of, premium, if any, or interest on the Bonds except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer for the benefit of the registered owners of the Bonds the various funds and accounts established under the Indenture and to perform the other duties expressly imposed upon the Trustee under the Indenture. The Trustee does not warrant the accuracy of the recitals of fact in this Bond.

This Bond shall not be entitled to any benefit under the Indenture or become valid for any purpose until it has been duly executed by the Lessor and authenticated and delivered by the Trustee.

THE LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION HAS CERTIFIED, RECITED AND DECLARED that all things, conditions and acts required by the Constitution and laws of the State and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner, as required by the applicable laws of the State of California.

IN WITNESS WHEREOF, this Bond has been executed by the Lessor and authenticated by the Trustee, acting pursuant to the Indenture.

DATE OF EXECUTION: [June 28], 2006

LOS ANGELES COUNTY CAPITAL
ASSET LEASING CORPORATION,
as Lessor

By: _____
Authorized Signatory

ATTEST:

By: _____
Authorized Signatory

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture of Trust.

Date: [June 28], 2006

[TRUSTEE], as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned do(es) sell, assign and transfer to _____ the within-mentioned Bond and irrevocably constitute(s) and appoint(s) _____ attorney, to transfer such Bond on the books of the Trustee with full power of substitution in the premises.

Dated: _____, ____

Note: The signature(s) on this Assignment must correspond with the names(s) as written on the face of the within registered Bond in every particular, without alteration or enlargement or any change whatsoever.

Tax I.D. _____

Signature Guaranteed: _____

Note: The signature must be guaranteed by an eligible guarantor member of the medallion signature guarantee program.

Exhibit B

[Letterhead of County of Los Angeles]

FORM OF REQUISITION
(Costs of Issuance Account)

[TRUSTEE]
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services

PAYMENT REQUEST NO. _____

Re: $_____ Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program)

Pursuant to Section 3.02 of the Indenture, dated as of June 1, 2006 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Lessor") and you, you are instructed to disburse the sum of $_____ from the Costs of Issuance Account established under the Indenture. You are further instructed to pay this disbursement to the order of the following payee, and for the following costs(s) and/or expense(s) or to the order of the payees and for the purposes listed on Exhibit A attached hereto:

Payee: _____
Address: _____
_____
_____
_____

Cost(s) and/or expense(s) for which disbursement is requested:

_____

The undersigned certifies that each such cost or expense constitutes a proper charge against the Costs of Issuance Account and has not been the subject of any other payment request filed with you.

Dated:

COUNTY OF LOS ANGELES

By: _____
Lessee Representative

LEASE AGREEMENT

Dated as of June 1, 2006

between the

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
as Lessor

and the

COUNTY OF LOS ANGELES, CALIFORNIA
as Lessee

relating to

$_____
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2006 SERIES A
(LAC-CAL Equipment Program)

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS

Section 1.1 Definitions....2
Section 1.2 Rules of Construction....2
Section 1.3 Exhibits....3

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 General Representations and Warranties of the Lessee....3
Section 2.2 General Covenants of the Lessee....4
Section 2.3 General Representations and Warranties of the Lessor....5
Section 2.4 General Covenants of the Lessor....6

ARTICLE III

ACQUISITION OF THE EQUIPMENT; AGENCY

Section 3.1 Acquisition of the Equipment....6
Section 3.2 Agency....7

ARTICLE IV

LEASE TERMS

Section 4.1 Lease....7
Section 4.2 Term of Lease....7
Section 4.3 Base Rental....8
Section 4.4 Use and Possession....9
Section 4.5 Title to the Equipment....10
Section 4.6 Additional Rental....10
Section 4.7 Substitution of Equipment Components....11
Section 4.8 Option to Purchase Equipment Components and Prepay Base Rental....11

ARTICLE V

MAINTENANCE; TAXES AND INSURANCE

Section 5.1 Maintenance, Utilities, Taxes and Assessments....13

Section 5.2 Modification of the Equipment 14
Section 5.3 Insurance 15
Section 5.4 Other Insurance Provisions. 16
Section 5.5 Liens 16
Section 5.6 Use of the Equipment, Tax-Exempt Status 17
Section 5.7 Laws and Ordinances 17

ARTICLE VI

CONDEMNATION, DAMAGE AND DESTRUCTION; USE OF INSURANCE PROCEEDS

Section 6.1 Abatement of Rental Payments in Event of Loss of Use 17
Section 6.2 Application of Insurance Proceeds 18

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS

Section 7.1 Disclaimer of Warranties 19
Section 7.2 Lessee's Right to Enforce Warranties 19
Section 7.3 Access to the Equipment 20
Section 7.4 Release and Indemnification Covenants 20

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1 Assignment by the Lessor 20
Section 8.2 Subleasing by the Lessee 20
Section 8.3 Amendment 21

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined 21
Section 9.2 Remedies on Default 22
Section 9.3 No Remedy Exclusive 22
Section 9.4 Agreement to Pay Attorneys' Fees and Expenses 23
Section 9.5 No Additional Waiver Implied by One Waiver 23
Section 9.6 Application of the Proceeds from this Lease or Sublease of the Equipment 23
Section 9.7 Trustee and Bondowners to Exercise Rights 23

ARTICLE X

MISCELLANEOUS

Section 10.1 Notices 23
Section 10.2 Binding Effect 24
Section 10.3 Severability 24
Section 10.4 Net-Net-Net Lease 24
Section 10.5 Further Assurances and Corrective Instruments 24
Section 10.6 Execution in Counterparts 24
Section 10.7 Applicable Law 24
Section 10.8 Validity 24
Section 10.9 No Merger 24

Exhibit A Base Rental Schedule
Exhibit B General Description of Equipment Components

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease"), dated as of June 1, 2006, is made and entered into by and between the LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, as lessor (the "Lessor"), and the COUNTY OF LOS ANGELES, CALIFORNIA, a political subdivision of the State of California, as lessee (the "Lessee").

RECITALS:

WHEREAS, the Lessee may enter into a lease or lease purchase agreement with any person, firm, corporation or public agency, to acquire, construct, install, improve or lease any equipment or real property necessary or useful for the governmental purposes of the Lessee; and

WHEREAS, the Lessee proposes to acquire those items of equipment, and each of them, more specifically described in Exhibit B (the "Equipment") to this Lease; and

WHEREAS, the Lessee on behalf of the Lessor has complied with all applicable provisions for bids and contracts relating to the leasing of the items of equipment described in Exhibit B to this Lease; and

WHEREAS, the Lessor is authorized pursuant to its Articles of Incorporation and its Bylaws to provide financial assistance to the Lessee for any governmental purpose of the Lessee, by acquiring and financing land and equipment and acquiring and constructing various public facilities and the leasing of facilities, land and equipment for the use, benefit and enjoyment of the public; and

WHEREAS, the Lessor has issued and sold certain bond anticipation notes on January 16, 2004, August 24, 2004, December 15, 2004, February 18, 2005, July 21, 2005, September 2, 2005, December 6, 2005, and March 7, 2006, all of which are presently outstanding in the aggregate principal amount of $45,000,000 (the "BANs"); and

WHEREAS, the Lessor used the proceeds of the BANs to purchase certain items of equipment of the type described in Exhibit B to this Lease in the expectation that the purchased items of equipment would be leased to the Lessee and that the BANs would be repaid from a portion of the proceeds of the Bonds as described below; and

WHEREAS, the Lessor desires to issue, sell and deliver certain bonds, secured by certain rental payments to be made by the Lessee under this Lease; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Lease do exist, have happened and have been performed in due time, form and manner as required by applicable law, and the Lessor and Lessee are now duly authorized to execute and enter into this Lease.

NOW, THEREFORE, in consideration of the foregoing premises and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lessor and Lessee agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Unless the context otherwise requires, capitalized terms used in this Lease shall, for all purposes of this Lease, have the meanings specified in the Indenture and the additional terms defined in this Section 1.1 shall, for all purposes of this Lease, have the meaning specified in this Lease.

"Additional Rental" means the amount referred to in Section 4.6 of this Lease.

"Base Rental" means the amount referred to in Section 4.3 of this Lease.

"Bonds" means the $_____ aggregate principal amount of Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program).

"Business Day" means any day other than (i) a Saturday, Sunday or (ii) a day on which banks in both New York, New York and the city in which the principal corporate trust office of the Trustee is located are authorized or permitted to be closed.

"Equipment" means all Equipment Components identified in Exhibit B to this Lease, as the same may be amended from time to time.

"Equipment Component" means each discrete component of the personal property described in Exhibit B to this Lease, as the same may be amended from time to time.

"Lease Payment Date" means the Business Day immediately preceding June 1 and December 1 of each year during the Term hereof, commencing December 1, 2006, except if such Lease Payment Date is on a date which is not a Business Day then the Lease Payment Date will be the next preceding business day.

"Rental Payments" means the Base Rental plus the Additional Rental payments.

"Term" has the meaning set forth in Section 4.2 of this Lease.

"Useful Life" means, with respect to any Equipment Component, the period of time, expressed in years, and fraction of years, for which the Lessee reasonably expects that such Equipment Component may be economically utilized for the purpose or purposes for which such Equipment Component is intended.

Section 1.2 Rules of Construction. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words

importing persons shall include corporations and associations, including public bodies, as well as natural persons. The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this Lease, refer to this Lease as a whole, and all references herein to "Sections" and other subdivisions hereof are to the corresponding Sections or subdivisions of this Lease as originally executed. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

Section 1.3 Exhibits. The following exhibits are attached to, and by this reference incorporated into and made part of, this Lease:

Exhibit A: Base Rental Schedule
Exhibit B: General Description of Equipment Components

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 General Representations and Warranties of the Lessee. The Lessee represents, covenants and warrants for the benefit of the Lessor as follows:

(a) Organization. The Lessee is a political subdivision of the State duly organized and existing pursuant to the Constitution and laws of the State.

(b) Authority, Validity and Enforceability. The Lessee has the authority to enter into this Lease, to consummate the transactions contemplated by this Lease and to perform all of its obligations under this Lease, and the Lessee has been duly authorized to execute and deliver this Lease under the terms and provisions of a resolution of the Board of Supervisors of the Lessee, adopted on [June 7], 2006, and this Lease constitutes the legally valid and binding obligation of the Lessee enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally.

(c) Performance of Conditions. All requirements have been met and procedures have occurred in order to ensure the enforceability of this Lease; and the Lessee has complied with all public bidding requirements, if any, applicable to this Lease and the transactions contemplated by this Lease, including the acquisition, delivery and installation of the Equipment.

(d) No Conflict. The execution and delivery of this Lease and compliance with the provisions of this Lease by the Lessee will not conflict with, or constitute a breach or violation of or default under, the State Constitution or any existing State law, charter, ordinance, regulation, decree, order or resolution applicable to the Lessee, or any material agreement; indenture, mortgage, lease or other instrument to which the Lessee is subject or by which the Lessee is bound.

(e) No Violation. The Lessee is not in breach of or default under, and no event has occurred and is continuing which with the passage of time and/or the giving of notice would constitute a breach of or default under, any applicable State law, administrative regulation,

judgment, decree or order, or any loan agreement, indenture, bond, note, resolution, agreement or any other instrument to which the Lessee is a party or is otherwise subject, which breach or default could reasonably be expected to materially adversely affect the Lessee's ability to enter into or perform its obligations under this Lease.

(f) No Litigation. To the best knowledge of the Lessee, there is no action, suit, proceeding, hearing or investigation of or by any court or governmental agency or body pending or threatened against the Lessee to restrain or enjoin the execution and delivery of this Lease and the issuance, sale and delivery of the Bonds, or the payments to be made pursuant to this Lease, or in any way contesting or affecting the validity of this Lease, the Indenture or the Bonds or contesting the powers of the Lessee to enter into or perform its obligations under the Lease or to consummate the transactions contemplated by this Lease, or in which a final adverse decision could reasonably be expected to materially adversely affect the consummation of the transactions contemplated by, or the performance of the Lessee's obligations under, this Lease.

(g) Consent. There is no consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body, required for the execution, delivery or performance of this Lease or the consummation of the transactions contemplated by this Lease or the Indenture by the Lessee, except as shall have been previously obtained or accomplished prior to the consummation of the transactions contemplated by this Lease or the Indenture.

(h) Essentiality. The Lessee represents that the Equipment and its acquisition and use by the Lessee are essential to the Lessee's exercise of its governmental functions.

(i) Fair Market Value. The Lessee certifies that the fair market value of the Equipment, taken as a whole, is not less than the principal amount of the Bonds.

Section 2.2 General Covenants of the Lessee.

(a) Adequate Base Rental. The Lessee agrees that it will use best efforts to ensure the Base Rental payable under this Lease shall provide rental income to the Lessor which is sufficient to pay principal of and interest on the Bonds as the Bonds shall become due and payable.

(b) Financial Statements. During the term of this Lease, the Lessee will provide by February 1 of each year, beginning February 1, 2007, to the Lessor or its assigns with current audited financial statements and provide such other financial information at such times and in such manner as may be reasonably requested in writing by the Lessor or its assignees relating to the ability of the Lessee to continue this Lease.

(c) Access to Book and Records. The Trustee and the Lessor shall at all times have access to those books and records of the Lessee which may be reasonably required by the Trustee and the Lessor to protect their rights or to fulfil their duties and obligations under this Lease and the Indenture.

(d) Performance of this Lease by the Lessee.

(i) The Lessee shall faithfully observe all covenants and other provisions contained in this Lease. The Lessee shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Lessee under the provisions of this Lease.

(ii) Anything in this Lease to the contrary notwithstanding, (A) the Lessee shall remain liable under any contracts or agreements for the acquisition, installation or delivery of any Equipment Component, to the extent set forth in such contracts or agreements, to perform all of its duties and obligations under such contracts or agreements to the same extent as if this Lease had not been executed, (B) the exercise by the Lessor or the Trustee of any of their respective rights under this Lease shall not release the Lessee from any of its duties or obligations under such contracts or agreements, and (C) neither the Lessor nor the Trustee shall have any obligation or liability under any of such contracts or agreements, nor shall they be obligated to perform any of the obligations or duties of the Lessee under such contracts or agreements.

(e) Prosecution and Defense of Suits. The Lessee shall, within a reasonable period of time, take such action as may be necessary to cure any defect in the title of the Equipment or any part thereof, whether now existing or hereafter occurring, and shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

(f) Indemnification of Lessor. To the extent permitted by law, the Lessee covenants to indemnify and hold harmless the Lessor and its directors, employees and assigns (each, an "Indemnified Party") against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise in connection with the transactions contemplated by this Lease and the Indenture, and shall reimburse any such Indemnified Party for any legal or other expenses incurred by it in defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of the transactions contemplated by this Lease and the Indenture.

(g) Further Assurances and Corrective Instruments. The Lessee agrees to make, execute and deliver any and all further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Lease, and for better assuring and confirming to the Owners the rights and benefits provided in this Lease. The Lessee also agrees to execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered such supplements to this Lease and such further instruments as may reasonably be required to correct any inadequate or incorrect description of any Equipment Component leased pursuant to this Lease.

Section 2.3 General Representations and Warranties of the Lessor. The Lessor represents, covenants and warrants to the Lessee as follows:

(a) Due Organization and Existence; Enforceability. The Lessor is a nonprofit public benefit corporation duly organized, existing and in good standing under and by virtue of the laws

of the State, and has the power to enter into this Lease and the Indenture, and is possessed of full power to own and hold real and personal property, and to lease and sell the real and personal property; and has duly authorized the execution and delivery of all of the aforementioned agreements. This Lease and the Indenture constitute the legal, valid and binding obligations of the Lessor, enforceable in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally.

(b) No Conflicts, No Liens. Neither the execution and delivery of this Lease or the Indenture, nor the fulfillment of or compliance with the terms and conditions of this Lease or the Indenture, nor the consummation of the transactions contemplated by this Lease or the Indenture, conflicts with or constitutes a breach of the terms, conditions or provisions of the Articles of Incorporation or Bylaws of the Lessor or any restriction or any agreement or instrument to which the Lessor is now a party or by which the Lessor is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Lessor, or upon the Equipment, except as contemplated therein.

(c) Bond Anticipation Notes. The Lessor has issued and sold the BANs for the purpose of acquiring the Equipment Components described in Exhibit B to this Lease.

Section 2.4 General Covenants of the Lessor.

(a) Performance. The Lessor shall faithfully observe all covenants and other provisions contained in this Lease, and in any certificate executed and delivered under this Lease. The Lessor shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Lessor under the provisions of this Lease.

(b) Further Assurances and Corrective Instruments. The Lessor agrees to make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Lease, and for better assuring and confirming to the Bondowners the rights and benefits provided in this Lease. The Lessor also agrees to execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered such supplements to this Lease and such further instruments as may reasonably be required to correct any inadequate or incorrect description of the Equipment leased pursuant to this Lease.

ARTICLE III

ACQUISITION OF THE EQUIPMENT; AGENCY

Section 3.1 Acquisition of the Equipment. The Lessor and the Lessee agree that all of the Equipment Components have been acquired, delivered and installed, and that the costs of acquiring, delivering and installing all such Equipment Components have been paid from proceeds of the BANs all on or prior to the Closing Date.

Section 3.2 Agency. The Lessor acknowledges that the Lessee has acted as agent on behalf of the Lessor in acquiring, installing and delivering the Equipment Components prior to the Closing Date and the Lessor ratifies all actions taken by the Lessee, as agent, in connection with such acquisition, installation and delivery. The Lessor irrevocably appoints the Lessee as its agent for the purpose of executing and delivering any documents necessary to confirm the vesting of right or title to the Equipment or to the substituted Equipment pursuant to Section 4.7 of this Lease in the Lessee upon the expiration of the Term of the Lease as set forth in Section 4.5(b) of this Lease, and the Lessor further authorizes the Lessee to execute and deliver such documents.

The Lessee, for good and valuable consideration in hand received, accepts the foregoing appointment as agent of the Lessor for the purposes set forth in this Section 3.2.

ARTICLE IV

LEASE TERMS

Section 4.1 Lease. Subject to the conditions set forth in the following paragraph, the Lessor leases each Equipment Component (including, with respect to vehicles, as acknowledged in Section 4.5(a) herein) described in Exhibit B delivered under this Lease to the Lessee, and the Lessee leases each such Equipment Component from the Lessor, upon the terms and conditions set forth in this Lease.

The obligations of the Lessee contained in this Lease to lease any particular Equipment Component are subject to the following conditions precedent: (a) the Lessor shall have good and marketable title to that Equipment Component and, if necessary, shall have such interests in real property as may be necessary for the use of that Equipment Component, if applicable; (b) the Lessee shall have furnished to the Lessor, if required by the Lessor, a certificate or other evidence satisfactory to the Lessor that insurance coverage as required by Section 5.3 of this Lease is in effect as to that Equipment Component; and (c) all other instruments and legal and other proceedings in connection with the transactions contemplated by this Lease shall be satisfactory in form and substance to the Lessor.

Section 4.2 Term of Lease. The Term of this Lease (the "Term"), with respect to any Equipment Component, shall commence on the Closing Date hereof, and shall end on the earlier of (1) the last day of the month specified in Exhibit B with respect to such Equipment Component under the column entitled "Lease End," but only if all Base Rental attributable to such Equipment Component shall have been paid (including any abated Base Rental) and provided no default or event of default then exists and is continuing hereunder, or (2) December 1, 2010 unless such term is otherwise terminated or extended as hereinafter provided. If on December 1, 2010, the Indenture shall not have been discharged by its terms, or if the Base Rental payable hereunder shall be been abated at any time and for any reason, then the Term of this Lease shall be extended until the Indenture shall be discharged by its terms. If prior to December 1, 2010, the Base Rental and Additional Rental shall have been fully paid in connection with the Bonds, the term of this Lease shall end ten days thereafter or ten days after written notice by the Lessee to the Lessor to the effect that the Base Rental and Additional

Rental payable hereunder shall be fully paid and all Bonds have been fully paid, and this Lease shall thereupon terminate.

Section 4.3 Base Rental.

(a) Obligation to Pay.

(i) Time and Amount. Subject to the provisions of Sections 4.8 and 6.1 of this Lease, the Lessee shall pay to the Lessor, its successors and assigns, as a portion of the rental for the use and possession of the Equipment, Base Rental payments, each comprised of components of principal and interest, equal to the aggregate Base Rental specified in Exhibit A to this Lease. Except as required by Section 6.1 of this Lease, in no event shall the Base Rental on any date be less than the aggregate amount of principal and interest required to be paid or redeemed on such date with respect to the Bonds.

Base Rental payable by the Lessee shall be due one Business Day prior to each Lease Payment Date during the term of this Lease. The interest component of Base Rental payable on the Business Day preceding June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the interest component of Base Rental payable on the Business Day preceding December 1 in any year shall be for the period of June 1 of such year to November 30 of such year. The principal component of Base Rental payable on the Business Day preceding June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the principal component of Base Rental payable on the Business Day preceding December 1 in any year shall be for the period of June 1 of such year to November 30 of such year. To secure the performance of its obligation to pay Base Rental, the Lessee shall deposit the Base Rental payable on each Lease Payment Date with the Trustee, in immediately available funds, at least one day prior to that Lease Payment Date, in each case for application by the Trustee in accordance with the terms of Section 3.03 of the Indenture. The obligation of the Lessee to pay Base Rental shall commence on the Closing Date.

Set forth in Exhibit A hereto is a schedule of Base Rental required to be made by the Lessee with respect to the Equipment Components identified in Exhibit B of this Lease delivered by the Lessee on the Closing Date.

(ii) Lessee Budget and Appropriation; Nature of Obligations. Base Rental shall be paid from any source of legally available funds of the Lessee and, so long as any Equipment Component is available for the Lessee's use, the Lessee covenants to take such actions as may be necessary to include all Rental Payments due under this Lease in any Fiscal Year during the Term in its annual budget for the Fiscal Year and to make the necessary annual appropriations for all such Rental Payments, which covenants of the Lessee shall be deemed to be, and shall be, ministerial duties imposed by law, and it shall be the duty of each and every public official of the Lessee to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Lessee to carry out and perform the covenants made by the Lessee under this Lease. Subject to Section 6.1 of this Lease, the Lessee's obligation to make Rental Payments when due shall be absolute and unconditional

without any right of set-off or counterclaim. The obligation of the Lessee to make Rental Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the Lessee to make Rental Payments under this Lease constitute indebtedness of the Lessee, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

(iii) No Withholding. Notwithstanding any dispute between the Lessor and the Lessee, including any dispute as to the failure of any Equipment Component to perform the task for which it is leased, the Lessee shall make all Rental Payments when due and shall not withhold any Rental Payments pending the final resolution of such dispute.

(b) Rate on Overdue Payments. In the event the Lessee should fail to make any of the payments required in this Section, the payments in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable to the Lessor, its successors and assigns, at the rate equal to the net effective interest rate paid with the respect to the Bonds on the date such interest was due.

(c) Fair Rental Value. The Base Rental and the Additional Rental required by Section 4.6 of this Lease shall be paid by the Lessee in consideration of the right of possession of, and the continued use and possession of, the Equipment during each such period for which said rental is to be paid. The parties hereto have agreed and determined that the Base Rental for each of such period as set forth in Exhibit A hereto does not exceed the fair rental value of the Equipment. In making such determination, consideration has been given to the Acquisition Costs, other obligation of the parties under this Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Equipment and the benefits therefrom which will accrue to the Lessee and the general public.

(d) Assignment. The Lessee understands and agrees that, pursuant to the assignment provided for in the Indenture, the Lessor has assigned its right to receive and collect Base Rental and prepayments thereof and certain other rights to the Trustee in trust for the benefit of the Bondowners, and the Lessee consents to such assignment. The Lessor directs the Lessee, and the Lessee agrees to pay to the Trustee at the Trustee's principal corporate trust office in Los Angeles, California, or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the Lessee pursuant to this Lease.

(e) Consideration for Payments. The total Base Rental due in any Fiscal Year shall be for the use and possession of the Equipment Components for such Fiscal Year.

(f) Abatement. Rental Payments shall be subject to abatement as provided in Section 6.1 of this Lease

Section 4.4 Use and Possession. During the Term of this Lease, the Lessor shall provide the Lessee with quiet use and possession of the Equipment, and the Lessee shall during such Term peaceably and quietly have and use and possess the Equipment, without suit, trouble

or hindrance from the Lessor or any person or entity claiming any right or interest under or through the Lessor except as expressly set forth in this Lease. The Lessor shall, at the request of the Lessee, join in any legal action in which the Lessee asserts its right to such quiet use and possession to the extent the Lessor may lawfully do so. Notwithstanding the foregoing, the Lessor shall have the right to inspect the Equipment as provided in Section 7.3 of this Lease.

Section 4.5 Title to the Equipment.

(a) Lessor Holds Title During Term. Notwithstanding any records on file with State of California Department of Motor Vehicles to the contrary, including but not limited to the Lessee's being listed as the registered owner on any certificates of title in connection with the Equipment, and except as provided in subsection (c) of this Section 4.5, during the Term of this Lease, the Lessor shall hold and shall be deemed to hold title to all Equipment Components and any and all additions which comprise repairs, replacements or modifications thereto.

(b) Title Transferred to Lessee at End of Term. If no Event of Default has occurred and is continuing hereunder, upon the expiration of the Term with respect to any Equipment Component, all right, title and interest of the Lessor in and to such Equipment Component hereunder shall be transferred to and vest in the Lessee, without the necessity of delivery of any additional document of transfer; *provided, however*, that, if necessary, the Lessor shall authorize, execute and deliver to the Lessee any documents reasonably requested by the Lessee in order to confirm such vesting of right or title in the Lessee. Upon the end of the Term of the Lease with respect to each Equipment Component, the Lessee may provide written request to the Trustee identifying the Equipment Components which are no longer subject to the Lease, and the Trustee shall execute such instruments to evidence the release of such Equipment Components as may be appropriate, as requested by the Lessee.

(c) Title Vested in Lessee at Exercise of Purchase Option. As long as no Event of Default shall have occurred and be continuing hereunder, on the date on which all Base Rental attributable to any Equipment Component are paid pursuant to Section 4.8 of this Lease, all right, title and interest of the Lessor in and to that Equipment Component shall vest in the Lessee without the necessity of delivery of any additional document of transfer; *provided, however*, that, if necessary, the Lessor shall authorize, execute and deliver to the Lessee any documents reasonably requested by Lessee to terminate this Lease with respect to any Equipment Component in order to confirm such vesting of right or title in the Lessee.

Section 4.6 Additional Rental. In addition to the Base Rental, the Lessee shall pay as Additional Rental such amounts as shall be required for the payment of all administrative costs of the Lessor, if any, relating to the Equipment or the issuance of the Bonds, including without limitation, taxes of any sort whatsoever payable by the Lessor as a result of its ownership of the Equipment or undertaking of the transactions contemplated in this Lease or in the Indenture, fees of auditors, accountants, attorneys or engineers, fees, expenses and indemnification costs of the Trustee and all other necessary administrative costs of the Lessor and Lessee or charges required to be paid by it in order to maintain its existence or to comply with the terms of this Lease, the Bonds or of the Indenture, including the insurance premiums required to maintain insurance as required under this Lease, or to defend the Lessor, its members and each Indemnified Party.

Additional Rental due under this Section shall be paid by the Lessee directly to the person or persons to whom such amounts shall be payable. The Lessee shall pay all such amounts when due or within thirty days after notice in writing from the Trustee to the Lessee stating the amount of additional payments then due and payable and the purpose thereof.

Section 4.7 Substitution of Equipment Components. The Lessee shall, at any time, have the right to substitute any item of personal property of comparable value to and a Useful Life not less than the remaining Useful Life of, the Equipment Component to be substituted, but only by providing the Trustee with (a) a written certificate (i) describing both the new Equipment Component and the Equipment Component for which it is to be substituted, and stating that such new Equipment Component is of comparable value and has a Useful Life not less than the Useful Life of the Equipment Component for which it is being substituted and (ii) stating that such substitution will not result in an abatement of Rental Payments, and (b) a new Exhibit B to this Lease, which shall include the substitute Equipment Components and which shall supersede in its entirety the existing Exhibit B to this Lease. All costs and expenses incurred in connection with such substitution, including without limitation the cost of acquiring such property, shall be borne by the Lessee. In the event of such substitution, the Equipment Component substituted for the original Equipment Component shall become fully subject to the terms hereof. As a result of any substitution of Equipment Components pursuant to this Section, there shall be no reduction in the Base Rental due from the Lessee hereunder and there shall be no reduction in the aggregate fair rental value of the Equipment as a result of such substitution. The Lessee shall give notice of any substitution of Equipment Components in accordance with the provisions of this Section 4.7 to the Rating Agencies in the event the aggregate of such substituted Equipment Components, within any six-month period, shall have a rental value of at least 5% of the Base Rental due hereunder.

Section 4.8 Option to Purchase Equipment Components and Prepay Base Rental.

(a) Option to Purchase All Equipment. The Lessee shall have the exclusive right and option, which shall be irrevocable during the Term of this Lease, to purchase all but not less than all of the Lessor's right, title and interest in the Equipment on any Business Day, upon payment of the option price, but only if the Lessee is not in default under this Lease and only in the manner provided in this Section 4.8(a). The option price for the Equipment in any Fiscal Year shall be the amount necessary to pay or defease all of the Bonds then Outstanding.

The Lessee shall exercise its option to purchase the Equipment under this Section 4.8(a) by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in the Equipment and the option price shall be payable in installments solely from amounts deposited with the Trustee as hereafter provided. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised, and (ii) shall be in an amount equal to the amount of Base Rental which would have been payable had such option not been exercised. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its option hereunder, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Government Obligations in such amount as in the written opinion of a certified public accountant

will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee.

On any Business Day as to which the Lessee shall properly have exercised the option granted it pursuant to this Section 4.8(a), and shall have paid or made provision (as set forth in the preceding paragraph) for the payment of the required option price, the Lessor and the Trustee shall execute and deliver to the Lessee bills of sale or quitclaim deeds and releases, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in each Equipment Component. If the Lessee shall properly exercise the option provided in this Section 4.8(a) prior to the expiration of the Term of this Lease, and the Lessor and the Trustee shall execute and deliver the bills of sale or quitclaim deeds and releases, as appropriate, for each Equipment Component as aforesaid, then this Lease shall terminate, but such termination shall not affect the Lessee's obligation to pay the option price on the terms herein set forth.

(b) Option to Purchase Individual Equipment Components. The Lessee shall also have the exclusive right and option, which shall be irrevocable during the Term of this Lease, to purchase the Lessor's right, title and interest in any Equipment Component on any Business Day, upon payment of the option price therefor, but only if the Lessee is not in default under this Lease and only in the manner provided in this Section 4.8(b). The option price in any Fiscal Year for each Equipment Component shall be as specified by the County; *provided, however,* that the remaining annual fair rental value of the remaining Equipment Components, in the aggregate, shall be at least equal to the principal and interest remaining due in each year on all Outstanding Bonds.

The Lessee shall exercise its option to purchase under this Section 4.8(b) by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in any Equipment Component and the option price shall be payable in installments solely from amounts deposited with the Trustee as hereafter provided. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable for the use and possession of such Equipment Component had such option not been exercised until the due date of the final installment referred to in the proviso set forth below in this paragraph, and (ii) shall equal the amount of each Base Rental attributable to that Equipment Component; *provided, however,* that the final installment shall be payable on or prior to the end of the Term of this Lease. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its option hereunder, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Government Obligations in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the

amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee.

On any Business Day as to which the Lessee shall properly have exercised its option to purchase any Equipment Component pursuant to this Section 4.8(b), and shall have paid the option price therefor, the Lessor and the Trustee shall execute and deliver to the Lessee a bill of sale or quitclaim deed and release, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in that Equipment Component. If the Lessee shall properly exercise the option provided in this Section 4.8(b) as to any Equipment Component prior to the expiration of the Term of this Lease, then the lease for that Component shall terminate and thereafter the Lessee shall be obligated to pay Base Rental only on the remaining Equipment Components.

(c) Effect of Exercise of Purchase Option.

(i) In Whole. In the event that the Lessee exercises its option to purchase all of the Equipment and in connection therewith performs all of its obligations and satisfies all of the requirements specified in Section 4.8(a) of this Lease and pays all Additional Rental required by Section 4.6 of this Lease, the Lessee's obligations under this Lease shall thereupon cease and terminate, including but not limited to the Lessee's obligations to continue to pay Base Rental under Section 4.3.

(ii) In Part. In the event the Lessee exercises its option to purchase any Equipment Component and in connection therewith performs all of its obligations and satisfies all of the requirements specified in Section 4.8(b) of this Lease with respect to such Equipment Component, the principal component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the principal amount of Bonds payable on that Lease Payment Date which were defeased (as a result of such purchase) and the interest component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the interest which would have been payable on that Lease Payment Date on the prepaid principal components (as a result of such purchase) had such amounts not been prepaid. If any such reductions in Base Rental shall occur, Exhibit A to this Lease shall be amended by the Lessee to reflect such reductions. The Lessee shall give notice of the exercise of the purchase of any Equipment Component to Rating Agencies.

ARTICLE V

MAINTENANCE; TAXES AND INSURANCE

Section 5.1 Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance. The Lessee shall, at its own expense, maintain the Equipment, or cause the same to be maintained, in good order, condition and repair and furnish all parts, mechanisms, devices and servicing required therefor so that the value and condition of the Equipment will at all times be maintained, ordinary wear and tear excepted. All such parts, mechanisms and devices shall immediately, without further act, become part of the Equipment,

without cost to the Lessor. The Lessee shall provide or cause to be provided all maintenance service, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Equipment. The Lessee shall cause all Equipment Components which constitute equipment to be operated in accordance with the manufacturer's or supplier's instructions or manuals, by duly qualified personnel only and in compliance with all laws and regulations applicable to such Equipment Components and with all insurance which the Lessee is required to maintain under this Lease. It is understood and agreed that in consideration of the payment by the Lessee of the Rental Payments provided for in this Lease, the Lessee is entitled to use and possession of the Equipment and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Equipment during the Term of this Lease. The Lessor shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever to the Equipment. The Lessee expressly waives the right to make repairs or to perform maintenance of the Equipment at the expense of the Lessor and (to the extent applicable and to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating to repairs and maintenance. The Lessee shall keep the Equipment free and clear of all liens, charges and encumbrances, other than those existing on the Closing Date, and any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed on or materials furnished in connection with the Equipment which are not due and payable or the amount, validity or application of which is being contested in accordance with Section 5.5 of this Lease.

(b) Taxes, Other Governmental Charges and Utility Charges. The Lessor and the Lessee contemplate that the Equipment will be used for governmental or proprietary purposes of the Lessee and, therefore, that the Equipment will be exempt from all taxes which might otherwise be presently assessed and levied with respect to the Equipment, except for sales tax chargeable to the Lessor or the Lessee in connection with the acquisition of the Equipment. Nevertheless, the Lessee agrees to pay during the Term of this Lease, as the same respectively become due, all taxes, utility charges and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Equipment; *provided, however,* that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are accrued during such time as this Lease is in effect; and *provided, further,* that the Lessee may contest in good faith the validity or application of any tax, utility charge or governmental charges in any reasonable manner which does not, in the opinion of Independent Counsel, adversely affect the right, title and interest of the Lessor in and to any portion of the Equipment or its rights or interests under this Lease or subject any portion of the Equipment to loss or forfeiture. Any such taxes or charges shall constitute Additional Rental under Section 4.6 of this Lease and shall be payable directly to the entity assessing such taxes or charges.

Section 5.2 Modification of the Equipment. The Lessee shall, at its own expense, have the right to make additions, modifications, and improvements to any Equipment Component if such improvements are necessary or beneficial for the use of such Equipment Component. Such additions, modifications and improvements (a) shall not in any way damage any Equipment Component or cause it to be used for purposes other than those authorized under the provisions of State and federal law, (b) shall not impair the tax-exempt status of the interest

components of the Base Rental attributable to such Equipment Component, and (c) shall not cause the Equipment Component, upon completion of any additions, modifications and improvements made pursuant to this Section, to be of a value that is less than the value of the Equipment Component immediately prior to the making of such additions, modifications and improvements. All such additions, modifications and improvements shall thereafter comprise part of the Equipment Component and be subject to the provisions of this Lease.

Section 5.3 Insurance. The Lessee shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in this Section 5.3, all coverage on the Equipment required by this Section 5.3.

Such insurance shall consist of:

(a) All Risk. A policy or policies of insurance against loss or damage to the Equipment known as "all risk," including theft, earthquake and flood. Such insurance shall be maintained at all times in an amount not less than the greater of the full replacement value of the Equipment or the aggregate principal amount of Bonds at such time Outstanding. The "full replacement value" as used in this Lease with respect to any Equipment Component shall mean the, cost to repair or replace that Equipment Component, with an Equipment Component of like kind and quality, without deduction for depreciation, but shall in no event be less than the cost of said original Equipment Component as reflected in this Lease. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $1,000,000 from all losses in any year. If such policies are not available or if such policies are not obtainable with such deductibles from reputable insurers at a reasonable cost on the open market, the Lessee shall self-insure to the extent it cannot obtain such insurance policies.

(b) Comprehensive General Liability. Comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Equipment. Such insurance shall afford protection with a combined single limit of not less than $100,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the Lessee's risk management officer or an independent insurance consultant retained by the Lessee for that purpose; *provided, however,* that the Lessee's obligations under this clause (b) may be satisfied by self-insurance.

(c) Rental Interruption. Rental interruption insurance to cover loss, total or partial, of the use of any part of the Equipment as a result of any of the hazards covered by the insurance required pursuant to clause (a) above, in an amount sufficient at all times to pay the Base Rental payable under this Lease for a period of not less than two years. The Lessee may not self-insure for rental interruption insurance.

(d) Workers' Compensation. Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State or by qualified self-insurance programs, to insure against liability for compensation under the Workers' Compensation

Insurance and Safety Act in force in the State, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof.

Section 5.4 Other Insurance Provisions.

(a) Insured Parties. All policies or certificates of insurance provided for in this Lease shall name the Lessee as a named insured, and the Lessor and the Trustee as additional insureds. All policies or certificates of insurance maintained under Section 5.3(a) and (c) hereof shall name the Trustee as an additional insured, and the proceeds of such insurance shall be deposited with the Trustee for application pursuant to Section 6.2 hereof. All proceeds of insurance maintained under Section 5.3(b) hereof shall be deposited with the Lessee.

(b) Notice Prior to Cancellation. All policies or certificates issued by the respective insurers for the insurance shall provide that such policies or certificates shall not be canceled or materially changed without at least 30 days' prior written notice to the Trustee.

(c) Compliance Certificate. The Lessee shall deliver to the Trustee on the Closing Date and thereafter not less often than annually or before July 1 of each year, commencing July 1, 2007, evidence of insurance or a certificate of a Lessee Representative stating that the insurance policies (or evidence of self-insurance, if applicable) required by this Lease; including but not limited to "all risk" insurance, comprehensive general liability insurance, rental interruption insurance and workers' compensation insurance, are in full force and effect and that the premiums for all such insurance policies have been paid when due.

(d) Protection of Trustee. The Trustee shall not be responsible for the sufficiency of any insurance required under this Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(e) Cooperation. The Lessor shall cooperate fully with the Lessee at the expense of the Lessee in filing any proof of loss with respect to any insurance policy maintained pursuant to this Section 5.4.

Section 5.5 Liens. Except as provided in this Article V, the Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgages, pledges, liens, charges, encumbrances or claims, as applicable, on or with respect to the Equipment, other than the respective rights of the Lessor and the Lessee as provided in this Lease. Except as expressly provided in this Article V, the Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; *provided, however,* that the Lessee (a) may contest any such mortgage, pledge, lien, charge, encumbrance or claim without payment thereof so long as such non-payment and contest stays execution or enforcement of such mortgage, pledge, lien, charge, encumbrance or claim, but if such mortgage, pledge, lien, charge, encumbrance or claim is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the Lessee shall forthwith pay and discharge such

judgment or such mortgage, pledge; lien, charge, encumbrance or claim, or (b) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture. The Lessee shall reimburse the Lessor for any expense incurred by the Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.6 Use of the Equipment, Tax-Exempt Status. The Lessee represents and warrants that it has an immediate need for, and expects to make immediate use of, all of the Equipment Components, which need is not temporary or expected to diminish in the foreseeable future. The Lessee and the Lessor covenant to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and covenant to comply with the covenants contained in, and the instructions given pursuant to the Tax Certificate as such Tax Certificate may be amended from time to time.

Section 5.7 Laws and Ordinances. The Lessee agrees to observe and comply with all rules, regulations and laws applicable to the Lessee with respect to each Equipment Component and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the Lessee, and the Lessor shall not be liable therefor. The Lessee agrees further to place, keep, use, maintain and operate the Equipment in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

ARTICLE VI

CONDEMNATION, DAMAGE AND DESTRUCTION; USE OF INSURANCE PROCEEDS

Section 6.1 Abatement of Rental Payments in Event of Loss of Use. A proportionate amount of Base Rental shall be abated during any period in which, by reason of condemnation, damage, destruction, theft or otherwise, there is substantial interference with the use and possession of any Equipment Component by the Lessee. There shall be no abatement of Base Rental to the extent that moneys are (a) on deposit in the Reserve Fund, (b) on deposit in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and (c) otherwise legally available to the Lessee and transferred to the Trustee for the purpose of making Base Rental, and are available to pay the amount which would otherwise be abated. The amount of any abatement shall be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) through (c) above, do not exceed the fair rental value for the use and possession of the Equipment Components not condemned, taken, damaged or destroyed. Such abatement shall commence on the date of condemnation, theft, damage or destruction and shall end with the substantial completion of the work of repair of the Equipment Component or the delivery of a replacement Equipment Component. Additional Rental shall not be abated so long as a significant portion of the Equipment Components remains available for the use and possession of the Lessee. Except as provided in this Lease, in the event of any such condemnation, theft, damage or destruction, this Lease shall continue in full force and effect and the Lessee waives any right to terminate this Lease by virtue of any such condemnation, theft, damage or destruction.

Section 6.2 Application of Insurance Proceeds. The Lessee shall promptly repair or replace any condemned, stolen, damaged or destroyed Equipment Component if a Lessee Representative notifies the Trustee in writing within 60 days of the receipt by the Trustee of any insurance proceeds (other than rental interruption insurance proceeds) in connection therewith that the Lessee wishes to repair or replace such affected Equipment Component and the Lessee Representative states that (a) the amount of any insurance proceeds (other than rental interruption insurance proceeds) received by the Trustee in connection therewith, together with any insurance deductible required to be paid by the Lessee and any other amounts deposited by the Lessee with the Trustee, are sufficient to repair or replace such affected Equipment Component, (b) such repair or replacement can be completed within the period during which rental interruption insurance proceeds will be available if Base Rental are to be abated as a result of any such condemnation, theft, damage or destruction, and (c) after giving effect to such repair or replacement, Base Rental will not, or cease to, be abated.

If the Lessee exercises its option to repair or replace any condemned, stolen, damaged or destroyed Equipment Component as set forth in the preceding paragraph and the conditions set forth in clauses (a) and (b) thereof are satisfied, the Lessee shall deposit with the Trustee the amount of any insurance deductible with respect to such affected Equipment Component and such amount together with any insurance proceeds received by the Trustee as a result of such condemnation, theft, damage or destruction shall be applied to the repair or replacement of the affected Equipment Component in accordance with this Section 6.2 and Section 3.09 of the Indenture.

If the Lessee exercises its option to repair or replace any condemned, stolen, damaged or destroyed Equipment Component and the conditions to repair or replacement set forth in the first paragraph of this Section 6.2 are satisfied, the Lessee agrees to diligently and expeditiously pursue the repair or replacement of such condemned, stolen, damaged or destroyed Equipment Component.

Insurance proceeds (together with any insurance deductible required to be deposited with the Trustee) shall be made available to the Lessee from time to time upon receipt of a requisition signed by the Lessee Representative stating with respect to each payment to be made pursuant to such requisition (a) the requisition number, (b) the name and address of the person, firm or corporation to whom payment is due, (c) the amount to be paid, (d) that each obligation mentioned in the requisition has been properly incurred, is a proper charge against the Insurance Proceeds Fund, and (e) that such payment has not been the basis of any previous withdrawal. Each such requisition shall specify in reasonable detail the nature of the obligation and shall be accompanied by a bill or a statement of account for such obligation. Upon completion of such repair or replacement as evidenced by a certificate of a Lessee Representative delivered to the Trustee any remaining moneys in the Insurance Proceeds Fund shall be applied as set forth in Section 3.09 of the Indenture.

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS

Section 7.1 Disclaimer of Warranties. NEITHER THE LESSOR NOR ITS ASSIGNEES (INCLUDING THE TRUSTEE) MAKES ANY EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION OF ANY KIND WHATSOEVER WITH RESPECT TO ANY EQUIPMENT COMPONENT TO THE LESSEE OR ANY OTHER CIRCUMSTANCE WHATSOEVER WITH RESPECT THERETO, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OR REPRESENTATION WITH RESPECT TO: THE MERCHANTABILITY OR THE FITNESS OR SUITABILITY THEREOF FOR ANY PURPOSE; THE DESIGN OR CONDITION THEREOF; THE SAFETY, WORKMANSHIP, QUALITY OR CAPACITY THEREOF; COMPLIANCE THEREOF WITH THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO; ANY LATENT DEFECT; THE TITLE TO OR INTEREST OF THE LESSOR THEREOF BEYOND THAT TITLE OR INTEREST WHICH THE LESSEE OBTAINS FROM THE LESSOR PURSUANT HERETO; THE ABILITY THEREOF TO PERFORM ANY FUNCTION; THAT THE PROCEEDS DERIVED FROM THE SALE OF THE BONDS WILL BE SUFFICIENT (TOGETHER WITH OTHER AVAILABLE FUNDS OF THE LESSEE) TO PAY THE COSTS OF ACQUIRING, DELIVERING AND INSTALLING ANY EQUIPMENT COMPONENT; OR ANY OTHER CHARACTERISTIC OF ANY EQUIPMENT COMPONENT; IT BEING AGREED THAT ALL RISKS RELATING TO ANY EQUIPMENT COMPONENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR BY THE INDENTURE ARE TO BE BORNE BY THE LESSEE, AND THE BENEFITS OF ANY AND ALL IMPLIED WARRANTIES AND REPRESENTATIONS OF THE LESSOR ARE WAIVED BY THE LESSEE. THE LESSEE ACKNOWLEDGES THAT THE LESSOR IS NOT A MANUFACTURER OF EQUIPMENT OR A DEALER THEREIN, AND THAT THE LESSEE IS LEASING THE EQUIPMENT COMPONENTS ON AN "AS IS" BASIS.

In no event shall the Lessor or the Trustee be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease, the Indenture or the Lessee's use and possession of the Equipment.

Notwithstanding anything to the contrary contained in this Lease, it is expressly understood and agreed that the Lessor shall be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the Lessee (whether as agent for the Lessor or otherwise) for the acquisition, delivery or installation of the Equipment Components, except to the extent that such costs and expenses have been or shall be paid from the funds deposited in the General Account of the Acquisition Fund or the proceeds of the BANs.

Section 7.2 Lessee's Right to Enforce Warranties. The Lessor irrevocably appoints the Lessee its agent and attorney-in-fact during the Term of this Lease, which power of attorney is coupled with an interest, so long as the Lessee shall not be in default hereunder, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, respecting the Equipment

Components which the Lessor may have against any vendor or contractor. The Lessee's sole remedy for the breach of any such warranty, indemnification or representation shall be against the vendor or contractor with respect thereto, and not against the Lessor, nor shall such matter have any effect whatsoever on the rights and obligations of the Lessor with respect to this Lease, including the right to receive full and timely Rental Payments and all other payments due hereunder. The Lessee shall be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Lessor shall, upon the Lessee's request and at the Lessee's expense, do all things and take all such actions as the Lessee may request in connection with the assertion of any such claims and rights.

Section 7.3 Access to the Equipment. The Lessee agrees that the Lessor, any authorized representative of the Lessor and the Lessor's successors or assigns, shall have the right (but not the obligation) at all reasonable times to enter upon and to examine and inspect the Equipment and any other property necessary for the use of an Equipment Component. The Lessee further agrees that the Lessor, any such authorized representative, and the Lessor's successors or assigns shall have such rights of access to the Equipment as may be reasonably necessary to cause the proper maintenance of the Equipment in the event of failure by the Lessee to perform its obligations hereunder.

Section 7.4 Release and Indemnification Covenants. To the extent permitted by law, the Lessee shall and agrees to indemnify and save the Trustee and the Lessor harmless from and against all claims, losses damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on any Equipment Component by the Lessee, (b) any breach or default on the part of the Lessee in the performance of any of its obligations under this Lease, (c) any act or negligence of the Lessee or of any of its agents, contractors, servants, employees or licensees with respect to any Equipment Component, (d) any act or negligence of any assignee or sublessee of the Lessee with respect to any Equipment Component, or (e) the acquisition of any Equipment Component or the authorization of payment of any Acquisition Costs by the Lessee. No indemnification is made under this Section 7.4 or elsewhere in this Lease for claims, losses or damages, including legal fees and expenses arising out of the willful misconduct, gross negligence, or willful breach of duty under this Lease by the Lessor, its officers, agents employees, successors or assigns.

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1 Assignment by the Lessor. Except as provided in the Indenture, the Lessor will not assign this Lease, its right to receive Base Rental from the Lessee, or its duties and obligations hereunder to any other person, firm or corporation.

Section 8.2 Subleasing by the Lessee. The Lessee may sublease any Equipment Component, with the consent of the Lessor, subject to all of the following conditions:

(a) this Lease and the obligation of the Lessee to make Base Rental hereunder shall remain obligations of the Lessee;

(b) the Lessee shall, within sixty (60) days after the delivery thereof, furnish or cause to be furnished to the Lessor and the Trustee a true and complete copy of such sublease;

(c) no sublease by the Lessee shall cause the Equipment or any Equipment Component to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and

(d) prior to entering into any sublease, the Lessee shall deliver to the Trustee an opinion of Independent Counsel to the effect that the interest component of the Base Rental due with respect to the Equipment Component subject to the sublease shall not be includable in gross income for federal income tax purposes as a result of such sublease.

Section 8.3 Amendment. The Lessee will not alter, modify or cancel or agree or consent to alter, modify or cancel this Lease except as permitted by Article VI of the Indenture.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined. The following shall be "events of default" under this Lease and the terms "events of default" and "defaults" shall mean, whenever they are used in this Lease, any one or more of the following events:

(a) Failure by the Lessee to pay any Base Rental required to be paid under this Lease when due on a Lease Payment Date.

(b) Failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Lease or otherwise with respect to this Lease or in the Indenture, other than as referred to in clause (a) of this Section 9.1, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee by the Lessor, the Trustee, or the Bondowners of not less than a majority in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Trustee or such Owners, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the Lessee of a case in bankruptcy, or the subjection of any right or interest of the Lessee under this Lease to any execution, garnishment or attachment, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of creditors, or the entry by the Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may hereafter be enacted.

(d) The Lessor's failure to perform any of its obligations hereunder shall not be an event permitting the nonpayment of Base Rental by the Lessee or the termination of this Lease by the Lessee.

Section 9.2 Remedies on Default. The parties hereto agree that any remedies provided hereunder shall be exercised by the Trustee, as assignee of the Lessor's rights. Upon the occurrence and continuance of any event of default the Trustee may proceed (and, upon written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding and upon being indemnified to its satisfaction by the Bondowners, shall proceed) to exercise the remedies set forth in this Article IX.

Pursuant to California Civil Code Section 1951.4, notwithstanding that the Lessee has breached this Lease and abandoned the Equipment, this Lease shall continue in effect and the Lessor or the Trustee may enforce all of their rights and remedies under this Lease.

Without limiting any other remedies available to the Trustee under this Lease or at law, the Trustee shall have the right, at its option, without any further notice (a) to recover rent as it becomes due under this Lease, and (b) to exercise any other right or remedy which may be available to it under applicable law or to proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach of this Lease or to rescind this Lease. In addition, unless and until this Lease has been terminated pursuant to the terms of this Lease, the Lessee shall be liable for all unpaid rent and other amounts due under this Lease before or during the exercise of any of the foregoing remedies and for all legal fees, taxes, governmental charges and other costs and expenses incurred by reason of the occurrence of any event of default or the exercise of the Trustee's remedies with respect thereto.

Neither the Lessor nor the Trustee shall exercise its remedies under this Lease so as to cause the portion of Base Rental designated as and comprising interest to be included in gross income for federal income tax purposes or to be subject to State personal income taxes. Notwithstanding any other provision of this Lease to the contrary, in no event shall the Lessor or the Trustee have the right to accelerate the payment of any Base Rental under this Lease.

Notwithstanding any provision of this Lease to the contrary, the Trustee does not have the right: (i) to demand that the Lessee return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

Section 9.3 No Remedy Exclusive. No remedy conferred in this Lease upon or reserved to the Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of such right or power, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 9.4 Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions of this Lease and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party contained in this Lease, the defaulting party agrees to the extent permitted by law that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.5 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6 Application of the Proceeds from this Lease or Sublease of the Equipment. All amounts received by the Lessor under this Article IX shall be applied by the Trustee in accordance with the provisions of Section 8.07 of the Indenture.

Section 9.7 Trustee and Bondowners to Exercise Rights. Such rights and remedies as are given to the Lessor under this Article IX have been assigned by the Lessor to the Trustee under the Indenture, to which assignment the Lessee consents. Such right and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

ARTICLE X

MISCELLANEOUS

Section 10.1 Notices. All notices to be given under this Lease shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as such party may provide to the other party in writing from time to time. Notice shall be deemed to have been received upon the earlier of actual receipt or five business days after deposit in the United States mail, first class, postage prepaid, or in the case of personal delivery, upon delivery to the address set forth below:

If to the Lessee:	County of Los Angeles Kenneth Hahn Hall of Administration 500 West Temple Street, Room 432 Los Angeles, California 90012 Attention: Director of Public Finance
If to the Lessor:	Los Angeles County Capital Asset Leasing Corporation Kenneth Hahn Hall of Administration 500 West Temple Street, Room 383 Los Angeles, California 90012 Attention: Executive Officer-Clerk of the Board of Supervisors
If to the Trustee:	[TRUSTEE]

The Lessor, the Trustee and the Lessee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 10.2 Binding Effect. This Lease shall inure to the benefit of all and shall be binding upon the Lessor and the Lessee and their respective successors and assigns.

Section 10.3 Severability. In the event any provision of this Lease shall be held invalid or unenforceable by a court of competent jurisdiction, such determination shall not invalidate or render unenforceable any other provisions hereof.

Section 10.4 Net-Net-Net Lease. This Lease shall be deemed and construed to be a "net-net-net lease" and the Lessee agrees that the Rental Payments shall be an absolute net return to the Lessor, free and clear of any expenses, charges or set-offs whatsoever, except as expressly provided in this Lease.

Section 10.5 Further Assurances and Corrective Instruments. The Lessor and the Lessee agree that they will, from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Equipment here leased or intended so to be for carrying out the expressed intention of this Lease.

Section 10.6 Execution in Counterparts. This Lease may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.7 Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 10.8 Validity. If any one or more of the terms, provisions, promises, covenants or conditions of this Lease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the remaining terms, provisions, promises, covenants and conditions of this Lease shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this Lease shall be held by a court of competent jurisdiction void, voidable, or unenforceable by the Lessee or the Lessor, or if for any reason it is held by such a court that any of the covenants and agreements of the Lessee hereunder, including the covenant to pay Base Rental and Additional Rental hereunder, is unenforceable for the full Term of this Lease, then and in such event for and in consideration of the right of the Lessee to possess and use the Equipment, which right in such event is hereby granted, this Lease shall thereupon become and shall be deemed to be a lease from year to year under which the annual Base Rental payments and Additional Rental payments herein specified will be paid by the Lessee for the remainder of the Term under this Lease.

Section 10.9 No Merger. If both the Lessee's and the Lessor's estate under this or any other lease relating to the Equipment or any portion thereof shall at any time or for any reason become vested in one owner, this Lease and the estate created hereby shall not be destroyed or

terminated by the doctrine of merger unless the Lessee so elects as evidenced by recording a written declaration so stating, and unless and until the Lessee so elects, the Lessee shall continue to have and enjoy all of its rights and privileges as to the separate estates.

IN WITNESS WHEREOF, the Lessor has caused this Lease to be executed in its name by its duly authorized officers, and the Lessee has caused this Lease to be executed in its name by its duly authorized officers, both as of the date first above written.

COUNTY OF LOS ANGELES

[SEAL]

By:_____
Michael D. Antonovich
Mayor, Board of Supervisors

Attest:

SACHI A. HAMAI
Executive Officer - Clerk of
the Board of Supervisors

By:_____
Deputy

Approved as to form:

RAYMOND G. FORTNER, JR.
County Counsel

By:_____
Principal Deputy County Counsel

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

By:_____
Michael Jimenez
President

Attest:

By:_____
Assistant Secretary

EXHIBIT A

BASE RENTAL SCHEDULE

Lease Payment Date[1]	Principal Component	Interest Component	Base Rental Payment
December 1, 2006	$	$	$
June 1, 2007			
December 1, 2007			
June 1, 2008			
December 1, 2008			
June 1, 2009			
December 1, 2009			
June 1, 2010			

(1) Due on the Business Day immediately preceding June 1 and December 1 of each year, commencing on the Business Day immediately preceding December 1, 2006, except if such Lease Payment Date is on a date which is not a Business Day then the Lease Payment Date will be the next preceding Business Day.

EXHIBIT B

GENERAL DESCRIPTION OF EQUIPMENT COMPONENTS

County of Los Angeles
Equipment Listing

Department	Total Amount of Leased Property
Beaches & Harbor	$626,098.85
Health Services – Antelope Valley Cluster	399,358.68
Health Services – Coastal Cluster	1,522,100.96
Health Services – Northeast Cluster	8,129,363.02
Health Services – San Fernando Cluster	1,381,078.54
Health Services – Southwest Cluster	3,698,173.24
Health Services – SW Network Cluster	1,406,667.37
Internal Services	4,113,889.72
Medical Examiner (Coroner)	520,052.72
Parks & Recreation	643,964.67
Sheriff	17,964,826.05
TOTAL	**40,405,573.82**

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 Draft - 5/23/06

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 8, 2006

In the opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "Tax Matters" herein.

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: Fitch: "__"
Moody's: "__"
Standard & Poor's: "__"
(See "RATINGS" herein.)

$_____*

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2006 SERIES A
(LAC-CAL Equipment Program)

Dated: Date of Delivery **Due: June 1 and December 1, as shown below.**

The Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds"), are being issued to finance the acquisition of certain equipment, machinery, vehicles and other tangible personal property to be leased to the County of Los Angeles, California (the "County") pursuant to a Lease Agreement, dated as of June 1, 2006 (the "Lease") by and between the County, as lessee, and the Los Angeles County Capital Asset Leasing Corporation, as lessor (the "Corporation"). Principal of and interest on the Bonds are payable from Base Rental payments to be made by the County pursuant to the Lease and from certain other sources, as described herein. See "Security and Sources of Payment for the Bonds."

The Bonds will be issued in authorized denominations of $5,000 and any integral multiple thereof. Interest on the Bonds will be payable semiannually each June 1 and December 1, commencing on December 1, 2006. See "The Bonds" herein. The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "The Bonds - Book-Entry System."

The Bonds are not subject to optional redemption prior to maturity. The Bonds are subject to mandatory redemption prior to maturity, as described herein. See "The Bonds-Redemption."

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE LEASE AND FROM AMOUNTS HELD BY THE TRUSTEE IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE INDENTURE. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL AND ADDITIONAL RENTAL UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL OR ADDITIONAL RENTAL UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. UNDER CERTAIN CIRCUMSTANCES, BASE RENTAL MAY BE ABATED UNDER THE LEASE.

Maturity Schedule
Base CUSIP:

Maturity	Principal Amount	Interest Rate	Yield	CUSIP	Maturity	Principal Amount	Interest Rate	Yield	CUSIP
December 1, 2006	$_____				December 1, 2008	$_____			
June 1, 2007	_____				June 1, 2009	_____			
December 1, 2007	_____				December 1, 2009	_____			
June 1, 2008	_____				June 1, 2010	_____			

* Preliminary, subject to change.

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.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued subject to the approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation. Certain legal matters will be passed upon for the County and the Corporation by County Counsel. It is anticipated that the Bonds will be available for delivery to DTC on or about [June 28], 2006.

Dated: June __, 2006

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2006 SERIES A
(LAC-CAL Equipment Program)

Board of Supervisors

Michael D. Antonovich
Fifth District, Mayor

Gloria Molina
First District

Yvonne B. Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Sachi A. Hamai
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

To Be Determined
Trustee

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

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

Certain of the information set forth herein has been obtained from official sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County and the Corporation.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY, THE CORPORATION AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

TABLE OF CONTENTS

Page

INTRODUCTION 1

General Description 1
General Terms of the Bonds 1
Book-Entry System 1
Security and Sources of Payment for the Bonds 2
The County 2
Limited Liability 2
Continuing Disclosure 3

ESTIMATED SOURCES AND USES OF FUNDS 3

THE BONDS 3

General Provisions 3
Redemption 4
Book-Entry System 4

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS 7

Base Rental and Additional Rental 7
Reserve Fund 8
Abatement 8
Insurance 9
Investment of Funds and Accounts 9
Description of the Equipment 9

THE CORPORATION 9

RISK FACTORS 10

Not a Pledge of Taxes 10
Additional Obligations of the County 10
Limitations on Remedies 10
Adequacy of County Insurance Reserves or Insurance Proceeds 11
Abatement 11

TAX MATTERS 12

Opinion of Bond Counsel 12
Certain Ongoing Federal Tax Requirements and Covenants 12
Certain Collateral Federal Tax Consequences 12
Original Issue Discount 13
Bond Premium 13
Legislation 14

CERTAIN LEGAL MATTERS 14

FINANCIAL ADVISOR 14

LITIGATION 14

RATINGS 15

CONTINUING DISCLOSURE 15

ADDITIONAL INFORMATION 16

APPENDIX A - THE COUNTY OF LOS ANGELES INFORMATION STATEMENT A-1
APPENDIX B - THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2005 ..... B-1
APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS C-1
APPENDIX D - PROPOSED FORM OF APPROVING OPINION D-1
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE E-1

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LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2006 SERIES A
(LAC-CAL Equipment Program)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds 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 and the Lease. See Appendix C - "Summary of Principal Legal Documents - Definitions."

General Description

This Official Statement, including the cover page and attached Appendices (the "Official Statement"), provides certain information concerning the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds") in the aggregate principal amount of $_____*. The Bonds will be issued pursuant to Chapter 10 (commencing with Section 5800) of Division 6 of Title 1 of the California Government Code and an Indenture of Trust (the "Indenture") dated as of June 1, 2006, by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and [TRUSTEE], as Trustee (the "Trustee"). The proceeds of the Bonds will be used to (1) redeem certain bond anticipation notes of the County (the "BANs"), whose proceeds were originally used to finance the acquisition of certain equipment, machinery, vehicles, and other tangible personal property (the "Equipment"), (ii) fund the Reserve Fund established pursuant to the Indenture and (iii) pay the costs of issuance of the Bonds. See "Estimated Sources and Uses of Funds." The Equipment will be leased pursuant to the Lease Agreement dated as of June 1, 2006 (the "Lease") by and between the Corporation and the County of Los Angeles (the "County").

General Terms of the Bonds

The Bonds are dated and will mature on the dates and in the principal amounts and will bear interest at the respective rates per annum, all as set forth on the cover page of this Official Statement. Interest on the Bonds is payable on June 1 and December 1, commencing on December 1, 2006 (the "Interest Payment Dates"). The Bonds will be issued in denominations of $5,000 and any integral multiple thereof. See "The Bonds - General Provisions." The Bonds are not subject to optional redemption. The Bonds are subject to mandatory redemption as set forth under the caption, "The Bonds - Redemption."

Book-Entry System

The Bonds 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 The Depository Trust Company, New York, New

---

* Preliminary, subject to change.

York ("DTC"), which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers of the Bonds will not receive Bonds representing their ownership interests in the Bonds purchased. Principal of and interest on the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Bonds. See the caption, "The Bonds - Book-Entry System" herein.

Security and Sources of Payment for the Bonds

Under the Lease, in consideration for the use and possession of the Equipment, the County is required to make certain payments designated as Base Rental ("Base Rental") in the amounts, at the times and in the manner set forth in the Lease. The County is also required to make certain payments designated as Additional Rental ("Additional Rental") pursuant to the Lease. Pursuant to the Indenture, the Trustee will apply Base Rental payments received from the County to pay principal of and interest on the Bonds.

The County has covenanted in the Lease to pay the Base Rental due thereunder from any source of legally available funds, and to take such action as may be necessary to include all Base Rental and Additional Rental in its annual budget, and to make the necessary annual appropriations for all such Base Rental and Additional Rental (except to the extent such payments are abated as described herein). However, the County is not obligated to levy or pledge any form of taxation in order to pay such Base Rental and Additional Rental for the rental of the Equipment, nor has the County done so.

Payments under the Lease, except for certain moneys more particularly described in the Lease, will be abated in whole or in part during any period in which, by reason of damage, destruction or theft, there is substantial interference with the County's right of use or possession of the Equipment or any portion thereof. See "Security and Sources of Payment for the Bonds."

The County

The County was established by an act of the California State Legislature on February 18, 1850, as one of the California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,084 square miles and includes 88 incorporated cities as well as many unincorporated communities. With an estimated population of 10.3 million in 2005, the County is the largest of 58 counties in California and is more populous than 42 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For additional economic and demographic information with respect to the County, see APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "COUNTY OF LOS ANGELES FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2005."

Limited Liability

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE LEASE AND FROM AMOUNTS HELD BY THE TRUSTEE IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE INDENTURE. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL AND ADDITIONAL RENTAL UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL OR ADDITIONAL RENTAL UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS

OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. UNDER CERTAIN CIRCUMSTANCES, BASE RENTAL MAY BE ABATED UNDER THE LEASE.

Continuing Disclosure

The County 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 promulgated by the U.S. Securities and Exchange Commission, certain annual financial information and operating data and, in a timely manner, notice of certain material events. These covenants have been made in order to assist the Underwriter of the Bonds in complying with Rule 15c2-12. 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 pursuant to which such reports are to be made.

ESTIMATED SOURCES AND USES OF FUNDS

The Bond proceeds and other funds are expected to be applied approximately as set forth below:

SOURCES:	
Principal Amount of Bonds	$
Original Issue Premium	
County Contribution	
TOTAL	$
USES:	
Cost of Equipment	$
Accrued Interest on BANs	
Debt Service Reserve Fund	
Costs of Issuance Account[1]	
Underwriter's Discount	
TOTAL	$

[1] Includes rating agency fees, certain legal fees, financial advisory fees, electronic bid fees and printing costs.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference.

General Provisions

The Bonds will be dated, will mature on the dates in the respective principal amounts, and will bear interest at the respective rates per annum, all as set forth on the cover page of this Official Statement. Interest on the Bonds will be computed using a year of 360 days comprised of twelve 30-day months and is payable on June 1 and December 1 of each year, commencing on December 1, 2006 (each such date being an "Interest Payment Date"). The Bonds will be delivered in fully registered form only and, when

executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in each case in the denominations of $5,000 or any integral multiple thereof. See "The Bonds - Book-Entry System."

Redemption

Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption. The Bonds are subject to mandatory redemption prior to maturity in whole on any date or in part on any Interest Payment Date at a redemption price equal to the principal amount thereof plus accrued but unpaid interest on the redemption date, without premium, from proceeds of insurance deposited in the Redemption Account of the Bond Fund established under the Indenture. The Bonds are only subject to mandatory redemption to the extent that Base Rental payments with respect to the remaining Outstanding Bonds do not exceed the fair rental value for the use and possession of the portions of the Equipment not damaged or destroyed.

Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds are to be redeemed, the Trustee must select the Bonds for redemption proportionately among all maturities. Within a maturity, the Trustee will select Bonds for redemption by lot. The redeemed portion of any Bond to be redeemed in part must be in denominations of $5,000 or any integral multiple thereof. So long as a book-entry system is used for the Bonds, selection of Bonds for redemption will be made according to DTC's practices. See "The Bonds - Book-Entry System."

Notice of Redemption. Whenever redemption is required under the Indenture, the Trustee must give notice, at the expense of the County, of the redemption of the Bonds; provided, however, that neither failure of any Bondowner to receive a redemption notice or any defect in a redemption notice shall affect the sufficiency of the proceedings for the redemption of Bonds. The redemption notice must be given to the Bondowners by first class mail, postage prepaid, at least 30 but not more than 60 days prior to the redemption date at their addresses appearing on the Bond Register as of the close of business on the day before such redemption notice is given. The redemption notice must also be given to certain securities depositories and information services as provided in the Indenture. From and after such redemption date, if amounts sufficient to pay such Bonds are held by the Trustee, interest on the principal amount of the Bonds to be redeemed will cease to accrue.

Book-Entry System

General. The Bonds will be available in book-entry form only in the principal amount of $5,000 and any integral multiple thereof. So long as the Bonds remain in book-entry-only form, the principal and interest payments with respect to the Bonds will be made to DTC, or its nominee, Cede & Co., as registered owner of the Bonds.

DTC and its Book-Entry System. The information hereunder concerning DTC, and DTC's Book-Entry system has been obtained from DTC and the County, the Corporation and the Trustee take no responsibility for the completeness or accuracy thereof. The County, the Corporation and the Trustee cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (herein defined) (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described hereunder. The current "Rules" applicable to DTC

are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 2.2 million issues of U.S. and non- U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non- U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (respectively, "NSCC," "FICC," 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. 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 Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Bonds by the Corporation will reduce the outstanding principal amount of the Bonds held by DTC. In such event, DTC will implement, through its book-entry system, redemption by lot of interests in the Bonds 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 Bonds for the Beneficial Owners.

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

Payments of principal of and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, the Corporation 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, the Corporation, or the County, 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 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, the Corporation 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 COUNTY, THE CORPORATION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR PREPAYMENT.

None of the County, the Corporation or the Trustee can or do give any assurances that DTC, the Participants or others will distribute payments of principal or interest evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the County, the Corporation or the Trustee is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

Discontinuance of Depository Services. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County, the Corporation 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 Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security 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.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Base Rental and Additional Rental

The Lease requires the County to pay Base Rental for the use and possession of the Equipment and to pay, as Additional Rental, any taxes, assessments and insurance premiums with respect to the Equipment and to the extent not paid out of proceeds of the Bonds, the fees and expenses of the Trustee and any paying agent in connection with the authentication of the Bonds and the performance and enforcement of the Lease and the Indenture. The County has agreed to deposit the Base Rental payable under the Lease on each Lease Payment Date with the Trustee at least one Business Day prior to that Lease Payment Date. The County's obligation to pay Base Rental under the Lease shall commence on the date of issuance of the Bonds. The County has covenanted in the Lease to pay Base Rental from any source of legally available funds, and to take such action as may be necessary to include all Base Rental and Additional Rental Payments for the Equipment in its annual budgets and to make the necessary annual appropriations therefor (except to the extent such payments are abated as permitted under the Lease). See Appendix C - "Summary of Principal Legal Documents - Lease - Abatement."

Base Rental payments are scheduled to be paid as set forth below:*

Lease Payment Date[1]	Principal Component	Interest Component	Base Rental Payment
December 1, 2006	$	$	$
June 1, 2007			
December 1, 2007			
June 1, 2008			
December 1, 2008			
June 1, 2009			
December 1, 2009			
June 1, 2010			

* Preliminary, subject to change.

(1) Due on the Business Day immediately preceding June 1 and December 1 of each year, commencing on December 1, 2006, except if such Lease Payment Date is on a date which is not a Business Day then the Lease Payment Date will be the next preceding Business Day.

Pursuant to the Indenture, the Corporation has assigned to the Trustee, for the benefit of the Bondowners, all of its rights in and to the Lease, including the right to receive Base Rental payments and the right to enforce payment of Base Rental when due, but excluding the Corporation's rights to the payment of its expenses, to indemnification and certain other rights set forth in the Indenture. See Appendix C - "Summary of Principal Legal Documents - Indenture."

The Bonds are special obligations of the Corporation payable solely from Base Rental payments received pursuant to the Lease and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The obligation of the County to pay Base Rental and Additional Rental under the Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to pay Base Rental or Additional Rental under the Lease constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of the Constitution of the State of California. Under certain circumstances, Base Rental may be abated under the Lease.

Any component of the Equipment may be modified for the County's use after the execution and delivery of the Lease, provided that such modification is in compliance with the terms of the Lease, which requires, among other things, that any such modification will not cause the modified Equipment to have a value less than its value prior to the modification.

Reserve Fund

Amounts on deposit in the Reserve Fund established pursuant to the Indenture are pledged to pay principal of and interest on the Bonds. The Reserve Fund will initially be funded from the proceeds of the Bonds in the amount of $1,000,000, which is equal to the Reserve Requirement. If the amount on deposit in the Reserve Fund is determined by the Trustee to be less than the Reserve Requirement, the Trustee will promptly notify the County of such fact. Upon receipt of such notice, the County will transfer to the Trustee for deposit into the Reserve Fund all funds legally available for such use until the amount on deposit in the Reserve Fund equals the Reserve Requirement. If on any Interest Payment Date, the amount on deposit in the Interest Account and/or the Principal Account is less than the principal and interest payments due with respect to the Bonds on such date, then the Trustee shall transfer from the Reserve Fund for credit to such account or accounts sufficient amounts if available to make up the deficiencies. See Appendix C - "Summary of Principal Legal Documents - Indenture - Funds and Accounts."

Abatement

A proportionate amount of Base Rental shall be abated during any period in which, by reason of damage, destruction, theft or otherwise, there is substantial interference with the use and possession of any component of the Equipment by the County. There shall be no abatement of Base Rental to the extent that moneys are (a) on deposit in the Reserve Fund, (b) on deposit in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and (c) otherwise legally available to the County and transferred to the Trustee for the purpose of making Base Rental, and are available to pay the amount which would otherwise be abated. The amount of any abatement shall be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) through (c) above, does not exceed the fair rental value for the use and possession of the portions of the Equipment not damaged or destroyed. Such abatement shall commence on the date of theft, damage or destruction and shall end with the substantial completion of the work of repair of the

Equipment or any affected portion of the Equipment, or the delivery of replacement Equipment or portions thereof. Additional Rental shall not be abated so long as a significant portion of the Equipment or portions thereof remains available for the use and possession of the County. Except as provided in the Lease, in the event of any such theft, damage or destruction, the Lease shall continue in full force and effect and the County waives any right to terminate the Lease by virtue of any such theft, damage or destruction. See Appendix C - "Summary of Principal Legal Documents - Lease - Abatement."

Insurance

The County has agreed to obtain certain types of insurance, including rental interruption insurance and all-risk insurance including theft insurance, from private insurers, as long as such insurance is commercially available at a reasonable cost. No assurance can be given that such insurance will be commercially available at a reasonable cost during the entire term of the Lease. If any such insurance is not commercially available at a reasonable cost, the County has covenanted in the Lease to self-insure, and has further covenanted in the Lease that reserves for such self-insurance, other than with respect to workers' compensation insurance, will, in the opinion of the County's risk manager, be adequate. The County may not self-insure for rental interruption insurance.

Investment of Funds and Accounts

County General Fund moneys are generally deposited into the County Treasury to the credit of the County and invested in accordance with County investment policies. Pursuant to the Indenture, moneys held by the Trustee in any fund or account under the Indenture shall be invested in Qualified Investments pending application as provided therein, which investment may include the County Treasury Pool. See Appendix A - "The County of Los Angeles Information Statement - Los Angeles County Pooled Surplus Investments" and Appendix C - "Summary of Principal Legal Documents."

Description of the Equipment

The proceeds of the Bonds are to be used to refinance the acquisition of certain equipment, machinery, vehicles and other tangible personal property used by various departments of the County of Los Angeles, including the Sheriffs' Department, the Department of Health Services, the Department of Parks and Recreation, the Public Library, the Department of Beaches and Harbors and the Internal Services Department. Such property consists of Sheriffs' vehicles, medical equipment, and computer systems. The cost of each item of such equipment ranges from approximately $4,329.74 to approximately $1,461,617.49. The aggregate average useful life of such equipment will not be less than the weighted average maturity of the Bonds, and the individual useful life of such equipment ranges from three years to five years.

THE CORPORATION

The Los Angeles County Capital Asset Leasing Corporation is a California nonprofit corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California (constituting Title 1, Division 2, Part 2 of the California Corporations Code). The Corporation was formed to assist the County, among other things, in financing the purchase of necessary equipment.

The Corporation is a separate legal entity from the County. It is governed by a five-member Board of Directors (the "Board") appointed by the Board of Supervisors of the County. The Board members receive no compensation. The Corporation has no employees. All staff work is performed by employees 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 Bonds.

Not a Pledge of Taxes

The Bonds are special obligations of the Corporation payable solely from Base Rental payments received pursuant to the Lease and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The obligation of the County to pay Base Rental and Additional Rental under the Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to pay Base Rental or Additional Rental under the Lease constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of the constitution of the State of California. Under certain circumstances, Base Rental may be abated under the Lease.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease to pay Base Rental from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Lease that, for as long as the Equipment is available for its use and possession, the County will take such action as may be necessary to include all Base Rental payments due under the Lease in any Fiscal Year during the term of the Lease in its annual budgets for the Fiscal Year and to make the necessary annual appropriations for all such Base Rental payments. The County is currently liable on other obligations payable from general revenues.

Additional Obligations of the County

The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental payments may be decreased.

The Base Rental payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Equipment, taxes and other governmental charges levied against the Equipment) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay principal of and interest on the Bonds when due.

Limitations on Remedies

In the event of a default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Lease and the Trustee is not empowered to sell the Equipment and use the proceeds of such sale to redeem the Bonds or pay debt service thereon or repossess the Equipment in any way. More specifically, the Trustee does not have the right: (i) to demand that the County return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

Under the terms of the Lease, the Trustee has the right to recover Base Rental payments as they become due under the Lease. The County will be liable only for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental payments were due and against funds needed to serve the public welfare and interest.

Additionally, enforceability of the rights and remedies of the Bondowners, and the obligations incurred by the Corporation and the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Bondowners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Lease. See "Security and Sources of Payment for the Bonds - Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Equipment. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. If the County's self-insurance reserves are inadequate or if the County receives insufficient commercial insurance proceeds to repair or replace any portion of the Equipment which is damaged or destroyed, the amount of Base Rental payable under the Lease could be abated. See "Security and Sources of Payment for the Bonds - Abatement" and "Risk Factors - Abatement."

Abatement

Except to the extent of amounts held in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and in the Reserve Fund, amounts received from rental interruption insurance, and amounts which may otherwise be legally available to the County and transferred to the Trustee for the purpose of paying Base Rental, payments under the Lease will be abated in whole in part during any period in which, by reason of damage, destruction or theft, there is substantial interference with the County's right of use or possession of the Equipment or any portion thereof. In the event of an abatement, the amount of rental abatement will be such that the resulting total Base Rental payments do not exceed the total fair rental value of the remaining portions of the Equipment not damaged, destroyed or taken. Abatement will continue for the period commencing with the date of damage, destruction or theft and shall end with the substantial completion of the work of repair or the delivery of a replacement for the affected portion of the Equipment.

Such reduced or abated Base Rental, together with other moneys available to the Trustee, may not be sufficient, after depletion of amounts in the Reserve Fund and expiration of rental interruption insurance with respect to the Equipment, if any, to pay principal of and interest on the Bonds in the amounts and at the rates set forth thereon. In such an event, all Bondowners would forfeit the right to

receive a pro rata portion of interest attributable to abated Base Rental in any year of abatement and, to the extent Bonds matured during a period of abatement, such Bondowners would forfeit the right to receive a pro rata portion of principal attributable to such abated Base Rental. The failure to make such payments of principal and interest under such circumstances would not constitute a default under the Lease or the Indenture.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County and the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Bonds, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the County and the Corporation, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences on the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters on the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of

a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable with respect to the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the

qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Legislation

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

CERTAIN LEGAL MATTERS

Legal matters incident to the issuance of the Bonds by the Corporation are subject to the approval of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix D hereto. Certain legal matters will be passed upon for the County and the Corporation by the County Counsel.

FINANCIAL ADVISOR

Montague DeRose and Associates, LLC served as Financial Advisor in connection with the issuance of the Bonds. The Financial Advisor has not been engaged, nor have they undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

LITIGATION

No litigation is pending, or to the best knowledge of the County and the Corporation, threatened against the County or the Corporation concerning the validity of the Bonds or challenging any action taken by the County or the Corporation in connection with the authorization of the Indenture or the Lease or any other document relating to the Bonds to which the County or the Corporation is or is to become a party or the performance by the County or the Corporation of any of their obligations under any of the foregoing.

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not materially impair the ability of the County to make Base Rental payments. See Appendix A - "The County of Los Angeles Information Statement - Litigation."

RATINGS

Fitch, Inc. ("Fitch") has assigned the Bonds a rating of "__," Moody's Investors Service ("Moody's") has assigned the Bonds a rating of "__" and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned the Bonds a rating of "__." 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 Bonds. Explanation of the significance of such ratings may be obtained only from the respective organizations at: Fitch, Inc., One State Street Plaza, New York, New York 10004, telephone number (212) 908-0500; Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007-2796, telephone number (212) 553-0300; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone number (212) 438-2124. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "Disclosure Certificate"), the County has agreed to provide, or cause to be provided, not later than February 1 in each year, commencing with the report for the County's fiscal year ended June 30, 2006, 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 Rule 15c2-12 (each, a "Repository") certain annual financial information and operating data, including (i) assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended; (ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended; (iii) summary financial information on the proposed and adopted budgets of the County for the current Fiscal Year and any changes in the adopted budget; (iv) summary of aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year; (v) summary of annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and (vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended. See Appendix E - "Form of Continuing Disclosure Certificate."

In addition, the County has agreed to provide, or cause to be provided, to each Repository in a timely manner notice of the following "Listed Events" if determined by the County 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 Rule 15c212. The County 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 may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied: (a) if the amendment or waiver relates to the provisions of the Disclosure Certificate in connection with the provisions and content of the Annual Reports or Listed Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (b) the

undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver either (1) is approved by the Bondowners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Bondowners or Beneficial Owners of the Bonds. The County shall describe such amendment and the reason therefor in its next annual report filed with the Repositories.

In addition, the County's obligations under the Disclosure Certificate shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds. In the event of a failure of the County to comply with any provision of the Disclosure Certificate, any Bondowner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under the Disclosure Certificate in the event or any failure of the County to comply with the Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under the Disclosure Certificate.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds, the Indenture, the Lease and the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

The County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Any Bondowner may obtain a copy of any such report, as available, from the County at the address set forth below.

This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County and the Board of Directors of the Corporation.

GLENN BYERS
DIRECTOR OF PUBLIC FINANCE
COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
(213) 974-7175

APPENDIX A

THE COUNTY OF LOS ANGELES
INFORMATION STATEMENT

APPENDIX B

THE COUNTY OF LOS ANGELES
AUDITED FINANCIAL STATEMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2005

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions in the Indenture and the Lease. This summary does not purport to be comprehensive and reference should be made to the Indenture and the Lease for a full and complete statement of their respective provisions. All capitalized terms not defined in this Official Statement have the meaning set forth in the Indenture and the Lease.

Definitions

"Acquisition Cost" means all the necessary and reasonable costs in connection with the acquisition of any Equipment Component, including, but not limited to, legal fees and expenses of counsel with respect to the financing of the Equipment and the leasing of the Equipment; to the extent such fees and expenses are approved by a Lessee Representative.

"Acquisition Fund" means the fund of that name established pursuant to the Indenture.

"Base Rental Account" means the Base Rental Account within the Bond Fund established pursuant to the Indenture.

"Book-Entry Bonds" means the Bonds registered in the name of the Nominee, as the Bondowner thereof, pursuant to the Indenture.

"Business Day" means any day other than a Saturday, Sunday or a day on which banks in both New York, New York and the city in which the Principal Corporate Trust Office is located are authorized or required by law to be closed.

"Cede & Co." means Cede & Co., the initial Nominee of DTC.

"Bondowner" means the registered Bondowner, as indicated in the Bond Register, of any Bond, including DTC or its Nominee, or any successor Depository or its Nominee for the Bonds, as the sole registered Bondowner of Book-Entry Bonds.

"Bond Fund" means the fund of that name established pursuant to the Indenture.

"Bond Register" means the books for the registration of the ownership of the Bonds referred to in the Indenture.

"Closing Date" means the date on which the Bonds are first executed by the Lessor and authenticated and delivered by the Trustee to the initial purchasers thereof.

"Cost of Issuance" means all the costs of preparation, sale and issuance of the Bonds and other costs related to such financing including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Lease, the Bonds and the preliminary and final official statements; rating agency fees; CUSIP Service Bureau charges; legal fees and expenses of counsel with respect to the financing of and leasing of the Equipment; the initial fees and expenses of the Trustee and its counsel and of any paying agent and its counsel; and other fees and expenses incurred in connection with the issuance of the Bonds and the payment of the BANs or the implementation of the financing, to the extent such fees and expenses are approved by a Lessee Representative or a Lessor Representative.

"Costs of Issuance Account" means the Costs of Issuance Account established in the Acquisition Fund pursuant to the Indenture.

"Depository" means DTC and its successors and assigns or if (a) the then depository resigns from its functions as securities depository of the Bonds, or (b) the Lessee discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Lessor.

"Earnings Fund" means the fund of that name established pursuant to the Indenture.

"Equipment Component" means each discrete component of the personal property described in the Lease, as the same may be amended from time to time.

"Escrow Obligations" has the meaning given to such term within the definition of Government Obligations.

"Event of Default" means any one or more of the events described in the Indenture.

"Excess Earnings Account" means the account of that name established in the Earnings Fund pursuant to the Indenture.

"Fitch" means Fitch, Inc., New York, New York, its successors and assigns.

"General Account" means the General Account established in the Acquisition Fund pursuant to the Indenture.

"Government Obligations" means (1) noncallable direct obligations of, or noncallable obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including State And Local Government Series obligations, including such obligations which do not bear interest, (2) U.S. Treasury STRIPS or REFCORP STRIPS (STRIPS by the Federal Reserve Bank of New York), and (3) prerefunded municipal obligations, rated in the highest rating category (without giving effect to pluses or minuses) by the Rating Agencies meeting the following conditions: (a) the municipal obligations are not to be redeemable prior to maturity, or the trustee with respect to such obligations has been given irrevocable instructions concerning their calling and redemption; (b) the municipal obligations are secured by securities described in subdivision (1) or (2) of this definition ("Escrow Obligations"), which Escrow Obligations, except for provisions relating to surplus moneys not required for the payment of the municipal obligations and the substitution of such Escrow Obligations for other Escrow Obligations satisfying all criteria for Escrow Obligations in this definition, may be applied only to interest, principal and premium payments of such municipal obligations; (c) the principal of and interest on the Escrow Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; and (d) the Escrow Obligations serving as security for the municipal obligations are held by an escrow agent or trustee.

"Information Services" means Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558, Phone: (609) 279-3225, Fax: (609) 279-5962, Email: Munis@Bloomberg.com; Standard & Poor's Securities Evaluations, Inc., 55 Water Street, 45th Floor, New York, NY 10041, Phone: (212) 438-4595, Fax: (212) 438-3975, Email: nrmsir_repository@sandp.com; DPC Data Inc., One Executive Drive, Fort Lee, NJ 07024, Phone: (201) 346-0701, Fax: (201) 947-0107, Email: nrmsir@dpcdata.com; FT Interactive Data, Attention: NRMSIR, 100 William Street, New York, New York 10038, Phone: (212) 771-6999, Fax: (212) 771-7390

(Secondary Market Information), (212) 771-7391 (Primary Market Information), Email: NRMSIR@interactivedata.com; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the County may designate in a certificate to the Trustee.

"Insurance Proceeds Fund" means the fund established pursuant to the Indenture.

"Interest Account" means the Interest Account established in the Bond Fund pursuant to the Indenture.

"Investment Earnings" means interest and income received in respect of the investment of money on deposit in any fund or account maintained under the Indenture.

"Investment Earnings Account" means the Investment Earnings Account established in the Earnings Fund pursuant to the Indenture.

"Lease Payment Date" means the Business Day immediately preceding June 1 and December 1 of each year during the Term of the Lease, commencing on December 1, 2006, except if such Lease Payment Date is on a date which is not a Business Day then the Lease Payment Date will be the next succeeding Business Day.

"Lease Year" means the period to be selected by the Lessee in accordance with regulations promulgated under the Code.

"Lessee" means the County of Los Angeles.

"Lessee Representative" means the Treasurer and Tax Collector of the Lessee or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessee with respect to the Indenture and all other related agreements, including but not limited to the Lease.

"Lessor Representative" means the Treasurer and Tax Collector of the Lessee as ex officio officer of the Lessor or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessor with respect to the Indenture and all other related agreements, including but not limited to the Lease.

"Lessor" means the Los Angeles County Capital Asset Leasing Corporation, a California nonprofit public benefit corporation.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Outstanding" when used as of any particular time with respect to any Bond, means any Bonds previously executed by the Lessor and authenticated and delivered by the Trustee under the Indenture, except: (1) any Bond previously canceled by the Trustee or surrendered to the Trustee for cancellation; (2) any Bond for the payment or redemption of which funds and/or Government Obligations in the necessary amount shall have been deposited with the Trustee (whether on or prior to the maturity or redemption date of such Bond (as provided in the Indenture)); (3) any Bond purchased by the Lessor and surrendered to the Trustee for cancellation; (4) any Bond in lieu of or in exchange for which another Bond

or other Bonds shall have been executed by the Lessor and authenticated and delivered by the Trustee pursuant to the Indenture; (5) any Bond that is more particularly described in the Indenture that is not presented for payment, when the principal becomes due; and (6) any Bond for which a notice of redemption shall have been given and for which money for its redemption shall have been set aside as provided in the Indenture.

"Principal Account" means the Principal Account established in the Bond Fund pursuant to the Indenture.

"Principal Corporate Trust Office" means the office of the Trustee at the address set forth in the Indenture, except for transfer, exchange, payment, surrender of Bonds means in care of the corporate trust office of the Trustee in Los Angeles, California, or such other office or agency identified by the Trustee in writing from time to time.

"Qualified Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the Lessee:

(1) United States Treasury notes, bonds, bills or certificates of indebtedness for which the faith and credit of the United States are pledged for the payment of principal and interest;

(2) Registered warrants or treasury notes or bonds of the State which are rated "AA" or better, by the Rating Agencies including bonds payable solely out of the revenues from a revenue producing property owned, controlled or operated by the State or by a department, board, agency or authority of the State;

(3) Bonds, notes, warrants or other evidences of indebtedness of any local agency within the State which are rated "A" or better by the Rating Agencies, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency or by a department, board, agency or authority of the local agency;

(4) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration Notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise;

(5) Bills of exchange or time drafts which are rated "A" or better by the Rating Agencies drawn on or accepted by a commercial bank, otherwise known as bankers' acceptances, provided that purchases of bankers' acceptances may not exceed 270 days maturity;

(6) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by the Rating Agencies; eligible commercial paper is further limited to issuing corporations that are organized and operating within the United States and have total assets in excess of $5,000,000 and have an "A" or higher rating for the issuer's debt; other than commercial paper, if any, as provided for by the Rating Agencies, purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation;

(7) Negotiable certificates of deposit which are rated "A" or better by the Rating Agencies issued by a nationally or state-chartered bank (including the Trustee or any of its affiliates) or a

state or federal association (as defined by Section 5102 of the California Financial Code) or by a state licensed branch of a foreign bank;

(8) Investments in repurchase agreements of any securities authorized in this definition of Qualified Investments, if the Trustee shall have received a perfected first security interest in such securities securing such repurchase agreement and the Trustee or its appointed agent shall hold such obligations free and clear of the claims of third parties and the securities securing such repurchase agreement are required to be of such nature, valued at such intervals and maintained at such levels so as to meet the collateralization levels then required by the Rating Agencies for a rating of "A" or better; the term "repurchase agreement" means a purchase of securities pursuant to an agreement by which the seller will repurchase such securities on or before a specified date and for a specified amount and will deliver the underlying securities by physical delivery or third-party custodial agreement; the term "counterparty" means the other party to the transaction; a counterparty bank's trust department or safekeeping department may be used for physical delivery of the underlying security; the term of repurchase agreements shall be for one year or less; such securities, for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity;

(9) Medium-term corporate notes of a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state operating within the United States, which are rated "A" or better by the Rating Agencies;

(10) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.), including funds for which the Trustee or an affiliate provides investment advice or other services. To be eligible for investment under this provision, the company shall have attained the highest ranking or the highest letter and numerical rating provided by the Rating Agencies;

(11) Notes, bonds or other obligations which are rated "A" or better by the Rating Agencies which are at all times secured by a perfected first security interest in securities of the types listed by section 53651 of the California Government Code as eligible securities for the purpose of securing local agency deposits and which are also listed as a Qualified Investment under any of subdivisions (1) through (10) of this definition and which have a market value at least equal to that required by Section 53652 of the California Government Code for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted;

(12) Interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or state or federal savings and loan association in the State, including the Trustee or any affiliate thereof, which are (i) fully insured by the Federal Deposit Insurance Corporation, or (ii) which are (A) at all times secured by a perfected security interest in securities of the types listed in subdivision (2) or (5) of this definition and (B) maintained with a nationally or state chartered bank or savings and loan association, or (iii) collateralized in the manner required for the deposit of public funds;

(13) [The Local Agency Investment Fund of the State of California;]

(14) The County Treasurer's investment pool, provided that the investment pool is rated in a rating category not less than the rating on then applicable general fund debt of the County;] and

(15) Any other investments which are rated "A" or better by the Rating Agencies which the Lessor deems to be prudent investments and in which the Lessor directs the Trustee to invest.

"Rating Agencies" means Fitch, Moody's and S&P; provided, however, that if either of Fitch or Moody's does not rate investments or obligations of a type described in any of clauses (1) through (13) of the definition of "Qualified Investments," a rating by such entity shall not be required.

"Redemption Account" means the Redemption Account established in the Bond Fund pursuant to the Indenture.

"Reserve Fund" means the fund established pursuant to the Indenture.

"Reserve Requirement" means $1,000,000.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

"State" means the State of California.

"Tax Certificate" shall have the meaning assigned to such term in the Indenture.

"Term" has the meaning set forth in the Lease.

"Trustee" means [TRUSTEE] and its successors and assigns.

"Useful Life" means, with respect to any Equipment Component, the period of time, expressed in years, and fraction of years, for which the Lessee reasonably expects that such Equipment Component may be economically utilized for the purpose or purposes for which such Equipment Component is intended.

THE INDENTURE

The following is a summary of certain provisions contained in the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture.

Acquisition Fund

There shall be established in trust a special fund designated as the "Acquisition Fund," which shall consist of a General Account and a Costs of Issuance Account. There shall be deposited into the General Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall, on behalf of the Lessor, transfer from the General Account on the Closing Date to the Lessor the amount necessary to pay and redeem $20,000,000 aggregate principal amount of the BANs. If there shall remain any balance of money in the General Account following the retirement in full of the BANs, all money so remaining shall be transferred by the Trustee, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement, and the excess, if any, of such amount shall be transferred to the Base Rental Account. There shall be deposited in the Costs of Issuance Account that portion of the proceeds of the Bonds

required to be deposited therein pursuant to the Indenture. The Trustee shall disburse money from the Costs of Issuance Account to pay Costs of Issuance promptly after receipt of, and in accordance with, a written direction of a Lessor Representative pursuant to the Indenture. Any funds remaining in the Costs of Issuance Account on the date on which the Lessor Representative has notified the Trustee in writing that all Costs of Issuance have been paid shall be transferred, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, thereafter, to the Bond Fund.

Bond Fund

There shall be established in trust a special fund designated the "Bond Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee.The Trustee shall administer the fund as provided in the Indenture. The Bond Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the provisions of the Lease, or until such date as there are no Bonds Outstanding. Within the Bond Fund, the Trustee shall establish the following accounts: (a) Base Rental Account; (b) Interest Account; (c) Principal Account; and (d) Redemption Account.

Base Rental Account. Except as otherwise provided in this paragraph, Base Rental and proceeds of liquidated damages and rental interruption insurance, if any, with respect to the Equipment received by the Trustee shall be deposited into the Base Rental Account. Any delinquent Base Rental payments and any proceeds of liquidated damages or rental interruption insurance deposited in the Base Rental Account shall be applied, first, to the Interest Account for the immediate payment of interest payments on the Bonds past due, and then to the Principal Account for immediate payment of principal payments past due according to the tenor of any Bond, and, then, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement. Any remaining money representing delinquent Base Rental payments or proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account to be applied in the manner provided in the Indenture.

Any amounts remaining in the Base Rental Account on any Interest Payment Date or redemption date after the transfers referred to in the provisions relating to the Interest Account and the Principal Account in the following paragraph shall have been made, other than money held for Bonds not surrendered, shall be deposited into the following funds and accounts in the order of priority indicated: (i) the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement, and (ii) the Interest Account to the extent necessary to make the total amount on deposit in the Interest Account equal to the amount of interest due on the Bonds on the next succeeding Interest Payment Date or redemption date. Amounts not required to be so deposited shall be remitted to the Lessee except that, as provided above, any remaining money representing delinquent Base Rental and any proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account.

Interest Account and Principal Account. The Trustee shall, on or before each Interest Payment Date or redemption date, transfer money from the Base Rental Account and deposit in the Interest Account an amount which, together with money on deposit in the Interest Account and available to pay interest due on such date, equals the interest then due on the Bonds on the Interest Payment Date or redemption date, as the case may be. Amounts in the Interest Account shall be used to pay interest on the Bonds. The Trustee shall, on or before each Interest Payment Date or redemption date, transfer money from the Base Rental Account and deposit in the Principal Account an amount which, together with money on deposit in the Principal Account and available for such purpose, equals the principal then due or required to be redeemed on the Interest Payment Date or redemption date, as the case may be, with respect to the Bonds. Amounts in the Principal Account shall be used to pay principal of the Bonds.

Redemption Account. Any proceeds of insurance (other than rental interruption insurance proceeds) or awards in respect of a taking under the power of eminent domain not required to be used for repair, reconstruction or replacement of the Equipment and, under the terms of the Indenture, required to be deposited into the Redemption Account, and any other amounts provided for the redemption of Bonds in accordance with the terms of the Indenture, shall be deposited by the Trustee in the Redemption Account. The Trustee shall, upon surrender of the Bonds called for redemption, on or after the scheduled redemption date withdraw from the Redemption Account and pay to the Bondowners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed in accordance with the Indenture. Amounts in the Redemption Account shall be used to pay the redemption price with respect to the Bonds.

Reserve Fund

There shall be established in trust a special fund designated the "Reserve Fund," which shall be held by the Trustee and which shall be held separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the Reserve Fund as provided in the Indenture. The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease or until there are no longer any Bonds Outstanding. There shall be deposited in the Reserve Fund that portion of the proceeds of the Bonds required to be deposited in the Reserve Fund pursuant to the Indenture and all other amounts required to be deposited in the Reserve Fund pursuant to the Indenture. If on any Interest Payment Date, the amount on deposit in the Interest Account and/or the Principal Account is less than the principal and interest payments due with respect to the Bonds on such date, then the Trustee shall transfer from the Reserve Fund for credit to such account or accounts sufficient amounts to make up the deficiencies. In the event of any such transfer, the Trustee shall, within five days thereafter, provide written notice to the Lessor of the amount and the date of such transfer. At least five Business Days prior to each Interest Payment Date, the Trustee shall calculate the Reserve Requirement, giving effect to any Bonds to be paid or redeemed on that Interest Payment Date. On such calculation date, the Trustee shall notify the Lessor of any amounts on deposit in the Reserve Fund in excess of the Reserve Requirement on that Interest Payment Date. On the Business Day prior to each Interest Payment Date, the Trustee shall transfer any amounts on hand in the Reserve Fund in excess of the Reserve Requirement (other than amounts that constitute Investment Earnings) to the Base Rental Account of the Bond Fund for application in accordance with the Indenture. If the amount on deposit in the Reserve Fund five Business Days prior to any Interest Payment Date is less than the Reserve Requirement, the Trustee shall promptly notify the Lessor of such fact. Upon receipt of such notice, the Lessor shall transfer to the Trustee for deposit into the Reserve Fund all funds legally available for such use until the amount on deposit in the Reserve Fund equals the Reserve Requirement. For purposes of determining the amount on deposit at any time in the Reserve Fund the Trustee shall value all Qualified Investments in the Reserve Fund at the cost of such investments (exclusive of accrued interest).

Earnings Fund

The Trustee shall establish, maintain and hold in trust a special fund separate from any other fund or account established and maintained under the Indenture designated as the "Earnings Fund." The Trustee shall administer the Earnings Fund as provided in the Indenture. The Earnings Fund shall be maintained by the Trustee until the Lessor directs, in writing, that it be closed.

The Trustee shall establish and maintain in the Earnings Fund a separate account designated as the "Investment Earnings Account," and a separate account designated as the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and money held by the Trustee. Pursuant to the Indenture, the Trustee shall deposit, as and when received, all Investment Earnings on the funds and accounts established under the Indenture (other than the Costs of Issuance Account and the

Excess Earnings Account) into the Investment Earnings Account. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account pursuant to written instructions from the Lessor Representative in accordance with the provisions of the Tax Certificate. Upon such transfer, any amount remaining in the Investment Earnings Account or any amount on deposit in the Excess Earnings Account which exceeds the amount required to be maintained therein in accordance with the provisions of the Tax Certificate, shall pursuant to written instructions from the Lessor Representative be deposited, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, second, to the Interest Account of the Bond Fund. Except as set forth in the preceding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States in accordance with written instructions of the Lessor Representative.

Insurance Proceeds Fund

If any Equipment Component shall be damaged, destroyed or stolen, the Lessee may elect to repair or replace such affected Equipment Component if the conditions set forth in the Lease are satisfied. If any Equipment Component shall be damaged, destroyed or stolen and the Lessee exercises its option to repair or replace such affected Equipment Component, the Lessee shall deposit with the Trustee the full amount of any insurance deductible relating to any insurance policy pursuant to which the Lessee will file an insurance claim. The proceeds of any insurance (other than any rental interruption insurance proceeds), including the proceeds of any self insurance fund or insurance deductible received on account of any damage, destruction or taking of any Equipment Component or portion thereof and any other amount which the Lessee elects to deposit with the Trustee for purposes of repairing or replacing any Equipment Component, shall be held by the Trustee in a special account to be created by the Trustee, designated as the "Insurance Proceeds Fund," and held under the Indenture and, if the Lessee exercises its option to repair or replace such affected Equipment Component, such proceeds shall be made available for, and to the extent necessary to be applied to, the cost of the repair or replacement upon receipt by the Trustee of a requisition executed by a Lessor Representative, together with invoices for the repair or replacement as provided in the Lease. Pending such application, such proceeds may be invested by the Trustee solely at the written direction of the Lessor, in Qualified Investments that mature not later than the times money is expected to be needed to pay the costs of repair or replacement. If within 60 days following the receipt by the Trustee of any proceeds of any insurance, including the proceeds of any self insurance fund claim relating to any Equipment Component, the Lessee does not exercise its option to repair or replace the affected Equipment Component, such proceeds shall be deposited into the Redemption Account and applied to the redemption of Bonds in the manner provided in the Indenture. Any amounts received by the Trustee under this paragraph in excess of the amount needed to either repair or replace a damaged, destroyed or taken Equipment Component or to redeem Bonds shall be transferred to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and the excess, if any, of such amount shall be remitted to the Lessee.

Covenants

Lessor To Perform Pursuant to Lease. The Lessor covenants and agrees with the Bondowners to perform all obligations and duties imposed on it as Lessor under the Lease.

Extension of Payment of Bonds. The Lessor shall not directly or indirectly extend the dates upon which the Base Rental payments are required to be paid or prepaid, or the time of payment of interest with respect thereto. Nothing in the Indenture shall be deemed to limit the right of the Lessor to issue any securities for the purpose of providing funds for the repayment of the Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

Access to Books and Records: Notices. The Trustee shall at all times have access to those books and records of the Lessor which may be reasonably required by the Trustee to fulfill its duties and obligations under the Indenture.

General. The Lessor shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Lessor under the provisions of the Indenture. The Treasurer and Tax Collector of the Lessee as ex officio officer of the Lessor and all deputies or assistants of such officer are designated agents of the Lessor for the purposes of instructing the Trustee under the Indenture and executing and delivering any documents necessary or advisable for the transactions contemplated by the Indenture or in order to accomplish the purposes of the Indenture, and the Lessor further authorizes such persons to instruct the Trustee as they deem necessary and to execute and deliver such documents. The Lessor certifies, declares, recites and warrants that upon the date of initial issuance of any of the Bonds, (a) all conditions, acts and things with respect to the Lessor required by the Constitution and the laws of the State and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Constitution of the State and the applicable laws of the State, (b) the issuance of the Bonds shall comply in all respects with the applicable laws of the State, and (c) the Lessor is duly authorized to execute and enter into the Indenture.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on all Bonds, the Lessor covenants in the Indenture to comply with each applicable requirement of section 103 and sections 141 through 150 of the Code, in that the Lessor agrees to comply with the covenants contained in, and the instructions given pursuant to the Tax Certificate. The Trustee agrees to comply with any written instructions received from the Lessor which the Lessor indicates must be followed in order to comply with the Tax Certificate. Notwithstanding any other provision of the Indenture to the contrary, upon the Lessor's failure to observe, or refusal to comply with, the foregoing covenant, no persons other than the Trustee or the Bondowners shall be entitled to exercise any right or remedy provided to the Bondowners under the Indenture on the basis of the Lessor's failure to observe, or refusal to comply with the covenant.

Prosecution and Defense of Suits. The Lessor shall promptly take such action as may be necessary to cure any defect in the title to the Equipment or any Equipment Component, whether now existing or hereafter occurring, and shall prosecute and defend all suits, actions and all other proceedings as may be appropriate for such purpose.

Further Assurances. The Lessor will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the provisions of the Indenture, and for the better assuring and confirming to the Trustee, on behalf of the Bondowners, the rights and benefits provided in the Indenture.

Continuing Disclosure. The Lessee has covenanted and agreed in the Disclosure Certificate that the Lessee will comply with and carry out all of the provisions of the Disclosure Certificate. Notwithstanding anything to the contrary contained in the Indenture, failure to comply with the provisions of the Disclosure Certificate shall not be considered an Event of Default under the Indenture; provided, however, the Trustee at the written request of any Bondowner of at least 25% aggregate principal amount of Bonds, shall, or any Bondowner may, take such actions as may be necessary and appropriate but only to the extent indemnified to its satisfaction from any cost, liability, expense or additional charges, including without limitation fees and expenses of its attorneys, including seeking mandate on specific performance by court order, to cause the Lessee to comply with its obligations under the Disclosure Certificate.

Notices to Rating Agencies. The Trustee covenants and agrees that it shall give or cause to be given notice to the Rating Agencies of the occurrence of any amendments to the Indenture or the Lease, to the extent actually known to it; and any redemption, purchase or defeasance of the Bonds.

Investments Authorized

Except as otherwise provided in the Indenture, money held by the Trustee in any fund or account under the Indenture shall be invested by the Trustee in such Qualified Investments as the Lessor shall direct in writing or shall confirm in writing pending application as provided in the Indenture, provided that amounts in the Reserve Fund shall be invested in Qualified Investments which will mature not more than five years after the date the Reserve Fund acquires the investment. The Qualified Investments shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee. Absent timely written directions from the Lessor, the Trustee shall invest any funds held under the Indenture by it in securities described in subsection (10) of the definition of Qualified Investments. The Lessor agrees that it will give direction to invest or confirm investments only in Qualified Investments and the Trustee shall have no obligation to inquire into the accuracy of the Lessor's determination that such investments are Qualified Investments. Absent direction from the Lessor to the contrary, the Trustee may commingle any of the funds held by it pursuant to the Indenture into a separate fund or funds for investment purposes only; provided, however, that all funds and accounts held by the Trustee shall be accounted for separately notwithstanding such commingling by the Trustee, including separate accounting of the earnings on such commingled investments. The Trustee may purchase or sell to itself or any affiliate, principal or agent, investments authorized by this paragraph. Any investments and reinvestment shall be made giving full consideration to the time at which funds are required to be available under the Indenture and, subject to the Tax Certificate, to the highest yield practicably obtainable giving due regard to the safety of the funds and the date upon which the funds will be required for the uses and purposes required by the Indenture. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment or as a sponsor or advisor with respect to any investment. The Lessor acknowledges that to the extent the Comptroller of the Currency or other applicable regulatory entity grants the Lessor the right to receive brokerage confirmations of securities transactions as they occur, the Lessor specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Lessor periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Provisions Relating to the Trustee

The Trustee is appointed to act solely as set forth in the Indenture, to receive, hold and disburse in accordance with the terms of the Indenture the moneys to be paid to it, to authenticate and deliver Bonds secured by Base Rental to be paid by the Lessee under the Lease, to apply and disburse payments received pursuant to the Lease to Bondowners, all as provided in the Indenture. By executing and delivering the Indenture, the Trustee accepts the duties and obligations provided in the Indenture.

The Lessor may at any time, so long as no Event of Default has occurred and is continuing, by written request at any time and for any reason, remove the Trustee and any successor thereto, and shall thereupon appoint a successor or successors thereto, but any such successor shall be a commercial bank, national banking association, or trust company having an office in Los Angeles, California, which, together with the corporate parent of such Trustee, has a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000 and shall be subject to supervision or examination by federal or state banking authority. Notwithstanding the foregoing, a bank or trust company which does not have a combined capital and surplus of at least $100,000,000 may be appointed as the successor Trustee if its obligations under the Indenture are guaranteed by an affiliate which meets the capitalization requirement set forth in the preceding sentence, which guaranty shall be acceptable as to form and substance to the

Lessor. If the bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes as provided for under the Indenture, the combined capital and surplus of the bank or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. Any removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

The Trustee or any successor may at any time resign by giving written notice to the Lessor and by giving notice by first-class mail, postage prepaid, to the Bondowners of its intention to resign and of the proposed date of resignation, which shall be a date not less than 45 days after mailing of the notice, unless an earlier appointment of a successor trustee shall have been effected. Upon receiving the notice of resignation, the Lessor shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Lessor fails to appoint a successor Trustee within 30 days following receipt of the written notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Any successor Trustee approved by the Bondowners, the Lessor or any court shall satisfy the qualifications set forth in the Indenture. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Trustee shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under the Indenture), shall be the successor to the Trustee without the execution or filing of any paper or further action, anything in the Indenture to the contrary notwithstanding.

Amendments

Amendments to Indenture. The Indenture may be modified or amended at any time without the consent of any Bondowners, upon the written agreement of the Lessor and the Trustee, but only (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provisions contained in the Indenture, (b) in regard to questions arising under the Indenture which the Trustee may deem necessary or desirable and not inconsistent with the Indenture and which shall not adversely affect the interests of the Bondowners then Outstanding, (c) to qualify the Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (d) for any other reason; provided such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and provided further that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Indenture upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Bondowner to receive the Bondowner's proportionate share of Base Rental in accordance with the provisions of the Owner's Bond without the prior written consent of the Bondowner so affected, and no amendment shall reduce the percentage of Bondowners whose consent is required for any amendment to the Indenture without the prior written consent of the Owners of all Bonds then Outstanding.

Amendments to Lease. The Lease may be amended in writing by agreement among the parties to the Indenture. The Lease may be modified or amended at any time, and the Trustee may consent to such modification or amendment without the consent of any Bondowners, if such modification or amendment is (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture; (b) in regard to questions arising under the Lease which the Lessee and the Lessor may deem necessary or desirable and not inconsistent with the Lease and which

shall not adversely affect the interests of the Bondowners then Outstanding; (c) to modify or amend the equipment description set forth in Exhibit B to the Lease to reflect the substitution of Equipment Components; (d) to modify or amend Exhibit A to the Lease to reflect the acquisition of Equipment Components after the Closing Date, if applicable; (e) to modify or amend Exhibit A to the Lease to reflect the prepayment of Base Rental pursuant to the Lease; or (t) for any other reason; provided such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and provided further that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Lease or in giving consent to such amendment or modification upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment to the Lease shall impair the right of any Bondowner to receive such Bondowner's share of Base Rental in accordance with the terms of his Bond or shall decrease the amount of Base Rental payable or postpone the dates upon which such payments are to be made without the prior written consent of the Bondowner so affected.

Consent of Bondowners. If the consent of the Bondowners is required or requested with respect to any proposed amendment to the Indenture or to the Lease, it shall not be necessary for the consent of the Bondowners to approve the particular form of any such amendment, but it shall be sufficient if such consent shall approve the substance thereof. If at any time the Lessee or the Lessor shall request the Trustee to enter into any amendment to the Indenture or to consent to an amendment to the Lease and the Trustee determines that the consent of the Bondowners is required for such amendment, then the Trustee shall, at the expense of the Lessor, cause notice of the proposed execution of a document containing such amendment, and requesting their consent thereto, to be mailed, postage prepaid, to the Owners of all Outstanding Bonds at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the Principal Corporate Trust Office for inspection by all Bondowners.

Whenever, at any time after the date of the mailing of such notice, there shall be delivered to the Trustee an instrument or instruments in writing purporting to be executed by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in such notice and specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee upon having received the consent of the Lessor may execute such amendment or give its consent thereto in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Bondowner shall have consented thereto. If the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental agreement shall have consented to and approved the execution of such supplemental agreement as provided under the Indenture, no Owner of any Bond shall have any right to object to the execution of such amendment, or to object to any of the terms and provisions contained in such supplemental agreement or the operation thereof or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Lessor from executing the same or from taking any action pursuant to the provisions of such supplemental agreement.

The lack of actual receipt by any Bondowner of such notice and request for consent and any defects in such notice and request for consent shall not affect the validity of the proceedings for the obtaining of such consent. A certificate of the Trustee that the notice and request for consent have been mailed as provided in the Indenture shall be conclusive as against all parties. Any such written consent shall be binding upon the Bondowner giving such consent and on any subsequent Bondowner (whether or not such subsequent Bondowner has notice thereof) unless such consent is revoked in writing by the Bondowner giving such consent or by the subsequent Bondowner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the Trustee shall have

executed the applicable amendment or given its consent to the applicable amendment as provided under the Indenture.

Limitation of Liability

Neither the Lessee nor the Lessor shall have any obligation or liability to the Bondowners with respect to the performance by the Trustee of any duty imposed upon the Trustee under the Indenture, including the distribution by the Trustee of principal of and interest on the Bonds to the Bondowners. Except as provided in the Indenture, neither the Trustee nor the Lessor shall have any obligation or liability to the Bondowners with respect to the payment of Base Rental by the Lessee when due, or with respect to the performance by the Lessee of any other covenant made by the Lessee in the Lease. Except for (a) the payment of Base Rental and Additional Rental when due in accordance with the provisions of the Lease, and (b) the performance by the Lessee of its obligations and duties as set forth in the Lease, the Lessee shall have no obligation or liability to the Trustee or the Bondowners.

Neither the Trustee nor the Lessor shall have any obligation or responsibility for providing information to the Bondowners concerning the investment quality of the Bonds, for the sufficiency of any Base Rental or for the actions or representations of the Lessee. Neither the Trustee nor the Lessor (except as provided below) shall have any obligation or liability to the Lessee with respect to the failure or refusal of the Lessee to perform any covenant or agreement made by it under the Lease, but shall be responsible solely for the performance of the duties expressly imposed upon it under the Indenture. Notwithstanding the foregoing, the Lessor shall be liable to the Bondowners with respect to the failure of the Lessee to perform any covenant or agreement contained in the Lease, but only to the extent of the Lessor's interest in the Equipment. The recitals of facts, covenants, and agreements contained in the Lease shall be taken as statements, covenants and agreements of the Lessee and neither the Trustee nor the Lessor assumes any responsibility for the correctness of the same and makes no representation as to the validity or sufficiency of the Indenture, the Lease or the Bonds, or as to the value of or title to the Equipment and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations assigned to or imposed upon it under the Indenture. The Trustee shall not be liable except for its own negligence or willful misconduct.

To the extent permitted by law, the Lessor shall indemnify and save and hold the Trustee harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses, including the costs of defense, and damages suffered by it as a result thereof, where and to the extent such claim, suit or action arises out of the performance of its duties under the Indenture, or the actions of any other party to the Indenture or the Lease, including but not limited to the ownership, operation or use of the Equipment, the defense of any suit or the enforcement of any remedies under the Indenture, the Bonds or any related document. Such indemnification shall not extend to judgments or settlements obtained against the Trustee and expenses of litigation in connection therewith based upon failure of the Trustee to perform and carry out the duties specifically imposed upon and to be performed by the Trustee pursuant to the Indenture, unless the Lessor has agreed in writing that the Trustee not perform such duty. In the event the Lessor is required to indemnify the Trustee as provided in the Indenture, the Lessor shall be subrogated to the rights of the Trustee to recover such losses or damages from any person or entity. The obligations of the Lessor to the Trustee under this paragraph shall survive the resignation or removal of the Trustee and the discharge of the Indenture.

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give any person other than the Lessee, the Lessor, the Trustee and the Bondowners any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision of the Indenture; and all such covenants, conditions, and provisions are and shall be for the sole and exclusive benefit of the Lessee, the Lessor, the Trustee and the Bondowners.

Events of Default and Remedies of Owners

The following shall be "Events of Default" under the Indenture: (a) an event of default shall have occurred under the Lease; or (b) breach by the Lessor of any other terms, covenants or conditions contained in the Indenture or the Lease, and failure to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee to the Lessor, or to the Lessor and the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such breach cannot be remedied within the 60-day period, the Lessor shall fail to institute corrective action within such 60-day period and diligently pursue the same to completion. In the event an Event of Default has occurred and is continuing and the Trustee has knowledge of such Event of Default, the Trustee shall give notice, at the expense of the Lessor, of the Event of Default to the Bondowners. The notice shall state that the Lessor is in default and shall provide a brief description of the default. The Trustee in its discretion may withhold notice if it deems it in the best interest of the Bondowners. The notice to Bondowners provided for under the Indenture shall be given by first-class mail, postage prepaid, to the Bondowners within 30 days of the occurrence of the Event of Default, to the extent such Event of Default is actually known to the Trustee.

Upon the occurrence and continuance of any Event of Default specified in subsection (a) of the immediately preceding paragraph, the Trustee may proceed (upon written request of the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction by the Bondowners, shall proceed) to exercise the remedies set forth in of the Lease or available to the Trustee under the Indenture. The Trustee shall exercise the rights and remedies vested in it under the Indenture with the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his affairs. No remedy conferred upon or reserved to the Trustee under the Indenture or the Lease is intended to be exclusive and every remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture and the Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Bondowners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than the notice as may be required in the Indenture or by law. In the event any provision contained in the Indenture should be breached by a party and thereafter waived by another party, the waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach.

In the event the Trustee fails to take any action to eliminate an Event of Default under the Lease or under the Indenture, including the collection of Base Rental when due, the Bondowners of a majority in aggregate principal amount of the Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Lease or the Indenture, but only if such Bondowners, shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Lease or the Indenture or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with the request within a reasonable time. Notwithstanding any other provisions in the Indenture, the right of any Bondowner to receive the Bondowner's share of Base Rental in accordance with the provisions of his Bond or to institute suit for the enforcement of any such payment on or after such payments become due shall not be impaired or affected without the consent of such Bondowner.

Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses), to the extent necessary to pay all principal and interest then due and unpaid with respect to all Outstanding Bonds and to make the deposit into the Base Rental Account required to be made pursuant to the Lease, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Indenture or the Lease shall be deposited by the Trustee into the Base Rental Account and transferred, first, to the Interest Account and, then, to the Principal Account to pay the interest and principal due with respect to the Bonds. If the amount deposited into the Interest Account is not sufficient to pay all overdue interest payments, the amounts deposited shall, if paid to the Bondowners, be distributed pro rata to Bondowners on the basis of the amount of interest due and unpaid to the Bondowners. If the amount deposited into the Principal Account is not sufficient to pay all overdue principal payments, the amount deposited shall, if paid to the Bondowners, be distributed pro rata to Bondowners on the basis of the amount of principal due and unpaid to the Bondowners.

To the extent not required to be deposited into the Base Rental Account pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under the Indenture or the Lease shall be applied as follows in the order of priority indicated: (a) first, deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; (b) second, to the payment of Additional Rental then due and payable; and (c) thereafter, any remaining amounts shall be deposited into the Base Rental Account.

Defeasance

All or any of the Bonds may be paid or be deemed to be paid in one of the following ways: (1) by the deposit by the Lessor with the Trustee, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Bond Fund and the Reserve Fund and dedicated, as evidenced by a certificate of a Lessor Representative, to this purpose, without the need for further investment, is fully sufficient to pay the Bonds, including all principal and interest due with respect thereto, *provided, however*, that this means of defeasance shall be subject to written confirmation by each nationally recognized rating agency, then rating the Bonds, that the defeasance provided for in the Indenture, will not cause the then current ratings to be reduced or withdrawn; or (2) by the deposit with the Trustee in accordance with the Lease, at or before maturity of the Bonds, of cash and/or Government Obligations which, in the written opinion of a certified public accountant, is in an amount sufficient, together with the earnings to accrue on the Government Obligations without the need for further investment, to pay when due the debt service on the Bonds, including all principal, redemption premium, if any, and interest payable with the respect thereto.

When any Bond has been paid or is deemed to have been paid as provided in the Indenture, the Bond shall no longer be deemed Outstanding under the provisions of the Indenture, and all obligations of the Trustee and the Lessor under the Indenture with respect to the Bond shall cease, except only the obligations of the Trustee under certain provisions of the Indenture and the obligations to pay or cause to be paid to the Bondowner thereof all sums due with respect thereto and to pay to the Trustee any amounts due pursuant to the Indenture.

THE LEASE AGREEMENT

The following is a summary of the provisions contained in the Lease. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Lease.

Term

The Term of the Lease shall commence on the Closing Date, and shall end on the earlier of (1) such time as the Bonds payable from Base Rental attributable to all the Equipment Components shall have been paid (including any abated Base Rental) and provided no default or event of default then exists and is continuing under the Lease, or (2) [_____], unless such term is otherwise terminated or extended as provided in the Lease. If on [_____], the Indenture shall not be discharged by its terms, or if the Base Rental payable under the Lease shall be abated at any time and for any reason, then the Term of the Lease shall be extended until the Indenture shall be discharged by its terms. If prior to [_____], the Base Rental and Additional Rental shall have been fully paid in connection with the Bonds, the term of the Lease shall end ten days thereafter or ten days after written notice by the Lessee to the Lessor to the effect that the Base Rental and Additional Rental payable under the Lease shall be fully paid and all Bonds have been fully paid, and the Lease shall thereupon terminate.

Base Rental

Subject to the provisions of the Lease, the Lessee shall pay to the Lessor, its successors and assigns, as a portion of the rental for the use and possession of the Equipment, Base Rental payments, each comprised of components of principal and interest, equal to the aggregate Base Rental specified in the Lease. Except as otherwise required under the Lease, in no event shall the Base Rental on any date be less than the aggregate amount of principal and interest required to be paid or redeemed on such date with respect to the Bonds. Base Rental payable by the Lessee shall be due one day prior to each Lease Payment Date during the term of the Lease. The interest component of Base Rental payable on the Business Day preceding June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the interest component of Base Rental payable on the Business Day preceding December 1 in any year shall be for the period of June 1 of such year to November 30 of such year. The principal component of Base Rental payable on the Business Day preceding June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the principal component of Base Rental payable on the Business Day preceding December 1 in any year shall be for the period of June 1 of such year to November 30 of such year. To secure the performance of its obligation to pay Base Rental, the Lessee shall deposit the Base Rental payable on each Lease Payment Date with the Trustee, in immediately available funds, at least one day prior to that Lease Payment Date, in each case for application by the Trustee in accordance with the terms of the Indenture. The obligation of the Lessee to pay Base Rental shall commence on the Closing Date

Base Rental shall be paid from any source of legally available funds of the Lessee and, so long as any Equipment Component is available for the Lessee's use, the Lessee covenants to take such action as may be necessary to include all Rental Payments due under the Lease in any Fiscal Year during the Term in its annual budget for the Fiscal Year and to make the necessary annual appropriations for all such Rental Payments, which covenants of the Lessee shall be deemed to be, and shall be, ministerial duties imposed by law, and it shall be the duty of each and every public official of the Lessee to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Lessee to carry out and perform the covenants made by the Lessee under the Lease. Subject to certain provisions of the Lease, the Lessee's obligation to make Rental Payments when due shall be absolute and unconditional without any right of set-off or counterclaim. The obligation of the Lessee to make Rental Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the Lessee to make Rental Payments under the Lease constitute indebtedness of the Lessee, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Notwithstanding any dispute between the Lessor and the Lessee, including any dispute as to the failure of any Equipment Component to perform the task for which it is leased, the Lessee shall make all Rental Payments when due and shall not withhold any Base Rental payments pending the final resolution of such dispute. In the event the Lessee should fail to make any of the payments required, the payments in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable to the Lessor, its successors and assigns, at the rate equal to the net effective interest rate paid with the respect to the Bonds on the date such interest was due.

The Base Rental and the Additional Rental required by the Lease shall be paid by the Lessee in consideration of the right of possession of, and the continued use and possession of, the Equipment during each such period for which said rental is to be paid. The parties to the Lease have agreed and determined that the Base Rental for each of such period as set forth in the Lease does not exceed the fair rental value of the Equipment. In making such determination, consideration has been given to the Acquisition Costs, other obligations of the parties under the Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Equipment and the benefits therefrom which will accrue to the Lessee and the general public. The Lessee understands and agrees that, pursuant to the assignment provided for in the Indenture, the Lessor has assigned its right to receive and collect Base Rental and prepayments thereof and certain other rights to the Trustee in trust for the benefit of the Bondowners, and the Lessee consents to such assignment. The Lessor directs the Lessee, and the Lessee agrees to pay to the Trustee at the Principal Corporate Trust Office, or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the Lessee pursuant to the Lease. The total Rental Payments due in any Fiscal Year shall be for the use and possession of the Equipment for such Fiscal Year. Base Rental payments shall be subject to abatement as provided in the Lease.

Additional Rental

In addition to the Base Rental, the Lessee shall pay as Additional Rental such amounts as shall be required for the payment of all administrative costs of the Lessor, if any, relating to the Equipment or the issuance of the Bonds, including without limitation, taxes of any sort whatsoever payable by the Lessor as a result of its ownership of the Equipment or undertaking of the transactions contemplated in the Lease or in the Indenture, fees of auditors, accountants, attorneys or engineers, fees, expenses and indemnification costs of the Trustee and all other necessary administrative costs of the Lessor and Lessee or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Lease, the Bonds or of the Indenture, including the insurance premiums required to maintain insurance as required under the Lease, or to defend the Lessor, its members and each Indemnified Party. Additional Rental due under the Lease shall be paid by the Lessee directly to the person or persons to whom such amounts shall be payable. The Lessee shall pay all such amounts when due or within thirty days after notice in writing from the Trustee to the Lessee, stating the amount of additional payments then due and payable and the purpose thereof.

Substitution of Equipment Components

The Lessee shall, at any time, have the right to substitute any item of personal property of comparable value to and a Useful Life not less than the remaining Useful Life of, the Equipment Component to be substituted, but only by providing the Trustee with (a) a written certificate (1) describing both the new Equipment Component and the Equipment Component for which it is to be substituted, and stating that such new Equipment Component is of comparable value and has a Useful Life not less than the Useful Life of the Equipment Component for which it is being substituted and (ii) stating that such substitution will not result in an abatement of Rental Payments, and (b) a new Exhibit B to the Lease, which shall include the substitute Equipment Components and which shall supersede in its

entirety the existing Exhibit B to the Lease. All costs and expenses incurred in connection with such substitution, including without limitation the cost of acquiring such property, shall be borne by the Lessee. In the event of such substitution, the Equipment Component substituted for the original Equipment Component shall become fully subject to the terms of the Lease. Notwithstanding any substitution of Equipment Components pursuant to the Lease, there shall be no reduction in the Base Rental due from the Lessee under the Lease and there shall be no reduction in the aggregate fair rental value of the Equipment as a result of such substitution.

Option to Purchase Equipment Components and Prepay Base Rental

The Lessee shall have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase all but not less than all of the Lessor's right, title and interest in the Equipment on any Business Day, upon payment of the option price, but only if the Lessee is not in default under the Lease and only in the manner provided in the Lease. The option price for the Equipment in any Fiscal Year shall be the amount necessary to pay or defease all of the Bonds then Outstanding. The Lessee shall exercise its option to purchase the Equipment under the Lease by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in the Equipment and the option price shall be payable in installments solely from amounts deposited with the Trustee as provided in the Lease. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised, and (ii) shall be in an amount equal to the amount of Base Rental which would have been payable had such option not been exercised. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its option under the Lease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Government Obligations in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee. On any Business Day as to which the Lessee shall properly have exercised the option granted it pursuant to the Lease, and shall have paid or made provision (as set forth in the preceding paragraph) for the payment of the required option price, the Lessor and the Trustee shall execute and deliver to the Lessee bills of sale or quitclaim deeds and releases, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in each purchased Equipment Component. If the Lessee shall properly exercise the option provided in the Lease prior to the expiration of the Term of the Lease, and the Lessor and the Trustee shall execute and deliver the bills of sale or quitclaim deeds and releases, as appropriate, for each Equipment Component as aforesaid, then the Lease shall terminate, but such termination shall not affect the Lessee's obligation to pay the option price on the terms set forth in the Lease.

In the event that the Lessee exercises its option to purchase all of the Equipment and in connection therewith performs all of its obligations and satisfies all of the requirements specified in the immediately preceding paragraph and pays all Additional Rental required by the Lease, the Lessee's obligations under the Lease shall thereupon cease and terminate, including but not limited to the Lessee's obligations to continue to pay Base Rental under the Lease.

The Lessee shall also have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase the Lessor's right, title and interest in any Equipment Component on any Business Day, upon payment of the option price therefor, but only if the Lessee is not then in default under the Lease and only in the manner provided in the Lease. The option price in any Fiscal Year for each Equipment Component shall be as specified by the County; provided, however, that the remaining

annual fair rental value of the remaining Equipment Components, in the aggregate, shall be at least equal to the principal and interest remaining due in each year on all Outstanding Bonds. The Lessee shall exercise its option to purchase under this paragraph by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in any Equipment Component and the option price shall be payable in installments solely from amounts deposited with the Trustee as provided in the Lease. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable for the use and possession of such Equipment Component had such option not been exercised until the due date of the final installment referred to in the proviso set forth below in this paragraph, and (ii) shall equal the amount of each Base Rental attributable to that Equipment Component; provided, however, that the final installment shall be payable on or prior to the end of the Term of the Lease. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its purchase option under the Lease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Government Obligations in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee. On any Business Day as to which the Lessee shall properly have exercised its option to purchase any Equipment Component pursuant to this paragraph, and shall have paid the option price therefor, the Lessor and the Trustee shall execute and deliver to the Lessee a bill of sale or quitclaim deed and release, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in that Equipment Component. If the Lessee shall properly exercise the option provided in this paragraph as to any Equipment Component prior to the expiration of the Term of the Lease, then the lease for that Component shall terminate and thereafter the Lessee shall be obligated to pay Base Rental only on the remaining Equipment Components.

In the event the Lessee exercises its option to purchase any Equipment Component and in connection therewith performs all of its obligations and satisfies all of the requirements specified in the immediately preceding paragraph with respect to such Equipment Component, the principal component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the principal amount of Bonds payable on that Lease Payment Date which were redeemed or defeased (as a result of such purchase) and the interest component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the interest which would have been payable on that Lease Payment Date on the prepaid principal components (as a result of such purchase) had such amounts not been prepaid. If any such reductions in Base Rental shall occur, the Lease shall be amended by the Lessee to reflect such reductions.

Maintenance

The Lessee shall, at its own expense, maintain the Equipment, or cause the same to be maintained, in good order, condition and repair and furnish all parts, mechanisms, devices and servicing required therefor so that the value and condition of the Equipment will at all times be maintained, ordinary wear and tear excepted. All such parts, mechanisms and devices shall immediately, without further act, become part of the Equipment, without cost to the Lessor. The Lessee shall provide or cause to be provided all maintenance service, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Equipment. The Lessee shall cause all Equipment Components to be operated in accordance with the manufacturer's or supplier's instructions or manuals, by duly qualified personnel only and in compliance with all laws and regulations applicable to such Equipment Components and with all insurance which the Lessee is required to maintain under the Lease. It is understood and agreed that in consideration of the payment by the Lessee of the Rental

Payments provided for in the Lease, the Lessee is entitled to use and possession of the Equipment and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Equipment during the Term of the Lease. The Lessor shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever to the Equipment. The Lessee expressly waives the right to make repairs or to perform maintenance of the Equipment at the expense of the Lessor and (to the extent applicable and to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating to repairs and maintenance. The Lessee shall keep the Equipment free and clear of all liens, charges and encumbrances, other than those existing on the Closing Date. and any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed on or materials furnished in connection with the Equipment which are not due and payable or the amount, validity or application of which is being contested in accordance with the Lease.

Insurance

The Lessee shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Lease, all coverage on the Equipment required by the Lease. Such insurance shall consist of. (a) a policy or policies of insurance against loss or damage to the Equipment known as "all risk," including theft, earthquake and flood. Such insurance shall be maintained at all times in an amount not less than the greater of the full replacement value of the Equipment or the aggregate principal amount of Bonds at such time Outstanding (such insurance may at any time include a deductible clause providing for a deductible not to exceed $1,000,000 from all losses in any year; if such policies are not available or if such policies are not obtainable with such deductibles from reputable insurers at a reasonable cost on the open market, the Lessee shall self-insure to the extent it cannot obtain such insurance policies); (b) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Equipment (such insurance shall afford protection with a combined single limit of not less than $100,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the Lessee's risk management officer or an independent insurance consultant retained by the Lessee for that purpose); provided, however, that the Lessee's obligations under this clause (b) may be satisfied by self-insurance; (c) rental interruption insurance to cover loss, total or partial, of the use of any part of the Equipment as a result of any of the hazards covered by the insurance required pursuant to clause (a) above, in an amount sufficient at all times to pay the Base Rental payable under the Lease for a period of not less than two years (the Lessee may not self-insure for rental interruption insurance); and (d) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State or by qualified self-insurance programs, to insure against liability for compensation under the Workers' Compensation Insurance and Safety Act in force in the State, or any act enacted after the date of the Lease as an amendment or supplement thereto or in lieu thereof. The "full replacement value" as used in the Lease with respect to any Equipment Component shall mean the cost to repair or replace that Equipment Component, with an Equipment Component of like kind and quality, without deduction for depreciation, but shall in no event be less than the cost of said original Equipment Component as reflected in the Lease.

Liens

Except as provided in the Lease, the Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgages, pledges, liens, charges, encumbrances or claims, as applicable, on or with respect to the Equipment, other than the respective rights of the Lessor and the Lessee as provided in the Lease. Except as expressly provided in the Lease, the Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge,

encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided, however, that the Lessee (a) may contest any such mortgage, pledge, lien, charge, encumbrance or claim without payment thereof so long as such non-payment and contest stays execution or enforcement of such mortgage, pledge, lien, charge, encumbrance or claim, but if such mortgage, pledge, lien, charge, encumbrance or claim is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the Lessee shall forthwith pay and discharge such judgment or such mortgage, pledge, lien, charge, encumbrance or claim, or (b) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture. The Lessee shall reimburse the Lessor for any expense incurred by the Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Laws and Ordinances

The Lessee agrees to observe and comply with all rules, regulations and laws applicable to the Lessee with respect to each Equipment Component and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the Lessee, and the Lessor shall not be liable therefor. The Lessee agrees further to place, keep, use, maintain and operate the Equipment in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Abatement

A proportionate amount of Base Rental shall be abated during any period in which, by reason of damage, destruction, theft or otherwise, there is substantial interference with the use and possession of any Equipment Component by the Lessee. There shall be no abatement of Base Rental to the extent that moneys are (a) on deposit in the Reserve Fund, (b) on deposit in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and (c) otherwise legally available to the Lessee and transferred to the Trustee for the purpose of making Base Rental, and are available to pay the amount which would otherwise be abated. The amount of any abatement shall be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) through (c) above, do not exceed the fair rental value for the use and possession of the Equipment Components not taken, damaged or destroyed. Such abatement shall commence on the date of theft, damage or destruction and shall end with the substantial completion of the work of repair of the Equipment Component or the delivery of a replacement Equipment Component. Additional Rental shall not be abated so long as a significant portion of the Equipment Components remains available for the use and possession of the Lessee. Except as provided in the Lease, in the event of any such theft, damage or destruction, the Lease shall continue in full force and effect and the Lessee waives any right to terminate the Lease by virtue of any such theft, damage or destruction.

Assignment, Subleasing and Amendment of the Lease

Except as provided in the Indenture, the Lessor will not assign the Lease, its right to receive Base Rental from the Lessee, or its duties and obligations under the Lease to any other person, firm or corporation.

The Lessee may sublease any Equipment Component, with the consent of the Lessor, subject to all of the following conditions: (a) the Lease and the obligation of the Lessee to make Base Rental under the Lease shall remain obligations of the Lessee; (b) the Lessee shall, within sixty (60) days after the delivery thereof, furnish or cause to be furnished to the Lessor and the Trustee a true and complete copy of such sublease; (c) no sublease by the Lessee shall cause any Equipment Component to be used for a

purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and (d) prior to entering into any sublease, the Lessee shall deliver to the Trustee an opinion of Bond Counsel to the effect that the interest component of the Base Rental due with respect to the Equipment Component subject to the sublease shall not be includable in gross income for federal income tax purposes as a result of such sublease.

The Lessee will not alter, modify or cancel or agree or consent to alter, modify or cancel the Lease except as permitted by the Indenture.

Events of Default and Remedies

The following shall be "events of default" under the Lease and the terms "events of default" and "defaults" shall mean, whenever they are used in the Lease, any one or more of the following events: (a) failure by the Lessee to pay any Base Rental required to be paid under the Lease when due on a Lease Payment Date; (b) failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease or otherwise with respect to the Lease or in the Indenture, other than as referred to in clause (a) of this paragraph, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee by the Lessor, the Trustee, or the Bondowners of not less than a majority in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Trustee or such Owners, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; (c) the filing by the Lessee of a case in bankruptcy, or the subjection of any right or interest of the Lessee under the Lease to any execution, garnishment or attachment, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of creditors, or the entry by the Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may be enacted after the date of the Lease; and (d) the Lessor's failure to perform any of its obligations under the Lease shall not be an event permitting the nonpayment of Base Rental by the Lessee or the termination of the Lease by the Lessee.

The parties to the Lease agree that any remedies provided under the Lease shall be exercised by the Trustee, as assignee of the Lessor's rights. Upon the occurrence and continuance of any event of default, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall proceed) to exercise the remedies set forth in the Lease. Pursuant to California Civil Code Section 1951.4, notwithstanding that the Lessee has breached the Lease and abandoned the Equipment, the Lease shall continue in effect and the Lessor or the Trustee may enforce all of their rights and remedies under the Lease. Without limiting any other remedies available to the Trustee under the Lease or at law, the Trustee shall have the right, at its option, without any further notice (a) to recover rent as it becomes due under the Lease, and (b) to exercise any other right or remedy which may be available to it under applicable law or to proceed by appropriate court action to enforce the terms of the Lease or to recover damages for the breach of the Lease or to rescind the Lease. In addition, unless and until the Lease has been terminated pursuant to its terms, the Lessee shall be liable for all unpaid rent and other amounts due under the Lease before or during the exercise of any of the foregoing remedies and for all legal fees, taxes, governmental charges and other costs and expenses incurred by reason of the occurrence of any event of default or the exercise of the Trustee's remedies with respect thereto.

Neither the Lessor nor the Trustee shall exercise its remedies under the Lease so as to cause the portion of Base Rental designated as and comprising interest to be included in gross income for federal

income tax purposes or to be subject to State personal income taxes. Notwithstanding any other provision of the Lease to the contrary, in no event shall the Lessor or the Trustee have the right to accelerate the payment of any Base Rental under the Lease. Notwithstanding any provision of the Lease to the contrary, the Trustee does not have the right: (i) to demand that the Lessee return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

APPENDIX D

PROPOSED FORM OF APPROVING OPINION

Upon the delivery of the Bonds, Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation, proposes to issue its approving opinion in substantially the following form:

County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 432
Los Angeles, California 90012

Los Angeles County Capital
Asset Leasing Corporation
County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 383
Los Angeles, California 90012

Re: Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $_____ Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of [June 1, 2006] (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and [TRUSTEE], as Trustee (the "Trustee"). The Bonds are payable from and secured by payments of Base Rental, as such term is defined in the Lease Agreement, dated as of [June 1, 2006] (the "Lease Agreement"), by and between the Corporation, as lessor, and the County of Los Angeles, California, a political subdivision of the State of California, as lessee (the "County"). Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture and the Lease Agreement.

The County has entered into the Lease Agreement for the purpose of leasing certain items of personal property described therein. The County is obligated under the Lease Agreement to pay Base Rental from any source of legally available funds, subject to the provisions in the Lease Agreement providing for abatement of Base Rental payments in certain circumstances. Pursuant to the Indenture, the Corporation has assigned its right to receive Base Rental payments to the Trustee for the benefit of the Bondowners.

We are of the opinion that:

1. The Lease Agreement has been duly authorized, executed and delivered by the County and constitutes a valid and legally binding obligation of the County, enforceable in accordance with its terms.

2. The Indenture has been duly authorized, executed and delivered by the Corporation and constitutes a valid and legally binding obligation of the Corporation, enforceable in accordance with its terms.

3. The obligation of the County to make Base Rental payments during the term of the Lease Agreement constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefor, and does not constitute a debt of the County or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or State of California has levied or pledged any form of taxation.

4. Under existing statutes and court decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, interest on the Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations by the Code.

5. Under existing statutes, interest on the Bonds is exempt from State of California income tax imposed on individuals.

In rendering the opinions in paragraph 4 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate delivered on the date hereof by the Corporation with respect to the use of proceeds of the Bonds and the investment of certain funds, and other matters affecting the non-inclusion of interest on the Bonds in gross income for Federal income tax purposes under Section 103 of the Code, and (ii) compliance by the Corporation with procedures and covenants set forth in the Tax Certificate and with the tax covenants set forth in the Indenture as to such tax matters. Under the Code, failure to comply with such procedures and covenants may cause the interest on the Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds, irrespective of the date on which such noncompliance occurs or is ascertained.

We have examined an executed Bond and in our opinion, the form of said Bond and its execution are regular and proper.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds, the Indenture, the Lease Agreement and the Tax Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principals of equity (regardless of whether such enforceability is considered in equity or at law).

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the County of Los Angeles (the "County") as of [June 1, 2006] in connection with $_____ principal amount of Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of [June 1, 2006] (the "Indenture"), by and between the County and [TRUSTEE], as Trustee (the "Trustee"), a Resolution of the Board of Supervisors of the County adopted [June 1, 2006] relating to the issuance of the Bonds (the "Resolution"). Pursuant to Sections 5 and 9 of the Resolution, the County hereby covenants and agrees as follows:

1. Purpose of Certificate. This Certificate is being executed and delivered by the County for the benefit of the Bondowners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below).

2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"Annual Report" means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any Person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Certificate, the County has not appointed a Dissemination Agent.

"Listed Events" means any of the events listed in Section 5(a) of this Certificate.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Commission as of the date of this Certificate are set forth in Exhibit A to this Certificate.

"Participating Underwriter" means any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" means each National Repository and each State Repository.

"Rule" means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretations thereof issued either before or after the effective date of this certificate which are applicable to this Certificate.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date of this Certificate, there is no State Repository.

3. Provision of Annual Reports.

a. The County shall, or shall cause the Dissemination Agent to, not later than February 1 in each year, commencing with the report for the County's fiscal year ended June 30, 2006, provide to each Repository copies of an Annual Report which is consistent with the requirements of Section 4 of this Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Subsection 5(c).

b. Not later than 15 Business Days prior to the date specified in subsection (a) above for providing the Annual Report to Repositories, the County shall provide the Annual Report to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the Repositories an Annual Report by the date specified in subsection (a) above, the County shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form of Exhibit B to this Certificate.

c. The Dissemination Agent (if one has been appointed) shall:

i. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

ii. file a report with the County certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

d. The County may satisfy its obligations hereunder to file any notice, document or information with a NRMSIR or SID (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or SID, to the extent permitted by the SEC or SEC staff or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the agent or conduit has received an interpretive letter, which has not been withdrawn, from the SEC staff to the effect that using the agent or conduit to transmit information to the NRMSIRs and the SID will be treated for purposes of the Rule as if such information were transmitted directly to the NRMSIRs and the SID.

4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

a. The audited financial statements of the County for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting

standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Offering Memorandum relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

b. To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

i. assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

ii. summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the fiscal year of the County most recently ended;

iii. summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

iv. summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

v. summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

vi. the ratio of the County's outstanding debt to total assessed valuations as of the end of the fiscal year of the County most recently ended.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

5. Reporting of Significant Events.

a. Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

i. principal and interest payment delinquencies;

ii. non-payment related defaults;

iii. unscheduled draws on debt service reserves reflecting financial difficulties;

iv. unscheduled draws on credit enhancements reflecting financial difficulties;

v. substitution of credit or liquidity providers, or their failure to perform;

vi. adverse tax opinions or events affecting the tax status of the Bonds;

vii. modifications to the rights of Bondowners;

viii. bond calls;

ix. defeasances;

x. release, substitution, or sale of property, it any, securing repayment of the Bonds; and

xi. rating changes.

b. Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

c. If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Municipal Securities Rulemaking Board and the State Repository, if any Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) above need not be given under this subsection any earlier than the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

6. Termination of Reporting Obligation. The County's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the name manner as for a Listed Event under subsection 5(c).

7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty days written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Certificate.

8. Amendment: Waiver. Notwithstanding any other provision of this Certificate, the County may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

a. If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

b. The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the

issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. The amendment or waiver either (1) is approved by the Bondowners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be following in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

9. Additional Information. Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in Appendix A to the County's official statements relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. No Previous Non-Compliance. The County represents that it has not failed to comply win any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

11. Default. In the event of a failure of the County to comply with any provision of this Certificate, any Bondowner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Certificate in the event or any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

12. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

13. Beneficiaries. This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

14. Governing Law. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

IN WITNESS WHEREOF, the County of Los Angeles has executed this Continuing Disclosure Certificate as of the date first set forth herein.

COUNTY OF LOS ANGELES

By:_____
Authorized Signatory

EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories (subject to change as provided in the Continuing Disclosure Certificate):

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/municontacts.html
Email: Munis@Bloomberg.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
http://www.interactivedata.com
Email: NRMSIR@interactivedata.com

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	County of Los Angeles
Name of Bond Issue:	Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program)
Date of Issuance:	[June 28, 2006]

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of [June 1, 2006] with respect to the Bonds. [The County anticipates that the Annual Report will be filed by _____.]

Dated:_____

_____
on behalf of the County

HD&W Draft - 5/23/06

OFFICIAL NOTICE INVITING BIDS

$_____*

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION LEASE REVENUE BONDS, 2006 SERIES A (LAC-CAL EQUIPMENT PROGRAM)

NOTICE IS HEREBY GIVEN that bids for the purchase of $_____* par value Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds") will be accepted only through i-Deal's Parity® electronic bid submission system ("Parity"), as the approved electronic bidding system, as agent of the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") in accordance with the terms of this Notice Inviting Bids. The bids will be received at the place and up to the time described below under the captions "Time" and "Submission of Bids."

TIME: Bids will not be accepted after 9:00 a.m., Pacific Time, on [June 15], 2006 (subject to the provisions described below under the caption "Submission of Bids"), or at such later date and/or other time as shall be established by the Corporation and communicated through Thomson Municipal Market Monitor ("Thomson"). If no legal bid or bids are received for the Bonds on [June 15], 2006 or if the sale date and/or time is postponed or rescheduled (or if no bids are received or the sale date is postponed to such other date as is communicated by Thomson), bids will be received at the same time and manner specified on such other date as shall be designated by the Corporation and communicated through Thomson. Prospective bidders are urged to watch Thomson for any change in the terms of the sale or the date and time for the receipt of bids.

SUBMISSION OF BIDS: All bids must be submitted only through Parity. No other provider of interest bidding services and no other means of delivery (i.e., telephone, telefax or physical delivery) will be accepted. The bids for such Bonds must be submitted by 9:00 a.m., Pacific Time, on [June 15], 2006.

To bid via the Parity electronic bidding process, bidders must have requested and received admission to the Corporation's auction, as described below. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. The use of Parity shall be at the bidder's risk, and neither the Corporation, the County of Los Angeles, California, the Financial Advisor nor Hawkins Delafield & Wood LLP, Bond Counsel to the County and the Corporation, shall be responsible for, and each bidder expressly assumes the risk of, any incomplete, inaccurate or untimely bid submitted by such bidder, including, without limitation, incomplete, inaccurate or untimely bids caused by reason of garbled transmissions, mechanical failure, slow or engaged telephone or telecommunications lines or any other cause. The Corporation is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Notice Inviting Bids. All costs and expenses incurred by prospective bidders in connection with their submission of bids through Parity are

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* Preliminary, subject to change.

the sole responsibility of the bidders and the Corporation is not responsible for any of such costs or expenses.

In the event any provision of this Notice Inviting Bids conflicts with the Rules of Parity, this Notice Inviting Bids shall prevail.

The time as displayed on the Parity Auction Page shall constitute the official time. All bids shall be deemed to incorporate the provisions of this Notice Inviting Bids.

Further information about Parity, including registration requirements, may be obtained from:

Parity®
1359 Broadway, 2nd Floor
New York, New York 10018
Tel: (212) 849-5021
Attention: Client Services

AWARDING OF BIDS: The Corporation and the County will take action awarding or rejecting all bids not later than twenty-four (24) hours after the expiration of the time herein prescribed for the receipt of bids. The highest bidder shall be the bidder submitting the best price for the Bonds, resulting in the lowest true interest cost as determined for the Corporation by the County of Los Angeles Treasurer and Tax Collector, whose determination shall be binding and final absent manifest error. In case of tie bids, the awarding bidder will be determined by lot. In the event multiple bids are received from a single bidder, the County and the Corporation shall accept the best of such bids, and each bidder agrees by submitting any bid to be bound by its best bid.

Changes in the amortization schedule made as described below will not affect the determination of the winning bidder or give the winning bidder any right to reject the Bonds.

RIGHT TO REJECT BIDS; WAIVE IRREGULARITIES: The Corporation reserves the right to reject any and all bids and, to the extent permitted by law, to waive any irregularity or informality in any bid.

RIGHT TO MODIFY OR AMEND: The County and the Corporation reserve the right to modify or amend this Official Notice Inviting Bids, however, such modifications or amendments shall be made not later than 10:00 a.m., Pacific Time, on the business day prior to the bid opening and communicated through Parity.

POSTPONEMENT; REJECTION OF BIDS: The County and the Corporation reserve the right to postpone, from time to time, the date established for receipt of bids. Any such postponement will be announced by Parity, not later than 10:00 a.m., Pacific Time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date will be announced via Thomson, at least twenty-four (24) hours prior to such alternative sale date. In addition, the County and the Corporation reserve the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent date on which bids for purchase of the Bonds will again

be received. If all bids are rejected and a subsequent date for receipt of bids is established, notice of the subsequent sale date will be announced via Thomson at least twenty-four (24) hours prior to such subsequent sale date. On any such alternative or subsequent sale date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of this Official Notice Inviting Bids, except for the date of sale and except for the changes announced via Thomson, at the time the sale date and time are announced.

AUTHORIZING LAW: The Bonds will be issued under and pursuant to resolutions of the County and the Corporation and pursuant to Chapter 10 (commencing with Section 5800) of Division 6 of Title I of the Government Code.

PURPOSE OF THE ISSUE: The proceeds from the sale of the Bonds will be used to refinance the acquisition of certain equipment, machinery, vehicles and other tangible personal property (the "Equipment"), to fund a reserve fund and pay for costs of issuance. The Corporation will lease the Equipment to the County pursuant to a Lease Agreement, dated as of June 1, 2006, by and between the Corporation and the County (the "Lease").

GENERAL TERMS OF THE BONDS: $_____* aggregate principal amount Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) in fully registered form in denominations of $5,000 and any integral multiple thereof. The Bonds will be dated their date of delivery. The interest rate of the Bonds may not exceed a true interest cost of 6%, payable on June 1 and December 1, commencing on December 1, 2006. Principal will be payable at maturity or upon redemption in lawful money of the United States of America upon presentation of each Bond at the principal corporate trust offices of [TRUSTEE], as trustee (the "Trustee"), or at the principal corporate trust offices of any paying agent of the Corporation. The Bonds shall bear interest at a rate or rates to be fixed upon the sale thereof. The Bonds shall mature as follows:

Maturity Date	Principal Amount*	Maturity Date	Principal Amount*
December 1, 2006	$_,___,___	December 1, 2008	$_,___,___
June 1, 2007	_,___,___	June 1, 2009	_,___,___
December 1, 2007	_,___,___	December 1, 2009	_,___,___
June 1, 2008	_,___,___	June 1, 2010	_,___,___

Bidders are referred to the Preliminary Official Statement for definitions of terms and for further particulars, including further information regarding the County and the Bonds.

ADJUSTMENT OF PRINCIPAL AMOUNTS AND AMORTIZATION SCHEDULE: The principal amounts set forth in this Official Notice Inviting Bids reflect certain estimates of the Corporation, the County and its Financial Advisor with respect to the likely interest rates of the winning bid and the premium/discount contained in the winning bid. The principal amortization schedule may be changed prior to the time bids are to be received and

* Preliminary, subject to change.

if adjustments are made, bidders must bid on the basis of the adjusted schedule. Such changes, if any, will be communicated by Thomson, not later than 10:00 a.m., Pacific Time, on the business day prior to the bid opening.

After selecting the winning proposal, the amortization schedule may be adjusted as necessary in $5,000 increments to reflect the actual interest rates and any premium/discount in the winning bid.

Such adjustments will not change the aggregate principal amount of the Bonds by more than ten percent (10%) or change the principal amount due on the Bonds in any maturity by the greater of ten percent (10%) or $100,000. Any such adjustment will be communicated to the winning bidder within twenty-four (24) hours after acceptance of the bids.

INTEREST RATES AND MINIMUM AND MAXIMUM PURCHASE PRICE: Bidders must bid to purchase all and not part of the Bonds. Each interest rate bid must be a multiple of 1/8 or 1/20 of 1%. No Bond shall bear more than one interest rate. Each Bond must bear interest at the rate specified in the bid from its dated date to its fixed maturity date or until redeemed. Bidders should assume a dated date on the Bonds and a delivery date on the Bonds of [June 28], 2006. The true interest cost on the Bonds may not exceed 6%. The bidder shall provide a calculation of the true interest cost which is considered informative only and not part of the bid. The aggregate purchase price shall not exceed 105% or be less than 97% of the principal amount of the Bonds.

BOOK-ENTRY FORM ONLY: The Bonds will be registered in the name of The Depository Trust Company, New York, New York ("DTC") or its nominee as registered owner of the Bonds. Transfer of principal and interest payments of DTC will be the responsibility of DTC, and transfer of principal and interest payments to the beneficial owners of the Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Corporation will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

SECURITY; SPECIAL LIMITED OBLIGATIONS: The Bonds are secured pursuant to the Indenture by the lease payments received by the Corporation pursuant to the Lease. In accordance with the provisions of the Indenture and the Lease, the County will be obligated to pay to the Corporation base rental in an amount equal to the semiannual rental amounts listed in the Lease. The County also agrees under the Lease to pay additional rent equal to all taxes, assessments, insurance premiums and administrative costs of the Corporation in connection with the Equipment.

The Bonds are special obligations of the Corporation payable solely from base rental payments received pursuant to the Lease and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The obligation of the County to pay base rental and additional rental does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay base rental payments or additional rental payments does not constitute a debt or indebtedness of the County, the State of California

or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. Under certain circumstances, base rental may be abated under the Lease without constituting a default. In the event of a default, there is no remedy of acceleration of the total base rental payments due over the term of the Lease and the Trustee is not empowered to sell the Equipment and use the proceeds of such sale to redeem the Bonds or pay debt service thereon or repossess the Equipment in any way. More specifically, the Trustee does not have the right: (i) to demand that the County return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

REDEMPTION PRIOR TO MATURITY:

Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption. The Bonds are subject to mandatory redemption prior to maturity in whole on any date or in part on any interest or principal payment date at a redemption price equal to the principal amount thereof plus accrued but unpaid interest in the redemption date, without premium, from proceeds of insurance or condemnation awards deposited in certain accounts under the Indenture. The Bonds are only subject to mandatory redemption to the extent that base rental payments with respect to the remaining outstanding Bonds do not exceed the fair rental value for the use and possession of the Equipment components not condemned, taken, damaged or destroyed.

Notice of Redemption. The redemption notice must be given to the Owners of the Bonds by first class mail, postage prepaid, at least 30 but not more than 60 days prior to the redemption date at their addresses appearing on the Bond Register as of the close of business on the day before such redemption notice is given. So long as a book-entry system is used for the Bonds, DTC will be registered Owner of the Bonds and any redemption notice will be given directly to DTC. The redemption notice must also be given to certain securities depositories and information services as provided in the Indenture. From and after such redemption date, if amounts sufficient to pay such Bonds are held by the Trustee, interest on the principal amount of the Bonds to be redeemed will cease to accrue.

REOFFERING PRICE: The successful bidder within one (1) hour after being notified of the award of the Bonds will be required to advise the Corporation of the initial public offering price of the Bonds. The successful bidder will also be required, prior to delivery of the Bonds, to furnish to the Corporation a certificate acceptable to Bond Counsel stating that (i) the successful bidder has made a bona fide public offering of the Bonds to the public at initial offering prices not greater than the price shown on the cover of the Official Statement, (ii) a substantial amount of the Bonds were sold to purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices not greater than such offering prices and (iii) the funding of the Reserve Fund securing the Bonds in an amount equal to the Reserve Requirement was a vital factor in marketing the Bonds and

facilitates the marketing of the Bonds at the interest rates provided thereon, which rates are comparable to those of other bond issues of a similar character.

LIST OF MEMBERS ACCOUNT: Bidders are requested to list the names of the members of the account on whose behalf the bid is made in the manner set forth in the authorization to accept electronic bids. The apparent winning bidder will be required to verify such list or to provide an updated list prior to the award of the Bonds.

GOOD FAITH CHECK: A certified check, cashier's check or financial surety bond ("Surety Bond") in the amount of $250,000 must accompany each bid as a guarantee that the bidder, if successful, will accept and pay for said Bonds in accordance with the terms of the bid. If a certified or cashier's check is used, it must be drawn on a bank having an office in Los Angeles; if a Surety Bond is used, it must be from Sure-Bid or guaranteed by such other insurance company licensed to issue such a bond in the State of California acceptable to the County; and be payable to the order of the Los Angeles County Capital Asset Leasing Corporation to secure the Corporation from any loss resulting from the failure of the bidder to comply with the terms of its bid. If the Bonds are awarded to a bidder utilizing a Surety Bond, then that successful bidder is required to submit its bid check in the form of a cashier's check (or wire transfer) as instructed by the Corporation not later than 11:00 a.m., Pacific Time, on the business day following the award of the Bonds.

The Corporation will determine the lowest responsible bidder as soon as possible following the opening of bids, but not to exceed twenty-four (24) hours after the receipt of all bids. The successful bidder's check shall remain in the hands of the Corporation. The successful bidder shall have no right to its bid check or to the funds represented thereby if it fails to complete the purchase of, and make payment in full of the purchase price of, the Bonds for any reason whatsoever, unless such failure of performance shall be caused by an act or omission of the Corporation. No interest will be paid on the deposit made by any bidder. The bid guarantee of an unsuccessful bidder will be returned upon such determination occurring. The successful bidder's bid guarantee shall be retained by the Corporation as liquidated damages in the event the successful bidder does not pay for the Bonds at delivery. However, the Corporation or the County may seek to recover additional damages from the failure to pay for the Bonds if such damages result.

OFFICIAL STATEMENT: The Corporation and the County will have prepared and will make available a preliminary Official Statement which the Corporation and the County will have deemed "final" for purposes of Rule 15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, prior to the time for receipt of proposals, although it is subject to revision, amendment and completion in a final Official Statement to be delivered in accordance with such Rule. The Corporation will provide to the successful bidder such reasonable number of printed copies of the final Official Statement as such bidder may request no later than seven (7) business days after the sale of the Bonds is awarded. Up to 100 copies of the final Official Statement will be furnished without cost to the successful bidder and further copies, if desired, will be made available at the successful bidder's expense.

Copies of the Preliminary Official Statement are expected to be available on the Internet on or about [June 8], 2006, at:

[http:// _____]

or by request made to the County's Financial Advisor, Montague DeRose and Associates, LLC, 5743 Corsa Avenue, Suite 205, Westlake Village, CA 91362, Attention: Douglas Montague, phone: (818) 707-1020, fax: (818) 707-8149, e-mail: montague@montaguederose.com.

DELIVERY AND PAYMENT: Delivery of the Bonds is expected to occur on or about [June 28], 2006. The successful bidder shall pay for the Bonds on the date of delivery in Los Angeles in immediately available federal funds. Any expenses of providing federal funds shall be borne by the purchaser. Payment on the delivery date shall be made in an amount equal to the price bid for the Bonds, less the amount of the good faith check.

CUSIP NUMBERS: It is anticipated that CUSIP Numbers will be printed on the Bonds, but the County and the Corporation will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchasers thereof to accept delivery of and make payment for the Bonds. The cost of obtaining and assigning CUSIP Numbers will be borne by the successful bidder.

CALIFORNIA DEBT INVESTMENT AND ADVISORY COMMISSION FEE: Pursuant to Section 8856 of the California Government Code, a fee must be paid to the California Debt and Investment Advisory Commission ("CDIAC") to cover the costs of its activities with respect to the Bonds. Liability for payment of such CDIAC fee will be borne by the successful bidder or bidders.

CLOSING DOCUMENTS; LEGAL OPINIONS: Each proposal will be understood to be conditioned upon the Corporation or County furnishing to each successful bidder, without charge, concurrently with payment for and delivery of the Bonds, the following closing documents and legal opinions, each dated as of the date of such delivery:

(a) Legal Opinion: The unqualified legal opinion of Hawkins Delafield & Wood LLP, Bond Counsel, approving the validity of the Bonds and stating that interest on the Bonds is not included in gross income for federal income tax purposes and is not treated as a specific item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations; provided that such interest is included in adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. The legal opinion of Hawkins Delafield & Wood LLP will also state that interest on the Bonds is exempt from present State of California personal income taxes;

(b) Tax Certificate: A certificate of the County that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds;

(c) No Litigation Certificate: A certificate of County Counsel of the County, acting on behalf of the Corporation solely in his or her official capacity and not in his or her personal capacity, stating that such individual is not aware of any litigation threatened or pending affecting the validity of the Bonds or challenging any action of the Corporation and stating further that the Corporation is not aware of any pending or threatened litigation contesting its corporate existence or the title of the present corporate officers to their respective offices;

(d) Certificate Regarding Official Statement: A certificate of an appropriate County Official, acting on behalf of the Corporation and County, solely in his or her official capacity and not in his or her personal capacity, stating that, to the best knowledge of such County Official, as of the date of the Official Statement pertaining to the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds to the initial purchasers thereof, the Official Statement together with any amendments thereto did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(e) Signature Certificate: A signature certificate of the officials of the Corporation showing that they have signed the Bonds, whether by facsimile or manual signature, and that they respectively were duly authorized to execute the same, and stating that they are not aware of any litigation threatened or pending affecting the validity of the Bonds.

CONTINUING DISCLOSURE: The County will, pursuant to a Continuing Disclosure Agreement between the County and the Trustee, agree to provide or cause to be provided to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State of California as a state repository for purposes of the Rule (each, a "Repository") certain financial information and operating data and agree to provide, or cause to be provided, to each Repository in a timely manner notice of certain material events respecting the Bonds.

ADDITIONAL INFORMATION: Requests for information concerning the Corporation or the County should be addressed to: Glenn Byers, Director of Public Finance, County of Los Angeles Treasurer and Tax Collector, Kenneth Hahn Hall of Administration, Room 432, 500 West Temple Street, Los Angeles, California 90012, (213) 974-7175.

Given by order of the Board of Directors of the Los Angeles County Capital Asset Leasing Corporation, adopted on the [7th day of June], 2006.

/s/_____
Name: Michael Jimenez
Title: President,
Los Angeles County Capital Asset
Leasing Corporation

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the County of Los Angeles (the "County") as of June 1, 2006 in connection with $_____ principal amount of Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of June 1, 2006 (the "Indenture"), by and between the County and [TRUSTEE], as Trustee (the "Trustee"), a Resolution of the Board of Supervisors of the County adopted June 1, 2006 relating to the issuance of the Bonds (the "Resolution"). Pursuant to Sections 5 and 9 of the Resolution, the County hereby covenants and agrees as follows:

1. Purpose of Certificate. This Certificate is being executed and delivered by the County for the benefit of the Bondowners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below).

2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"Annual Report" means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any Person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Certificate, the County has not appointed a Dissemination Agent.

"Listed Events" means any of the events listed in Section 5(a) of this Certificate.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Commission as of the date of this Certificate are set forth in Exhibit A to this Certificate.

"Participating Underwriter" means any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" means each National Repository and each State Repository.

"Rule" means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretations thereof issued either before or after the effective date of this certificate which are applicable to this Certificate.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date of this Certificate, there is no State Repository.

3. Provision of Annual Reports.

a. The County shall, or shall cause the Dissemination Agent to, not later than February 1 in each year, commencing with the report for the County's fiscal year ended June 30, 2006, provide to each Repository copies of an Annual Report which is consistent with the requirements of Section 4 of this Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Subsection 5(c).

b. Not later than 15 Business Days prior to the date specified in subsection (a) above for providing the Annual Report to Repositories, the County shall provide the Annual Report to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the Repositories an Annual Report by the date specified in subsection (a) above, the County shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form of Exhibit B to this Certificate.

c. The Dissemination Agent (if one has been appointed) shall:

i. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

ii. file a report with the County certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

a. The audited financial statements of the County for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format

similar to the financial statements contained in the final Offering Memorandum relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

b. To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

i. assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

ii. summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the fiscal year of the County most recently ended;

iii. summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

iv. summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

v. summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

vi. the ratio of the County's outstanding debt to total assessed valuations as of the end of the fiscal year of the County most recently ended.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

5. Reporting of Significant Events.

a. Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

i. principal and interest payment delinquencies;

ii. non-payment related defaults;

iii. unscheduled draws on debt service reserves reflecting financial difficulties;

iv. unscheduled draws on credit enhancements reflecting financial difficulties;

v. substitution of credit or liquidity providers, or their failure to perform;

vi. adverse tax opinions or events affecting the tax status of the Bonds;

vii. modifications to the rights of Bondowners;

viii. bond calls;

ix. defeasances;

x. release, substitution, or sale of property, it any, securing repayment of the Bonds; and

xi. rating changes.

b. Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

c. If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Municipal Securities Rulemaking Board and the State Repository, if any Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) above need not be given under this subsection any earlier than the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

6. Termination of Reporting Obligation. The County's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the name manner as for a Listed Event under subsection 5(c).

7. Dissemination Agent. The County may satisfy its obligations hereunder to file any notice, document or information with a NRMSIR or SID (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or SID, to the extent permitted by the SEC or SEC staff or required by the SEC. For this

purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the agent or conduit has received an interpretive letter, which has not been withdrawn, from the SEC staff to the effect that using the agent or conduit to transmit information to the NRMSIRs and the SID will be treated for purposes of the Rule as if such information were transmitted directly to the NRMSIRs and the SID.

8. Amendment: Waiver. Notwithstanding any other provision of this Certificate, the County may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

a. If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

b. The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. The amendment or waiver either (1) is approved by the Bondowners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be following in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

9. Additional Information. Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in Appendix A to the County's official statements relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. No Previous Non-Compliance. The County represents that it has not failed to comply win any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

11. Default. In the event of a failure of the County to comply with any provision of this Certificate, any Bondowner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Certificate in the event or any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

12. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

13. Beneficiaries. This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

14. Governing Law. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

IN WITNESS WHEREOF, the County of Los Angeles has executed this Continuing Disclosure Certificate as of the date first set forth herein.

COUNTY OF LOS ANGELES

By:_____
Authorized Signatory

EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories (subject to change as provided in the Continuing Disclosure Certificate):

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/municontacts.html
Email: Munis@Bloomberg.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
http://www.interactivedata.com
Email: NRMSIR@interactivedata.com

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	County of Los Angeles
Name of Bond Issue:	Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program)
Date of Issuance:	[June 28, 2006]

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of June 1, 2006 with respect to the Bonds. [The County anticipates that the Annual Report will be filed by _____.]

Dated:_____

_____
on behalf of the County